CENTUM

tangible wealth

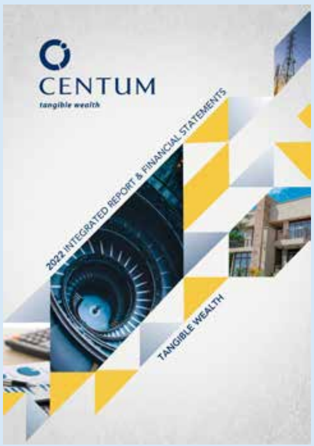
2022 INTEGRATED REPORT & FINANCIAL STATEMENTS

TANGIBLE WEALTH

INSIDE THIS REPORT

The information presented in this report aims to provide our various stakeholders with a clear understanding of the financial, human, social, environmental and economic impact of Centum to enable them to evaluate our ability to create sustainable value for all parties.

About this Report



The scope of this report relates to Centum as an investment company, and material matters arising from its investment activities through growth portfolio (Private Equity and Real Estate) and Marketable Securities.

This report therefore provides a complete analysis of our business to satisfy the information needs of key stakeholders that use the Integrated Report.

The information presented aims to provide our various stakeholders with a clear understanding of the financial, human, social, environmental and economic impact of Centum to enable them to evaluate our ability to create sustainable value for all parties.

Framework

Our Integrated Report is prepared in accordance with the International Integrated Reporting Council's Integrated Reporting Framework, adhering to the fundamental concepts.

Additionally, we continue to align to the Kenya Companies Act, 2015, guidelines issued by the Capital Markets Authority and the listing requirements of the Nairobi Securities Exchange as we have done over the years.

The Financial Statements set out on pages ***115*** to ***248*** have been prepared in accordance with International Financial Reporting Standards (IFRS).

Scope and Boundary

This report outlines who we are, what we do and how we create value in the short, medium and long-term. It provides insights into our structure, strategy, objectives, performance, governance and future viability.

The report provides an overview of the operations and performance of all businesses in which Centum is invested.

These businesses have been depicted in a simplified ownership and legal structure diagram on page ***7***.

The scope of this report relates to Centum as an investment company, and material matters arising from its investment activities through Growth Portfolio and Marketable Securities.

References made within this report refer to Centum Investment Company Plc and all references to the Group denotes the Company and its investments in underlying portfolio companies. Material developments beyond the reporting period up to the date of publishing of this report have been included.

Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Centum. Written primarily for current and prospective investors, the report is of interest to any stakeholder who wishes to make an informed assessment of Centum's ability to create value over time.

This report presents the identified material information through a clearly structured narrative. Additional information not material for this report, but of interest for other purposes, are provided on our website.

ASSURANCE

To enhance the integrity of our report, the financial statements were audited by **PricewaterhouseCoopers LLP** in accordance with International Standards on Auditing (ISAs).

The Centum Board Audit Committee verified the independence of the assurance provided.
The External Auditor's report in relation to the financial statements of the Group and the Company is set out on pages **115** to **248** of this report.

Company Overview

Our operating model as set out below:

We position ourselves as a channel through which our primary market will access a well diversified portfolio and investment management expertise.

Additionally, we are an investment partner of choice for our secondary market.

Our Vision

Africa's foremost investment channel.

Our Mission

Create real, tangible wealth by providing the channel through which investors access and build extraordinary enterprises in Africa.

Our Core Values

- Deliver to promise
- Invest responsibly
- Value our people
- Learn and innovate
- Exceed customer aspirations

Our target market broadly divided into two categories:

01

PRIMARY

These are the providers of debt and equity capital.

02

SECONDARY

These are consumers of our capital, our current and potential investees, co-investors and off-takers of our investments.

Our Investments

Centum Investment Company Plc has invested in carefully-researched sectors. The Company holds stakes directly in the following portfolio companies:

Sector: Financial Services

- 83.4% — SidianBank
- 100% — NABO CAPITAL
- 100% — ZOHARI LEASING

Sector: Education

- 60.2% — LONGHORN PUBLISHERS PLC (expanding minds)

Sector: Manufacturing

- 17.82% — ISUZU EAST AFRICA

Sector: Real Estate

- 100% — CENTUM re
- 58.33% — TWO RIVERS

Sector: Catering & Hospitality Services

- 15.0% — NAS SERVAIR

Sector: Security Services

- 80% — TRIBUS The Solutions Group

Sector: Agriculture

- 100% — Greenblade Growers Ltd

Sector: Power

- 37.3% — AKIIRA GEOTHERMAL

Sector: Information Technology

- 100% — TIERDATA (A member of the Centum Group)

Marketable Securities

- 100%

Percentage figures show Centum's stake in the portfolio companies

Our Business Model and Capital

INPUTS

Financial Capital

All shareholder funds & debt capital:

Shareholder Funds:
Ksh 41,326 million
Short term debt:
Ksh 4,159 million

Read more on our financial capital management under the CFO review on **page 93**

Human & Intellectual Capital

Our people, consists of specialists with investment skills in Private Equity and Marketable Securities and vertically integrated skillset within Real Estate

BUSINESS ACTIVITIES

Centum's Business Model is an integrator of financial capital, human and intellectual knowledge to invest in key sectors within our strategic focus.

Read more about our portfolio models in the Business Review section on **pages 102 to 114**

OUTPUTS

Growth Portfolio

- Capital Appreciation
- Cash Returns
- Social/community development

See more information on our Growth portfolio on **page 103**

OUTCOMES

Debt and Equity Investors

Through value investing, we preserve and deliver Net Asset Value growth year on year while complying with debt covenants.

Employees

We offer a diversified work experience, career growth opportunities and an attractive reward proposition to secure a skilled and motivated work force.

Our staff bonus policy, as set out under Our people and Note 2.3.2 to the financial statements, aligns staff reward and retention to value creation and cash returns.

Total Assets:
Ksh 46,960 million
Dividends paid:
Ksh 220 million
Annuity income:
Ksh 1,303 million
Interest paid:
Ksh 396 million

Direct employment

1,082 employees across the group
<1.0% voluntary staff turnover

Social & Relationship Capital

Our relationships within Centum and between the Company and its external stakeholders are essential to delivering on our strategic plan.

Read more on how we create value in the communities we operate in and for other non-investor stakeholders on **pages 12 to 29**

Natural Capital

Natural resources that we seek to use sustainably. Key inputs under this heading are our land banks at Vipingo, Two Rivers and Pearl Marina and the underlying activities which impact on the environment.

Read more on how we create value in the communities we operate in and for other non-investor stakeholders on **pages 12 to 29**

Central to this **Strategy** is our ability to source capital and to efficiently deploy it profitably in the right investments.

Marketable Securities Portfolio

Contributes to the Company's' cash returns and liquidity management through investment in listed securities and fixed income instruments

See more information on our Marketable Securities portfolio on **page 110**

Government and Regulatory bodies

We seek to fully comply with all government and regulatory institutions in all our business activities.

Compliance

No compliance issues during the year

Communities

We make economic and social contributions in communities that we operate in.

4x - Increase in classrooms in Mathari School
300 - Scholarships awarded to date in Vipingo
102 - Graduates from vocational training program to date in Vipingo
6,866 - Youths enrolled to take listed courses on the Ajiry platform.
13,264 - Youths connected to job opportunities through Ajiry platform
30% green areas - Land dedicated to green spaces across all land banks
Ksh 28m - Annual savings from solar energy usage

Our economic and social contributions are detailed in our Sustainable Investing section on **pages 12 to 29**

Company Snapshot

Ksh 8.1Bn
Market Capitalisation [1]

Ksh 41.3Bn
Net Asset Value [2]
translates to
Ksh 62.1
NAV per share

3.3x
NAV Growth between FY**2011** – FY**2022**

Ksh 22Bn
Retained earnings generated between **March 2011** and **March 2022**

39%
Cost-to-income ratio achieved in the period to **March 2022** a decline from **44%** in FY**2021**

0%
Long Term Gearing [1]

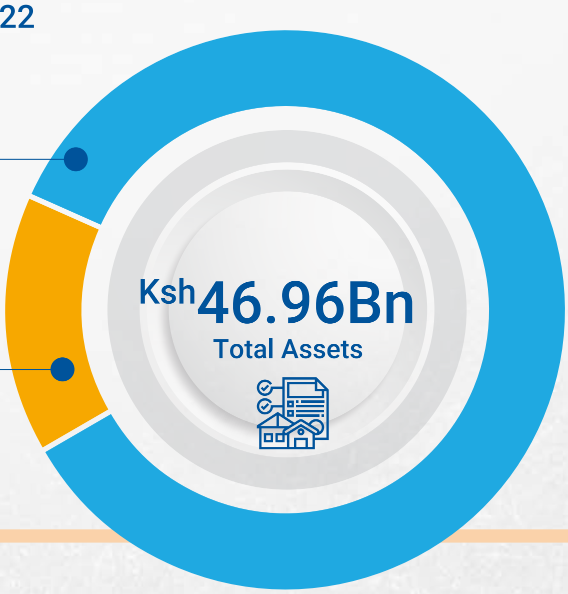
A+(KE), A1(KE)
National scale Long and Short-term ratings affirmed on account of strong financial profile [2]

1 As at 31 March 2022
2 Rating accorded by Global Credit Ratings (GCR) in Dec 2021

Portfolio Allocation – 31 March 2022

Growth Portfolio
85%

Marketable Securities
15%



Five-Year Company Performance Highlights

Return

Return	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Total Return (Ksh Mn)	(248)	(4,819)	(4,362)	4,713	4,677
Return on Opening Equity (%)	(0.6%)	(10%)	(8%)	10%	10%
Outperformance relative to NSE 20 Share Index	0.61%	(4.3%)	23%	35%	(14%)

Financial Position

Financial Position	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Total Assets (Ksh Mn)	46,960	47,515	56,850	71,644	66,087
Net Asset Value (Ksh Mn)	41,326	41,822	47,439	52,600	48,686
NAV Per Share (Ksh)	62.1	62.9	71.3	79.0	73.2
Share Price (Ksh)	12.1	15.6	22.6	32.0	44.5
Market Capitalization (Ksh Mn)	8,052	10,381	15,006	21,294	29,612

Gearing

Gearing	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Debt (Ksh Mn)*	4,159	4,122	7,486	16,145	14,843
Net Debt (Ksh Mn)**	-	-	4,574	15,892	13,765
Net Debt to Equity (%)	-	-	10%	30%	28%
Net Debt to Total Assets (%)	-	-	8%	22%	21%

* Includes Forex translation differences
**Company is in a cash positive position

DECREASE
INCREASE
NO CHANGE

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SUSTAINABLE INVESTING

Our Sustainability Investment Strategy

Our investment objectives are anchored on sustainable development. We make conscious decisions to ensure responsible investing anchored on social, environmental and governance factors.

Our responsible investing policy forms the bedrock against which the sustainable development is anchored. This entails:

- Having proper governance structures, concern for the environment and social responsibility.
- Ensuring that our investments not only generate desired return to shareholders' capital, but also benefit the society and environment.

Our Minimum Environmental Social Governance Standards

Centum is focused on investing in businesses which are committed to:

- Taking necessary measures to ensure equitable distribution of value across the supply chain in all its operations.
- A responsible approach to environmental management of their business operations by making efficient use of natural resources and mitigating environmental risks and damage.
- Respecting the human rights of their workers and of the people within their supply chain
- Maintaining safe and healthy working conditions for their employees and contractors
- Treating their customers fairly and respecting the health, safety and wellbeing of those affected by their business activities.

Our Sustainability Investment Strategy

Our approach to ESG performance assessment and engagement

At Centum, we believe that, in addition to improving environmental and social outcomes – assessing material ESG performance facilitates a stronger understanding of business risks and opportunities and can result to enhanced financial results for stakeholders. We have developed tools and processes that our investment teams may use to incorporate ESG into investment activities.

Engaging Throughout the Investment Cycle.

i. **Deal Review & Investment Decision Making.**
During the investment review process, the ESG team provides support to the investment team with consideration of material sustainability risk and performance indicators.

The indicators are investment-specific, typically based on factors such as the company industry and sectors, geography of operations, and current and future regulatory environment.

The investments are screened against material factors to determine the potential for ESG-related risks, performance, and value creation.

ii. **ESG Performance Assessment and Improvement.**
We have curated a suite of ESG tools that help us monitor material ESG factors across the lifecycle of a deal and identify opportunities to enhance ESG related practices and outcomes to create and preserve sustainable enterprise value.

iii. **Exits.**
Our ESG team conducts Exit Readiness Assessment with an ESG lens with an aim of articulating valuation contribution of achieved ESG positioning.

Our commitment towards optimizing our sustainability maturity

Centum has over the years continued to advance ESG performance within the company and the investee companies. Below is a highlight of key milestones achieved against the key ESG thematic areas:

- We reviewed our Responsible Investment policy to ensure it is tailored to the Company's strategy and investable sectors; there is a clear governance structure detailing ESG oversight responsibilities and processes and an approach to identifying material risks and discussing them with portfolio companies.

- We amplified our efforts to improve disclosure and drive standard setting by identifying a set of standards which we have informally adopted or begun working towards formal adoption. These standards include United Nations Global Compact (UNGC), Global Reporting Initiative (GRI), Sustainable Accounting Standards Board and the Task Force on Climate-Related Financial Disclosure (TCFD).

- We made significant progress on our commitment to ESG by ensuring senior leadership is more actively involved with ESG issues, augmented by dedicated ESG staff to help guide the process. Individuals charged with ESG oversight sit on Board Risk Committee and ESG considerations are included in the committee dialogue.

- We continued to monitor and manage ESG considerations and key performance indicators as part of active portfolio management and value creation process. ESG assessments have been conducted for all portfolio companies.

- We have published our Annual Sustainability report including both qualitative and quantitative updates on ESG considerations, including examples and case studies at the portfolio company level.

- We trained employees on ESG and continued our investments in talent and education to strengthen sustainability governance.

How are We Doing?

ESG IN A SNAPSHOT

GENDER DIVERSITY

40%
Composition of women on the Centum Board

39%
Composition of women on total staff complement

34%
Composition of women in senior management

EDUCATION

300
Total Scholarships advanced up to FY22

WATER AND WASTEWATER

80%
Wastewater is recycled for reuse

SOLAR ENERGY

1.2MW
Installed solar capacity translating to 535 tonnes of carbon emissions reduction

Ksh 28M
Annual saving from solar energy usage

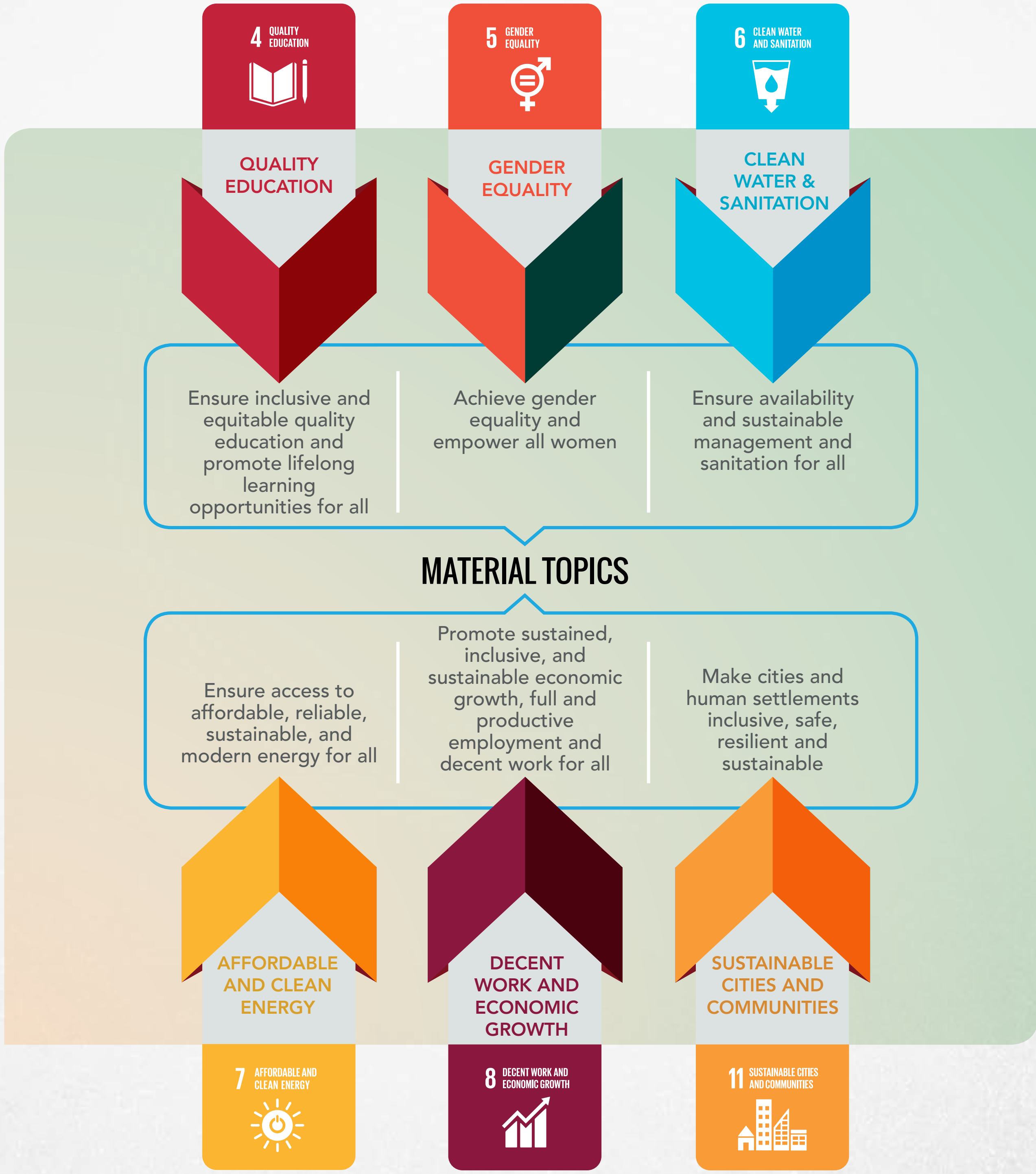
How are We Doing?

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Centum's contribution to the Sustainable Development Goals (SDGs) is based on a thorough assessment of the business risks and opportunities arising from the goals. Our aim is to ensure that our SDGs activities are well planned, are relevant, and aligned with our business strategy.

Alignment to the UN SDGs

Sustainability reporting provides a framework to outline our ambitions regarding a series of social and environmental issues that we believe are likely to affect our portfolio companies' outcomes. Centum has identified six areas of focus from 17 SDGs. The selection criteria involved considering the priorities of our shareholders, the portfolio exposures and the areas where we could most meaningfully contribute based on our position in the market. These six areas of focus are:



Alignment to the UN SDGs

QUALITY EDUCATION

Why this matters.

Education is key to personal development, self empowerment, social mobility and to earning a decent livelihood.

Skills acquired through education are of crucial importance for the youth who are at higher risk of being marginalized. Education is an enabler of economic growth, social equality and public participation.

It is our concern that poor learning outcomes are heightening unemployment in the country because of a combination of ineffective learning environment, especially in public schools, and poor capacity building for teachers.

How we contribute.

Mathari Primary School – Upgrading of learning infrastructure

In 2017, Two Rivers Development Limited, a subsidiary of Centum, in collaboration with Nairobi City County and others completed a CSI project to rebuild Old Mathari Primary School at a cost of over Ksh 180 million. The project increased the capacity of the school from 8 to 32 classrooms.

The main goal of the initiative was to provide a conducive environment for the students to learn and give them control over their future choices.

Establishment of a Vocational Training Centre

In 2018, we established a Vocational Training Centre in Kilifi County to equip the local community with relevant skills in order to benefit from the employment opportunities in Vipingo Development and in the wider market-place. 102 youth have graduated from the programme since its inception.

Ksh 180 MILLION
Cost of Rebuilding Old Mathari Primary School.

Project increased number of classrooms from **8 to 32**

311
Number of additional pupils enrolled at Mathari Primary School

102
The number of youth that have graduated and benefited from the Vipingo Development employment opportunities.

4 QUALITY EDUCATION

4.1 Free primary and secondary education
4.3 Equal access to affordable technical, vocational and higher education
4.4 Increase the number of people with relevant skills for financial success

Alignment to the UN SDGs

QUALITY EDUCATION

How we contribute

Provision of Annual Scholarships

Vipingo Development Limited awards full scholarships to children from underprivileged families in its host communities annually.

For the 2021/2022 Financial year, **50 students** received scholarships bringing the total number of students to **300**.

4 QUALITY EDUCATION

4.1 Free primary and secondary education
4.3 Equal access to affordable technical, vocational and higher education
4.4 Increase the number of people with relevant skills for financial success

How we contribute

Ajiry – Learn with Ajiry

Learn with Ajiry is an e-learning skills building platform that provides services to the growing number of job seekers looking to participate in an increasingly competitive job market, offering courses to enhance professional capabilities and technical skills.

The platform seeks to generate new opportunities for work and professional growth, closing the skill and productivity gap.

Ajiry
we work

A total of **366 free online courses** have been uploaded to the platform. These include **60 certified cyber-security courses**.

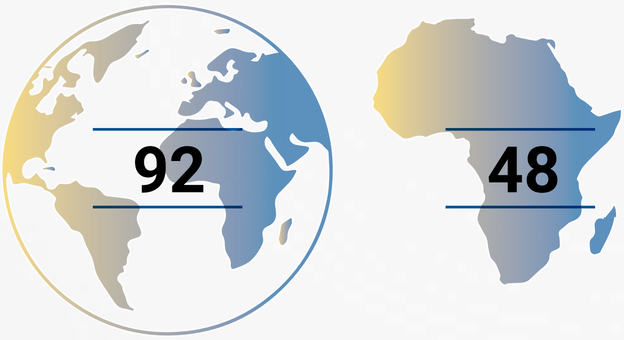
6,866 youths have enrolled to take the listed courses with a 48% to 52% ratio of men to women, respectively.

4 QUALITY EDUCATION

4.1 Free primary and secondary education

4.3 Equal access to affordable technical, vocational and higher education

4.4 Increase the number of people with relevant skills for financial success



The platform has been accessed across **92 countries** world-wide of which **48 are African countries** in only **10 months** after launch.

6,866
number of youths enrolled to take the listed courses.

Alignment to the UN SDGs

GENDER EQUALITY

Why this matters.

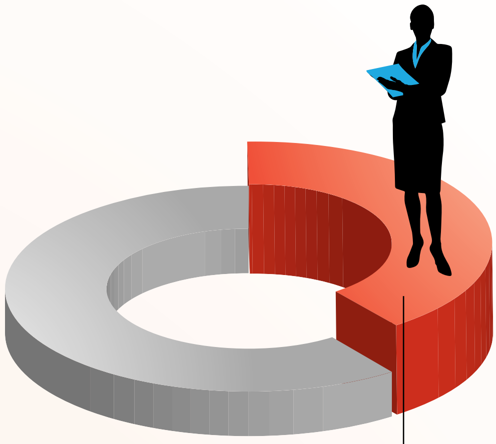
Political, economic and social equality for women will benefit all the world's citizens. At Centum, we acknowledge that gender diversity has a positive impact on the performance of teams and businesses as a whole.

How we contribute.

At Centum, the diversity of our workforce is a source of a wide array of skills and expertise, creates broad networks and fosters an inclusive and open corporate culture.

*We are committed to **providing** and **promoting equal opportunities** and **ensure that diversity** and **inclusion** are incorporated in our corporate culture.*

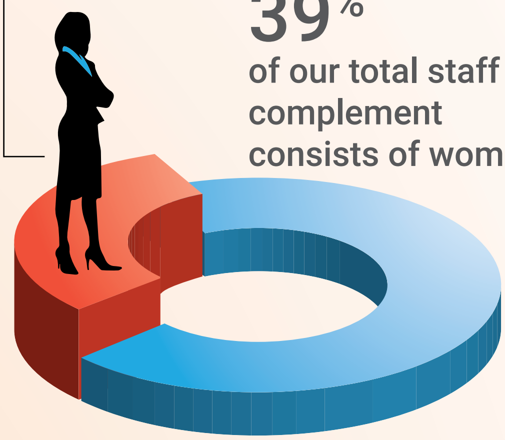
*Over the years, **Centum has** continuously **increased** the proportion of **women** sitting **on its Board** and in **Senior Management**.*



40% of our Board of Directors consists of women.

34% of our senior leadership consists of women.

39% of our total staff complement consists of women.



5 GENDER EQUALITY

5.5 Ensure full participation in leadership and decision-making

Alignment to the UN SDGs

CLEAN WATER AND SANITATION

Why this matters.

Africa's cities are growing at an unprecedented rate. In Kenya, the urban population, currently at 12 million, will more than triple to 40 million by 2050. This rapid urbanization has huge implications for water use and wastewater management in the country's cities, which already face rising water and sanitation demands and problems, such as pollution and overexploitation.

At Centum, our key focus within our developments is on how we can make cities more livable and equitable through integrating water improvements into the very fabric of urban living.

How we contribute.

Wastewater Management at Two Rivers

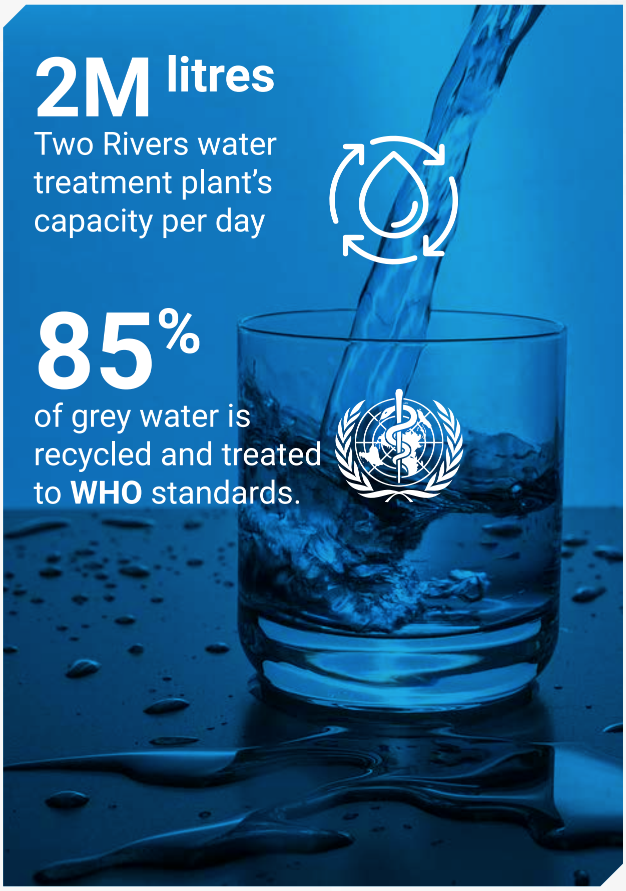
At Two Rivers, we have the region's largest reverse osmosis water treatment plant with a capacity to treat 2 million litres of water per day. This reduces the daily raw water consumption by 70% and allows for 85% of grey water to be recycled and treated to World Health Organisation standards. **36,000 cubic** meters of water was recycled for reuse in FY 22.

Sea water desalination plant at Vipingo

The Coast region in Kenya has an acute water shortage with a projected demand of 186,000 m3/day against a supply of 42,000 m3/day. At Vipingo, we completed installation of a 3 million litres per day reverse osmosis desalination plant which is the largest sea water desalination plant in Sub-Saharan Africa. The desalination plant will provide a sustainable solution to water scarcity within the development and the community.

Githogoro Water Project

Centum, through Centum Foundation, commissioned the Githogoro Water project in 2020 with an objective of providing over 10,000 families with access to clean water. In FY2022, we have supplied approximately **1,000 cubic** metres / **1M** litres of treated water to Githogoro informal settlement.



6 CLEAN WATER AND SANITATION

6.3 Improve water quality, wastewater treatment and safe reuse

6.4 Increase water-use efficiency and ensure freshwater supplies

How we contribute (continued)

Centum Real Estate has entered into a Memorandum of Understanding (MOU) with The Nature Conservancy Africa ("TNC"), and The Upper Tana Nairobi Water Fund Trust. Centum RE has committed to invest **Ksh 20M** in the Upper Tana Nairobi Water Fund to facilitate the conservation and sustainable management of the Upper Tana Watershed through implementation of sustainable land management (SLM) and integrated natural resource management (INRM) activities in Kenya.

The Nature Conservancy recognizes the importance of businesses in creating a sustainable future. The organization collaborates with partners to achieve social, economic, and environmental benefits on a global scale.

The Upper Tana Nairobi Water Fund is a public-private partnership with a mission to support the long-term conservation, protection and maintenance of the Upper Tana Watershed and thereby improve Nairobi's water security and the function of hydropower facilities on the Tana River.

6 CLEAN WATER AND SANITATION

6.3 Improve water quality, wastewater treatment and safe reuse

6.4 Increase water-use efficiency and ensure freshwater supplies

Alignment to the UN SDGs

AFFORDABLE AND CLEAN ENERGY

Why this matters.

Energy consumption is one of the areas in which our operations have the greatest direct impact on the environment as it accounts for around 60% of our total greenhouse gas emissions. Implementing renewable energy solutions is therefore essential to counter climate change.

How we contribute.

At Centum, we strive to improve energy efficiency and reduce the over-reliance on non-renewable energy.

Green Energy at Two Rivers

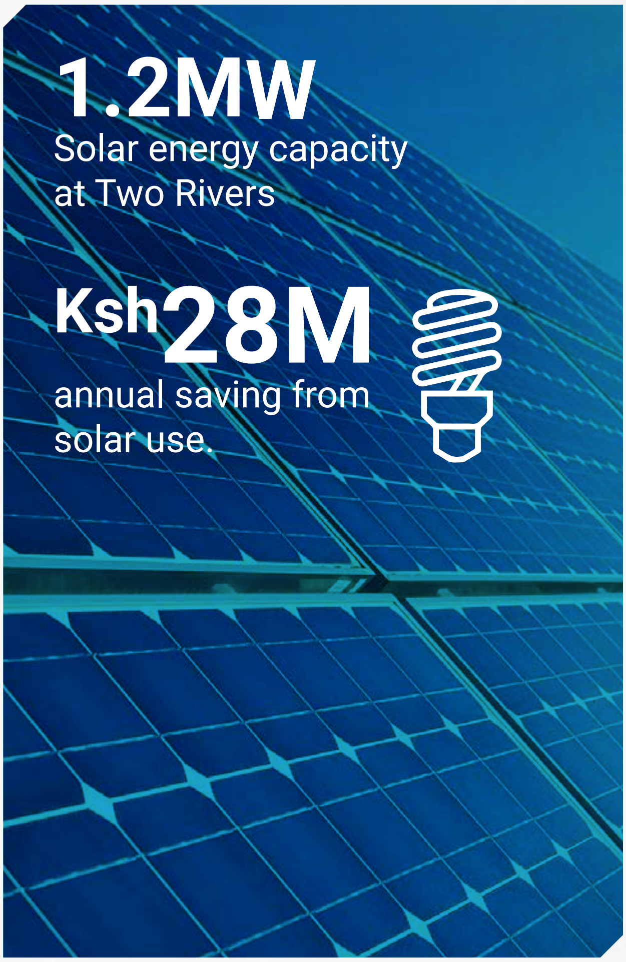
Sustainability has been a key consideration in the development of the Two Rivers precinct, with an installed solar energy capacity of 1.2 MW. This complements the grid supply that is distributed by Two Rivers Power Company, a licensed electricity distributor. Annual savings are approximated at Ksh 28 million from the use of solar power within Two Rivers Development. Additionally, the use of solar power reduces the amount of carbon dioxide emissions by 535 tonnes per annum

Green Energy at Vipingo

Our water desalination plant at Vipingo is powered by solar energy. The use of solar power is estimated to reduce the amount of carbon dioxide emissions by over 535 tonnes per annum.

Akiira Geothermal Plant.

We contribute to the expansion of renewable energy through our investment in a proposed 140 MW geothermal field. Geothermal energy provides a clean renewable energy source that could dramatically improve our environment. Our investment in Akiira will have a big contribution to the reduction of air emissions from fossil fuels and to offset the air emission of fossil fuel-fired power plants.



7 AFFORDABLE AND CLEAN ENERGY

7.1 Universal access to modern energy

7.2 Increase global percentage of renewable energy

DECENT WORK AND ECONOMIC GROWTH

Why this matters.

A significant gap exists between the number of young people seeking work and the limited employment opportunities available to them leading to challenges in finding formal employment and a pathway out of poverty.

This is compounded by a mismatch between the skills of young people entering the workforce and the needs of employers.

Centum acknowledges the need to contribute to a sustainable and inclusive economic growth that can drive progress, create decent jobs and improve living standards.

How we contribute.

Tribus TSG

TSG continues to leverage its AJIRY platform to connect employees and employers directly.

Ajiry received recognition from Briter Bridges, MercyCorps, and the Jobtech Alliance, amongst other global most notable and impactful active innovators that are connecting employers to qualified employees.

3,900 digitally delivered work was generated through MyHustle on the Ajiry Platform. ***MyHustle*** is a solution facilitating online work and tasks, such as online freelance gigs like graphic design or microwork.

13,264 youth were connected to job opportunities in both blue collar and white-collar sectors with an average percentage of men to women of 65% to 35%.

The platform also supported the Covid-19 National Emergency response team with the recruitment of 200 paramedics and **100** ambulance drivers.

Additionally, Tribus TSG has partnered with Mastercard Foundation in Kenya, under its Young Africa Works initiative aiming to enable **5M** young Kenyans access dignified work. The initiative has set up Ajiry Centers across the country that work with the national government, county governments, corporates, educational institutes, training providers, associations, and NGOs to create an open, free employment platform.

13,264

Number of youth connected to job opportunities in both blue collar and white-collar sectors through the **Ajiry Platform**.

Ajiry
we work

100

ambulance drivers recruited through the platform

8 DECENT WORK AND ECONOMIC GROWTH

8.6 Promote youth employment, education and training

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DECENT WORK AND ECONOMIC GROWTH

How we contribute (continued)

Sidian Bank – Financing Micro, Small and Medium Sized Enterprises (MSMEs)

Centum regards access to financial services as a key driver of growth, and an effective means of empowering people. While not an SDG, financial services are often key in accessing essential needs and services in the formal economy, which in turn benefit the society.
Sidian Bank, has been a key player in the field of financial inclusion and microfinance, which encompass the provision of loans and other financial services to Micro and Small Sized Enterprises (MSMEs).

a] African Guarantee Fund
The Bank signed a partnership deal with African Guarantee Fund, receiving Ksh 515M Loan Portfolio Guarantee Line to support the SME sector. The guarantee facility will have an impact on thousands who are directly and indirectly dependent on the income generated from the SME beneficiaries.

b] Oikocredit
Sidian Bank secured Ksh 990M funding from Dutch private equity firm Oikocredit for onward lending to small and medium enterprises (SMEs). The funds will enable the bank to lend more and thus contribute to the creation of sustainable jobs, creating lasting social impact on the low-income sections of the society,

c] ISBI Institute of Advanced Entrepreneurship Program
The Bank has partnered with ISBI Institute at Strathmore Business School to provide a 12-week training program for SMEs and Entrepreneurs that is designed to help entrepreneurs detect execution gaps and explore optimization potential of their businesses. The bank sponsors Ksh 32,000 of the total fees which is Ksh 144,000.

d] Kenya National Chamber of Commerce (KNCCI) SME Hub
The Bank in collaboration with Kenya National Chamber of Commerce (KNCCI), is setting up SME Hubs that will be geared towards empowering the growth of SMEs. KNCCI and Sidian Bank will hold forums where entrepreneurs will get financial advisory and business expertise.

8 DECENT WORK AND ECONOMIC GROWTH

8.6 Promote youth employment, education and training

Ksh990M

SMEs funding received from Oikocredit.

OIKO CREDIT investing in people

SUSTAINABLE CITIES AND COMMUNITIES

Why this matters

Affordable housing is at the heart of human development. There is need to renew and plan cities and other human settlements in a way that offers opportunities for all, with access to basic services, energy, housing, transportation and green public services, while reducing resource use and environmental impact.

Centum appreciates the need to develop safe and affordable housing with a view to enhancing inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management.

How we contribute.

(a) Affordable Housing by Centum Real Estate

Over 60% of our current residential projects under construction fall within the affordable housing segment. These projects are developed on high demand locations through a capital-light structure which aims to raise third-party capital through deposit mobilisation from pre-sales.

All the developments encapsulate proper access to basic services, a sense of security and recreational activities providing sufficient space for social contact.

(b) Master plan development

All our master planned developments are required to have at least 30% of the spatial area dedicated to green and open spaces to support improved quality of life and improve environmental compliance in our developments. This enhances the aesthetic value of the environment while incorporating green development initiatives.

Further, the master development provides for attractive natural outdoor areas and green spaces to foster biodiversity. This will help alleviate any negative impact of our cities.

11.1 Safe and affordable housing
11.3 Inclusive and sustainable urbanization
11.6 Reduce the environmental impact of cities
11.7 Provide access to safe and inclusive green and public spaces

60%
of residential projects under construction fall within affordable housing segment.

RISK MANAGEMENT

Stakeholders are more engaged today, seeking greater transparency and accountability for managing the impact of risk while also critically evaluating leadership's ability to crystalize opportunities.

Risk management is key to consistent and sustainable performance for all our stakeholders and is therefore a central part of the financial and operational performance of the Company.

Our Risk Management Framework

We operate a mature risk management framework that is aligned to ISO 31000 and COSO enterprise risk management frameworks. This ensures that risk management practices are integrated across the Company improving decision-making in governance, strategy, objective setting, and day-to-day operations.

Calculated risk taking and management is at the heart of the Company's ability to generate and sustain stakeholder value.

- Our risk appetite is a calculated trade-off between risk and return and considers the strategy and needs of all our stakeholders.
- **Risk ownership** – All our people will take ownership and exercise due care in risk taking and take action to protect our stakeholder interests.
- **Transparency** – Risk taking is within the delegated charts of authority. Outcomes are identified, monitored, and reported to the relevant governance functions.
- **Forward looking** – Our risk approach is to identify risks beforehand to stress test our planned outcomes and work towards minimising the negative impact.

Risk Governance

The Board of Directors has the ultimate oversight responsibility for the management of the Company's risk.

The Board Risk Committee (BRC) is a delegate of the Board that is charged with risk management oversight with regular reporting to the Board. The BRC comprises 5 members all of whom are non-executive independent directors. The BRC is responsible for reviewing and recommending to the Board for approval, the risk appetite, effectiveness of the Company's risk management process and the relevant controls.

The BRC is responsible for oversight of all risk including those that are delegated to other Committees including the Board Audit Committee, the Nominations and Governance and the Finance and Investment Committees.

The BRC leverages on the work of the Nominations and Governance Committee to manage people and governance risks and the Finance and Investment Committee to enhance its oversight of financial, investment and asset risks. The Board Committee is responsible for providing assurance to the Board on the effectiveness of risk management.

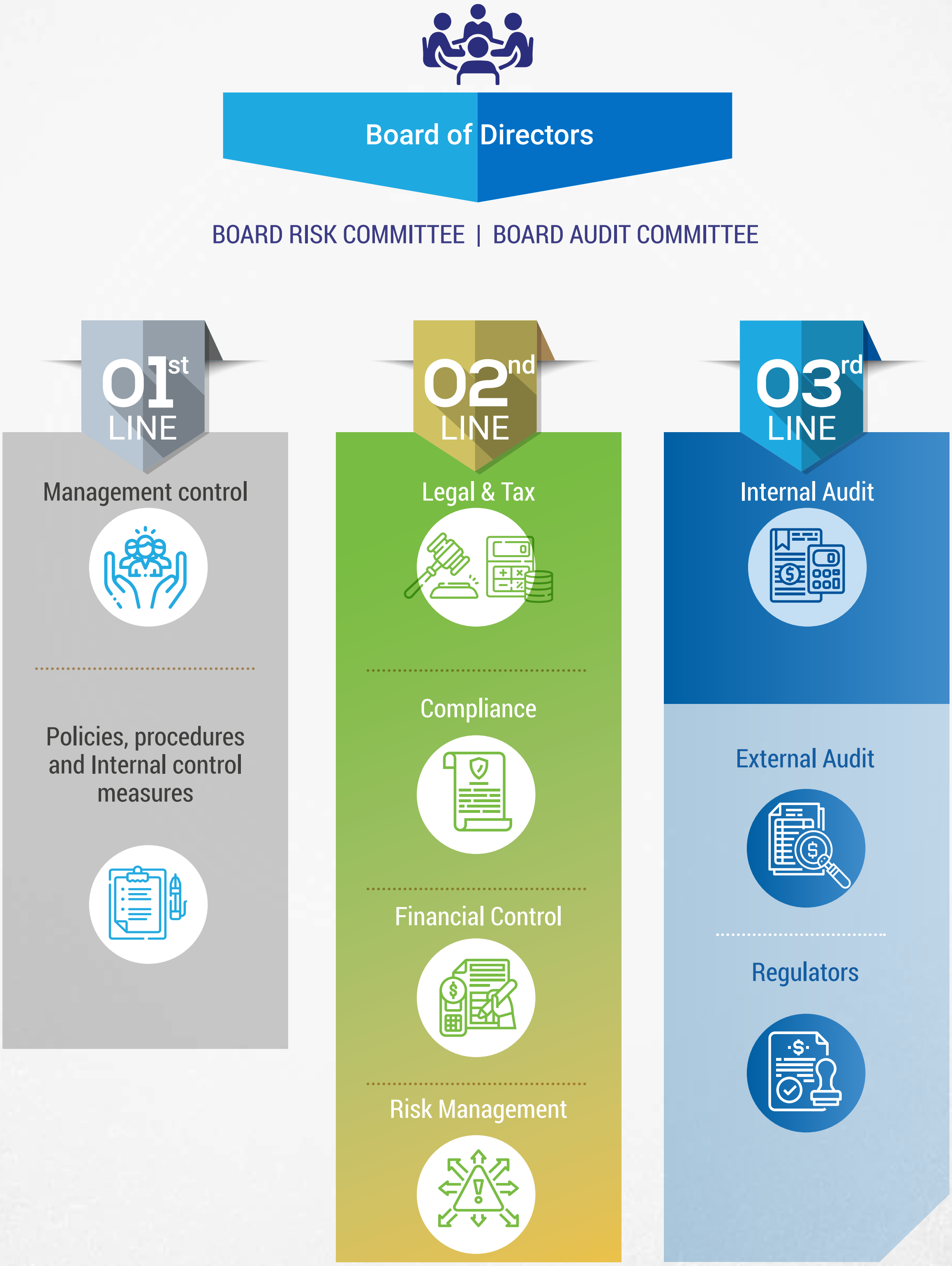
The Committee receives and considers risk reports covering various risks including asset risks, liquidity, return risk, capital structure, portfolio risk and organizational effectiveness quarterly. The Committee's charter authorises the Committee access to any information or personnel that it considers necessary in execution of its mandates.

The report includes an assessment of the key exposures to the Company as well as its subsidiaries against the risk appetite.

Authority for risk taking is cascaded downwards to the various heads of the business units through delegated charts of authority. Any material risk information including adverse movement in risk metrics is communicated to the various subsidiary executive committees and ultimately to the BRC and the Board.

Risk Management

Under the intergrated framework, responsibility for risk managament is delegated through the three lines of defense.



Centum is committed to having a strong risk culture combined with a sharp focus on three effective lines of defence, the "three lines of defence" model. These lines of defense are also used to effectuate the structuring of necessary independence of the Risk Management and Compliance Function from the operational management of the entity.

The First Line of Defence is all employees taking responsibility for the results, operations, compliance, and effective control of the Company's risks in their day-to-day operations in all the areas that are within their direct control.

The Second Line of Defence is independent of the First Line and is made up of several players including the risk function, risk champions and the compliance section of the legal and tax department.

The Second Line coordinates and evaluates the risk management activities of the Company by ensuring that the risks are sufficiently controlled, monitored, and reported on. The Risk Function establishes policies and limits for the first line which align with the risk appetite as set by the governance structure.

The Third Line of Defence is made up of Internal Audit and External Audit. The Internal Audit Function provides reasonable assurance over the adequacy of design and operating effectiveness of controls that support First Line's risk management of business activities, and the process maintained by the Second Line. Its role is defined and overseen by the Board Audit Committee.

Strategic Risk Management

Our strategy in risk management entails the evaluation of internal and external risks and opportunities and setting the risk appetite to regulate risk-taking and monitor performance within acceptable thresholds.

Our risk strategy entails the alignment and conscious decision to use risk to enable the Company to achieve its strategic goals and objectives. The risk strategy seeks to align the Board's view of its risk/reward status with that of its investors, specifically to the tolerance for unpredictable earnings.

We recognize the following constraints which determine the risks that we are willing to take in pursuit of value and in the development of a sustainable business.

Risk Capacity

This is the maximum amount of risk that the Company can bear, given available capital, liquid assets, borrowing capacity and resources.

Risk Appetite

Risk appetite is a measure of the aggregate amount of risk that the Board and other stakeholders deem appropriate for the Company to take in the pursuit of value and growth. The risk appetite includes both quantitative measures as well as qualitative statements. The quantitative measures include tolerance limits on metrics measuring capital adequacy, cost ratio, staff attrition and liquidity. Qualitative risk appetite statements address reputational and regulatory risks.

Risk Tolerance and Limits

Risk tolerance is the maximum acceptable amount of risk associated with each risk-taking activity. Risk limits are the clearly defined boundaries established by the Company's operating units that provide the basis upon which actual risk levels are kept within risk tolerances.

Risk Management

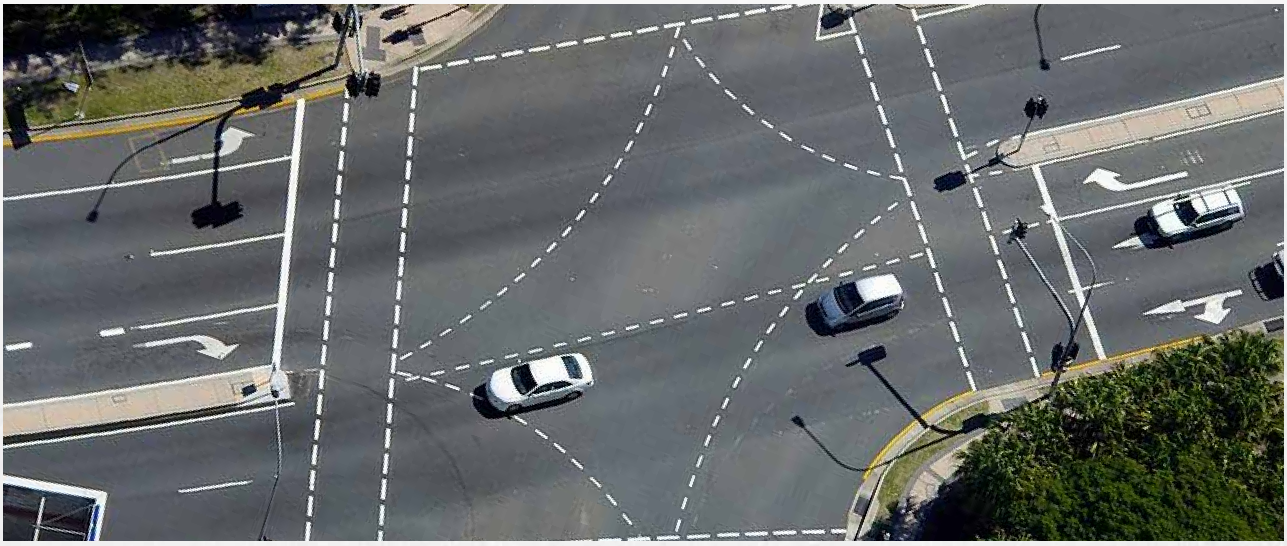
Principal Risks

Principal risks are the key risks which have the potential to materially affect the achievement of the strategic objectives and impact our financial performance and brand reputation. These risks are under active and regular review by both management and the Board.

The key risk categories that the Company is exposed to were identified and mapped to the Centum 4.0 strategic objectives for alignment. The Board-set risk appetite, which is outlined in the Company Risk Appetite Framework, took into consideration the unacceptable outcomes to the business from the occurrence of key risk events.

Outlined below are key risks that had significant effect on the Company during the year under review and are projected to continue having an impact going forward:

KEY RISK TYPE	RISK DESCRIPTION	LINK TO STRATEGIC OBJECTIVE	RISK MANAGEMENT AND MITIGATION
Operational Risk	A failure of key processes, systems and/or people comes at additional operating costs to Centum reducing overall operational efficiency and effectiveness.	**Return** 	This risk is managed through; ▪ Embracing and fostering a culture of diversity and inclusivity which encourages staff to be innovative and be supportive of each other. ▪ Establishment of clear policies and processes. ▪ Monitoring compliance with the policies and processes. ▪ Clear goal setting and performance management. ▪ A people driven approach to managing the enabling technology and ensuring that system support is available all the time. This includes technology allowing staff to work remotely as may be needed from time to time.



KEY RISK TYPE	RISK DESCRIPTION	LINK TO STRATEGIC OBJECTIVE	RISK MANAGEMENT AND MITIGATION
Investment Risk/ Asset Risk	This is the risk of incurring financial losses in Centum's portfolio in pursuit of returns. This risk would arise from:- • Under-performance by investee companies. • Investment concentration risk. • Adverse political, social or economic change. • Illiquidity – inability to sell investment assets without incurring a substantial loss in value because of a lack of willing investors/buyers.	**Return**	The portfolio focus approach includes business review meetings. The key agenda in each of these meetings is to assess the management of all the key risks that the portfolio company is exposed to. The Company also seeks to as much as possible diversify its risks by investing in a diverse range of industries. While our approach is to hold and grow our portfolio assets until we can realise the investment through an exit, we also maintain an active pool of possible and willing investors that we engage with at the time of exit.
Liquidity and Capital Adequacy Risk	The risk that we do not have sufficient financial resources to meet our obligations when they fall due or can only meet these obligations at a high financial cost.	**Capital Structure and Liquidity**	This risk managed through:- • Carrying out liquidity stress tests and scenario analyses on a regular basis to funding and utilisation of funds for best, plausible and worst-case liquidity situations. • Shifting the Marketable Securities Portfolio from equities to Fixed Income instruments with good credit rating.
Financial Risk (Off Balance Sheet Risks)	This is the risk that guarantees that we have issued to the benefit of some our investee companies will be called up.	**Return**	This risk is managed by close management of the investee companies in order to ensure that they continue generating adequate funds to meet their obligations.

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KEY RISK TYPE	RISK DESCRIPTION	LINK TO STRATEGIC OBJECTIVE	RISK MANAGEMENT AND MITIGATION
Regulatory and Compliance Risk	This is the risk that our business may be adversely affected by: • New laws / regulations affecting our core business. • Ongoing litigation against us, our subsidiaries, or associates.	**Brand**	This risk managed through:- • Conducting quarterly compliance checks for all entities. • Proactive engagement with regulators on any changes in the business.

Top risk exposures for our portfolio over the year are highlighted in the table below.

	KEY RISK CATEGORY	RISK DESCRIPTION	POTENTIAL IMPACT	RISK MANAGEMENT AND MITIGATION
Growth Portfolio: Real Estate	Market Uptake Risk	Risk of less than expected sale of units developed	Return	• Achieving 30% presales before groundbreaking on projects, and continuously selling during construction with a target to complete sales with 24 months of ground-breaking. • Partnering with financial institutions to provide mortgage funding.
	Funding Risk	Risk that there will be inadequate project construction funds	Return	Market validation before start of projects and securing both equity and debt funding prior to or immediately after groundbreaking.
	Liquidity Risk	Risk of inability to meet obligations as they fall due or fulfilling obligations while incurring high finance costs	Return	Sources of liquidity have been enhanced through; improvement in the rate and quantum of customer deposit collections and an increase in proceeds from disposal of development rights. The share of profits from completed projects remain available for utilization for projects.
Growth Portfolio: Private Equity	Investment Risk	The possibility that there may not be many opportunities meeting the Fund II investment criteria	Delayed Acquisitions	Screening a larger number of target acquisitions and leveraging on our relationships within East Africa with a refreshed investment criteria.
	Exit Risk	The risk of lower realizations from exits due to unfavorable industry/ private equity market dynamics or lack of credible investors.	Lower cash proceeds redistributed to the Company	Maintaining multiple potential exit relationships.
Marketable Securities Portfolio	Return Risk	The possibility that the MSP I and MSP II portfolios achieve less than expected returns	Lower cash proceeds redistributed to the Company	Disciplined portfolio construction guided by the Investment Policy statement, currently skewed towards Fixed Income Instruments with good credit ratings and liquidity profile.

CHAIRMAN'S STATEMENT

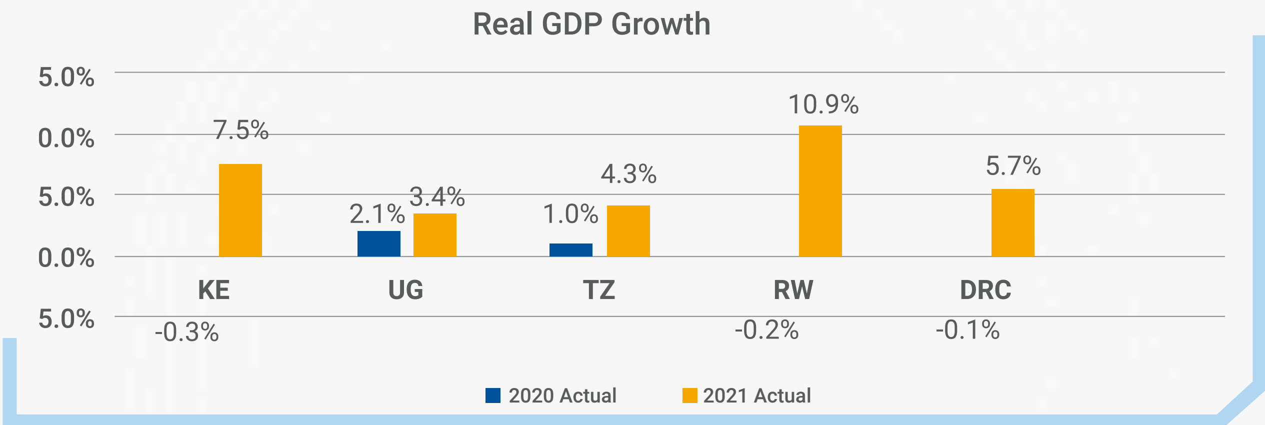
Dear Stakeholders,

In this Integrated Annual Report for the financial year 2021/2022, I am pleased to present to you on behalf of the board, Centum Investment Company Plc's business update and the general direction of the group in the short and medium-term. The detailed discussions and analyses of the business performance and financial results are contained in the rest of the various sections of the report.

The financial year ended 31 March 2022 (FY2022) marked the end of the third year under Centum 4.0 Strategy period, and our key focus continues to be on preservation and growth of shareholder wealth even as we continue to generate sustainable annuity cash returns from Centum's investments.

The operating environment

In FY2022, the operating environment presented both opportunities and risks. Economic recovery was experienced across many sectors in both developed and emerging economies, buoyed by resumption of enhanced business activities on the back of subsiding impact of the Covid-19 pandemic. This recovery reflected positively on the underlying performance of many of our portfolio companies, which in turn reflected on the Company's total returns generated.



Inflationary pressures persisted in the period with global inflation rising from 3.2% to 4.3% in 2021. In Kenya, the overall inflation rate hit 6.1% having steadily risen from 4.7% in 2018. The currency markets remained equally volatile, and the Kenya Shilling weakened by 5.1% against the US dollar between April 2021 and March 2022, primarily driven by the rising demand that outstripped the supply of the hard currency.

Business and Governance Model

I would like to begin by recapping our business model. Centum Investment Company Plc is an investment company that creates shareholder value by driving the process of creating underlying value in our investment portfolio. Our focus is to provide our long-term shareholders with a superior return by providing them with access to otherwise inaccessible investment opportunities hence our focus on allocating capital to non-listed investment opportunities.

Our asset allocation policy is geared towards achieving two objectives. The first is meeting the cash requirements of the company to fund dividend, interest expenses and operating costs from recurrent income. This is what has informed our decision to:

1. Allocate between 20% - 30% of the portfolio to our Marketable Securities Portfolio (MSP). The objective of this portfolio is the generation of cash returns, and this explains why this portfolio is almost fully allocated to a diversified portfolio of high yielding government and corporate debt instruments spread out across the African continent.
2. Adopt a dividend policy to allocate 30% of the recurrent cash income to dividends. The recurrent cash income is largely from our MSP portfolio and dividend and interest payments from our Growth Portfolio. The recurrent cash income excludes any capital gains so as not to distribute capital and to ensure that we sustain a consistent and growing dividend to our shareholders.
3. Cap our expenses to 30% of the cash income.
4. Reduce debt so as to reduce interest expenses and fit them within the recurrent cash income.

We have made progress towards each of these objectives and this is explained in this integrated report.

The growth component of our objectives is met by our growth portfolio. Our investment strategy is to invest in growth companies that meet the underlying demand of consumers in the markets that we operate in. The East African households largely focus on essentials with spending largely allocated to food and non-alcoholic drinks, housing, transport, education. This explains our investment decisions which are concentrated in sectors addressing these basic needs.

Sector	Investment	Thesis
Housing	Centum RE and Two Rivers Development Limited	Households spend between 18% and 30% of income on rent and our focus is to develop a platform company that will provide quality housing in quality mixed use urban housing to these households. Our focus is on providing housing that will ultimately command rentals in the Ksh 20,000 to Ksh 60,000 range and at the same time provide investors who wish to access this asset class with the opportunity to acquire units within our urban nodes that are well developed and well managed.
SME Business Support	Sidian Bank	Majority of businesses in East Africa are SMEs and we repositioned K-Rep Bank to Sidian Bank which is a leading bank in the SME market segment. This positioning has made Sidian Bank attractive hence the ability to exit at 1.3x Book Value against an average market multiple of banks of in the range of 0.7x Book Value.
Transport	Isuzu East Africa and NAS Servair	Isuzu is the market leader in the commercial motor vehicle market segment while NAS is the market leader in the airline catering business.
Education	Longhorn and Sabis School	Longhorn is the market leader in the educational publishing business and has a presence in 6 countries. Its competitive advantage is in intellectual property of its approved text books which has enabled it to rapidly scale across the continent. Sabis School is providing high quality and relatively affordable international curriculum which is an alternative to the local competency based curriculum. There has been growing appetite by parents for an international curriculum and the student base has grown to more than 304 students, which is the break-even level. Having achieved the break-even level, we are on track for operational profitability going forward.
Power	Akiira Power Company	Akiira is a provider of green energy using geothermal energy. Although we have received all approvals and have all contracts in place, this project has been delayed by challenges in the process of exploiting and drilling for the geothermal resource. We have, to this end, partnered with a utility company with the requisite experience in developing geothermal fields and we expect to conclude the contracting phase to enable us to restart the drilling activities.

We create a return by creating growth platform companies that are significant players in their market segments and therefore make them attractive to strategic investors who access investments in those segments and are prepared to pay a premium for well managed, well governed, low risk companies that have a dominant market position in their segment. Exits therefore realize our profits and we are able to recycle these profits to new opportunities.

To avoid shareholder dilution, we have not raised any new shareholder capital and have financed growth and investment using debt capital which has in turn generated internally generated capital. This phase of our growth was in Centum 2.0 and Centum 3.0. As we got into Centum 4.0 we took a view that the economic conditions were not going to be as supportive of a debt funded investment strategy and that we needed to dial down risk by paying down the debt we had built up so as to preserve the equity capital that had been built in the Centum 2.0 and 3.0 phase of our business. This decision to focus on consolidation and ensure capital preservation has been vindicated by the performance of the markets over the last 3 years during which the challenges that we had anticipated have been further exacerbated by the global Covid -19 pandemic. As a result, almost all asset classes, including listed equities and bonds, have lost value and the challenges for managers of capital has been to preserve value while maintaining the value creation potential of the underlying assets.

I believe we have successfully navigated a very challenging environment in this Centum 4.0 phase, and we are at the tail end of consolidating our business by retiring the bulk of the debt that was used to finance the growth of the portfolio. At the end of this phase, we shall have a significant amount of capital that will be available for redeployment without having to rely on new debt capital or raising equity which would have diluted existing shareholders and possibly changed the character of the business.

Governance Model

The Board has adopted the guiding principles under the Code of Corporate Governance Practices for Issuers of Securities to The Public, 2015 (the Code). Although the Code is on “Apply or Explain” model, we strive for utmost compliance as a strong foundation for value creation in the Company and its portfolio companies. We continue to challenge ourselves to adopt widely accepted best practices in governance.

The Company’s board of directors is structured in a manner that optimizes the delivery of its mandate and is well diversified with members who are experienced and skilled in various fields that are of value to Centum’s business.

Chairman's Statement

The Board of directors formulates policies, procedures and guidelines that promote good corporate governance including strategic guidance of the Company, business integrity, sustainability, effective monitoring of management by the board, compliance with applicable laws and regulations and accountability to the Company, the shareholders and other stakeholders, and to ensure compliance with those policies, procedures and guidelines.

In respect to our portfolio companies, our business objective is to create independent, successful, well managed enterprises with their independent governance structures. The role of the Centum Plc board and its committees is to oversee this process and ensure its success. The Centum Plc board is therefore independent of the boards of its portfolio companies and there is a clear chart of authority that sets out the authority mandates of the boards and management of portfolio companies vis a vis the board and management of Centum Plc as an investment company.

By and large, we have been successful in the achievement of this objective as evidenced by the relatively large number of enterprises that we have nurtured and secured exits at a premium to market values.

I am confident in the governance culture, and we remain accountable to our stakeholders through public disclosure of our self-assessment tools. These tools are available on our website, and they candidly evaluate our level of maturity under the eight key pillars of governance under the Code.

Details of our governance structure are set out in the corporate governance section of this integrated report.

Business Performance

The Company recorded progress towards achievement of strategic objectives despite the difficult operating environment. The focus in the year was on preservation of value, execution of value creation plans and risk management.

The Company posted a 95% improvement in performance, representing a year-on-year Ksh 4.6 billion improvement in total return. The Company achieved an operating cash profit of Ksh 551 million, a 125% growth from the prior year. This was attributable to a 10% growth in investment income and improved operating efficiency. The cost to annuity income ratio stood at 39%. We note that this included one-off costs related to restructuring of the business during the year. Conservative asset mark-downs of Ksh 490 million were made during the period in relation to reorganization of the some of the subsidiaries during the year. A growth in performance of the underlying portfolio was recorded in the period, on the back of implementation of various value creation plans and easing of COVID-19 restrictions. This resulted in an improvement in the unrealized value movements recorded for the year.

The Company generated annuity cashflows of Ksh 1.3 billion in the year, which sufficiently covered operating costs and debt service. There was no additional debt taken in the period.

The business remained adequately liquid with about 15% of the total portfolio held in marketable securities. In line with the Centum 4.0 objective of deleveraging the balance sheet, the business closed the year at a nil debt position net of the liquid assets.

The Company net asset value stood at Ksh 41.3 billion as compared to Ksh 41.8 billion in the prior year. While there was overall improvement in the performance and value of the underlying portfolio, one of the subsidiaries; Two Rivers Development Limited (TRDL), recorded a loss that was driven by high finance costs. Our real estate subsidiaries including TRDL are well positioned to serve the current mid-level housing demand across the region. As the businesses focus on this opportunity and with the restructuring of TRDL's capital structure from debt to equity, we are confident of significant growth of our real estate businesses.

Shareholder Return

Our shareholder return is made up of two components. The first is dividend and the second is the appreciation in value of the Net Asset Value Per Share which is the measure of the intrinsic value of your investment in the company on a per share basis.

The Board adopted a dividend policy of distributing 30% of the annuity income of the company as dividend to shareholders. Our objective is to ensure that our dividend is sustainable and that we do not distribute capital as dividend rather the focus is on distributing income. To achieve this objective, we have split the portfolio into two. The Marketable Securities Portfolio (MSP) whose investment objective is to optimize cash return which is the primary source of dividend return to our shareholders and the Growth Portfolio whose role is to generate capital growth in the portfolio which is the main driver of growth in Net Asset Value per Share.

Dividend

Given the Company's policy of distributing 30% of annuity cash income to shareholders, the Board of Directors has recommended the payment of a dividend of Ksh 391 Million which translates to a dividend per share of Ksh 0.587

for the financial year ended 31 March 2022. This is a 78% increase from the prior year payment of Ksh 220 million. This distribution policy is sustainable and predictable as dividends are paid from cash annuity income received during the year. It is important to note that the accounting profit and total return includes non-cash items such as provisions and unrealized value movements in the portfolio.

The Company remains focused on preserving and growing long term value while ensuring a sustainable dividend distribution to shareholders. To support sustainable dividend growth, our target is to utilize some of the exit proceeds and receipts from shareholder loan repayments to increase allocation to the Marketable Securities Portfolio to between 20% - 30% of the total portfolio. We have also charged our investment teams with the responsibility of enhancing the cash return and I am pleased to report that this increased from 13.1% in the prior year to 14% this year.

Growth in Net Asset Value per Share

As I have explained earlier, our focus is to generate superior growth in Net Asset Value and reward our long-term shareholders. In the period between 2009 and 2018, Net Asset Value per share adjusted for the stock splits in the period increased by 1095% from Ksh 7 to Ksh 89. In Centum 4.0 we took cognizance of the significant risk of equity value erosion on account of external market conditions and outlook being unsupportive of a debt-financed investment strategy. The focus in this phase has been consolidation so as to preserve value. We have achieved this objective and the markdowns in value that we have booked between 2019 and 2022 of Ksh 5 billion or 13% of value are largely on account of a conservative basis of accounting. As we record exits, we expect much of this to unwind and recycled to profit.

A case in point is our investment in Sidian Bank that we are exiting at a value of Ksh 4.3 billion compared to a fair valuation on our books of Ksh 2.7 billion. Many of our investments have intrinsic value that is significantly higher than the carrying fair values and our challenge and opportunity is to unlock these through the implementation of the value creation plans whose ultimate objective is unlocking and realizing the value within this gap.

Governance updates

Governance, legal and Compliance Review

During the period, the Company engaged independent consultants to undertake a robust Governance Audit and Legal & Compliance Review. The reports from these engagements have been filed with the Capital Markets Authority and made available to all shareholders through publication on our website ***(www.centum.co.ke)***.

The Governance Audit by the independent consultants concluded that the Board has, to a large extent, put in place effective, appropriate and adequate governance structures in the organization that are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

Risk and internal controls

In addition to the Company's Risk and Compliance function, we engaged Ernst & Young to support with periodic risk reviews and internal audits. The risk and internal audit functions report independently and directly to the board through the Board Risk and the Board Audit Committees. This change aligned to the effort by the Company to optimise the organisational structure

Based on the reports received by the Board, members are satisfied that management has put in place adequate measures and structures for robust risk management and adequate internal controls.

We continue to provide the requisite oversight and hold management accountable on adequate risk management and the need to continuously enhance the internal control environment.

Board Changes

In February 2022, Ms. Mary Ngige resigned from the Board having served the Company diligently since her appointment in September 2016. We are grateful to Mary for her dedicated service and contribution to the Centum Group.

Ms. Catherine Mturi-Wairi was appointed to the Board of Directors of the Company in March 2022. Ms. Mturi-Wairi is a respected business leader who brings with her three decades of experience in finance and accounting. She has a track record of successfully developing and executing successful business strategies, strengthening investment portfolios, and driving organizational success. Ms. Mturi-Wairi holds an MBA in Strategic Management from United States International University (USIU), a BSc. in Finance and Accounting from USIU, is a Certified Public Accountant of Kenya, a Certified Public Secretary of Kenya, and a Certified SAP Consultant. She is a member of the Institute of Directors of Kenya, Institute of Certified Public Accountants of Kenya (ICPAK), where she serves in the ICPAK ad-hoc Review Committee and the Public Finance and Taxation Committee for the ICPAK Coast Branch. She is also a member of the Institute of Certified Secretaries, Kenya Institute of Management, Women in Marine Sector in East and Southern Africa and Association of Women Accountants of Kenya.

In my statement last year, I had indicated that I would opt to retire this year before lapse of my term and at the age of 70. Following our mid-term strategy review and extensive deliberations with the Board, we aligned that I continue in

Chairman's Statement

service to enable oversight of the various strategies under implementation and to enable a smooth transition. This is especially important in the wake of operational autonomy in subsidiaries and changes in governance structures we have implemented as a Board. We will move forward together to steer the Company towards achieving Centum 4.0.

In July 2022, we sadly lost Edward Mwachinga, who served as a director in one of our subsidiaries, Vipingo Development Plc, after a short illness. The late Edward served with passion, diligence, and excellence and for that, we remain grateful and will fondly remember him.

Sustainability and supporting our community

Our mission is to create real tangible wealth by providing a channel through which investors access and build extraordinary enterprises in Africa. We are clear that key to achieving this mission is our ability to enable our community to prosper.

Environmental, Social and Governance (ESG) considerations remain at the center of our investment decisions, portfolio management and value creation activities. Efforts have been amplified to improve reporting of our sustainability efforts with oversight at Board level. Centum has identified six areas of focus from the 17 United Nations sustainable development goals (SDGs). The selection criteria involved considering the priorities of our shareholders, the portfolio exposures and the areas where we could most meaningfully contribute based on our position in the market. Detailed progress towards these areas of focus is outlined in the sustainability report on page **12** to **29** of this integrated report.

PILLAR	UN SDG	Why it matters to us
1. Education	4 QUALITY EDUCATION	Ensures inclusive and equitable quality education and promotes lifelong learning opportunities for all
2. Gender equality	5 GENDER EQUALITY	We acknowledge that gender diversity has a positive impact on the performance of teams and businesses as a whole
3. Infrastructure	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY	Rapid urbanization in Kenya as is across many African cities, has huge implications for water use and wastewater management. Clean, affordable and reliable energy sources enhance the quality of life and support growth of enterprises
4. Housing	11 SUSTAINABLE CITIES AND COMMUNITIES	We appreciate the need to develop safe and affordable housing developments with a view to enhancing inclusive and sustainable urbanization.
5. Entrepreneurship	8 DECENT WORK AND ECONOMIC GROWTH	Sustainable economic growth is driven by inclusive, full and productive employment and decent work for all

Looking forward

The Company has made good progress towards delivery of its core objective in the context of economic headwinds occasioned by the covid-19 disruptions, rising inflation and enhanced geopolitical risks. Significant effort has been made in executing value creation plans, and the business is well positioned to take advantage of emerging opportunities. The Board looks into the future with optimism and is confident that the Company is on course to achieve the overarching objectives of building a resilient business that will deliver sustainable, market-beating returns in the short, medium and long-term. The primary focus areas for the Company during the remainder of Centum 4.0 Strategy will be:

i. Unlocking liquidity through exits of mature assets in the portfolio and redeployment of the sales proceeds to new opportunities;

ii. Rebalance the portfolio in line with desired strategic asset allocation;

iii. Execution of the value creation plans for each of the portfolio assets with a view to achieve the target returns, growth and preparation for capital events; and

iv. As part of the capital reallocation process, we will consider the value of implementing a share buy back and if deemed suitable, to execute the same at the most optimal time and price.

Appreciation

I express my sincere appreciation to the staff, management team, and my fellow board members for the hard work they have and continue to put in to realize the very ambitious objectives that we set out to achieve.

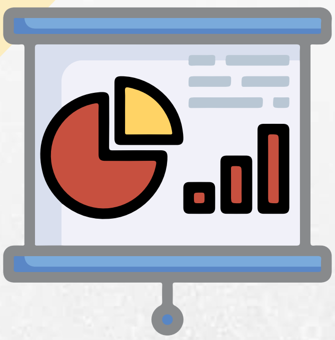
I also thank our shareholders for their support in this journey, the continuous engagement and challenge as we put our best effort in growing the value of the Company.

Dr. Donald Kaberuka
Chairman, Board of Directors

TAARIFA YA MWENYEKITI

Wapendwa Wenyehisa,

Katika Ripoti hii Jumlishi ya Kila Mwaka ya mwaka wa kifedha wa 2021/2022, ninafuraha kuwasilisha kwenu kwa niaba ya bodi, taarifa ya biashara ya kampuni ya Centum Investment Plc na mkondo wa jumla wa kampuni katika muda mfupi na wa wastani. Majadiliano ya kina na uchambuzi wa utendaji wa biashara na matokeo ya kifedha yapo katika sehemu nyingine mbalimbali za ripoti hii.

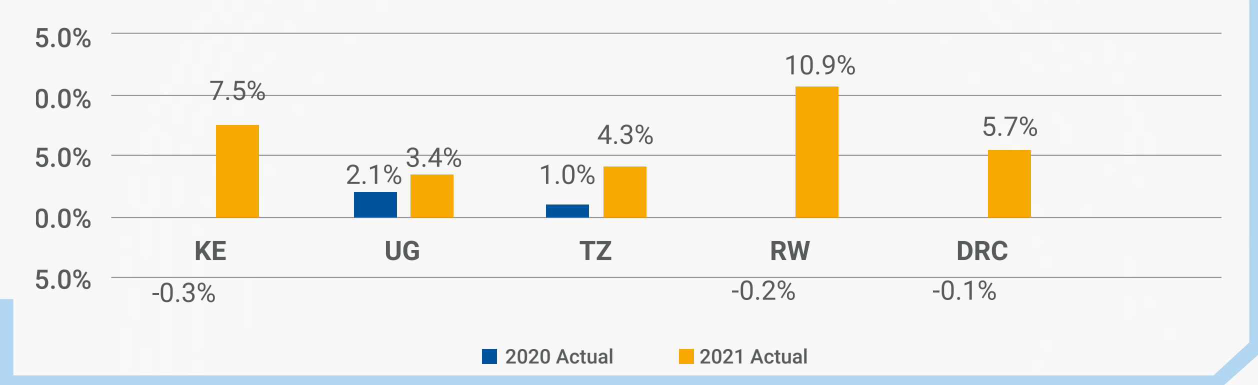


Mwaka wa kifedha uliokamilika tarehe 31 Machi 2022 (FY2022) ulikuwa ni mwisho wa mwaka wa watu chini ya kipindi cha Mkakati wa Centum 4.0, na lengo letu kuu linasalia kuwa uhifadhi na ukuaji wa mali ya wenyehisa hata tunapoendelea kuzalisha marejesho ya pesa taslimu kutokana na mafao kutoka kwenye pochi.

Mazingira ya kuendesha biashara

Katika mwaka wa kifedha wa FY2022, mazingira ya kuendesha biashara yaliwasilisha fursa nzuri pamoja na hatari. Hali ya uchumi kurejea ilishuhudiwa katika sekta nyingi katika uchumi komavu na ule unaokua, hii ikiwezeshwa na kurejea kwa shughuli zilizoimarishwa za biashara baada ya athari mbaya ya tandavu ya UVIKO-19. Kurejea huku kuliakisi kwa njia chanya wenye utendaji mkuu wa kampuni zetu nyingi za pochi, hali ambayo vilevile iliakisiwa kwenye jumla ya marejesho ambayo Kampuni hii ilizalisha.

Real GDP Growth



Shinikizo kutokana na mfumko wa bei zilidumu katika kipindi hicho huku mfumko wa bei kote duniani ukipanda kutoka 3.2% hadi 4.3% mwaka wa 2021. Nchini Kenya, kiwango cha jumla ya mfumko wa bei za bidhaa kilifikia 6.1% baada ya kuendelea kupanda kutoka 4.7% mwaka wa 2018. Masoko ya sarafu yanasalia kuwa mabaya vilevile, na Shilingi ya Kenya imekuwa dhaifu kwa 5.1% dhidi ya dola ya Marekani kati ya Aprili 2021 na Machi 2022, hii ikisababishwa kimsingi na kuendelea kupanda kwa hitaji na kushuka kwa usambazaji wa sarafu ngumu.

Muundo wa Biashara na Utawala

Ningependa kuanza kwa kutukumbusha kuhusu muundo wetu. Kampuni ya Centum Investment Plc ni kampuni ya uwekezaji unaounda thamani ya wenyehisa kwa kuendesha mchakato wa kuunda thamani kuu kwenye pochi yetu ya uwekezaji. Lengo letu ni kuwapa wenyehisa wetu wa muda mrefu mrejesho mkuu kwa kuwapa uwezo wa kufikia fursa za uwekezaji ambazo mara nyingi hazifikiwa hivyo lengo letu ni kutenga mtaji kwa ajili ya fursa za uwekezaji ambazo haziorodheshwi.

Sera yetu ya kugawa mali inanuiwa kufikia malengo mawili. Ya kwanza ni kukidhi mahitaji ya pesa taslimu ya kampuni ili kufadhili mgao wa hisa, gharama za riba na gharama za uendeshaji kutoka kwenye mapato yanayojirudia. Huu ndio umekuwa msingi wa uamuzi wetu:

1. Kugawa kati ya 20% - 30% ya pochi yetu kwa Pochi ya Hisa Zinazoweza Kuuzwa (MSP. Lengo la pochi hii ni kuzalisha marejesho ya pesa taslimu, na hii inaeleza ni kwa nini nyingi zimetengewa pochi anuai ya deni lenye mapato ya juu ya serikali na kampuni kusambazwa kote katika bara la Afrika.
2. Kuanza kutumika kwa sera ya mgao wa hisa ili kusambaza 30% ya mapato ya pesa taslimu zinazojirudia hadi kwa mgao wa hisa. Mapato yanayojirudia ya pesa taslimu inatoka pakubwa kwenye pochi yetu ya MSP na malipo ya mgao wa hisa na riba kutoka kwenye Pochi ya Ukuaji. Mapato yanayojirudia ya pesa taslimu hayajumuishi mapato yoyote mtaji ili kutosambaza mtaji na kuhakikisha kwamba tunaweza kudumisha mgao thabiti na unaokuwa kwa wenyehisa wetu.
3. Kuweka kiwango cha gharama zetu kuwa 30% ya mapato ya pesa taslimu.
4. Kupunguza deni ili kupungua gharama za riba na kuoana na mapato yanayojirudia ya pesa taslimu.

Tumepiga hatua katika kufikia kila moja wapo ya malengo haya na hii imeelezwa katika ripoti hii jumlishi.

Kipengee cha ukuaji cha malengo yetu kinaafikiwa na pochi yetu ya ukuaji. Mkakati wetu wa uwekezaji ni kuwekeza katika kampuni za ukuaji zinazokidhi mahitaji ya kimsingi ya watumiaji katika soko ambapo

Taarifa ya Mwenyekiti

tunaendesha shughuli zetu. Familia za Afrika Mashariki zinalenga zaidi vitu vya kimsingi huku mgawanyiko wa matumizi yao ukilenga zaidi chakula na vinywaji visivyo vileo, nyumba, uchukuzi, elimu. Hii inaeleza maamuzi yetu ya uwekezaji ambazo yamekita mizizi katika sekta zinazoshughulikia mahitaji haya ya kimsingi.

Sekta	Uwekezaji	Maelezo
Nyumba	Centum RE and Two Rivers Development Limited	Familia hutumia kati ya 18% na 30% ya mapato kwa kodi na lengo letu ni kuunda kampuni ya jukwaa itakayotoa nyumba bora katika nyumba za ubora wa juu za matumizi mseto kwa familia hizi. Lengo letu ni kutoa nyumba zitakazokuwa za kodi ya kati ya Ksh 20,000 hadi Ksh 60,000 na wakati huohuo kuwapa wawekezaji ambao wangependa kufikia daraja hili la mali na fursa ya kununua nyumba ambazo zimeundwa vyema na kudhibitiwa vyema ndani ya fundo zetu za mjini.
Msaada kwa Biashara za SME	Beni ya Sidian	Biashara nyingi katika Afrika Mashariki ni za SME na tulibadilisha Benki ya K-Rep ikawa Benki ya Sidian ambayo ni benki inayoongozwa katika kitengo cha soko la SME. Nafasi imefanya Benki ya Sidian kuvutia uwezo wa kuondolewa kwa dau wa 1.3x dhidi ya kiwango cha wastani cha soko la benki nyingi cha safu ya 0.7x.
Uchukuzi	Isuzu East Africa na NAS Servair	Isuzu inaongoza katika kitengo cha soko la magari ya kibiashara huku NAS ikiwa inaongoza katika soko katika biashara ya huduma ya uandazi kwenye ndege.
Elimu	Longhorn and Sabis School	Longhorn inaongoza katika biashara ya uchapishaji wa machapisho ya kielimu na inahudumu katika nchi 6. Nafasi yake ya ushindani ni hakimiliki ya mali ya akili ya vitabu vyake vya kiada vilivyoidhinishwa ambavyo vimeiwezesha kuinuka kwa kasi kote barani. Shule ya Sabis inatoa huduma ya ubora wa juu na nafuu ikilinganishwa na nyingine za mtalaa wa kimataifa ambao ni mtalaa mbadala kwa mtalaa uliojikita kwenye umilisi unaotumika nchini. Kumekuwa na ongezeko la hamu ya wazazi kupata mtalaa wa kimataifa na idadi ya wanafunzi imekuwa hadi wanafunzi 304, hii ikiwa ni kiwango cha faida. Sasa tumefikia kiwango cha faida na tupo mbioni kufikia faida ya uendeshaji kuenda mbele.
Kawi	Kampuni ya Kawi ya Akiira	Akiira inatoa kawi asili kwa kutumia kawi ya mvuke. Ingawa tumepokea maidhinisho yote na tumeandaa kandarasi zote, mradi huu umecheleweshwa na changamoto katika mchakato wa kuvuna na kuchimba rasilimali za mvuke. Kufikia sasa tumeshirikiana na kampuni ya kawi iliyo na uzoefu unaohitajika katika kuunda nyanja za mvuke na tunatarajia kuhitimisha awamu ya kuweka kandarasi ili kutuwezesha kuanza shughuli za uchimbaji.

Tunaunda mrejesho kwa kuunda kampuni za jukwaa la ukuaji ambazo ni washikadau muhimu katika vitengo vya soko zao na hivyo kuzifanya kuvutia wawekezaji wa kimkakati wanaofikia uwekezaji katika vitengo hivyo na walio tayari kulipia gharama kwa ajili ya kampuni zinazosimamiwa vyema, zinazotawaliwa vyema na za hatari ya chini zilizo na nafasi kubwa ya soko katika kitengo chao. Dau zinazoondolewa hivyo zinatuletea faida na tunaweza kutumia tena faida hizi katika fursa mpya.

Ili kuepuka kuyeyushwa kwa wenyehisa, hatujachanga mtaji wowote mpya wa wenyehisa na tumefadhili ukuaji na uwekezaji kwa kutumia mtaji wa deni ambao nao umezalisha mtaji kindani. Awamu hii ya ukuaji ilikuwa kwenye Centum 2.0 na Centum 3.0. Tulipokuwa tukiingia katika Centum 4.0, tulikuwa na mtazamo kwamba hali za kiuchumi hazikuwa zinaenda kutoa usaidizi kwa mkakati wa uwekezaji unaofadhiliwa na deni na kwamba tulihitaji kupunguza hatari hiyo kwa kulipa deni tulilokuwa tumerundika ili kuhifadhi mtaji wa hisa ambao ulikuwa umeundwa katika awamu ya Centum 2.0 na Centum 3.0 ya biashara yetu. Uamuzi wa kulenga kuweka pamoja na kuhakikisha uhifadhi wa mtaji umeondolewa lawamani kutokana na utendaji wa masoko katika miaka 3 iliyopita ambapo changamoto zilizokuwa zimetarajiwa zimefanywa kuwa mbaya zaidi kutokana na tandavu ya COVID-19 kote duniani. Kutokana na hayo, takriban madaraja yote ya mali – migao iliyoorodheshwa, dhamana zilizoorodheshwa, n.k yamepoteza thamani na changamoto kwa mameneja wa mtaji imekuwa ni kulinda thamani huku wakidumisha uwezekano wa kuunda thamani ya rasilimali kuu.

Ninaamini kwamba tumefaulu kupitia mazingira yenye changamoto sana katika awamu ya hii ya Centum 4.0 na tumefika mwishoni mwa kuweka biashara yetu pamoja kwa kupunguza deni lililotumika kufadhili ukuaji wa pochi hii. Mwishoni mwa awamu hii, tutakuwa na kiwango kikubwa cha mtaji ambacho kitakuwa kinapatikana kwa ajili ya kutumika tena bila kutengemea mtaji mpya wa deni au kuchanga mgao wa hisa ambao ungeyeyusha wenyehisa waliopo na pengine kubadilisha mienendo ya biashara.

Muundo wa Utawala

Bodi imetekeleza kanuni inayoongozwa chini ya Msimbo wa Mtendo ya Utawala wa Shirika kwa Watoaji wa Hisa kwa Umma, 2015 (Msimbo huo). Ingawa Msimbo huo unafuata muundo wa "Tumia au Eleza", tunajizatiti kufikia utiifu kamili kama msingi thabiti wa uundaji wa thamani katika Kampuni na kampuni zake tanzu. Tunaednelea kujipa changamoto ili tutumie desturi njema zinazokubalika kwa wengi katika utawala.

Bodi ya wakurugenzi ya Kampuni imeundwa kwa namna ambayo inaboresha uwasilishaji wa jukumu lake na ni anuai ikiwa na wanachama wenye uzoefu na ujumbe katika nyanja mbalimbali za thamani kwa biashara ya Centum.

Bodi ya wakurugenzi inaunda sera, taratibbu na miongozo inayoendeleza utawala mzuri wa kishirika ikijumuisha mwongozo wa kimkakati wa Kampuni, uadilifu wa biashara, uendelevu, ufuatiliaji kwa ufanisi wa usimamizi wa bodi, utiifu wa sheria na kanuni zinazotumika na kuwajibikia Kampuni, wenyehisa na washikadau wengine, na kuhakikisha utiifu wa sera, taratibu na miongozo hiyo.

Kuhusiana na kampuni zetu za pochi, lengo la biashara yetu ni kuunda biashara tanzu zinazojisimamia, zenye ufanisi na zinazosimamiwa vyema zilizo na miundo yao huru ya utawala. Jukumu la bodi ya Centum PLC na kamati zake ni kusimamia mchakato huu na kuhakikisha kuwa umefanikiwa. Bodi ya Centum PLC hivyo ni huru kutoka kwa bodi ya kampuni zake za pochi na kuwa chati ya wazi ya mamlaka inayobainisha vikomo vya mamlaka ya bodi hizo na usimamizi wa kampuni za pochi dhidi ya bodi na usimamizi wa Centum PLC kama kampuni ya uwekezaji.

Tumekuwa na ufanisi mkubwa katika kufikia lengo hili na ushahidi wake unaonekana katika idadi ya juu ya biashara tanzu ambazo tumezikuza na kupata dau kwa kulipia kwa thamani ya soko.

Nina ujasiri kwamba katika utamaduni wa utawala, na tunawajibikia wenyehisa wetu kupitia ufichuzi wa umma wa zana zetu za kujifanyia tathmini. Zana hizi zinapatikana kwenye wavuti wetu, na zinatathmini kwa kina kiwango cha ukomavu wetu chini ya nguzo nane kuu za utawala chini ya Msimbo huu.

Maelezo ya muundo wetu wa utawala yamebainishwa katika sehemu ya utawala wa kampuni ya ripoti hii jumlishi.

Matokeo ya Kibiashara

Kampuni hii ilipiga hatua katika kufikia malengo ya kimkakati licha ya mazingira magumu ya kufanyia kazi. Lengo katika mwaka huo lilikuwa ni kutunza thamani, utekelezaji wa mipango ya kuunda thamani na kudhibiti hatari.

Kampuni hii iliimarika kwa 95% katika matokeo yake, hii ikiwakilisha uboreshaji wa bilioni Ksh 4.6 wa mwaka baada ya mwaka katika jumla ya mrejesho. Kampuni hii ilifikia faida ya pesa taslimu zinazotumika ya milioni Ksh 551, ukuaji wa 125% kutoka mwaka uliotangulia. Hii ilitokana na ukuaji wa 10% katika mapato ya uwekezaji na kuimarika kwa ufanisi wa uendeshaji. Uwiano wa gharama na mapato ya mafao ulikuwa 39%. Tunatilia maanani kwamba hii inajumuisha gharama za mara moja zinazohusiana na uundaji upya wa biashara yetu katika mwaka huo. Matumizi ya mali ya kima cha milioni Ksh 490 yalifanywa katika kipindi hicho kuhusiana na kupanga upya kwa baadhi ya kampuni tanzu katika mwaka huo. Ukuaji katika utendaji wa pochi kuu ulirekodiwa katika kipindi hicho, kutokana na kutekelezwa kwa mipango mbalimbali ya kuunda thamani na kulegezwa kwa vikwazo vya COVID-19. Hii ilisababisha kuimarika kwa thamani ambazo hazijapatikana zilizorekodiwa kwa mwaka huo.

Kampuni hii ilizalisha mitiririko ya pesa taslimu kutokana na mafao ya bilioni Ksh 1.3 katika mwaka huo, ambayo ilitosha kukidhi gharama za uendeshaji na kulipa deni. Hakukuwa na deni la ziada lililochukuliwa katika kipindi hicho.

Biashara ilisalia kwa na pesa za kutosha na takriban 15% ya jumla ya pochi zake zikiwa katika hisani zinazoweza kuuzwa. Kulingana na lengo la Centum 4.0 la kupunguza matumizi, biashara hii ilifunga mwaka bila deni kama jumla ya mali ya pesa taslimu.

Thamani ya jumla ya mali ya Kampuni hii ilikuwa bilioni Ksh 41.3 ikilinganishwa na milioni Ksh 41.8 katika mwaka uliotangulia. Ingawa kulikuwa na hali ya kuimarika kwa utendaji na thamani ya pochi msingi, mojawapo ya kampuni tanzu; Two Rivers Development Limited (TRDL), ilipata hasara iliyotokana na gharama za juu za fedha. Kampuni zetu tanzu za mali isiyohamishika ikijumuisha TRDL zilikuwa katika nafasi nzuri ya kuhudumia mahitaji ya sasa ya nyumba katika kiwango cha kati kote katika ukanda huu. Huku biashara hizo zikilenga fursa hii na kwa kuundwa upya kwa muundo wa mtaji wa TRDL kutoka kwa deni hadi mgao wa hisa, tuna ujasiri wa kupata ukuaji muhimu wa biashara yetu ya mali isiyohamishika.

Mrejesho wa Wenyehisa

Mrejesho wetu wa wenyehisa una sehemu mbili. Sehemu ya kwanza ni mgao wa hisa na ya pili ni kukua kwa Thamani ya Jumla ya Mali kwa Kila Hisa ambacho ni kipimo cha kindani cha thamani ya uwekezaji wako katika kampuni hii kwa msingi wa kila hisa.

Taarifa ya Mwenyekiti

Bodi ilitumia sera ya mgao wa hisa ya kusambaza 30% ya mapato ya mafao ya kampuni kama mgao wa mapato kwa wenyehisa. Lengo letu ni kuhakikisha kwamba mgao wetu wa hisa ni endelevu na kwamba hatusambazi mtaji kama mgao wa hisa badala yake kulenga usambazaji wa mapato. Ili kufikia lengo hili, tumegawanya pochi hii mara mbili. Pochi ya Hisa Zinazoweza Kuuzwa (MSP) ambayo lengo lake la uwekezaji ni uboreshaji wa mrejesho wa pesa taslimu ambao ni chanzo kuu cha mrejesho wa mgao wa hisa kwa wenyehisa wetu na Pochi ya Ukuaji ambayo jukumu lake ni kuzalisha ukuaji wa mtaji kwenye pochi ambayo ndiyo kiendeshaji kikuu cha Thamani ya Jumla ya Mali kwa Kila Hisa.

Mgao wa mapato ya hisa

Sera ya Kampuni ni kulipa 30% ya mapato ya pesa taslimu kutokana na mafao. Kama inavyofaa, Bodi ya Wakurugenzi imependekeza malipo ya mgao wa hisa ya Milioni Ksh 391 ambayo ni mgao wa kila hisa wa Ksh 0.587 kwa mwaka wa kifedha uliomalizikia tarehe 31 Machi 2022. Kuna ongezeko la 78% kutoka katika malipo ya mwaka uliotanguliwa wa milioni Ksh 220.

Kampuni hii inasalia kulenga kuhifadhi na kukuza thamani ya muda mrefu huku ikihakikisha usambazaji endelevu wa migao ya mapato ya hisa kwa wenyehisa. Ili kusaidia ukuaji endelevu wa migao ya mapato ya hisa lengo letu ni kutumia baadhi ya mafao kutokana na mauzo ya dau za wenyehisa wetu wanaoondoka na malipo ya mkopo wa wenyehisa ili kuongeza mfao kwenye Pochi ya Hisa Zinazoweza Kuuzwa hadi kati ya 20% - 30% ya jumla ya pochi. Kadhalika, tumezipa timu zetu za uwekezaji jukumu la kuboresha mrejesho wa pesa taslimu na ninafurahi kuripoti kwamba hii imeongezeka kutoka 13.1% katika mwaka uliotanguliwa hadi 14% mwaka huu.

Ukuaji katika Thamani ya Jumla ya Mali kwa Kila Hisa
Kama nilivyoelezwa awali, lengo letu ni kuzalisha ukuaji mkubwa katika Thamani ya Jumla ya Mali na kutuza wenyehisa wetu wa muda mrefu. Katika kipindi cha kati ya 2009 na 2018, Thamani ya Jumla ya Mali kwa kila hisa ilipanda kwa migao ya hisa katika kipindi hicho iliongezeka kwa 1095% kutoka Ksh 7 hadi Ksh 89.

Katika Centum 4.0, tulitambua hatari muhimu ya kudorora kwa thamani ya hisa kwa sababu za hali za soko a nje na mwonekano kutofadhili mkakati wa uwekezaji unaofadhiliwa na deni. Lengo katika awamu hii limekuwa kuweka mali pamoja ili kuhifadhi thamani. Hii imefaulu kufikiwa na viwango vya thamani ambavyo tumesajili katika ya 2019 na 2022 vya bilioni Ksh 5 au 13% ya thamani vinatokana na msingi wa uhifadhi wa uhasimu kwa kiasi kikubwa.

Tunaposajili dau kuondolewa, tunatarajia mapato mengi kutoka hapo kurudi ndani na kuleta faida. Mfano mzuri ni uwekezaji wetu katika Benki ya Sidian ambayo tunaondoa dau zake kwa thamani ya bilioni Ksh 4.3 tofauti na thamani kwenye vitabu vyetu ya bilioni Ksh 2.7. Uwekezaji wetu mwingi una thamani ya ndani ambayo ni ya juu kuliko thamani inayobebwa na changamoto na fursa yetu ni kufunga hii kupitia utekelezaji wa mipango ya uundaji wa thamani ambayo lengo lake la hatima ni kufungua na kupata thamani ndani ya pengo hili.

Taarifa za utawala

Uhakiki wa Utawala, Sheria na Uzingatiaji

Katika kipindi hicho, Kampuni hii ilijihusisha katika mashauriano huru ili kuendesha Uhakiki wa Ukaguzi wa Utawala na Sheria na Uzingatiaji. Ripoti za ukaguzi zimesajiliwa kwenye Mamlaka ya Masoko ya Mtaji na kuwekwa kupatikana kwa wenyehisa wote kupitia uchapishaji kwenye tovuti yetu (www.centum.co.ke).

Ukaguzi wa Utawala uliofanywa na washauri huru ulihitimisha kwamba Bodi, kwa kiasi kikubwa imekuwa, ikiweka miundo ya ufanisi, inayofaa na ya kutosha ya utawala katika shirika ambayo inatii kiunzi cha kishetia na udhibiiti na inalingana na na matendo ya utawala mwema kwa masilahi ya washikadau.

Hatari na udhibiti wa ndani

Kando na utendakazi wa Hatari na Utiifu wa Kampuni, tulishirikisha Ernest & Young katika kusaidia uhakikia na ukaguzi wa ndani wa mara moja moja. Utendakazi wa uhakiki wa hatari na ukaguzi wa ndani huripoti kwa njia huru na moja kwa moja kwa bodi kupitia Kamati za Bodi za Hatari na Ukaguzi.

Kulingana na ripoti zilizopokewa na Bodi, wanachama wameridhika kwamba usimamizi umeweka hatua za kutosha na miundo mipana ya kudhibiti hatari na vidhibiti vya kutosha vya ndani.

Ili kuendelea kutoa uangalizi unaohitajika na kuwajibisha usimamizi kuhusu udhibiti toshelevu wa hatari na hitaji la kuendelea kuboresha mazingira ya ndani ya udhibiti.

Mabadiliko kwenye Bodi

Mnamo Februari 2022, Bi. Mary Ngige alijiuzulu kutoka kwenye Bodi baada ya kuhudumia Kampuni hii kwa uadilifu tangu kuteuliwa kwake Septemba 2016. Tunatoa shukrani kwa Mary kwa huduma alizojitolea kutupatia na mchango wake katika shirika la Centum Group.

Bi. Catherine Mturi-Wairi aliteuliwa kwenye Bodi ya Wakurugenzi wa Kampuni hii mnano Machi 2022. Bi Mturi-Wairi ni kiongozi wa biashara anayeheshimiwa ambaye analeta uzoefu wa miongo mitatu katika fedha na uhasibu. Ana rekodi ya kufanikiwa kuunda na kutekeleza mikakati iliyofaulu ya biashara, kuimarisha pochi za uwekezaji, na kuendesha ufanisi wa kishirika. Bi. Mturi-Wairi ana shahada ya uzamili katika Usimamizi wa Kimkakati kutoka Chuo Kikuu cha United States International University (USIU), shahada ya BSc. katika Fedha na Uhasibu kutoka USIU, ni Mhasibu wa Umma Aliyeidhinishwa wa Kenya, Katibu wa Umma Aliyeidhinishwa wa Kenya, na Mshauri wa SAP Aliyeidhinishwa. Yeye ni mwanachama wa Taasisi ya Wakurugenzi wa Kenya, Taasisi ya Mahasibu wa Umma Walioidhinishwa wa Kenya (ICPAK), ambapo anahudumu kwenye kamati ya Ukaguzi ya ICPAK na Kamati ya Fedha za Umma na Kodi katika Tawi la Pwani la ICPAK Yeye pia ni mwanachama wa Taasisi ya Makatibu Walioidhinishwa, Taasisi ya Usimamizi ya Kenya, Wanawake katika Sekta ya Majini katika Afrika Mashariki na Kusini na Shirika la Wanawake Mahasibu Kenya.

Kwenye taarifa yangu mwaka jana, niliashiria kwamba ningechagua kustaafu mwaka huu kabla ya kuisha kwa hatamu yangu na kwa umri wa miaka 70. Kufuatia ukaguzi wa mkakati wetu wa muda wa kati na majadiliano ya kina na Bodi, tuliamua kwamba niendelee kuhudumu ili kuwezesha uangalizi wa mikakati mbalimbali yanayotekelezwa na kuwezesha mpwito laini. Hii ni muhimu hususan kwa sababu ya uhuru wa kuendesha shughuli katika kampuni tanzu na mabadiliko katika miundo ya utawala ambayo tumetekeleza kama Bodi. Tutasonga mbele pamoja ili kuendesha kampuni hii kufikia Centum 4.0.

Mnamo Julai 2022, tulisikitika kumpoteza Edward Mwachinga, ambaye alihudumu kama mkurugenzi katika mojawapo ya kampuni zetu tanzu Vipingo Development Plc, baada ya kuugua kwa muda mfupi. Marehemu Edward alihudumu kwa ari, uadilifu na ufanisi na kwa sababu hiyo, tunasalia na shukrani na tutaendelea kumkumbuka zaidi.

Uendelevu na kusaidia jumuiya yetu

Lengo letu ni kuunda mali halisi kwa kutoa mkondo ambao wawekezaji wanaweza kufikia na kukuza biashara za kipekee barani Afrika. Tumeweka wazi kwamba muhimu katika kufikia lengo hili ni uwezo wetu wa kuwezesha jumuiya yetu kufaulu.

Mazingatio ya kimazingira, kijamii na utawala yanasalia katikati ya maamuzi yetu ya uwekezaji, usimamizi wa pochi na shughuli za uundaji wa thamani. Juhudi zimeimarishwa ili kuboresha utoaji ripoti kuhusu juhudi zetu za uendelevu na uangalizi katika kiwango cha Bodi. Centum imetambua maeneo sita ya kulenga kutoka kwenye malengo 17 ya maendeleo endelevu ya Umoja wa Mataifa (SDGs) Utaratibu wa uteuzi ulihusisha vipaumbele vya wenyehisa wetu, ufikiaji wa pochi na maeneo ambapo tungeweza kufanya mchango wa maana kulingana nafasi yetu katika soko. Hatua ya kina tuliipiga katika nyanja hizi tulizozilenga imebainishwa kwenye ripoti ya uendelevu kwenye ukurasa wa **12** hadi **29** wa ripoti hii ya kila mwaka.

Nguzo	SDG ya Umoja wa Mataifa	Kwa nini ni muhimu kwetu
1. Elimu	4 QUALITY EDUCATION	Huhakikisha kuna ujumuishaji na elimu bora ya usawa na kuendeleza fursa za mafunzo za maishani kwa wote
2. Usawa wa kijinsia	5 GENDER EQUALITY	Tunatambua kwamba hali anuai ya jinsia ina athari chanya kwa utendaji wa timu na biashara zetu kwa jumla
3. Miundomsingi	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY	Kukua kwa kazi kwa miji nchini Kenya kama ilivyo katika miji mingi ya Afrika, kuna athari kubwa kwa matumizi ya maji na usimamizi wa maji taka. Vyanzo vya kawi safi, ya bei nafuu na ya kutegemewa huimarisha ubora wa maisha na kuwezesha ukuaji wa biashara
4. Nyumba	11 SUSTAINABLE CITIES AND COMMUNITIES	Tunatambua hitaji la kuunda nyumba salama na za bei nafuu kwa lengo la kuimarisha umoja na ukuaji endelevu wa miji.
5. Ujasiriamali	8 DECENT WORK AND ECONOMIC GROWTH	Ukuaji endelevu wa kiuchumi unaendeshwa na kazi jumuishi, kamili na yenye tija na kazi ya maana kwa wote

Taarifa ya Mwenyekiti

Tunayotazamia

Kampuni hii imepiga hatua nzuri katika kutimiza lengo lake kuu latika muktadha wa changamoto za kiuchumi zilizosababishwa na usumbufu wa UVIKO-19, mfumuko wa bei za bidhaa na hatari ya juu ya siasa za dunia. Juhudi muhimu zimefanywa katika utekelezaji wa mipango ya uundaji wa thamani na biashara iko katika nafasi nzuri ya kuvuna nafuu kutokana na fursa zinazoibuka. Bodi inatazamia siku za baadaye kwa matumaini na ina ujasiri kwmaba Kampuni ipo mbioni kufikia malengo makuu ya kujenga biashara stahimilivu itakayoleta marejesho yanayopiku viwango endelevu vya soko kwa wenyehisa kwa muda mfupi, wastani na muda mrefu. Sehemu kuu zinazolengwa na Kampuni hii katika kipindi kilichobaki cha Mkakati wa Centum 4.0 itakuwa ni:

i. Kufikia upatikanaji wa pesa taslimu kupitia dau zinazoondolewa za mali zilizokomaa kwenye pochi na kutumia tena mtaji huo katika fursa mpya;
ii. Kusawazisha tena pochi kulingana na ugavi unaotamaniwa wa kimkakati wa mali;
iii. Utekelezaji wa mipango ya uundaji wa thamani kwa kila mali ya pochi kwa lengo la kufikia marejesho lengwa, ukuaji na maandalizi kwa ajili ya matukio ya mtaji; na
iv. Kama sehemu ya mchakato wa kugawa upya mtaji, tutazingatia thamani ya kutekeleza ununuzi tena wa hisa na ikiwa inafaa kutekeleza hayo kwa muda na bei ifaayo zaidi.

Shukrani

Ninatoa shukrani zangu za dhati kwa wafanyakazi, timu ya usimamizi, na wanachama wenzangu wa bodi kwa kazi ngumu wamekuwa wakifanya na wameendelea kufanya ili kufikia malengo tuliyoweka kuyafikia.

Pia ninashukuru wenyehisa kwa msaada wao katika safari hii, kuendelea kwao kujihusisha na kutoa changamoto tunapoendelea kufanya kila tuwezalo katika kukuza thamani ya Kampuni.

Dkt. Donald Kaberuka
Mwenyekiti, Bodi ya Wakurugenzi Watendaji

CORPORATE GOVERNANCE

Board of Directors

Dr. Donald Kaberuka
Chairman and Independent Non-Executive Director | Age: 70
Appointment Date: October 2019

Dr. Laila Macharia
Vice - Chair and Independent Non-Executive Director | Age: 51
Appointment Date: October 2013

Dr. James Mworia
Executive Director | Age: 44
Appointment Date: October 2008

Mr. Andrew Musangi
Non-Executive Director | Age: 51
Appointment Date: July 2021

Mrs. Susan Wakhungu-Githuku
Non-Executive Director | Age: 61
Appointment Date: September 2017

Mrs. Catherine Mturi - Wairi
Independent Non-Executive Director | Age: 54
Appointment Date: March 2022

Board of Directors

Mrs. Catherine Igathe
Independent Non-Executive Director | Age: 48
Appointment Date: September 2016

Dr. Moses Ikiara
Independent Non-Executive Director | Age: 56
Appointment Date: November 2017

Mr. Christopher Huka
Representative of Kenya Development Corporation Limited
Age: 53
Appointment Date: September 2021

Mr. William Byaruhanga
Non-Executive Director | Age: 61
Appointment Date: October 2016

Executive Committee

Dr. James Mworia
Group Chief Executive Officer

Ms. Risper Alaro
Group Finance Director

Mr. Fred Murimi
Managing Director
Centum Capital Partners Limited

Ms. Mical Agina
Company Secretary,
Head of Legal & Tax

Mr. Thomas Omondi-Achola
Partner, Portfolio Operations -
Centum Capital Partners Limited

Our Governance Culture

The Board has made great strides in entrenching best in class corporate governance practices within the Company. In this period, the Board has set up environmental, social and governance compliance metrices as priority areas in operations and assessment of investment opportunities.

The Company has an ESG, Risk & Compliance function which monitors compliance with the applicable governance standards. The Board has also appointed Ernst & Young LLP to support both on the risk management aspects of the business and to give assurance on internal controls. Ernst & Young LLP reports quarterly to the Board through the Risk Committee and the Audit Committee.

To support the core business and uphold the governance standards, the Board has revamped the Company's investment criteria to include ESG and sustainability reporting in the investment screening process as well as in portfolio management.
In this period, the Board has also reviewed strategy Centum 4.0, with the view of pivoting the parenting model over its subsidiaries. This parenting model is premised on a supervisory model, to achieve operational autonomy across all affiliate entities.

The Board has achieved clarity in delegation of authority across all entities through documented charts of authority that define accountabilities for management, Executive Committee, Board Committees, and the Board.

As the Board underscores timely and accurate reporting and transparency to stakeholders, the Company continues to report to the Capital Markets Authority on the status of application of the corporate governance standards and practices outlined in the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

*These disclosures are available on the **Company's website**, including the self-assessment report for the period ended **31 March 2022.***

In addition, the Board has in the period appointed independent advisors to report to the shareholders on governance, legal and compliance standards through a Governance Audit Report and Legal & Compliance Report as is recommended under the Code of Corporate Governance.

*These Reports have been filed with the **Capital Markets Authority** and are published in these statements and the Company's website.*

The Company Secretary is charged with the mandate of supporting the Board's commitment to corporate governance and sustainability.

The Board

The Board comprises ten (10) directors, nine (9) who are non-executive directors.

This period has presented excellent opportunities to strengthen the team and bring on-board new members with relevant experience and capabilities for the Board to continuously steer the strategy of the Company.

All appointments were in accordance with the Company's ***Articles of Association*** *and the* ***Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015***.

We highlight these new appointments below:

Mr. Andrew Musangi

Mr. Andrew Musangi was appointed as a non-executive director with effect from 26 July 2021. Mr. Musangi's appointment was to fill a casual vacancy following the demise of the late Dr. Christopher Kirubi.

Kenya Development Corporation (KDC) represented by Mr. Christopher Huka

During the period under review, KDC was appointed as a non-executive director with Mr. Christopher Huka as its board representative. This is following the merger of Industrial and Commercial Development Corporation, which was a corporate director of the Company, IDB Capital Limited and Tourism Finance Corporation, Pursuant to Legal Notice 113.

Ms. Catherine Mturi-Wairi

Ms. Catherine Mturi-Wairi was appointed to fill a casual vacancy after Ms. Mary Ngige who was up for re-election this year, resigned from her position on the board.

This appointment as a non-executive director took effect from 31 March 2022.

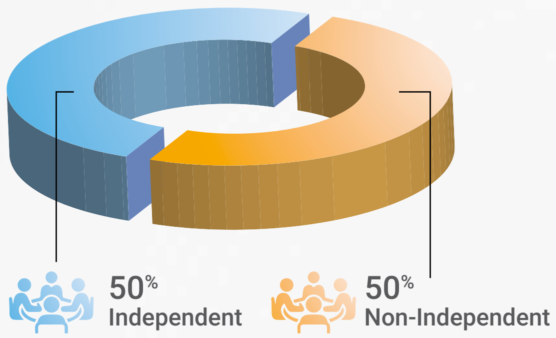
50% of the Board members are independent non-executive directors.

There are four Board-level committees:

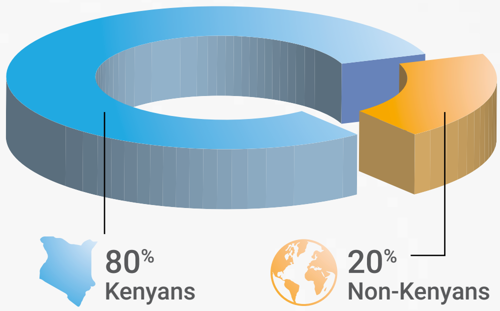
1. The Audit Committee
2. The Nomination and Governance Committee
3. The Risk Committee
4. The Finance and Investment Committee

The chairpersons and a majority of members of the Audit Committee and the Nomination and Governance Committee are independent non-executive directors.

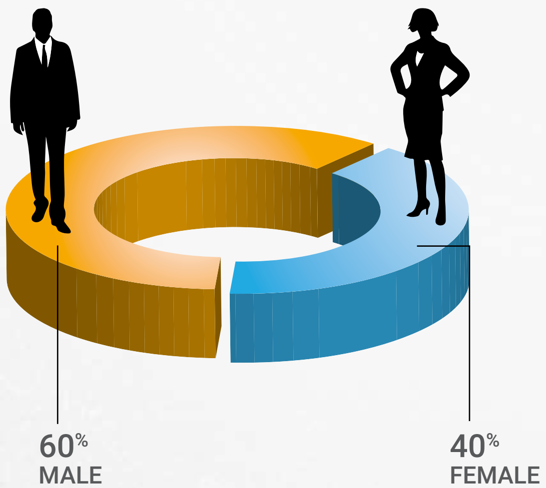
Independence of the Board Members



Regional Diversity



Gender Diversity



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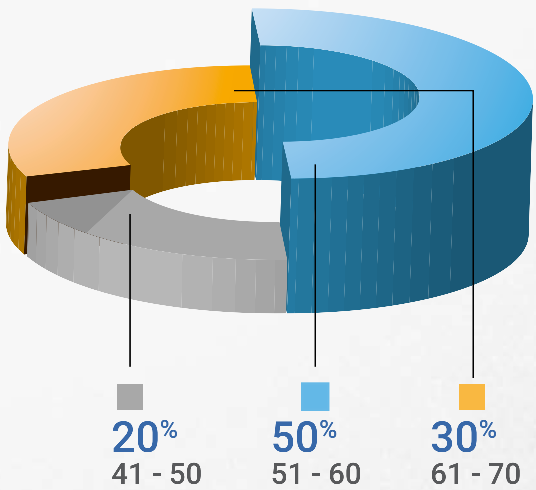


The Board

Experience and Qualifications of Board Members

SUMMARY OF DIRECTORS' QUALIFICATIONS AND EXPERIENCE	Dr. D. Kaberuka	Dr. J. Mworia (CEO)	A. Musangi	Dr. L. Macharia	C. Igathe	C. Mturi - Wairi	C. Huka (KDC Rep)	W. Byaruhanga	Dr. M. Ikiara	S. Wakhungu-Githuku
ACADEMIA/EDUCATION brings perspective regarding organizational management and academic research relevant to the Company's business and strategy.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
BUSINESS HEAD/ADMINISTRATION experience brings strong leadership qualities and ability to develop and guide other directors and senior management.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ENTREPRENEURSHIP skills and experience contribute a great deal to development of the Company's strategy, capital allocation, risk management and oversight of the Company's business.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CORPORATE GOVERNANCE experience contributes to a strong Board to ensure management accountability, responsible investing, transparency and protection of shareholders' interests.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CAPITAL BUDGETING AND/CAPITAL ALLOCATION expertise is key in the Company's strategy and business as it ensures there is a balance in allocating the Company's resources in investments that will continuously bring attractive returns to investors while ensuring the ESG standards are met and maintained.	✓	✓	✓	✓		✓	✓			
FINANCIAL EXPERTISE is key in driving the Company's strategy as it ensures the Board understands the Company's financial reporting and internal controls and provides oversight over these aspects.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

SUMMARY OF DIRECTORS' QUALIFICATIONS AND EXPERIENCE	Dr. D. Kaberuka	Dr. J. Mworia (CEO)	A. Musangi	Dr. L. Macharia	C. Igathe	C. Mturi - Wairi	C. Huka (KDC Rep)	W. Byaruhanga	Dr. M. Ikiara	S. Wakhungu-Githuku
FINANCIAL SERVICES INDUSTRY experience is key in providing oversight in the Company's investments in the financial services industry as well as approving and understanding the implications of financing of the Company's investments.	✓	✓		✓	✓	✓	✓			
DIRECTORSHIP IN OTHER LISTED COMPANIES enables the Board to leverage on experience gained by Board members in other listed companies.		✓	✓	✓		✓				✓
PUBLIC SERVICE/ PUBLIC POLICY is essential as the government is a key stakeholder in the Company's business and government actions and public policy impact the Company's business substantively.	✓						✓	✓	✓	
REGIONAL/ INTERNATIONAL EXPOSURE is useful in benchmarking the Company against global industry players and attracting foreign investments.	✓			✓	✓			✓	✓	✓
INVESTMENT is the core business of the Company and skills are key in evaluating the Company's investment strategy.		✓	✓	✓		✓	✓		✓	
MARKETING/ CORPORATE COMMUNICATIONS expertise is crucial in providing oversight to matters affecting the Company's brand and managing related risks.					✓					✓
REAL ESTATE experience is vital in providing oversight to the Company's real estate investments.		✓	✓	✓				✓		

The Board

SUMMARY OF DIRECTORS' QUALIFICATIONS AND EXPERIENCE	Dr. D. Kaberuka	Dr. J. Mworia (CEO)	A. Musangi	Dr. L. Macharia	C. Igathe	C. Mturi - Wairi	C. Huka (KDC Rep)	W. Byaruhanga	Dr. M. Ikiara	S. Wakhungu-Githuku
PRIVATE EQUITY experience is fundamental in providing oversight to the Company's private equity investments.		✓	✓	✓		✓	✓			
TALENT MANAGEMENT is valuable as it helps the Company to attract, motivate, develop and retain top talent and to ensure that there is an appropriate succession plan for the Company's critical roles.							✓			✓
INTERNAL CONTROLS experience is critical in ensuring that the Company operates within the approved governance framework.					✓	✓	✓			
RISK MANAGEMENT expertise enables the Board to identify the key risks facing the Company's investment and provide oversight in continually monitoring those risks.				✓	✓	✓	✓			
LEGAL skills are key in the Board as the Board is overally responsible for compliance with the laws and regulations applicable to the Company.		✓	✓	✓				✓		

Disclosure on External Auditor

The Board has made significant progress in adopting the recommendations of the Corporate Governance Code for Issuers, even where these recommendations are not mandatory.

As a matter of principle, the Company continues to provide timely and relevant information on performance in line with its continuing obligations of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

The Company has benefited from retaining PricewaterhouseCoopers (PwC) as the independent external auditor over the past eight years, and has achieved the important objective of seamless reporting to stakeholders.

Although the recommendation is to rotate auditors every six to nine years, an attempt to change the auditors would necessitate change of auditor not only in the Company, but in the subsidiaries. These subsidiary portfolio companies have their own financial reporting requirements and processes as determined by their separate boards of directors.

The Board continues to verify and safeguard the integrity of the financial process to ensure the independence and competence of the company's external auditors. Specifically:

a) The Board Audit Committee monitors the effectiveness, objectivity and independence of the external auditor. This responsibility includes reviewing the scope of both audit and non-audit services provided by the external auditor to Centum Group. The review includes an assessment of the associated fees and terms of engagement to ensure their continued independence. The Board Audit Committee also assesses any other threats to independence to satisfy itself that there are no factors that could adversely affect the external auditor's independence and objectivity.

b) In addition, PwC, in line with its internal independence policies, rotates the key audit partner responsible for the audit every seven years. This has ensured that the audits are periodically subjected to a fresh look by the new audit partner. Furthermore, the audit of Centum has an additional Quality Review Partner in line with PwC internal risk and quality management policies for audits of Public Interest Entities (PIEs) to ensure an effective and objective audit process. The current audit partner commenced his engagement as auditor from our financial year 2017/18.

Shareholders Rights and Obligations

All shareholders have equal voting, subscription and transfer rights for the shares they hold.

To ensure a proper understanding of the notice and motions to be voted at the meetings of shareholders, the Company provides English and Kiswahili versions to cater for all shareholders.

All shareholders receive notices of shareholders' meetings and other communications concurrently, and payment of dividends is done simultaneously and at the same rate for all shareholders. To ensure a wide reach of notices to shareholders, the Company also sends the notice of the Annual General Meetings via mobile SMS.

Legal and Compliance Audit Opinion

As an issuer of securities to the public, the Company is required to comply with the regulations and guidelines issued by the Capital Markets Authority (CMA), one of which is the CMA's Code of Corporate Governance for Issuers of Securities to the Public, 2015 (the Code of Corporate Governance).

The Code of Corporate Governance has provisions requiring compliance with all applicable laws, regulations and standards, which in summary requires the board of the Company to:

a) identify all applicable laws, regulations and standards that the Company should comply with;
b) establish internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards; and
c) organize for a legal and compliance audit to be carried out internally on an annual basis, and once every two (2) years by a legal professional in good standing with the Law Society of Kenya.

It is against this background that the Board of Directors of the Company engaged us to undertake a legal and compliance audit of the Company and report on its level of compliance.

Legal and Compliance Auditors' Responsibility

Our responsibility is to express an opinion on the level of compliance with laws, regulations and standards applicable to the Company. We conducted an on-site legal and compliance audit and prepared:

a) Compliance Matrices identifying the Company's compliance obligations arising under the applicable laws, regulations and standards; and
b) Information Request Lists detailing the documents, information or confirmations required from the Company to assess their adherence to the compliance obligations.

Using the Information Requests as the basis for the information gathering and the Compliance Matrices as the tools to determine compliance, we have made an assessment of the compliance by the Company with the various applicable laws, regulations and standards.

Opinion

In our opinion, the board has established adequate internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards. The legal and compliance audit did not reveal any material incidences of non-compliance by the Company with the laws, regulations and standards applicable to it and in this regard we issue an unqualified opinion.

Doreen N. Onwong'a
Engagement partner
Registration Number: LSK/2022/00861
For: KN LAW LLP

Report of the Independent Governance Auditor to the Shareholders of Centum Investment Company Plc

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed company to subject the company to an annual Governance Audit to check the level of compliance with sound governance practices.

The annual Governance Audit ("GA") should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Companies Act, 2015 ("the Act") and the Code, appointed Qwasha Corporate Services LLP, affiliated to KN Law LLP ("the Auditor"), to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence and effectiveness of Governance instruments, policies, structures, systems and practices in the organization within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with the Institute of Certified Secretaries of Kenya Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices and processes. We believe that our governance audits provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organization, which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

M Nandi

Mugambi Nandi
Engagement partner
Registration Number: 1102
For: Qwasha Corporate Services LLP

Shareholder Mapping – Top 10 shareholders

Below is a list of the top ten (10) shareholders as of 31 March 2022.

			2022		2021	
Rank	Name	Domicile	Total Shares	%	Total Shares	%
1	Estate of the late Dr. Christopher John Kirubi	LI	205,908,205	30.94%	205,908,205	30.94%
2	Kenya Development Corporation	LC	152,847,897	22.97%	152,847,897	22.97%
3	Kimani, John Kibunga	LI	29,233,921	4.39%	8,264,421	1.24%
SUB-TOTAL (TOP 3)			387,990,023	58.31%	367,020,523	55.15%
4	Standard Chartered Nominees Non-Red. A/C 9827	FC	9,799,537	1.47%	11,699,037	1.76%
5	Standard Chartered Kenya Nominees Ltd A/C KE004326	FC	8,898,956	1.34%	-	-
6	Standard Chartered Kenya Nominees Ltd A/C KE003534	FC	8,017,169	1.20%	8,017,169	1.20%
7	Stanbic Nominees Ltd A/C NR1031141	FC	7,220,700	1.09%	9,057,400	1.36%
8	Uganda Securities Exchange	LI	5,732,247	0.86%	5,805,306	0.87%
9	Mwirigi, James Mworia	LI	5,674,594	0.85%	5,674,594	0.85%
10	Stanbic Nominees Limited A/C NR1031313	FC	5,574,800	0.84%	5,574,800	0.84%
SUB-TOTAL (TOP 10)			438,908,026	65.96%	412,848,829	62.04%

LI - Local Individual, LC - Local Corporate, FC - Foreign Corporate

Total issued shares - 665,441,714

Shareholding by Directors:

	2022	2021
Director	Total Shares	Total Shares
Estate of the late Dr. Christopher John Kirubi	205,908,205	205,908,205
Kenya Development Corporation (Alternate - Christopher Huka)*	152,847,897	152,847,897
James M. Mworia	5,674,594	5,674,594
Andrew Mukite Musangi	800,000	-
Dr. Moses Ikiara	59,050	18,150
Dr. Laila Macharia	-	-
Catherine Mturi-Wairi	-	-
Catherine Igathe	-	-
Hon. William Byaruhanga	-	-
Dr. Donald Kaberuka	-	-
Mrs. Susan Wakhungu-Githuku	-	-

Shareholding by senior management:

	2022	2021
Staff Name	Total Shares	Total Shares
James M. Mworia	5,674,594	5,674,594
Fredrick Murimi Ngari	690,700	690,700
Risper Alaro	435,300	435,300
Thomas Omondi	117,500	117,500

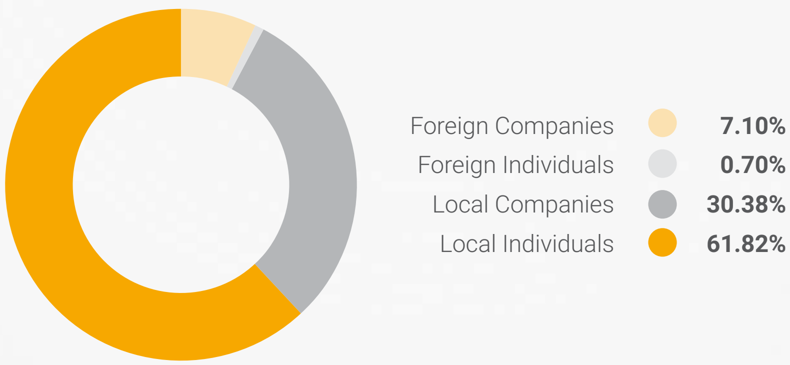
Shareholder Analysis

Shareholder Analysis by Volume:

	2022			2021		
Volume	**Shares**	**%**	**Holders**	**Shares**	**%**	**Holders**
1 - 500	2,450,393	0.37%	14,538	2,462,705	0.37%	14,503
501 - 5,000	33,191,144	4.99%	16,127	33,621,265	5.05%	16,325
5,001- 10,000	20,944,555	3.15%	2,895	21,216,533	3.19%	2,937
10,001 - 100,000	76,924,372	11.56%	3,072	78,552,355	11.80%	3,127
100,001 - 1,000,000	55,366,033	8.32%	215	58,707,464	8.82%	221
>1,000,000	476,565,217	71.61%	30	470,881,392	70.76%	36
TOTALS	**665,441,714**	**100%**	**36,877**	**665,441,714**	**100%**	**37,149**

Shareholder Analysis by Domicile:

	2022		2021	
Domicile	**Shares**	**Holders**	**Shares**	**Holders**
Foreign Companies	47,245,622	19	57,996,958	24
Foreign Individuals	4,634,198	197	4,313,461	201
Local Companies	202,150,551	1,629	209,598,398	1,686
Local Individuals	411,411,343	35,032	393,532,897	35,238
TOTALS	**665,441,714**	**36,877**	**665,441,714**	**37,149**



Board and Committees' Activities

Chairpersons' Report on Board Activities

The Board receives reports from the various committees and considers recommendations of the committees before approving them. The Board has exclusive mandate to approve the strategy of the Company and to set the Company's risk appetite. In the year ended 31 March 2022, the Board undertook the following activities:

a) Received and considered reports on the business and investment activities;
b) Received and considered reports on activities of all the committees;
c) Approved the Company and Group interim financial statements for the six-month period ended 30 September 2021;
d) Approved the Company and Group Financial statements for the year ended 31 March 2022;
e) Approved the appointment of Mr. Andrew Musangi and Catherine Mturi-Wairi as Non- Executive Directors;
f) Reviewed Centum's Strategy 4.0 progress;
g) Received updates on the activities of subsidiary Boards;
h) Approved the appointment of Ms. Mical Agina as the Company Secretary;
i) Approved the appointment of Ms. Risper Alaro as the Group Finance Director;
j) On the recommendation of the Risk and Audit Committees, appointed Messrs Ernst & Young as the Risk Management consultants and Internal Auditor respectively;
k) On the recommendation of the Nominations & Governance & Audit Committees, appointed KN Law LLP for independent governance audit, and legal & compliance review.

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Dr. Donald Kaberuka
Chairman, Board of Directors

Nominations and Governance Committee

Dear Shareholder,
It is with pleasure that I present to you the report on the Nomination and Governance Committee for the year ended 31 March 2022. The Committee is mandated with oversight of governance and human resource matters.

During the year ended 31 March 2022, the Committee:

a) Received a progress report on the portfolio companies' transition to the supervisory parenting model;
b) Recommended for approval by the Board the appointment of KN LAW LLP for the provision of both the Legal & Compliance Review and Governance Audit;
c) Received an update from Management on HR & Governance matters;
d) Recommended for approval by the Board that the organizational structure for the Company and shared services be revised to achieve the target operating model and reduce the cost to income ratio of the business to 30%; and
e) Recommended for approval by the Board the appointment of Ms. Catherine Mturi-Wairi as a Director.

On behalf of the Nominations and Governance Committee,

Laila Macharia
Chairperson, Nominations & Governance Committee

BOARD AND COMMITTEES' ACTIVITIES

Finance and Investment Committee

Dear Shareholder,

The Finance and Investment Committee is charged with the responsibility of making investment, divestment, and capital budgeting decisions, subject to approved limits.

In the course of the year ended 31 March 2022, the committee's activities included:

a) Review of the investment criteria to allow for deal screening of investment opportunities within approved risk appetite;
b) Receiving and deliberating on performance updates of the various investments by the Company, including risks associated with each investment;
c) Receiving activity and investment updates on the Company's Growth and marketable securities portfolios, including risks associated with each portfolio and approving the respective investment decisions;
d) Considering progress update on the set up of Centum Capital Fund II;
e) Considering and approving proposals on transactions involving the Company's assets and receiving updates on such transactions;
f) Approving issuance of required Corporate Guarantees by Centum in fundraising transactions; and
g) Receiving updates on ongoing transactions at the Company's real estate subsidiaries.

On behalf of the Finance and Investment Committee,

Andrew Musangi
Chairperson, Finance and Investment Committee

Risk Committee

Dear Shareholder,
I am pleased to present to you the Risk Committee report for the year ended 31 March 2022. The report details the activities of the Committee in the year.
The Board has overall responsibility for risk management and internal control, including the determination of the nature and extent of the key risks it is willing to take to achieve its strategic objectives and ensuring that an appropriate culture has been embedded throughout the Group.

In line with its mandate, the Risk Committee:

a) Discussed and approved the Committee workplan for the year;
b) Recommended for approval by the Board the appointment of Messrs Ernst & Young as the Risk Management Consultants;
c) Considered a progress update on the execution of the Centum 4.0 Strategy;
d) Reviewed and recommended to the Board a realignment of the Company risk appetite framework;
e) Received updates on risk associated with Growth portfolios;
f) Received an update on the operationalization of the companies' Charts of Authority; and
g) Received a Risk & Compliance update on the various business units in the Group.

On behalf of the Risk Committee,

Catherine Igathe
Chairperson, Risk Committee

Board and Committees' Activities

Audit Committee

Dear Shareholder,

I am pleased to present the Audit Committee report for the year ended 31 March 2022.

Mandate of the Committee

The Committee has a Charter that specifies its responsibilities and procedures. The Committee supports the Board in performing its oversight responsibility relating to: -

- The integrity of the Company and Consolidated Financial Statements;
- The independence and performance of the Company's Internal and External Auditors; and
- The Company's system of financial and internal controls.

To fulfil its oversight responsibility, the Board Audit Committee receives reports from management, the internal auditors, and external auditors, as appropriate. The key responsibilities of the Committee are: -

- **Financial Reporting**
  The Committee reviews the integrity of the Company and Consolidated Financial Statements and recommends the statements for approval to the Board. The Committee also reviews the key accounting judgements and estimates made by management during the preparation of the financial statements.

- **Oversight of internal controls**
  The Committee considers the effectiveness of the Company's internal control systems. The Committee receives reports on findings of the internal auditors and reviews the actions that are provided by the business teams to remediate the identified deficiencies.

- **Internal and External Audit Reports**
  The Committee receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the Internal Audit and External Audit functions at the beginning of each year and guides on the areas of focus.

The Chief Finance Officer, Internal Auditor and the External Auditor and the Business Heads are regularly invited to the meetings to provide reports or respond to issues as required. The independent non-executive directors hold meetings with the Internal Auditor and the External Auditor without Management to freely

Audit Committee (continued)

discuss issues arising from the audits and monitor progress on the audit plan for the year.

During the year ended 31 March 2022, the Committee discharged its mandate as set out in its charter as follows:-

Financial Reporting	• Reviewed the interim financial statements for the 6-month period ended 30 September 2021 and recommended the report to the Board for approval and publication; • Reviewed the key accounting judgements and estimates made by management during the preparation of the financial statements, and were satisfied with how these were adressed; • Reviewed the Financial Statements and Integrated Report for the year ended 31 March 2022 and recommended the reports to the Board for approval and publication; • Reviewed and recommended to the Board for approval, the Company budget for the year ending 31 March 2023; and • Reviewed and recommended to the Board for approval, the revised dividend policy.
External Audit	• Reviewed the independence, performance and effectiveness of the external auditor, PricewaterhouseCoopers LLP; • Reviewed and approved the FY 2022 audit plan including significant audit risks; • Reviewed the report on the audit of the financial statements including key audit matters and were satisfied with how these were addressed; and • Reviewed the management letter and management's response to the external auditor's findings and recommendations.
Internal Control	• Reviewed and approved the proposal to transition internal audit from an in-house function to an outsourced function; • Reviewed the report on audit proposals and selection of Ernst and Young as the Company's internal auditor; • Reviewed and approved the internal audit workplan for the year and ensured that material risk areas were included, and that the coverage of risks and business processes was acceptable; • Reviewed the independence, performance and effectiveness of the internal auditor, Ernst and Young and compliance with its terms of reference; and • Assessed the role and effectiveness of the internal audit function and reviewed and monitored progress against the annual audit plan and the review and monitoring of post-audit actions.

Catherine Mturi-Wairi

Chairperson, Audit Committee

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BOARD AND COMMITTEES' ACTIVITIES

Directors' Participation in Meetings

Name	Executive/ Non - Executive	Role		Board	Audit	Risk	Nomination and Governance	Finance and Investment
Dr. Donald Kaberuka	Non-Executive	Chairman	Membership	Y	N	N	N	N
			Attendance	5/6	-	-	-	-
Dr. James Mworia	Executive	Group CEO	Membership	Y	N	N	N	Y
			Attendance	6/6	-	-	-	3/3
Andrew Musangi alternate Dr. Christopher Kirubi (Substantive Director with effect from 26 July 2021)	Non-Executive	Chair- Finance and Investment Committee	Membership	Y	N	N	Y	Y
			Attendance	6/6	-	-	3/3	3/3
Dr. Laila Macharia	Non-Executive	Chair- Nomination and Governance committee	Membership	Y	Y	Y	Y	Y
			Attendance	6/6	4/4	3/3	3/3	3/3
William Byaruhanga	Non-Executive	Board member	Membership	Y	N	N	N	N
			Attendance	6/6	-	-	-	-
Susan Wakhungu Githuku	Non-Executive	Board member	Membership	Y	N	N	Y	Y
			Attendance	6/6	-	-	3/3	2/3
Catherine Igathe	Non-Executive	Chair-Risk Committee	Membership	Y	Y	Y	Y	Y
			Attendance	6/6	4/4	3/3	3/3	3/3
Mary Ngige	Non-Executive	Chair- Audit Committee	Membership	Y	Y	Y	N	N
			Attendance	2/6	3/4	3/3	-	*1/3
Dr. Moses Ikiara	Non-Executive	Board member	Membership	Y	Y	Y	Y	Y
			Attendance	6/6	4/4	3/3	3/3	3/3
Christopher Huka (alternate to Kenya Development Corporation, a substantive director with effect from 24th September 2021)	Non-Executive	Board member	Membership	Y	Y	N	N	Y
			Attendance	3/6	2/4	1/3	-	1/3

*Not a member of the Committee

Y = Yes, **N** = No, **-** = Not Applicable

Remuneration Policies

Non-Executive Directors' Remuneration

There is no direct link between non-executive directors' remuneration and the performance of the Company. The Board remuneration policy is structured in a way that ensures that the remuneration is sufficient to attract and retain directors to run the Company effectively. In revising the remuneration policy, the Company benchmarks against comparable listed companies, taking into account factors such as requirements for time allocation by the Board members to the Company. The structure was last reviewed in August 2017. The Board remuneration policy is available on the Company's website.

Executive Directors' Remuneration

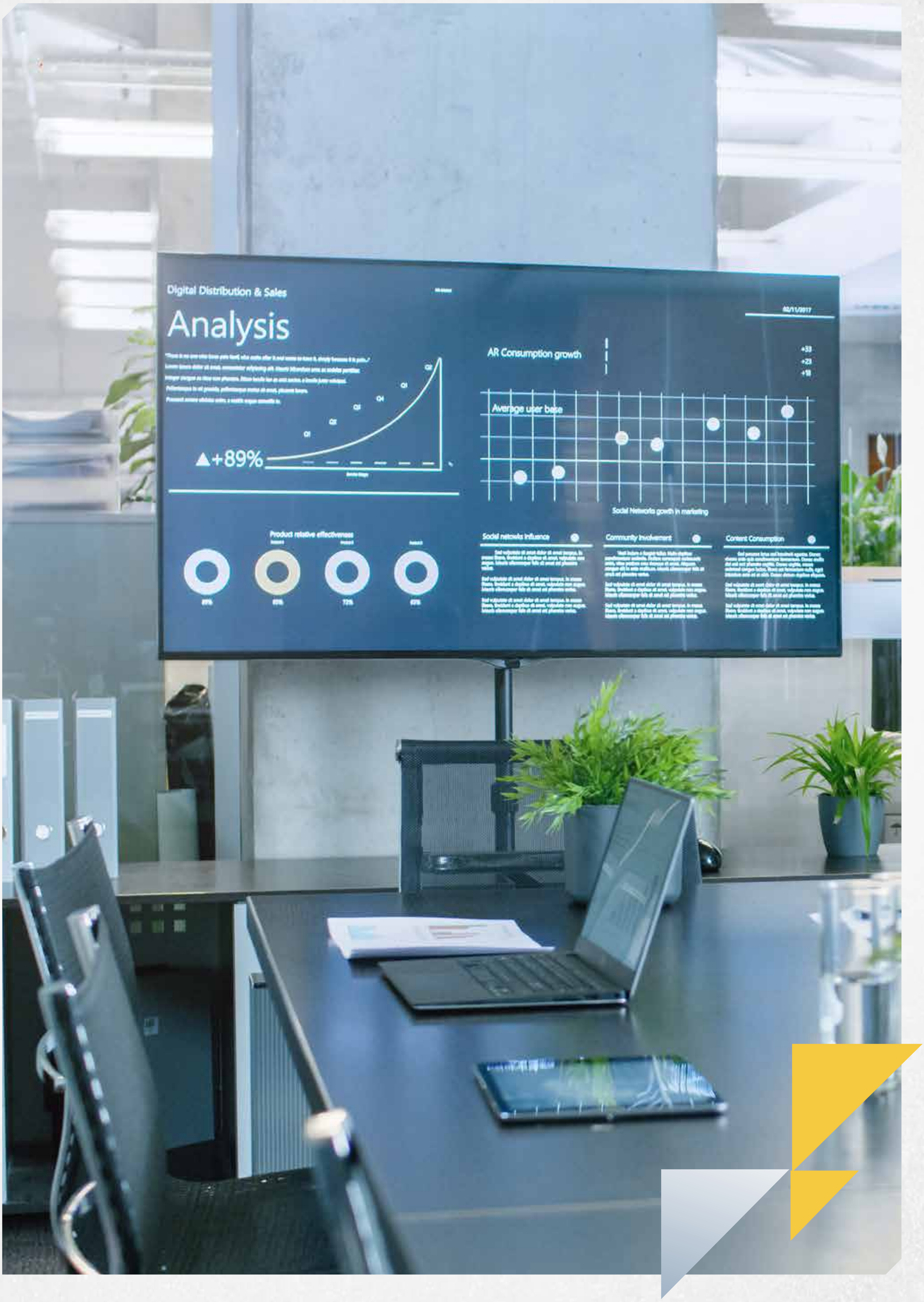
The remuneration of the executive director is determined based on benchmarks in the industry, prevailing market conditions as well as the Company's performance and profitability. The remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. This review was last conducted in April 2016. The executive director is eligible to participate in the Company's bonus scheme which is dependent on the Company's performance and profitability. The basis for determination of the bonus is set out under Note 2.3.2 of the financial statements. In respect to FY2021/2022, the performance hurdle rate was not achieved, and as such the eligibility for bonus was not attained. The executive director does not earn directors' fees or allowances.

	31 March 2022	31 March 2021
Item	**Ksh'000**	**Ksh'000**
Executive Director's Fees	-	-
Executive Director's emoluments	46,502	45,428
Non-executive director's fees	24,852	22,375
Non-executive director's emoluments	-	-

See more information on the individual directors' remuneration on page **120**

Status of compliance with the code of corporate governance practices for issuers of securities to the public, 2015

The Company has adopted the Code of Corporate Governance for Issuers of Securities to the Public, 2015. A detailed report on the compliance status as at 31 March 2022 is available on the website


Digital Distribution & Sales
Analysis
▲+89%
AR Consumption growth
Average user base
Social Networks growth in marketing
Product relative effectiveness
Social networks influence
Community Involvement
Content Consumption

CEO'S STATEMENT

Dear Shareholders,

I am pleased to present to you our integrated report for the financial year ended 31 March 2022. This is the third financial year into the Centum 4.0 Strategy that covers the FY2020-FY2024 period.

A recap of our business model

As an investment company, Centum seeks to generate superior returns to its stakeholders by deploying capital to opportunities that are capable of being scaled up through value creation initiatives. We drive value creation through enhancing and institutionalizing robust governance structures, growing products and markets, resolving operational challenges and optimizing capital structures. These efforts lead to growth in value which is realized in the form of annuity income during the holding period of the investments, and capital gains on exit.

Deploy capital
Identify compelling opportunities and deploy capital through innovative investment structures.

Create & grow value
- Institutionalize robust governance structures
- Enhance process efficiencies
- Grow products and scale up markets
- Resolve operational challenges
- Optimize capital structures.

Monetize value
- Annuity income streams (dividends & interest)
- Repayment of shareholder loans from third party capital raise
- Equity exits at a gain on initial investment.

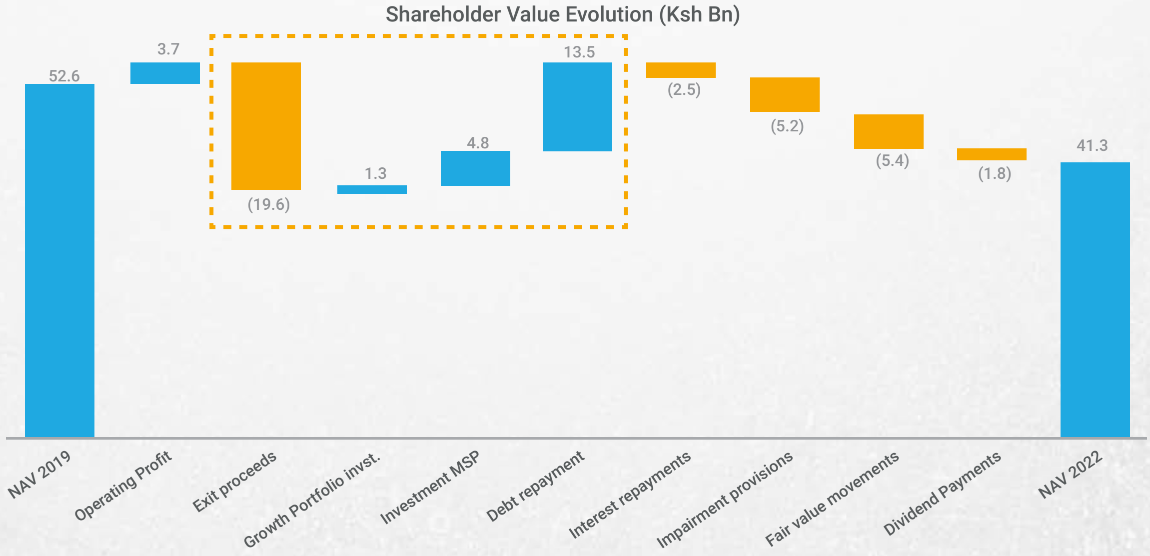
Business Performance for the FY2021/22

Capital preservation through execution of value creation initiatives and prudent risk management were a key focus in the financial year. This was against the backdrop of a very difficult economic environment characterized by soaring inflation, tightened liquidity, a bear market, weakening of the local currency and supply chain disruptions. That said, we recorded an improvement in financial performance, a reflection of the value creation efforts and recovery in performance of our underlying portfolio with the rebound from the adverse impacts of the Covid-19 pandemic in 2020. The discussion that follows, highlights the performance in further detail.

A) Progress against Centum 4.0 Strategy

At the onset of Centum 4.0, we anticipated a difficult economic environment, which turned out to be the case and was further exacerbated by the global Covid -19 pandemic. From the ambitious debt-funded growth cycle during Centum 2.0 and 3.0, our focus in Centum 4.0 shifted to deleveraging the balance sheet and building up liquidity to rationalize risk and preserve and grow shareholder value. We booked mark downs in value of Ksh 5 billion largely on account of conservative accounting. We believe that this will unwind as we record exits as most of our portfolio assets have intrinsic values that are significantly higher than the carrying values, and implementation of value creation plans will allow us to unlock this value. We deployed exit proceeds amounting to Ksh 19.6 billion towards deleveraging and allocation to higher yielding assets within our MSP portfolio. This ensured a steady annuity income that adequately covers our operating costs, finance costs and distribution to shareholders.

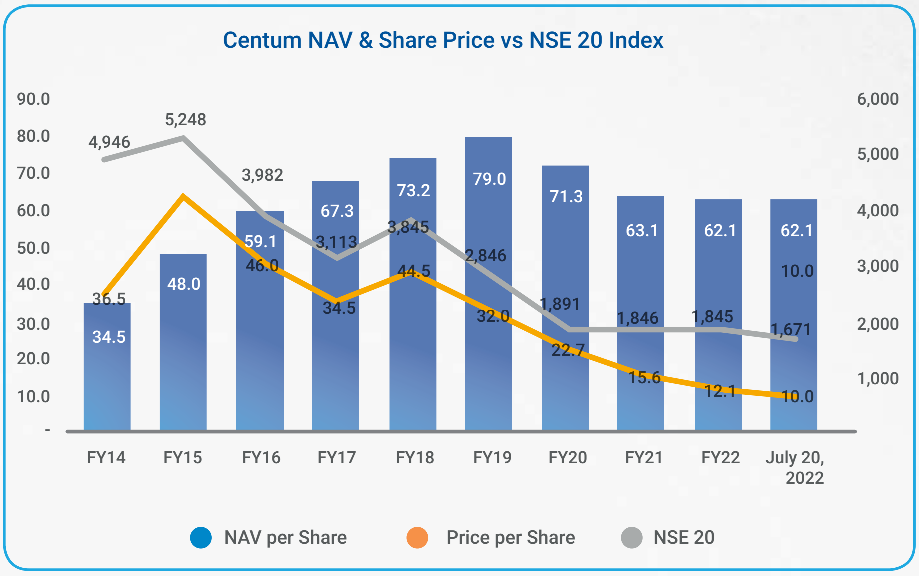
Shareholder Value Evolution (Ksh Bn)



CEO's Statement

We preserved value in an elevated risk environment. During the first 3 years of the strategy period, the NSE-20 Index declined by 13.4% in a sustained bear run. The Centum share price followed with relatively greater volatility.

The fundamental value of the Company has largely been preserved, an indication that the underlying portfolio fundamentals remain resilient.



The table below highlights the progress against our Centum 4.0 objectives.

Centum 4.0 Objective	Progress (FY2020-2022)	
Return and Dividend payout: 1. Generate 20% annualized return and grow Net Asset Value (NAV) to Ksh 70 billion by FY2024 2. Distribute to shareholders a minimum of 30% of annuity cash income.	NAV at Ksh 41.3 billion 31 March 2022 was against the strategy target of Ksh 47.6 billion. Declared dividend of Ksh 1.4 billion against the target of Ksh 1.6 billion between FY20 and FY22.	
Capital structure and liquidity: 1. Repay long-term debt and reduce leverage 2. Enhance high yield portfolio to generate sustainable annuity cash to cover fixed obligations	Ksh 13 billion of the long term debt was repaid. Outstanding debt was Ksh 16 billion in March 2019. We reduced contingent liabilities by Ksh 2.7 billion. Annuity cash income fully covered operating costs and finance cost, translating to an operating profit of Ksh 551 million, 125% up from Ksh 245 million in FY2021.	
Operating costs 1. Maintain operating costs below 30% of annuity income earned	39% cost-to-income ratio achieved, an improvement from 44% in the prior year.	
Portfolio focus 1. Allocate 75%-80% of assets to growth portfolio (PE & RE) 2. Scale up marketable securities portfolio (MSP) to 20% - 30% of total portfolio	Ongoing initiatives to take advantage of the unique opportunity in our real estate business has to address the growing demands in the mid-market housing market will further unlock value of the real estate businesses. Optimisation of the capital structure of TRDL through an equity fund raise will be incidental to this value creation strategy and will rebalance allocation within the growth portfolio as well increase MSP for enhanced sustainable annuity income. MSP value stood at Ksh 7.25 billion, representing 15% of total portfolio against our strategic target allocation of 20% - 30%.	

CEO's Statement

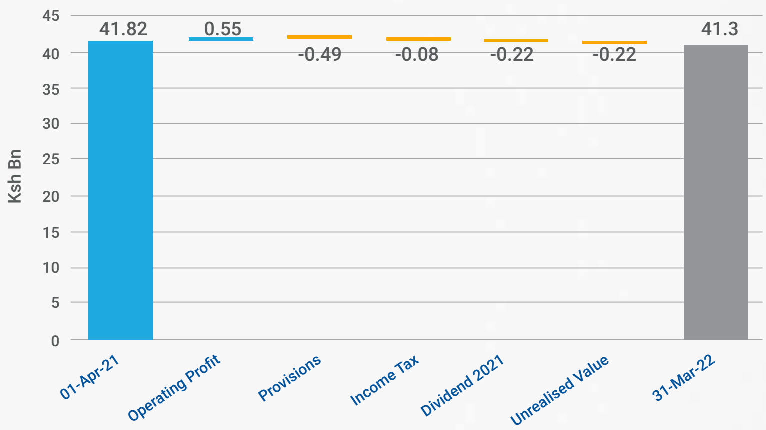
Centum 4.0 Objective	Progress (FY2020-2022)	
Organizational effectiveness 1. Fully adopt a supervisory approach to portfolio management which will ensure companies attain operational independence and are well prepared for exit.	All portfolio companies currently have separate and independent operations and governance systems in line with the target supervisory parenting model targeted under Centum 4.0.	

B) Financial performance

Total Return

The Company's performance improved by 97% from prior year, from a loss of Ksh 607 million to a loss Ksh 27 million. Cash operating profit grew by 125% to Ksh 551 million from Ksh 245 million in FY2021. This was on the back of a growth in annuity income, and a reduction in operating and finance costs. Impairments of Ksh 490 million were made mainly in relation to one-off reorganization of some of the subsidiaries during the year. The company recorded a net revaluation loss of Ksh 227 million in FY 2022 compared to a loss of Ksh 4.2 billion in FY 2021 on the back of improved market multiples and profitability of the portfolio companies. NAV declined marginally to Ksh 41.33 billion as at 31 March 2022 from Ksh 41.82 billion in the prior period. The evolution of the NAV in the period is highlighted in the graph.

FY2022 NAV evolution



Optimization of our Group structure

A key Centum 4.0 focus area is operational effectiveness. Key to this was the adoption of a parenting model that would give greater autonomy and enhance the level of accountability for growth at portfolio company level. In this approach, portfolio companies have separate and independent governance and operational structures, which allows for the oversight of implementation of value creation strategies at portfolio management and Board level.

The change in parenting model was important at this stage of maturity of our portfolio companies.

During Centum 3.0 many of the companies were at infancy and therefore required a more hands-on approach to parenting which included provision of shared services from a centralized function. Following this change, the shared services subsidiary, Centum Business Solutions (CBS) was wound up in November 2021. As a result, 16 team members were declared redundant while the rest were absorbed into the various subsidiaries. During the financial year under review, one-off costs were incurred in relation to this exercise and prudent provisions taken in relation to receivables due to Centum from CBS.

Company Balance Sheet and Asset Allocation as at 31 March 2022

Ksh Million	31-Mar-22	31-Mar-21
Growth Portfolio		
Private Equity	10,757	9,212
Real Estate	28,484	30,217
Total Growth Portfolio	39,241	39,429
Marketable Securities & Cash	7,248	7,534
Total Portfolio Value	**46,489**	**46,963**
Other Assets	472	552
Total Assets	**46,960**	**47,515**
Borrowings	(4,159)	(4,122)
Other Liabilities	(1,476)	(1,571)
Shareholder Funds	**41,326**	**41,822**

This presentation is from the perspective of Centum as an investment company and differs from the primary financial statements which are presented in accordance with IFRS requirements

The value of our portfolio remained at Ksh 47 billion. Our private equity portfolio grew on the back of an improvement in performance and valuation of the portfolio. The holding value of the real estate portfolio, specifically Two Rivers, reduced in line with the dip in performance that was largely driven by high finance costs.

Our real estate portfolio comprises strategically-located, investment-grade assets. With a track record of delivery, Centum RE, in partnership with TRDL, are well positioned for significant growth as the two entities focus on addressing the market gap in the mid-market housing segment. Optimisation of the capital structure of TRDL through an equity raise will be incidental to this value creation strategy and will rebalance allocation within the growth portfolio as well increase MSP for enhanced sustainable annuity income going forward.

Liquidity and Debt

During the year, we generated Ksh 1.3 billion in annuity income. This adequately covered our operating costs and debt service costs. Of the annuity income generated, 39% covered operations, 35% covered debt service with the balance available for distribution to shareholders.

We did not increase the level of debt during the period. The marginal increase in debt compared to prior year was a result of translation of our $15 million debt to Kenya Shillings as at year end. Going forward our focus is to apply the proceeds of exits to reduce this debt. In the current period of local currency volatility against hard currencies, we are holding a proportion of our marketable securities portfolio in hard currency as a natural hedge. At portfolio company level, borrowings are aligned to the respective company's debt capacity. The borrowings at portfolio companies are secured by their respective assets and cash flows.

C) Portfolio performance

During the FY2022, the performance of our growth portfolio began to rebound following implementation of various value creation initiatives as well as the easing of COVID 19 restrictions. Our growth portfolio accounted for 85% of the total portfolio, while the marketable securities portfolio (MSP) which is managed by Nabo Capital Limited accounted for 15% of the portfolio as at year end.

The growth portfolio generates cash return in form of dividends and interest income; however, our key strategy is to grow the portfolio value and realize a significant capital uplift upon exit. We engage with the investee companies' boards and management to develop entity specific value creation plans that are geared towards significantly increasing the valuation of the investee companies through active portfolio management. Over the past decade, approximately 90% of value created in the portfolio companies has been realized at the point of disposal of the assets, thus underscoring our track record and importance of exits to completing our value creation and realization cycle. Progress on execution of the various value creation plans for the key portfolio companies is highlighted below.

Growth Portfolio

Our growth portfolio remains well diversified with exposure to financial services, education, publishing, agribusiness, automotive, airline catering, power sectors and the real estate sectors. Some of the key assets that form part of the private equity portfolio include our investments in Sidian Bank, Isuzu East Africa, Longhorn Publishers, NAS Servair, Zohari Leasing, Nabo Capital, Greenblade Growers Ltd, Tribus TSG, Tier Data Ltd, Akiira Geothermal Ltd, Centum Real Estate Limited and Two Rivers Development Limited. The carrying value of this portfolio increased in value slightly by 4% from Ksh 37.2 billion in the prior year to Ksh 38.7 billion.

As disclosed below, the carrying value of Ksh 38.7 billion is a 2.56x multiple on the net cost of investment of Ksh 15.1 billion. The net cost of investment represents the initial cost less the distributions made up to Centum from the portfolio companies totaling Ksh 6.7 billion. This demonstrates the capacity of the portfolio to generate and pay up cash to the shareholder. The management of the Company is focused on increasing the cash return from the portfolio companies as well as increasing the value over and above the current carrying value.

In the case of Sidian Bank, while the carrying value of Bank is at Ksh 2.7 billion, considerable value uplift will be realized from the exit transaction that is expected to realize Ksh 4.3 billion to Centum, representing an upside of 59% to the carrying value. Similarly, management anticipates that as we implement the various value creation plans for each of the portfolio companies, significant value uplift will be created and realized as we exit the portfolio companies in line with our business model of investing, growing value, exiting and recycling our capital into new investment opportunities.

CEO's Statement

Portfolio Assets	Sector	Stake	Initial Cost of investment (Ksh Mn)	Invest-ment Date	Cash Distribution since inception (Ksh Mn)	Net Cost of Investment (Ksh Mn)	Percentage of Net Cost	Carrying Value (Ksh Mn)	Multiple on Net Cost (MOC)
				(Year)	*(Mar 2021)*	*Mar-22*	%	*Mar-22*	
Sidian Bank	Financial Services	84.00%	4,765	2009	0	4,765	31%	2,777	0.58x
Centum Real Estate	Real Estate	100.00%	7,804	2010	4,783	3,021	20%	22,239	7.36x
Two Rivers Development	Real Estate	58.00%	2,653	2010	0	2,653	18%	6,245	2.35x
Akiira	Power	37.50%	1,972	2016	0	1,972	13%	1,014	0.51x
ACE	Education	16.40%	1,006	2017	0	1,006	7%	960	0.95x
Green Blade Growers	Agribusiness	100.00%	561	2016	0	561	4%	273	0.49x
Longhorn Publishers	Consumer	60.20%	750	2009	276	474	3%	572	1.21x
Nabo	Financial Services	100.00%	454	2013	20	434	3%	514	1.18x
Zohari	Financial Services	100.00%	260	2016	8	252	2%	245	0.97x
TSG	Service	80.00%	6	2017	0	6	0%	50	8.33x
Isuzu E.A	Manufacturing	17.80%	978	2009	1,244	0	0%	2,999	Infinite
NAS Servair	Financial Services	15.00%	182	2009	828	0	0%	859	Infinite
Totals			**21,391**		**6,732**	**15,144**	**100%**	**38,747**	**2.56x**

Sidian Bank: In June 2022, Centum entered into a binding agreement with Access Bank Plc regarding disposal of its entire equity stake in Sidian Bank. Exit proceeds of Ksh 4.3 billion are expected, which represent a 59% premium to our carrying value of Ksh 2.7 billion. This exit has been achieved at comparatively superior valuation considering the market performance of the banking sector over our eight-year holding period. During this holding period Kenyan listed banks lost 44% in market value. Sidian has achieved significant growth emanating from implementation of our value creation strategy over the years. The growth has been highly capital intensive, with Centum injecting an additional Ksh 2.3 billion during the holding period. The exit allows Centum to allocate the proceeds into assets with higher cash generative capacity. In the FY2022, the investment in Sidian Bank has been held as available for sale in the statement of financial position at a carrying value of Ksh 2.7 billion compared to the anticipated exit proceeds of Ksh 4.3 billion.

Greenblade Growers Limited: This business is involved in the production and export of premium herbs. Besides expanding its production capabilities at its 120-acre Olkalou farm during the period, the business started operations at a second leased farm in Thika which will enable it to expand its products offering to better address the customer needs for a broad range of products in a given basket. The business has achieved positive EBITDA over the past three years with scope for exponential growth. Over Euro 1.5 billion market exists in Europe representing the value of fresh herbs imports from developing countries in 2020. The rapid production expansion positions the company to meet the sizeable demand for premium herbs. The business has demonstrated ability to generate an annual EBITDA of Ksh 100 million in the short term, which could enable Centum recognize a significant gain in its carrying value.

Isuzu East Africa: The business was impacted by supply chain disruptions during Covid-19 but has remained resilient and is now well on the path to full recovery. The company has maintained its market leadership and is positioned for growth with a capacity to produce 11,000 vehicles per year. Isuzu contributed Ksh 134 million to Centum's cash return for the year. With recent policy changes adopted in the automotive sector in favor of local assembly of commercial vehicles, we remain optimistic that the motor vehicle industry in Kenya and the region will grow, and that Isuzu East Africa will be poised to gain from these policy changes and generate significant returns to its shareholders.

Longhorn Publishers Limited: Following a dip in EBITDA in 2020 due to the Covid disruptions of the school calendars, Longhorn's profitability showed recovery in 2021 and we expect an even better performance in 2022. The business is reviewing its product mix to focus on profitable market segments with a target of improving its gross margins. With its regional and product diversification efforts beginning to bear fruits, we are optimistic that the company will continue creating value for its customers and by extension, all its stakeholders. The business has been expanding its geographical footprint and is now distributing its printed products across 9 African countries, with the latest being in West Africa and the Democratic Republic of Congo. Longhorn is also looking to grow its digital channels of delivery of its products to customers. These initiatives will see considerable improvement in profitability.

NAS Servair: The company continues to rebound following easing of COVID 19 restrictions. In addition to in flight catering, NAS introduced home deliveries in partnership with Jumia online store. In its core business of airline catering, business has dramatically improved since the onset of COVID-19, following resumption of airline traffic, which is now estimated to be at 60% of pre-COVID levels. As airline activity improves, the profitability of the business is expected to increase even beyond the pre-COVID levels due to measures that have already been taken to enhance efficiency in the business.

Our other portfolio companies: Tribus TSG and Tier Data are B2B service providers that are positioned to leverage on the growth of our real estate portfolio. They expanded their product offering and position to growth their third-party business portfolio. Both companies are EBITDA positive.

Centum Real Estate (Centum RE)

Centum RE is a master developer of large mixed use destinations where it develops residential homes for sale and sells master planned and fully serviced development rights to third party developers. Our investment in Centum RE has a carrying value of Ksh 22.2 Billion as at 31 March 2022 and includes investments in Vipingo Development Limited, Centum Development Kenya Limited and Pearl Marina Estates Limited. Centum RE sits on a significant competitive advantage with the strategically located master planned, mixed use urban nodes which position the company to fulfil the growing demand for housing at mid-level market. In addition to development, Centum Re avails ready sites to investors within the master plan. The Company's business model has been validated with the successful delivery of housing projects, sale of development rights over the past two years and the growing level of free-cash flows generated by the business.

During the period, Centum RE generated over Ksh 1.3 billion in free cash flows from its operations. This was from its two business lines. On the home development business Centum RE collected Ksh 6.6 billion of deposits against a total sales value of Ksh 14.8 billion as at March 31, 2022. Receivables of Ksh 8.2 billion will be collected as the ongoing projects are completed.

While in the development right business sales worth Ksh 1.7 billion were signed and completed in the period ending March 31 2022 and another Ksh 1.2 billion has been signed but had not met the conditions of completion key of which is full payment of the sales consideration to enable transfer of the underlying properties. This line of business is significantly cash profitable because the development rights are sold at a significant value uplift to the actual cost and the therefore the bulk of this cash flow is available to the business. The business has utilized this cash flow to finance its development activities and has reduced its borrowings from Ksh 5 billion to Ksh 4.2 billion.

Our investment strategy for Centum RE is to develop this company into a significant real estate platform company and in line with our vision of providing access to inaccessible investment opportunities allow third party investors to invest in a significant homes development company that is spread across Sub-Sahara Africa and that has a sizable bank of development ready development rights. Towards this end we in January 2022 signed an investment agreement with GEM Global Yield LLC (GEM), a Luxembourg based private alternative investment group to provide Centum RE with a share subscription facility of up to Ksh 17 billion for a 36-month term following a public listing for an equity stake not exceeding 20%. We are engaging other investors who are interested in making a pre-listing investment. The objective of these kind of investments into Centum RE are to: (i) Provide additional capital to finance the growth the company and (ii) Ultimately validate the market value of the company.

We believe the equity value of Centum RE is significantly higher than its current carrying value which is currently on the basis of the valuation of its investment property. Our investment objective within the Centum 4.0 financial period is to complete a third-party equity investment into Centum RE which will provide a market validation of the embedded value within the company.

More details of the Centum RE business is provided on pages **106** to **108** under the business review section of this integrated report.

Two Rivers Development Limited (TRDL)

Centum PLC holds a 58% stake in TRDL, which in turn holds a 50% stake in Two Rivers Lifestyle Centre Ltd (The Two Rivers Mall). TRDL fully owns the rest of the Two Rivers mixed-use development. The TRDL subgroup reported a loss of Ksh 2 billion for the year ended 31 March 2022. This performance was mainly due to the high level of finance costs incurred by the business.

CEO's Statement

During the last financial year, Two Rivers Lifestyle Center entered into a financial arrangment with Standard Bank to convert a significant portion of the existing loan into a zero-coupon convertible instrument. The Company is currently at break-even after debt service and is trending into a profit making position.

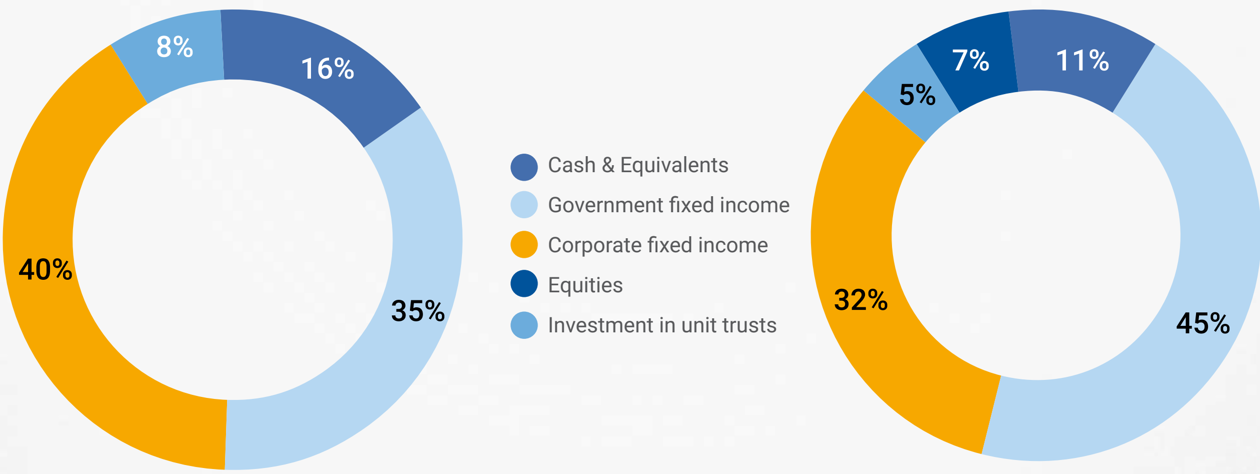
TRDL has a significant competitive locational advantage and available bulk development rights for development of mid market housing that will target an end user monthly rental of between Ksh 20,000 and Ksh 60,000. The management of the company are therefore focused on taking advantage of this opportunity to address the housing demand in the mid-market level in partnership with Centum RE. This opportunity has been validated with delivery of projects such as Mizizi and third-party market research which indicates significant demand for housing within Two Rivers at the target price point. We have commenced engagement with investors to invest in the mid market opportunity available in Two Rivers. Our target is to achieve financial close before the end of this financial year which will enable the company to scale up both its development activities and enable it to replace the debt on its balance sheet with equity capital.

More details of the Two Rivers Development business are provided at page **108** under the business review section of this integrated report.

Marketable Securities Portfolio (MSP)

The MSP portfolio is our pool of high yielding cash securities managed by Nabo Capital. The rationale of this portfolio is to generate recurrent and consistent cash income that supports the liquidity requirements of the company given that the significant source of return from the growth portfolio is in the form of capital uplifts at the point of exit as opposed to annuity income. The MSP portfolio was valued at Ksh 7.2 billion at close of FY2022. The portfolio allocation during the financial year was strongly biased towards fixed income securities (government and corporate debt. The portfolio yielded a return of 14%, outperforming the NSE 20 index by 18%. A portion of the portfolio has been allocated to dollar denominated assets, which has helped manage our exposure to dollar denominated debt

MSP as at 31 March 2022 | **MSP as at 31 March 2021**



Key management changes

In January 2022, Ms. Mical Agina was appointed Company Secretary and Chief Legal Advisor. She previously served as the Company Group Head of Tax. In March 2022 Mr. Kenneth Mbae, who previously served as the Managing Director of Vipingo Development Ltd, was appointed as the Managing Director of Centum Real Estate. Kenneth Mbae is a product of our management development program having joined the group as a trainee in 2010. He has served with distinction at every management level, and we are confident that he will perform well in his new role. We also welcomed back Ms. Risper Alaro as the Group Finance Director. Risper previously served as the Managing Director of Centum Business Solutions and Group Finance Director prior to taking a sabbatical in 2018.

These appointments follow the departures during the year of Mr. Wambua Kimeu who served as the Chief Financial Officer, Mr. Samuel Kariuki who served as the Managing Director of Centum Real Estate and Mr. Mwangi Mbogoh, who served as the Company Secretary, who resigned from their positions to pursue other interests. We appreciate the diligent service from both Wambua and Samuel and their contribution to the growth of Centum and wish them the best in their future endeavors.

We welcome Risper back and congratulate Kenneth and Mical on their appointments and look forward to their contribution toward the achievement of Centum 4.0.

Business Outlook

We remain cautiously optimistic about the new financial year having witnessed recovery on the back of easing of COVID 19 restrictions, but have seen multiple pressures on the macro environment from both global and country related factors. We are 36 months into the Centum 4.0 strategy and believe that we will be on course to meet our various objectives.

Our Growth portfolio: The key investment objective is to undertake the actions necessary to optimize the market valuation of our portfolio companies and realize that value at the point of exit and recycle that capital into new opportunities. The last three years have been very challenging given the different set of external challenges that have buffeted the economy and subsequently affected our portfolio companies and the general investment climate. Nevertheless, our portfolio companies have significant scope for value uplift between the carrying values on our balance sheet and their intrinsic market valuations. A case in point being Sidian Bank which has a carrying value of Ksh 2.7 billion but for which we have realized an exit value of Ksh 4.3 billion.

We have similar value creation plans for each portfolio and as we realize them we expect to achieve the return objectives that we had set for ourselves in the Centum 4.0 strategy.

Marketable Securities Portfolio (MSP) and return: Our objective is to grow the MSP portfolio which we believe will continue to generate market beating cash returns. Our target asset class allocation range for this asset class is between 20-30%. This will provide a consistent flow of annuity incomes into the business which will support the growth of dividend to shareholders which we have pegged at 30% of the cash annuity income. Surplus cash flows will be used for re-investment into new opportunities.

Efficiency: Our strategic objective is to bring the cost to cash income ratio to no more than 30% and further reduce cash flow going towards interest expense by further reducing interest bearing debt. We expect to reduce our debt by at least 50% before the end of the 2023 financial year which will lead to a halving of interest expenses.

Sustainability & ESG reporting: Our business strategy embeds our responsibility in regard to our environment, social and governance impact in addition to our commercial focus. Our investment objectives are anchored on sustainable development, and we continue to monitor and manage ESG considerations and key performance indicators as part of active portfolio management and value creation process. We have amplified our efforts to improve ESG disclosure and drive standard setting by identifying a set of standards which we had informally adopted and have begun working towards formal adoption. We have also made significant progress in our commitment to ESG, having positioned the oversight at Board level through the Board Risk Committee with ESG considerations included in the Committee dialogue. The sustainability report highlights our progress in further detail.

Conclusion

I am grateful to the Centum team, which has worked tirelessly to achieve these results in a very difficult environment. I am also grateful to the Board for their guidance and to our shareholders and other investors for their support. We have created an excellent platform to create value and our focus is on unlocking the embedded value in the portfolio so as to achieve the Centum 4.0 strategic objectives that will position the company for its next phase of growth which will be funded using the internally generated capital that we have built.

Dr. James Mworia
Chief Executive Officer

TAARIFA YA AFISA MKUU MTENDAJI

Wapendwa Wenyehisa,

Ninafurahi kuwasilisha kwenu ripoti yetu jumlishi ya mwaka wa kifedha ulioisha tarehe 31 Machi 2022. Huu ndio mwaka wa tatu wa kifedha katika Mkakati wa Centum 4.0 unaodumu kwa kipindi cha kifedha cha 2020 hadi 2024.

Maelezo ya muundo wetu wa biashara

Kama kampuni ya uwekezaji, Centum inalenga kuzalisha mapato makuu kwa washikadau wake kwa kuweka mtaji kwa fursa zinazoweza kuboreshwa kupitia mipango ya kuongeza thamani. Tunakuza thamani kupitia kuboresha na kuweka miundo mipana ya utawala katika taasisi, kukuza bidhaa na masoko, kutatua changamoto za utendakazi na kuboresha miundo ya mtaji. Juhudi hizi zinasababisha ukuaji wa thamani unaopatikana kulingana na mapato ya kila mwaka katika kipindi kilichopo cha uwekezaji na mapato ya mtaji kutokana na wawezekaji kuondoa mtaji wao.

Kuweka mtaji
Kutambua fursa kuu na kuweka mtaji kupitia miundo bunifu ya uwekezaji.

Kuunda na kukuza thamani
- Kuweka miundo mipana ya utawala katika taasisi
- Kuboresha ufanisi wa michakato.
- Kukuza bidhaa na kuboresha masoko
- Kutatua changamoto za uendeshaji
- Kuboresha miundo ya mtaji

Thamani ya kifedha
- Mikondo ya mapato ya mafao (migao ya hisa na riba)
- Kulipa mikopo ya wenyehisa kutoka kwa mtaji unaotokana na wahusika wengine
- Dau zinazoondolewa na wawekezaji katika

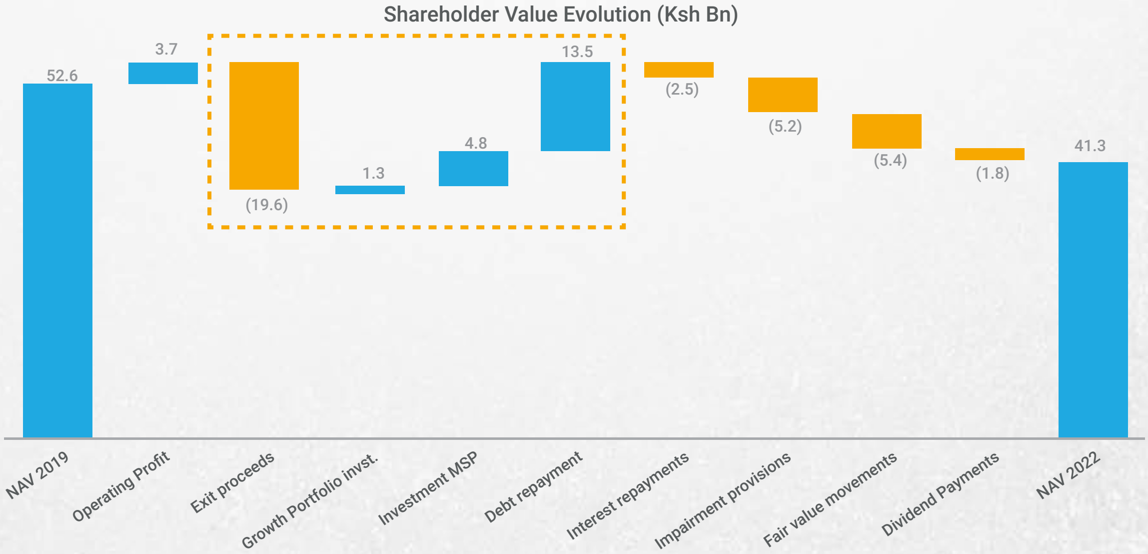
Matokeo ya kibiashara ya mwaka wa kifedha FY2021/22

Lengo kuu katika mwaka huu wa kifedha lilikuwa ni kuhifadhi mtaji kupitia utekelezaji wa mipango ya kuunda thamani na udhibiti wa hatari kwa njia ifaayo. Hili lilitokea katika kipindi cha mazingira magumu sana ya kiuchumi ambapo kulikuwa na mfumuko wa uchumi, ukosefu wa pesa taslimu, soko kudidimia, kufifia kwa sarafu ya ndani na kukatizwa kwa usambazaji wa bidhaa. Hata hivyo, tulirekodi kuimarika kwa matokeo ya kifedha, hali hii ikiakisi juhudi za kuunda thamani na kurejea kwa utendakazi wa biashara zetu kuu baada ya athari mbaya ya tandavu ya UVIKO-19 mwaka wa 2020. Mjadala unaofuata, unaangazia utendaji kwa kina zaidi.

A) Hatua tuliyopiga ikilinganishwa na Mkakati wa Centum 4.0

Mwanzoni mwa mkakati wa Centum 4.0, tulitazamia mazingira magumu ya kiuchumi, ambayo hatimaye yalitokea na kuongezeka hata zaidi kutokana na tandavu ya UVIKO-19 kote duniani. Kutoka kwa kipindi cha ukuaji kilichofadhiliwa na madeni wakati wa Centum 2.0 na 3.0, lengo letu katika Centum 4.0 liligeuka likawa kupunguza matumizi na kukuza upatikanaji wa pesa taslimu ili kudhibiti hatari na kutunza ukuaji wa thamani kwa wenyehisa. Tulishuhudia kushuka kwa thamani ya ksh. bilioni 5 hii ikiwa ni ili kuhifadhi uhasibu. Tunaamini kwamba hii itatatuliwa huku tukirekodi dau zinazoondolewa kwa kuwa mali yetu nyingi zina thamani ya juu kuliko thamani zinazobeba, na utekelezaji wa mipango ya kuunda thamani utatuwezesha kufikia thamani hii. Tuliwekeza mapato ya baada ya wawekezaji kuondoa dau zao za thamani ya bilioni Ksh. 19.6 katika kupunguza matumizi na kutoa mgao kwa mali zenye mapato ya juu zaidi ndani ya pochi yetu ya MSP ambayo ilihakikisha mapato kutokana na mafao ambayo yalitosha kugharimia uendeshaji wa shughuli zetu na usambazaji kwa wenyehisa.

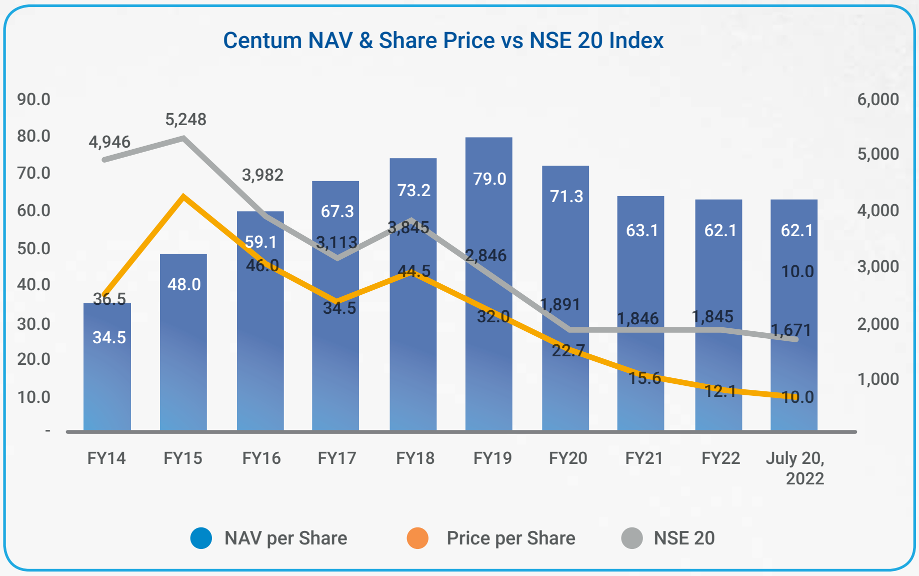
Shareholder Value Evolution (Ksh Bn)



Taarifa Ya Afisa Mkuu Mtendaji

Tulihifadhi thamani katika mazingira ya hatari ya juu. Katika miaka 3 ya kwanza ya kipindi hicho cha mkakati, Kiwango cha NSE-20 kilipungua kwa 13.4% katika kipindi kilichodumu.

Bei ya hisa ya Centum ilifuata kwa hali mbaya zaidi ikilinganishwa na ilivyokuwa hapo awali. Thamani ya kimsingi ya Kampuni imehifadhiwa pakubwa, hali hii ikiashiria kwamba mali ya kimsingi chini ya pochi yetu imesalia kuwa stahimilivu..



Jedwali lililo hapo chini linaangazia hatua tuliyoipiga dhidi ya malengo yetu ya mkakati wa Centum 4.0.

Lengo la Centum 4.0	Hatua (FY2020-2022)	
Malipo ya Mrejesho and Mgao wa mapato: 1. Kuzalisha mrejesho wa kila mwaka wa 20% na kukuza NAV hadi Kes bilioni 70 kufikia FY2024 2. Kuwasambazia wenyehisa kiwango cha chini zaidi cha 30% ya mapato ya pesa taslimu kutokana na mafao.	NAV katika Bilioni Ksh. 41.0 Machi 31 2022 ilikuwa ni kinyume na lengo la mkakati la Ksh Bilioni 47.6. Tulitangaza mgao wa Ksh Bilioni 1.4 ikilinganishwa na lengo la Ksh Bilioni 1.6 kati ya FY20 na FY22.	
Muundo wa mtaji na upatikanaji wa pesa taslimu: 1. Kulipa deni la muda mrefu na kupunguza matumizi 2. Kuboresha pochi yenye mapato ya juu ili kuzalisha pesa taslimu endelevu kutokana na mafao ili kugharamia wajibu usiobadilika	Deni la muda mrefu la Ksh Bilioni 13 limelipwa kutoka Ksh Bilioni 16 mnamo Machi 2019 Tulipunguza madeni yanayotokana matukio kwa Ksh bilioni 2.7. Mapato ya pesa taslimu yaligharimia kikamilifu gharama za uendeshaji na gharama ya fedha, hii ikiwa na faida ya utendaji ya Ksh 551Mn, hii ikiwa ni ongezeko la 125% kutoka Ksh 245 Mn katika FY2021.	
Gharama za kuendesha biashara 1. Kudumisha gharama za kuendesha biashara chini ya 30% ya mapato kutokana na mafao	Uwiano wa gharama na mapato wa 39% ulifikiwa, hii ikiwa ni kuimarika kutoka 44% katika mwaka uliotangulia.	
Lengo la pochi 1. Kutenga 75%-80% ya mali kwa pochi ya ukuaji (PE na RE) 2. Kuboresha pochi ya hisa zinazoweza kuuzwa (MSP) hadi 20% - 30% ya jumla ya pochi	Mipango inayoendelea kuvuna kutokana na fursa ya kipekee ambayo biashara yetu ya mali isiyohamishika inayo katika kushughulikia mahitaji yanayokua katika soko la kati la nyumba itafungua thamani hata zaidi ya biashara ya mali isiyohamishika. Kuboreshwa kwa muundo wa mtaji wa TRDL kupitia mchango wa hazina ya mgao wa hisa kutakuwa muhimu katika mkakati huu wa kuunda thamani na kusawazisha tena ugavi ndani ya pochi ya ukuaji na vilevile kuongeza MSP kwa mapato yaliyoboreshwa na endelevu ya mafao. Thamani ya MSP ilikuwa Ksh 7.25Bn, hii ikiwakilisha 15% ya jumla ya pochi dhidi ya lengo letu la mgao wa kimkakati wa 20% - 30%.	

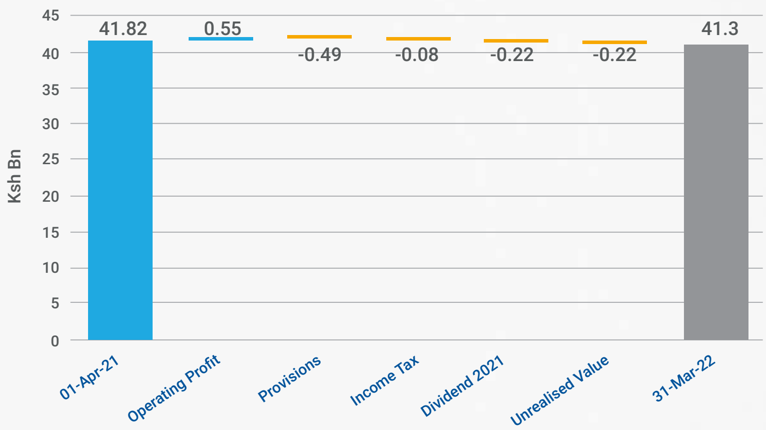
Lengo la Centum 4.0	Hatua (FY2020-2022)	
Organizational effectiveness 1. Fully adopt a supervisory approach to portfolio management which will ensure companies attain operational independence and are well prepared for exit.	Kila kampuni katika pochi sasa ina utendakazi wake kivyake na ni huru na ina mifumo ya utawala inayoona na lengo la muundo mkuu wa uangalizi unaolengwa chini ya Centum 4.0.	

B) Matokeo ya kifedha

Mrejesho wa Jumla

Utendaji wa Kampuni hii uliimarika kwa 97% kutoka mwaka uliotangulia, kutoka kwa hasara ya milioni 607 hadi hasara ya milioni 27. Faida kutokana na utendaji wa pesa taslimu ulikua kwa 125% hadi milioni Ksh 551 kutoka milioni Ksh 245 katika FY2021. Hii ilitokana na ukuaji katika mapato ya mafao, na kupungua kwa gharama za uendeshaji na fedha. Ksh milioni 490 zilitumika katika upangaji upya wa baadhi ya kampuni tanzu uliofanyika mara moja katika mwaka huo. Kampuni hiyo ilirekodi jumla ya hasara kutokana na uwekaji thamani upya wa milioni Ksh 227 katika FY 2022 ikilinganishwa na bilioni Ksh 4.2 katika FY 2021 kutokana na kuimarika kwa vyanzo vya soko na faida ambazo kampuni katika pochi zilipata. NAV ilipungua hadi Bilioni Ksh 41.33 kufikia tarehe 31 Machi 2022 kutoka Bilioni Ksh 41.82 katika kipindi kilichotangulia. Ukuaji wa NAV katika kipindi hicho umeangaziwa kwenye grafu iliyo hapo chini.

Ukuaji wa NAV katika FY2022



Uboreshaji wa muundo wetu wa Kampuni

Sehemu ya kutilia mkazo katika kipindi hiki cha mkakati ni ufaafu wa utendakazi. Muhimu katika kufikia hii ni kuanza kutumika kwa muundo mkuu ambao ungetoa uhuru mkubwa na kuimarisha kiwango cha uwajibikaji kwa ukuaji katika kiwango cha kampuni ya pochi. Katika mbinu hii, kampuni za pochi zina miundo tofauti na huru ya utawala na utendakazi, hali inayowezesha uangalizi wa mikakati ya utekelezaji wa uundaji wa thamani katika kiwango cha usimamizi wa pochi na Bodi.

Mabadiliko katika muundo wa usimamizi mkuu yalikuwa muhimu katika ngazi hii ya ukomavu wa kampuni zilizo chini ya pochi yetu. Wakati wa Centum 3.0, kampuni nyingi zilikuwa changa na hivyo zilihitaji mikono zaidi kuhusu mbinu ya kuziweka chini ya usimamizi mkuu, hii ilijumuisha utoaji wa huduma za pamoja kutoka katika usimamizi mkuu. Kufuatia mabadiliko haya, kampuni tanzu ya huduma za pamoja, Centum Business Solutions (CBS) ilifungwa mnamo Novemba 2021. Katika mwaka wa kifedha unaokaguliwa, gharama za mara moja zilitumika katika zoezi hili na kanuni adilifu kuchukuliwa kuhusiana na thamani ambazo Centum ilipaswa kupokea kutoka kwa CBS.

Taarifa ya Kifedha na Ugavi wa Mali ya Kampuni kufikia tarehe 31 Machi 2022

Ksh Milioni	31-Mach-22	31-Mach-21
Pochi ya Ukuaji		
Hisa Binafsi	10,757	9,212
Mali Isiyohashimia	28,484	30,217
Jumla ya Pochi ya Ukuaji	39,241	39,429
Hisa Zinazoweza Kuuzwa na Pesa Taslimu	7,248	7,534
Jumla ya Thamani ya Pochi	**46,489**	**46,963**
Mali Nyingine	472	552
Jumla ya Mali	**46,960**	**47,515**
Madeni	(4,159)	(4,122)
Madeni Mengine	(1,476)	(1,571)
Shareholder Funds	**41,326**	**41,822**

Wasilisho hili limetokana na mtazamo wa Centum kama kampuni ya uwekezaji na unatofautiana na taarifa kuu za kifedha zinazowasilishwa kulingana na mahitaji ya IFRS kwa njia madhubuti.

Taarifa Ya Afisa Mkuu Mtendaji

Thamani ya pochi yetu ilisalia kuwa bilioni Ksh 47. Pochi yetu ya hisa za kibinafsi ilikua kutokana na kuimarika kwa utendaji na uwekaji wa thamani ya pochi hiyo. Thamani kuu ya pochi yetu ya mali isiyohamishika, hususan Two Rivers, ilipungua kulingana na utendakazi ambao ulisababishwa pakubwa na gharama za juu za fedha.

Pochi yetu ya mali isiyohamishika ilijumuisha mali za gredi za uwekezaji zilizojengwa katika maeneo ya maalum. Ikiwa na sifa ya ufanisi, Centum Re kwa ushirikiano na TRDL ziko katika nafasi nzuri ya ukuaji muhimu huku zikilenga kushughulikia mapungufu yaliyopo kwenye soko wastani la kitengo cha ujenzi wa nyumba za makazi.
Kuboreshwa kwa muundo wa mtaji wa TRDL kupitia mchango wa hazina ya mgao wa hisa kutakuwa muhimu katika mkakati huu wa kuunda thamani na kusawazisha tena ugavi ndani ya pochi ya ukuaji na vilevile kuongeza MSP kwa kuboresha mapato endelevu ya mafao ya siku za usoni.

Upatikanaji wa Pesa Taslimu na Deni

Katika mwaka huu, tulipata mapato ya Bilioni Sh.1.3 kutokana na mafao. Hii ilitosha kulipa gharama za kuendesha biashara na gharama ya huduma ya deni. Kati ya mapato ya mafao yaliyozalishwa, 39% ililipia utendakazi, 35% ililipia huduma za deni huku salio likipatikana kwa ajili ya usambazaji.

Hatukuongeza kiwango cha deni katika kipindi hicho. Ongezeko la deni ikilinganishwa na mwaka wa awali lilitokana na kugeuzwa kwa deni letu la dola milioni $15 hadi Shilingi ya Kenya kufikia mwisho wa mwaka. Katika kipindi kijacho, lengo letu ni kutumia mapato kutokana na wawekezaji kuondoa dau zao ili kupunguza deni hili. Katika kipindi cha sasa cha hali ya sarafu ya humu nchini kufanya vibaya dhidi ya sarafu za fedha za kigeni, tumedumisha sehemu ya hisa zetu zinazoweza kuuzwa katika sarafu za fedha za kigeni kama akiba asili. Katika kiwango cha kampuni ya pochi, vitu vilivyokopwa vinaoanishwa na uwezo wa kampuni husika kushughulikia deni. Vitu vilivyokopwa katika kampuni za pochi vinalindwa na mali na mitiririko ya pesa taslimu ya kampuni husika.

C) Utendakazi wa pochi

Katika mwaka wa kifedha wa FY2022, utendakazi wa pochi yetu ya ukuaji ulianza kurejea kufuatia kutekelezwa kwa mipango mbalimbali ya uundaji wa thamani na vilevile kulegezwa kwa vikwazo vya UVIKO-19. Pochi yetu ya ukuaji ilichukua 85% ya jumla ya pochi, huku pochi ya hisa zinazoweza kuuzwa (MSP) inayosimamiwa na Kampuni ya Nabo Capital, ikichukua 15% ya pochi hizo kufikia mwisho wa mwaka.

Ukuaji wa pochi unazalisha mrejesho wa pesa taslimu kwa mfumo wa migao na mapato kutokana na riba, hata hivyo, mkakati wetu mkuu ni kukuza thamani ya pochi na kuinua pakubwa mtaji wakati wawekezaji wanapoondoa dau zao. Tunahimiza bodi na usimamizi wa kampuni za uwekezaji kuunda mipango mahususi kwa huluki ya uundaji wa thamani inayonuiwa kuongeza pakubwa thamani ya kampuni za uwekezaji kupitia usimamizi amilifu wa pochi. Katika mwongo uliopita, takriban 90% ya thamani iliyoundwa katika kampuni za pochi imepatikana kufikia wakati wa kuondolewa kwa mali hiyo, hivyo kuwa msingi wa rekodi yetu ya utendaji na umuhimu wa wawekezaji kuondoa dau zao katika ukamilishaji wa uundaji wa thamani na kipindi cha mapato. Hatua iliyopigwa katika utekelezaji wa mipango mbalimbali ya uundaji wa thamani kwa kampuni kuu za pochi imeangaziwa hapo chini.

Ukuaji wa Pochi

Pochi yetu ya ukuaji inasaliwa kuwa anuai ikiwa na uwezo wa kufikia sekta za huduma za kifedha, elimu, uchapishaji, kilimo-biashara, magari, huduma za vyakula kwenye ndege, sekta za kawi na zile za mali isiyohamishika. Baadhi ya mali muhimu zinazounda sehemu ya pochi yetu ya hisa za faragha ni pamoja na uwekezaji wetu katika Benki ya Sidian, Isuzu East Africa, Longhorn Publishers, NAS Servair, Zohari Leasing, Nabo Capital, Green blade Growers Ltd, Tribus TSG, Tier Data Ltd, Akiira Geothermal Ltd, Centum Real Estate Limited na Two Rivers Development Limited. Thamani inayobebwa na pochi hii ilipungua kidogo hadi Bilioni Ksh 38.7 kutoka bilioni Ksh 38.9 katika mwaka uliotangulia, haswa kutokana na hasara zilizo za pesa taslimu.

Kama ilivyofichuliwa hapo chini, thamani inayobebwa ya bilioni Ksh 38.7 ni kiwango kilichozidishwa kwenye jumla ndogo ya gharama ya 2.56x ikilinganishwa na jumla ndogo ya gharama ya uwekezaji ya bilioni Ksh 15.1. Jumla ndogo ya gharama ya uwekezaji inawakilisha gharama ya awali kwa kuondoa usambazaji uliofanywa kwa Centum kupitia kampuni za pochi jumla ya bilioni Ksh 6.7. Hii inaonyesha uwezo wa pochi kuzalisha na kulipa pesa taslimu kwa wenyehisa. Usimamizi wa Kampuni unalenga kuongeza mrejesho wa pesa taslimu kutoka kwa kampuni za pochi na vilevile kuongeza thamani zaidi na thamani ya sasa inayobebwa.

Kwa mfano, katika Benki ya Sidian, ingawa thamani inayobebwa ya Benki ni bilioni Ksh 2.7, ongezeko kubwa la thamani linatazamiwa kufikiwa kutokana na muamala wa wenyehisa kuondoa dau zao unaotarajiwa kuzalisha bilioni Ksh 4.3 kwa Centum, hii ikiwakilisha ongezeko la 59% kwa thamani inayobebwa. Vilevile, usimamizi unatarajia kwamba tunavyoendelea kutekeleza mipango mbalimbali ya uundaji wa thamani kwa kila kampuni za pochi, ongezeko kubwa la thamani litaundwa na kufikiwa tunapoondoa dau za wenyehisa katika kampuni za pochi kulingana muundo wetu wa biashara wa kuwekeza, kukuza thamani, kuondoa dau za wenyehisa na kutumia mtaji wetu tena katika fursa mpya za uwekezaji.

Rasilimali	Sekta	Dau	Gharama ya Awali ya uwekezaji (KES Mn)	Tarehe ya Uwekezaji	Msambao wa Pesa taslimu tangu uzinduzi (KES Mn)	Jumla ndogo ya Gharama ya Uwekezaji (KES Mn)	Asilimia ya Jumla Ndogo ya Gharama	Thamani Inayobebwa (KES Mn)	Kigezo Maradufu kwa Jumla Ndogo ya Gharama (MOC)
				(Mwaka)	*(Machi 2021)*	*Machi 22*	*%*	*Machi-22*	
Benki ya Sidian	Huduma za Kifedha	84.00%	4,765	2009	0	4,765	31%	2,777	0.58x
Centum Real Estate	Mali Isiyohamishika	100.00%	7,804	2010	4,783	3,021	20%	22,239	7.36x
Two Rivers Development	Mali Isiyohamishika	58.00%	2,653	2010	0	2,653	18%	6,245	2.35x
Akiira	Kawi	37.50%	1,972	2016	0	1,972	13%	1,014	0.51x
ACE	Elimu	16.40%	1,006	2017	0	1,006	7%	960	0.95x
Green Blade Growers	Kilimo-bi-ashara	100.00%	561	2016	0	561	4%	273	0.49x
Longhorn Publishers	Mtumiaji	60.20%	750	2009	276	474	3%	572	1.21x
Nabo	Huduma za Kifedha	100.00%	454	2013	20	434	3%	514	1.18x
Zohari	Huduma za Kifedha	100.00%	260	2016	8	252	2%	245	0.97x
TSG	Huduma	80.00%	6	2017	0	6	0%	50	8.33x
Isuzu E.A	Utengenezaji	17.80%	978	2009	1,244	0	0%	2,999	Bila Kikomo
NAS Servair	Huduma za Kifedha	15.00%	182	2009	828	0	0%	859	Bila Kikomo
Jumla			**21,391**		**6,732**	**15,144**	**100%**	**38,747**	**2.56x**

Beni ya Sidian: Mnano Juni 2022, Centum ilifanya makubaliano ya pamoja na Access Bank Plc kuhusiana na ununuzi wa hisa zetu zote katika Benki ya Sidian. Mapato kutokana na kundolewa kwa dau ya bilioni Ksh 4.3 yanatarajiwa, hii ikiwakilisha 59% kwa thamani yetu inayobebwa ya bilioni Ksh 2.7. Mapato hayo kutokana na uondoaji wa dau yamefikiwa kwa thamani ya juu kwa ikilinganishwa na mengine ikizingatiwa utendaji wa soko wa sekta ya benki katika kipindi hicho cha miaka minane tulipohudumu. Katika kipindi hicho cha kuhudumu, Benki za Kenya zilizoorodheshwa zilipoteza thamani kwa 44%. Sidian imefikia ukuaji muhimu unaotokana na utekelezaji wa mkakati wetu wa kuunda thamani katika miaka hiyo. Ukuaji huo umechukua mtaji mkubwa, huku Centum ikiwekeza kiasi cha ziada cha bilioni Ksh. 2.3 katika kipindi hicho. Mapato kutokana na dau yanawezesha Centum kugawa manufaa kwa mali zilizo na uwezo mkubwa zaidi wa kuzalisha pesa taslimu. Katika mwaka wa kifedha wa FY2022, uwekezaji katika Benki ya Sidian umeshikiliwa kama inayopatikana kwa mauzo katika taarifa ya nafasi ya kifedha kwa thamani inayobebwa kwa bilioni Ksh. 2.7 ikilinganishwa na mapato kutokana na mauzo ya dau ya bilioni Ksh 4.3.

Greenblade Growers Limited: Biashara hii inajihusisha na uzalishaji na uuzaji wa miti shamba katika nchi za nje. Kando na kupanua uwezo wake wa uzalishaji katika shamba lake la ekari 120 lililo Olkalou katika kipindi hicho, biashara hii ilianza kazi katika shamba la pili la kukodisha lililo mjini Thika litakaiwezesha kupanua uzalishaji wake ili kushughulikia vyema zaidi mahitaji ya wateja wake kwa bidhaa za aina mbalimbali katika kapu fulani. Biashara hiyo imefikia EBITDA chanya katika miaka mitatu iliyopita kwa upeo wa kuendelea kukua. Soko la zaidi la Eur Bilioni 1.5 lipo barani Ulaya, hii inawakilisha thamani ya miti shamba safi inayonunuliwa kutoka kwa mataifa yanayokua mwaka wa 2020. Upanuzi wa uzalishaji unaofanyika haraka unaweka kampuni hiyo katika nafasi ya kukidhi kiasi cha haja cha hitaji la miti shamba inayouzwa. Biashara hiyo imeonyesha uwezo wa kuzalisha milioni Ksh.100 kwa kipindi kifupi, hii inaweza kufanya Centum kutambua mapato makuu katika thamani yake inayobebwa.

Isuzu East Africa: Biashara hii iliathiriwa na kutatizwa kwa mifumo ya usambazaji wakati wa UVIKO-19 lakini imesalia kuwa yenye ustahimilivu na sasa inaelekea kurejea kikamilifu. Kampuni hii imedumisha kuongoza katika soko na ipo katika nafasi ya ukuaji ikiwa na uwezo wa kuzalisha magari 11,000 kila mwaka. Isuzu ilichangia kwa rejesho la pesa taslimu la milioni Ksh 134 la Centum kwa mwaka huo. Kutokana na mabadiliko ya hivi karibuni ya sera yaliyowekwa kwa sekta ya magari kwa upendeleo wa magari ya kibiashara yanayoundwa nchini, tunasalia na matumaini kwamba sekta ya magari nchini Kenya na katika ukanda huu itakua na Isuzu East Africa itakuwa katika nafasi nzuri ya kunufaika kutokana na mabadiliko haya ya sera na kuzalisha mapato muhimu kwa wenyehisa wake.

Longhorn Publishers Limited: Kufuatia kushuka kwa EBITDA mwaka wa 2020 kutokana na usumbufu uliofanyika kwenye kalenda za shule kutokana na UVIKO-19, faida za Longhorn zilianza kurejea mwaka wa 2021 na tunatarajia utendaji bora hata zaidi mwaka wa 2022. Biashara hiyo inakagua mchanganyiko wa bidhaa

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zake ili kulenga vitengo vya soko vilivyo na faida kwa lengo la kuboresha mapato yake ya jumla. Huku juhudi zake za kikanda na za kufanya bidhaa zao kuwa anuai zikianza kuzaa matunda, tuna matumaini kwamba kampuni hiyo itaendelea kuunda thamani kwa wateja wake na hata kwa wenyehisa wake wote. Biashara hiyo imekuwa ikipanua uwepo wake kijiografia na sasa inasambaza bidhaa zake zilizochapishwa katika nchi 9 za Afrika, huku nchi ya hivi punde ikiwa ya Afrika ya Magharibi na Jamhuri ya Kidemokrasia ya Kongo. Longhorn inalenga kukuza mikondo yake ya kidijitali ya uasilishaji wa bidhaa zake kwa wateja. Mipango hii itasaidia kuboresha viwango vya faida kwa kiasi kikubwa.

NAS Servair: Kampuni hii inaendelea kurejea kufuatia kulegezwa kwa vikwazo vya UVIKO-19. Kando na upishi kwenye ndege, NAS ilizindua huduma ya kufikisha bidhaa manyumbani kwa ushirikiano na duka la mtandaoni la Jumia. Katika shughuli yake kuu ya upishi kwenye ndege, biashara imeimarika sana tangu kuanza kwa UVIKO-19, tangu safari za ndege kuanza tena, ambazo zimekadiriwa kuwa kwa viwango vya 60% ikilinganishwa na kabla ya UVIKO. Huku shughuli za usafiri wa ndege zikiimarika, faida za biashara hiyo zinatarajiwa kuongezeka hata kupita viwango vya kabla ya UVIKO kwa sababu ya hatua ambazo tayari zimechukuliwa ili kuimarisha ufanisi katika biashara hiyo.

Kampuni zetu nyingine za pochi: Tribus TSG na Tier Data ni watoa huduma za B2B zilizo katika nafasi ya kutumia ukuaji wa pochi yetu ya mali isiyohamishika. Zilipanua bidhaa zinazotoa na kujiweka katika nafasi ya kukuza pochi yao ya biashara ya wahusika wengine. Kampuni zote mbili zinazingatia EBITDA.

Centum Real Estate (Centum RE)

Centum RE ni kampuni inayounda mali kubwa ya matumizi mseto ambapo inaunda nyumba za makazi kwa ajili ya mauzo na kuuza mipango mikuu na haki zilizolainishwa kikamilifu za maendeleo kwa waundaji wengine. Uwekezaji wetu katika Centum RE una thamani unaobebwa kwa Bilioni Kshs 22.2 kufikia tarehe 31 Machi 2022 na kujumuisha uwekezaji katika Vipingo Development Limited, Centum Development Kenya Limited na Pearl Marina Estates Limited. Centum RE imejiweka katika nafasi bora ya ushindani ikiwa na mipango mikuu iliyo katika maeneo ya kimkakati, fundo mseto za matumizi ya mijini zilizoweka kampuni hii katika nafasi ya kukidhi mahitaji yanayoendelea kua ya nyumba katika soko la kiwango cha kati. Pamoja na maendeleo, Centum RE ina maeneo yaliyo tayari kwa wawekezaji ndani ya mpango wake mkuu. Muundo wa biashara wa Kampuni hiyo umehalalishwa kwa sababu ya kufanikiwa kwake kukamilisha na kukabidhi miradi ya nyumba, mauzo ya haki za maendeleo katika miaka miwili iliyopita na kiwango kinachokua cha mitiririko huru ya pesa taslimu zinazozalishwa na biashara hiyo.

Katika kipindi hicho, Centum RE ilizalisha zaidi ya bilioni Ksh 1.3 katika mitiririko huru ya pesa taslimu kutokana na shughuli zake. Hii ilitokana na mikondo miwili ya biashara yake. Katika biashara ya ujenzi wa nyumba, Centum RE ilikusanya bilioni Ksh 6.6 kutoka kwa amana dhidi ya thamani ya jumla ya mauzo ya bilioni Ksh 14.8 ilikuwa imekusanywa kufikia tarehe 31 machi, 2022. Kima cha bilioni Ksh 8.2 kitakusanywa wakati miradi inayoendelea itakamilishwa.

Ingawa katika biashara ya haki za maendeleo, mauzo yenye thamani ya bilioni Ksh 1.7 yalitiwa saini na kukamilishwa katika kipindi kilichoisha Machi 31 2022 na kiwango kingine cha bilioni Ksh 1.2 kutiwa saini lakini hakikuwa kimetimiza masharti ya ukamilishaji ambayo ni malipo kamili ya bei ya mauzo ili kuwezesha uhamisho wa mali husika. Mkondo huu wa biashara una faida ya pesa taslimu kwa kiasi kikubwa kwa sababu haki za maendeleo huuzwa kwa thamani bora inayoinua gharama halisi na hivyo kiasi kikubwa cha mtiririko huu wa pesa taslimu kinapatikana kwa biashara. Biashara hii ilikuwa umetumia mtiririko huu wa pesa taslimu kufadhili shughuli zake za maendeleo na kupunguza ukopaji kutoka bilioni Ksh 5 hadi bilioni 4.2.

Mkakati wetu wa uwekezaji kwa Centum RE ni kukuza kampuni hii ili iwe kampuni muhimu ya mali isiyohamishika na kulingana na maono yetu ya kutoa ufikiaji wa fursa zisizoweza kufikiwa za uwekezaji kuruhusu wawezekaji wengine kuwekeza katika kampuni muhimu za maendeleo ya nyumba zilizo kote Kusini mwa Jangwa la Sahara na zilizo na hazina tosha ya haki zilizotayari kuundwa. Ili kufikia hili, mnamo Januari 2022, tulitia saini makubaliano ya uwekezaji na GEM Global Yield LLC (GEM), kampuni ya kibinafsi yenye makao yake nchini Luxembourg ya uwekezaji mbadala ili kuipa Centum RE mkopo wa usajili wa hisa wa hadi bilioni Ksh 17 kwa muda wa miezi 36 kufuatia kuorodheshwa kwa umma kwa mgao wa hisa zisizozidi 20%. Tunashirikisha wawekezaji wengine ambao wangependa kufanya uwekezaji wa kabla ya uorodheshaji. Lengo la aina hizi za uwekezaji kwenye Centum RE ni: (i) Kutoa mtaji wa ziada ili kufadhili ukuaji wa kampuni hii na (ii) Hatimaye kuhalalisha thamani ya sokoni ya kampuni hii.

Tunaamini kwamba thamani ya mgao wa hisa za Centum RE ni ya juu kuliko thamani inayobeba kwa sasa ambayo kwa sasa inategemea thamani ya mali yake ya uwekezaji. Lengo letu la uwekezaji ndani ya kipindi cha kifedha cha Centum 4.0 ni kukamilisha uwekezaji wa mgao wa hisa wa wahusika wengine kwenye Centum RE itakayotoa uhalilishaji wa soko wa thamani iliyopachikwa ndani ya kampuni.

Maelezo zaidi ya biashara ya Centum RE yametolewa kwenye kurasa za **106** hadi **108** katika sehemu ya uhakiki wa biashara ya ripoti hii jumlishi.

Two Rivers Development Limited (TRDL)
Centum PLC ina dau za 58% katika TRDL, ambayo nayo ina dau za 50% katika Two Rivers Lifestyle Centre Ltd (The Two Rivers Mall). TRDL inamiliki sehemu zilizobaki za maendeleo ya matumizi mseto ya Two Rivers. Kikundi kidogo cha TRDL kiliripoti hasara ya bilioni Ksh 2 kwa mwaka uliokamilika Machi 31, 2022. Utendaji huu ulikuwa ni kutokana na kiwango cha juu cha gharama za kifedha ambazo biashara hiyo ilipata.

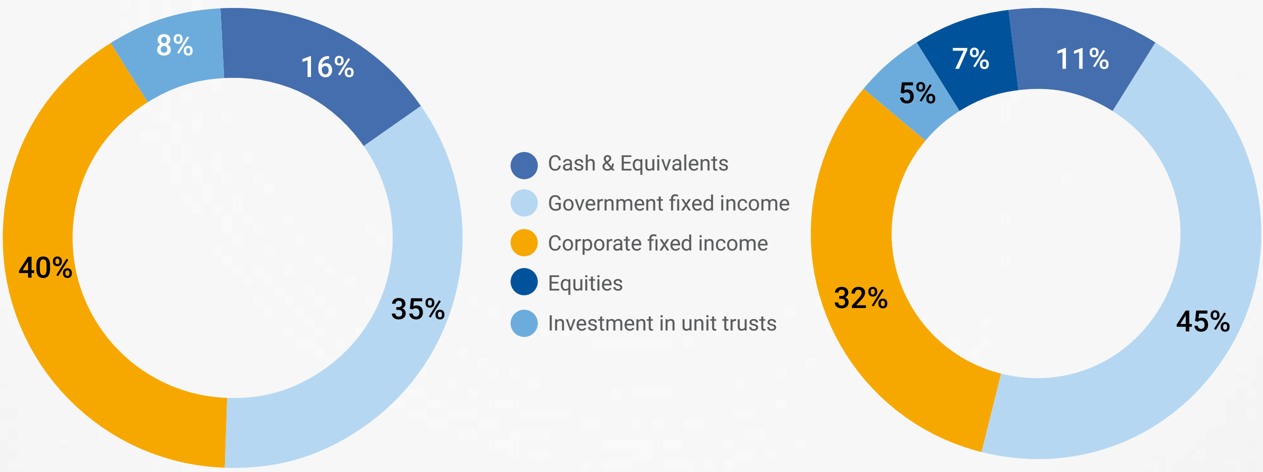
Katika mwaka wa mwisho wa kifedha, kampuni ya Two Rivers Lifestyle ilikagua muundo wake wa mtaji na sasa unapata faida baada ya kuwajibikia gharama za kifedha na inaelekea kufikia nafasi ya kutengeneza faida.

TRDL ipo katika nafasi bora zaidi ya ushindani na fursa kubwa ya maendeleo inayopatikana kwa uundaji wa nyumba za soko la kati zitakazolenga mtumiaji wa hatima anayelipa kodi ya kati ya Ksh 20,000 na Ksh 60,000 kwa mwezi. Usimamizi wa kampuni kwa hivyo unalenga kuvuna kutokana na fursa hii ili kutatua hitaji la nyumba katika kiwango cha soko la kati kwa ushirikiano na Centum RE. Fursa hii imehalalishwa na uwasilishaji wa miradi kama vile Mizizi utafiti wa soko wa wahusika wengine unaoashiria hitaji la nyumba ndani ya Two Rivers kwa bei lengwa. Tumeanza kushirikisha wawekezaji ili wawekeze katika fursa za soko ya kati zilizopo Two Rivers. Lengo letu ni kufunga vitabu vyetu vya kifedha kabla ya mwisho wa mwaka huu wa kifedha, hii itawezesha kampuni hii kuboresha shughuli zake za maendeleo na kuiwezesha kufikia mtaji wa mgao wa hisa kwenye taarifa yake ya kifedha badala ya deni.

Maelezo zaidi ya biashara ya Two Rivers Development yametolewa kwenye ukurasa wa **108** katika sehemu ya uhakiki wa biashara ya ripoti hii jumlishi.

Pochi ya Hisa Zinazoweza Kuuzwa (MSP)
Pochi ya MSP ni mkusanyiko wetu wa hisa zinazozalisha pesa taslimu kwa kiwango cha juu inayosimamiwa na Nabo Capital. Utaratibu wa pochi hii ni kuzalisha mapato yanayojirudia na thabiti ya pesa taslimu yanayosaidia mahitaji ya pesa taslimu ya kampuni kutokana na ukweli kwamba chanzo muhimu cha mrejesho kutoka kwenye pochi ya ukuaji ni katika muundo wa mapato ya mtaji wakati wawekezaji wanapoondoa dau zao wala si mapato kutokana na mafao. Tathmini ya thamani ya Pochi ya MSP iliiweka katika bilioni Ksh 7.2 kufikia mwisho wa mwaka wa kifedha wa FY2022. Ugavi wa pochi katika mwaka huo wa kifedha ulikuwa unaegemea zaidi hisa za mapato yasiyobadilika (deni la serikali na kampuni). Pochi hiyo ilizalisha mrejesho ya 14%, na kufanya vyema zaidi ya kiwango cha NSE 20 kwa 18%.

MSP kufikia tarehe 31 Machi 2022 | **MSP kufikia tarehe 31 Machi 2021**



Mabadiliko makubwa katika usimamizi

Mnamo Januari 2022, Bi. Mical Agina aliteuliwa kama Katibu wa Kampuni na Mshauri Mkuu wa Kisheria. Awali alihudumu kama Mkuu wa Kitengo cha Kodi wa Kampuni. Mnamo Machi 2022, Bw. Kenneth Mbae, ambaye awali alihudumu kama Mkurugenzi Mkuu wa Vipingo Development Ltd, aliteuliwa kama Mkurugenzi Mkuu wa Centum Real Estate. Kenneth Mbae ni mmoja wa maafisa waliohitimu kupitia programu yetu maendeleo ya usimamizi baada ya kujiunga na kampuni hii kama mwanafunzi mwaka wa 2010. Ametoa huduma za kipekee katika kila kiwango cha usimamizi na tuna ujasiri kwamba atafanya kazi vyema katika nafasi yake mpya. Pia tunamkaribisha tena Bi. Risper Alaro kama Mkurugenzi wa Fedha wa Kampuni. Risper awali alihudumu kama Mkurugenzi Mkuu wa Centum Business Solutions na Mkurugenzi wa Fedha wa Kampuni kabla ya kuchukua likizo mwaka wa 2018.

Teuzi hizi zinafuatia kuondoka mwaka huu kwa Bw. Wambua Kimeu ambaye alihudumu kama Afisa Mkuu wa Kifedha, Bw. Samuel Kariuki ambaye alihdumu kama Mkurungenzi Mkuu wa Centum Real Estate na Bw, Mwangi Mbogoh, ambaye alihudumu kama Katibu wa Kampuni, ambao

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walijiuzulu nyadhifa zao ili kufuata mambo yao mengine. Tunashukuru huduma safi kutoka kwa Wambua na Samuel na mchango wao katika ukuaji wa Centum na tunawatakia kila la kheri kati matamanio yao ya baadaye.

Tunamkaribisha tena Bi Risper na kuwapa hongera Kenneth na Mical kwa uteuzi wao na kutazamia mchango wao katika kufikia mkakati wa Centum 4.0.

Matarajio ya Biashara

Tunasalia na matumaini japo kwa tahadhari kuhusu mwaka mpya wa kifedha baada ya kuanza kurejea kwa mambo kutokana na kulegezwa kwa vikwazo vya COVID 19 lakini kushuhudia shinikizo nyingi kwenye mazingira makubwa kutoka kwa vigezo vya kimataifa na vya nchi. Mkakati wa Centum 4.0 umekuwepo kwa miezi 36 sasa na tunaamini kwamba tupo njiani kufikia malengo yetu mbalimbali.

Pochi yetu ya ukuaji: Lengo kuu la uwekezaji ni kuchukua hatua zinazofaa ili kuboresha thamani ya soko ya kampuni zetu za pochi na kufikia thamani hiyo wakati wawekezaji wanaondoa dau zao kutumia mtaji huo tena kwenye fursa mpya. Miaka mitatu iliyopita imekuwa na changamoto sana kutokana na changamoto tofauti za nje ambazo zimeathiri uchumi na hatimaye kuathiri kampuni zetu za pochi na mazingira ya jumla ya uwekezaji. Licha ya hayo, kampuni zetu za pochi zina upeo muhimu katika uinuaji wa thamani kati ya thamani inayobebwa kwenye taarifa yetu ya kifedha na thamani za ndani za soko. Mfano kamili ikiwa ni Benki ya Sidian ambayo ina thamani inayobebwa ya bilioni Ksh 2.7 lakini kutokana nayo tumepata thamani ya dau zinazoondolwa ya kima cha bilioni Ksh 4.3.

Tuna mipango sawa na hiyo ya uundaji wa thamani kwa kila pochi na tunavyoendelea kuifikia thamani hizo, tunatarajia kufikia malengo ya mrejesho ambayo tulikuwa tumejiwekea katika mkakati wa Centum 4.0.

Pochi ya Hisa Zinazoweza Kuuzwa (MSP) na mrejesho: Lengo letu ni kukuza pochi ya MSP ambayo tunaamini itaendelea kuzalisha marejesho ya pesa taslimu yanayopiku viwango vya soko. Safu yetu ya lengo la uanisho wa mali kwa daraja hili la mali ni kati ya 20-30%. Hii itatoa mtiririko thabii wa mapato kutokana na mafao kwenye biashara hali itakayosaidia ukuwaji wa mgao wa hisa kwa wenyehisa ambayo tumeweka kuwa 30% ya mapato ya pesa taslimu za mafao. Mitiririko ya ziada ya pesa taslimu itatumika kwa ajili ya uwekezaji tena katika fursa mpya.

Ufanisi: Lengo letu la kimkakati ni kuleta uwiano kati ya gharama na mapato ya pesa taslimu hadi kiwango kisichozidi 30% na kuendelea kupunguza mtiririko wa pesa unaenda katika gharama ya riba kwa kuzidi kupunguza deni linalolipwa na riba. Tunatarajia kupunguza deni letu kwa angalau 50% kabla ya mwisho wa mwaka wa kifedha wa 2023 hali itakayosababisha kupunguza riba kwa nusu.

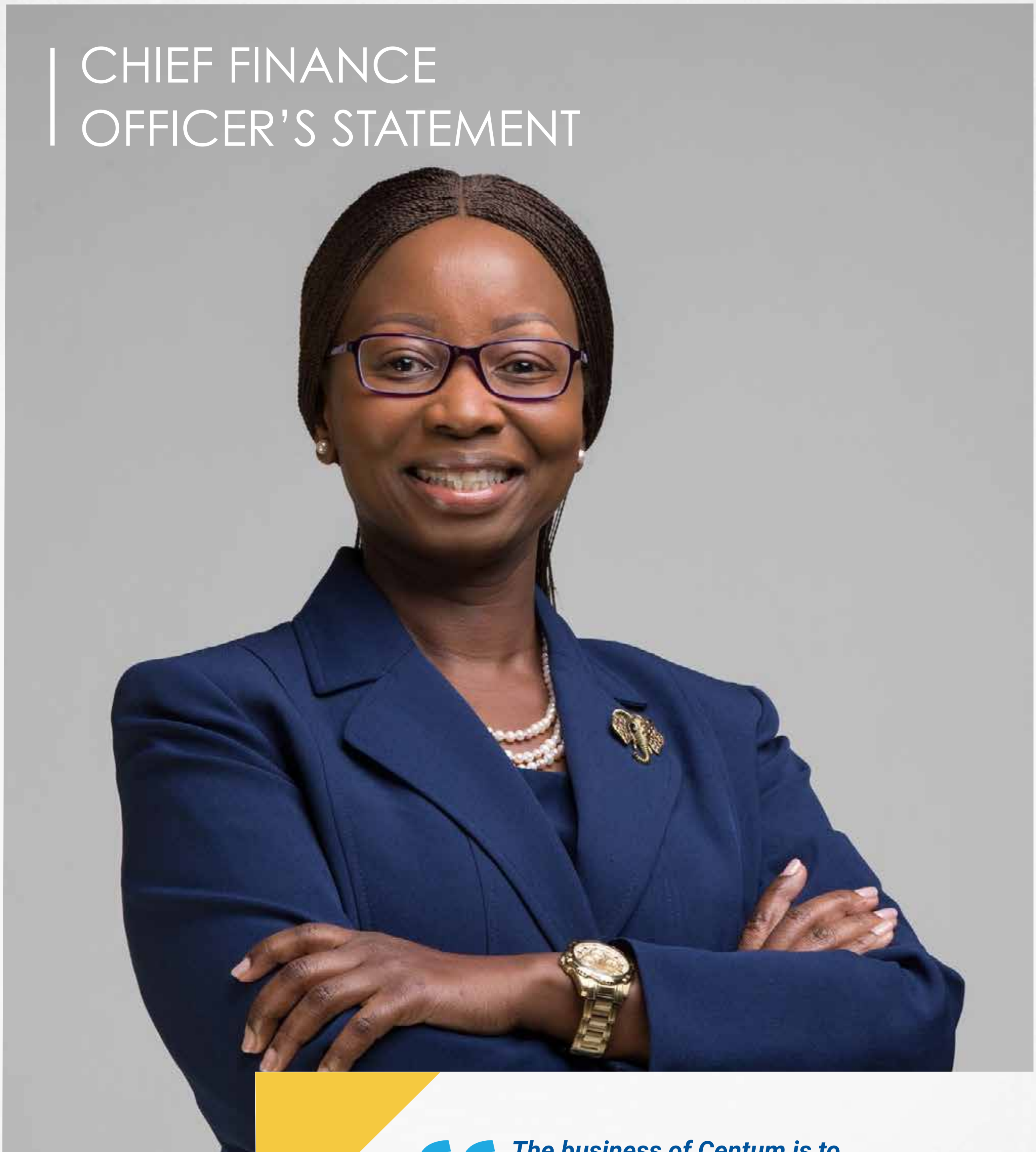
Uendelevu na kuripoti ESG: Mkakati wetu wa biashara unapachika wajibu wetu kuhusiana na mazingira yetu, athari ya kijamii na utawala kando na lengo letu la kibiashara. Malengo yetu ya uwekezaji yamejikita kwenye maendeleo endelevu, na tunaendelea kufuatilia na kudhibiti mazingatio ya ESG na viashiria vikuu vya utendaji kama sehemu ya usimamizi wetu wa pochi na mchakato wa uundaji wa thamani. Tumezidisha juhudi zetu za kuboresha ufichuzi wa ESG na kuendesha uwekaji wa viwango kwa kutambua kundi la viwango ambavyo tulitumia kwa njia isiyo rasmi na tumeanza kutumia kwa njia rasmi. Pia tumepiga hatua kubwa katika kujitolea kwetu kwa ESG, kwa kujiweka katika nafasi ya uangalizi katika kiwango cha Bodi kupitia Kamati ya Hatari ya Bodi na mazingatio ya ESG yakiwa yamejumuishwa kwenye mazungumzo ya Kamati. Ripoti ya uendelevu inaangazia hatua tuliyoipiga kwa kina zaidi

Hitimisho

Ninashuruku timu ya Centum, ambayo imefanya kazi bila kuchoka ili kufikia matokeo haya katika mazingira magumu sana. Pia ninashukuru bodi kwa mwongozo wao na wenyehisa wetu na wawekezaji wengine kwa msaada wao. Tumeunda jukwaa la kipekee lSa kuunda thamani na lengo letu ni kufikia thamani iliyopo katika pochi hii ili kufikia malengo ya kimkakati ya Centum 4.0 yatakayoweka kampuni katika awamu yake inayofuata ya ukuaji ambayo itafadhiliwa kwa kutumia mtaji uliozalishwa ndani ambayo tumeujenga.

Dkt. James Mworia
Afisa Mkuu Mtendaji

CHIEF FINANCE OFFICER'S STATEMENT



"The business of Centum is to identify great opportunities, add value/scale up these opportunities and monetize the value created during the holding period as well as through exits on maturity, thereby generating superior returns for shareholders. The company total return statement is therefore useful in analyzing our performance as an investment company.

The Company's operating profit grew by 125% to Ksh 551 million.

The Company did not take up additional debt and maintained a positive cash position net of debt in the year, short term debt remained at Ksh 4.1 billion and gearing at 10%.

Our company total return statement highlights the cash value created in the year from our investment portfolio which includes dividend income, interest income and realised gains adjusted for operating costs, finance costs and tax. The statement also highlights the unrealized value movements of the portfolio which are held at fair value in the statement of financial position and recognised as other comprehensive income to arrive at the total return for the period. The total return for the period reflects the growth/decline in shareholder funds during the period.

Our Consolidated financials on the other hand aggregate line by line the financial performance of the underlying portfolio companies and the proportion of that performance that is attributable to our shareholders.

In the year ended 31 March 2022, improved performance was recorded at both the company and consolidated levels, a reflection of the business and performance recovery of our underlying portfolio as the economy began to rebound from the impact of the Covid-19 pandemic.

Details of our investment portfolio, movements and holding value as at 31 March 2022 are highlighted in notes 5 and 6 (**page 181** to **191**). The valuation methodology applied in valuing our unquoted investments are highlighted in note 1.5 (**page 151**).

Company Statement of Total Return

Ksh. Millions	Mar-22	Mar-21	% change
Dividend income	173	139	25%
Interest income	1,130	1,272	(11%)
Realised gains	42	-	100%
Total income	**1,662**	**1,517**	**10%**
Operating expenses	(529)	(669)	21%
Finance costs	(540)	(603)	10%
Operating profit	**592**	**245**	**142%**
Impairment provision on assets	(531)	(1,071)	(50%)
Profit/(loss) before tax	**61**	**(826)**	**107%**
Income tax	(82)	220	(137%)
Loss after tax	**(21)**	**(607)**	**97%**
Unrealised losses	(227)	(4,212)	95%
Total return	**(248)**	**(4,819)**	**95%**
Return on op. NAV	**(0.6%)**	**(11%)**	
NAV/Share	**62.10**	**62.83**	

The company recorded a 95% improvement in total return for the year ended 31 March 2022. This improvement was attributable to an increase in investment income as the company continued rebalancing its portfolio in line with the capital preservation and liquidity enhancement objectives, reduction in impairment provisions as performance of the portfolio improved and increased operational efficiencies. The loss after tax stood at Ksh 21 million compared to Ksh 607 million in the prior year. Total income stood at Ksh 1.7 billion, a 10% growth from prior year. Operating profit recorded for the year was Ksh 592 million, a 142% growth from Ksh 245 million recorded for the year ended 31 March 2021.

Expenses reduced by 21% in line with the Centum 4.0 strategic focus of cost optimization. Finance costs reduced by 10% in FY 2022 compared to FY 2021. The company did not take up additional debt and maintained a positive cash position net of debt in the year, short term debt remained at Ksh 4.1 billion and gearing at 10%. Impairment provisions were made during the year in relation to receivables and expenses which included those relating to reorganisation of the some of the subsidiaries during the year.

The company recorded a net revaluation loss of Ksh 227 million in FY 2022 compared to Ksh 4.2 billion in FY 2021 on the back of improved market multiples and profitability of the portfolio companies. In FY2021 a significant contributor to the revaluation losses was an increase in the deferred tax liabilities of the subsidiaries of Centum Real Estate which impacted the valuation of the real estate portfolio.

The Net Asset Value per share declined slightly from Ksh 62.83 to Ksh 62.1.

Consolidated Performance

The Consolidated performance aggregates the performance of our subsidiaries, associates, and joint ventures in the year. These are disclosed in five distinct segments: (i) Trading Businesses (ii) Financial Services, (iii) Real Estate, (iv) Two rivers investment operations, and (v) Investment operations.

Consolidated total comprehensive income for the year stood at Ksh 142 million, a 120% growth from the loss of Ksh 1.5 billion recorded for the FY2021. Excluding the loss from the Two Rivers investment operations, the consolidated total comprehensive income stood at Ksh 2.1 billion up from Ksh 405 million in the prior year.

Trading businesses - This segment comprises investments in Longhorn Publishers Plc, Greenblade Growers Ltd, Tier Data Ltd and Tribus Security Group Ltd. The trading businesses reported a profit before tax of Ksh 73 million compared to a loss of Ksh 529 million in FY 2021 attributable to a gradual improvement in the trading environment following the easing of Covid 19 containment measures.

Financial Services - This segment comprises investments in Sidian Bank Limited, Nabo Capital Limited, and Zohari Credit Limited. The financial services segment recorded a two-fold increase in performance from an operating profit of Ksh 330 million in FY2021 to Ksh 692 million in FY2022. The strong performance in this segment was driven by a growth in the loan book as well as non-funded income in Sidian Bank and improved performance by Nabo Capital and Zohari Credit Limited.

Centum Real Estate (Centum RE) - This segment comprises investments in Centum Development Kenya Limited, Vipingo Development Plc, Uhuru Heights Limited and Pearl Marina Estates Uganda Limited. Centum RE has successfully validated a demand led business model with two revenue generating pillars i.e., sale of residential units and sale of development rights (land). The Real Estate business recorded a profit of Ksh 127 million in FY2022 driven by profit from residential units, sales of bulk land and development rights and gains on investment properties.

Revenue from sale of residential units increased to Ksh 1.9 billion (2021: Ksh 460 million) reflecting a significant revenue growth realized from 301 homes of the 624 completed homes that met the revenue recognition threshold of completion of units, handover, and full payment of the purchase price by buyers.

The sale of development rights worth Ksh 1.7 billion (2021: Ksh 2.5 billion) across sites were recognized in the year ended 31 March 2022. The monetization positively impacted the business with the cashflows utilized to fund construction of residential units, service and settlement of maturing debt obligations.

Two Rivers Development Limited (TRDL) – TRDL recorded an operating loss of Ksh 2 billion in FY 2022 compared to Ksh 1.9 billion in FY 2021 mainly driven by high finance costs. Centum Investment Company Plc holds a 58% equity stake in TRDL.

The Board of TRDL has initiated steps to restructure the balance sheet to reduce the interest paying debt through a fund raise. This will fund further development of the residential node in response to growing demand for housing in the neighbourhood. In November 2021, Two Rivers Lifestyle Centre Limited (a joint venture held by Two Rivers Development Limited and Old Mutual Property) reorganised its debt with a significant portion being replaced by a zero-coupon equity linked instrument which resulted in reduced finance costs for the company.

Investment Operations - The loss from investment operations reduced by 52% to Ksh 548 million from Ksh 1.1 billion in the prior year. This was driven by a 59% increase in annuity income which stood at Ksh. 1Bn from 684 million in the FY2021. Operating costs reduced by 4% in line with the cost optimization focus.

Finance costs reduced by 13%. During the year, a share of loss amounting to Ksh. 150 million from the investment in Akiira Geothermal was recognised. Impairment provisions were made during the year in relation to receivables and expenses which included those relating to reorganisation of the some of the subsidiaries during the year.

Marketable Securities Portfolio

The Marketable securities portfolio (MSP) provides liquidity to the overall investment portfolio while generating stable annuity income to service operations. As at 31 March 2022, the value of the MSP portfolio was Ksh 7.2 billion (2021: Ksh 7.5 billion), and 91% of the portfolio was held in fixed income securities (2021: 89%) The portfolio generated a gross return of 14% in the year (2021: 13.1%).

Chief Finance Officer's Statement

Group Debt

At portfolio company level, borrowings are aligned to the respective company's debt capacity. The borrowings at portfolio companies are secured by their respective assets and cash flows. Below is a summary of consolidated debt as at 31 March 2022 and a highlight of debt coverage per company:-

Ksh Millions	March 2022			March 2021		
	Borrowings	Total assets	Debt coverage ratio	Borrowings	Total assets	Debt coverage ratio
Centum Investment Co. Plc	4,159	46,960	11.3x	4,122	47,515	11.5x
Longhorn Publisher Plc	1,003	2,824	2.8x	1,277	3,149	2.5x
Centum Real Estate Ltd	5,253	40,867	7.8x	5,966	38,619	6.5x
Two Rivers Development Ltd	10,211	20,860	2.0x	9,644	20,345	2.1x
Sub-total	**20,626**	**111,511**		**21,009**	**109,628**	
Sidian Bank Ltd	-	-	n/a	4,492	33,433	7.4x
Total	**20,626**	**111,511**	**5.4x**	**25,501**	**143,061**	**5.6x**

Disposal of Sidian Bank Limited

On 8 June 2022, Centum Investment Company Plc entered into a binding agreement with Access Bank Plc regarding a proposed purchase by Access Bank of Centum's entire equity stake in Sidian Bank Limited (Sidian), at a Ksh 4.3 billion transaction value. This transaction is subject to customary adjustments agreed by the parties. The completion of the transaction is subject to receipt of customary regulatory approvals in Nigeria and Kenya.

In line with International financial reporting standards, our investment in Sidian Bank Limited has been shown separately as an asset held for sale in the Company and Consolidated balance sheet as at 31 March 2022.

Dividends

Our dividends policy sets the dividend pay-out at 30% of the annuity income for the year. The annuity income which comprises dividend and interest income from the portfolio, stood at Ksh 1.3 billion for the year ended 31 March 2022.

The Board of Directors has recommended to pay out Ksh 391 million (2021: Ksh 220 million) in dividend with respect to the financial year ended 31 March 2022. This represents dividend per share of Ksh 0.587 up from Ksh 0.33 in the last financial year. This proposal will be considered for approval by shareholders at the upcoming annual general meeting.

Risper Alaro
Chief Finance Officer

OUR PEOPLE

Our team is the Company's lifeblood. In line with the Centum 4.0 strategy, our people focus is to maintain our position as an employer of choice.

Our people strategy is hinged on 6 pillars which offer guidance to the team on overall direction while providing a simplified platform to measure performance.

PILLARS OF OUR HUMAN CAPITAL

01 Culture
Embedded a strong ethical culture that is employee centric with passionate, competent, and skilled employees engaged within a diverse workforce with the aim of becoming the employer of choice.

02 Talent planning and Management
Attract, retain, and engage high calibre individuals who have the skills, ambition, and talent to deliver our strategy.

03 Performance Management
Align Group's strategic imperative to individual employee contribution.

04 Reward & Recognition
Define and manage a clear reward platform that enables fair, efficient, and consistent application by aligning incentive outcomes to performance and value created.

05 Employee Engagement
Create & sustain an environment where our people feel empowered to be their best; Equipped with knowledge, resources & an enabling framework that supports an effective operating environment.

06 Compliance
Promote a culture that is compliant with the existing legal environment and its own HR Policies, procedures, and processes.

People Update

We are committed to creating a positive and productive environment in which our people are enabled to perform their best and are healthy, resilient, and happy at work.

In FY 2022, the pandemic was not only the catalyst for rethinking where we work, it has also prompted a change in how we work.

Staff Health and Well-Being

The health and well-being of our people underpins the ability to achieve our strategic and organisational success. Our health and safety policies have been revised to include guidelines in curbing the spread of the pandemic in the workplace, the office space has been redesigned alongside other hygiene measures in accordance with relevant government directives. We continue to provide COVID 19 testing while also providing resources for its management and home-based care for patients. Finally, the business enhanced the staff medical and life insurance benefits to cater for any emerging issues.

Adapting to a Covid-19 Environment

Before the global pandemic, there was a recognition that the world of work is continuously and rapidly changing. Building a resilient and adaptable talent force, nurtured by a strong and agile leadership team, is at the heart of our talent management policy, offering an exceptional employee experience while enabling the Group to achieve its strategic objectives.

Key Initiatives

- Continuous communication, education, and awareness of COVID-19 protocols.
- Implemented a hybrid way of working relevant to our employees.
- We have also established a robust supervisory and control framework to ensure continued compliance with regulatory requirements.
- Building the coaching and mentoring capability of leaders.
- Clear career paths through personal development plans and performance reviews to assist in career development.

People Update

Optimisation of our group structure

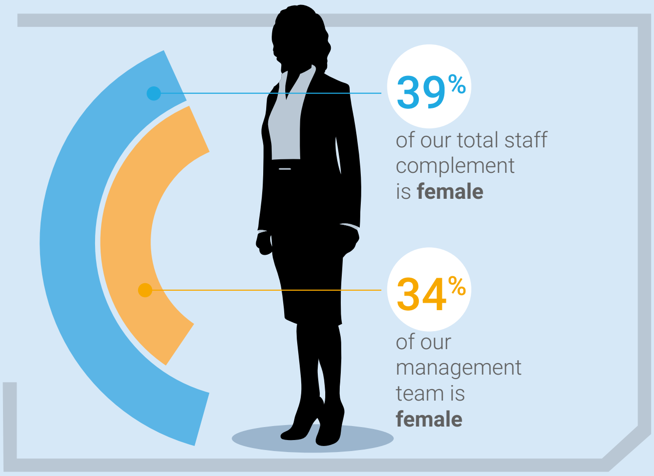
Following our mid-term strategy review during the financial year, the Company adopted a parenting model that seeks to enhance autonomy and level of accountability at portfolio company level. In this approach, portfolio companies have separate and independent governance and operational structures. This meant that the need for a centralized shared service function ceased to exist. Following this change, the shared service subsidiary of the company, Centum Business Solutions was wound up in November 2021 and 16 team members declared redundant while the rest were absorbed into various subsidiaries.

Diversity and Inclusion

We remain committed to continually developing our leadership team and building a diverse talent pool.

We strive to have an appropriate balance of diversity to ensure robust governance and promote diverse mindsets and opinions.

We have a diverse management team, ranging broadly in age, race, gender, ethnicity, country of origin, culture, educational background, skills, experience and knowledge. This provides a fertile environment for thoughtful leadership and outcomes.



Among our key objectives is women empowerment which aims to equip women with resources to help them navigate their professional and personal lives, through tools such as coaching and mentoring, professional development, networking and engagement and enhancement of opportunities to collaborate across functions.

Employee Engagement

We believe that our employees need to be heard, feel included, recognized, cared for, and provided with positive leadership to promote a productive and engaging work environment.

As a result, we have focused on raising awareness of the importance of regular conversations, a concept that underpins our approach to managing performance more holistically (Total Performance).

We offer our employees feedback tools to foster an open environment where employees can proactively reach out for feedback or receive feedback from their colleagues anytime. In addition to the pulse check and engagement survey, we enshrined regular employee check-in sessions to sustain connection.

Performance Bonus

The bonus scheme is designed to optimize the cash return on the assets managed by Centum on behalf of the shareholders. The scheme aligns the staff reward system to creation of cash return on assets at a rate greater than that of the market. The return considered for the purposes of the bonus computation is cash adjusted and does not include the annual fair valuation movement of assets, but instead incorporates the net asset value movements.

Determining the bonus pool

Determination of the bonus pool is as follows:

1. The private equity and marketable securities portfolios bonus pool

The annual performance bonus pool for the private equity and marketable securities portfolios is subject to attainment of a total cash return as a percentage of Company opening cash-adjusted shareholder funds of 15% or more in the financial year (the hurdle rate).
The annual bonus pool is then computed as 20% of the total cash return that is above the hurdle rate of 15%.
Should total return exceed 25%, then the performance pool will be increased by 1% for each 1% above total return.
Elements of cash return for the two portfolios are:

i. Monetization events which include sale/exit of a stake in a portfolio company and securing equity partnerships at multiples to the carrying value of the portfolio investments,

ii. Dividend and interest income from the portfolio, and

iii. Cash Net Asset Value movements in the portfolio companies, representing the Company's share of distributable dividends.

2. Real estate portfolio

The Real Estate portfolio bonus pool is only determined on the attainment of a cash return (property sale or an exit transaction) in a real estate portfolio company.

However, the hurdle rate in Real Estate cash returns is tied to a relevant index of value appreciation (Hass Composite Land Property Index) to ensure that management is not incentivized for ordinary/inflationary increases in property values. The percentage cash return is therefore effectively adjusted downwards for the effects of ordinary property value appreciation.

The Real Estate bonus pool is based on 10% of return in excess of the hurdle adjusted base. The base refers to the actual cash deployed into the investment. At the end of a financial year where sale or exit transactions have occurred, the base is adjusted for the hurdle rate plus all costs incurred (investment and operational).

Vesting Conditions

The bonus entitlement for a particular year is paid out (vests) to staff in three tranches over a period of three years. The vesting conditions are:

i. Shareholder funds (defined as Net Asset Value) will not fall below the level they were at the point of the bonus award (high-water mark),

ii. The high-water mark will be adjusted for owner related adjustments such as payment of dividends or new capital raisings, and

iii. An eligible employee must remain in the employ of the Company for the entire period unless a specific waiver is granted by the Board of Directors.

Bonus entitlement in respect of the financial year

The performance hurdle rates described above were not met in the year ended 31 March 2022 and hence no bonus pool for the year.

The vesting conditions that are required to unlock the second and third bonus tranche for the year ended 31 March 2020 were not met.

Capacity Building

Despite a challenging environment in 2021 in which our teams were working partially remotely, we managed to deploy our 70/20/10 Learning and Development agenda supported by our LinkedIn e-learning platform.

Our leadership capability model provides the foundation for our approach to developing leaders and improving leadership experiences of those they lead. In FY 22, 25 employees in senior management across all business units underwent an executive leadership program.

BUSINESS REVIEW

Growth Portfolio

Centum Capital Partners (CCAP)

Centum Capital Partners (CCAP) is a wholly owned, independently managed subsidiary of Centum and a private equity fund manager and currently manages Centum's private equity assets and has an additional mandate to manage new private equity funds and third-party capital alongside Centum's own capital.

CCAP manages three distinct portfolios:

a) **Centum's Fund I Assets** – assets managed include Centum's legacy investments in Longhorn Publishers Plc, Nas Servair Limited, Sidian Bank Limited, Zohari Leasing Limited, Isuzu East Africa Limited and Africa Crest Education (ACE) Holdings,

b) **Centum's Development Portfolio Assets** – portfolio consists of investments in the power sector, through Amu Power Limited and Akiira Geothermal Limited. Additionally, Greenblade Growers Limited is also managed under this portfolio, and,

c) **Centum Capital Private Equity Value Fund II** – portfolio currently under development.

Our Business Model

CCAP, has been repositioned under Centum 4.0 as an institutional private equity fund manager evolving from Centum 3.0 where Centum undertook a developer role in greenfield projects and de-risking them with the intention of attracting third party capital. CCAP – now as a fund manager– is able to attract and manage third-party capital alongside Centum's own Capital with the capital raised through the Centum Capital Private Equity Value Fund II enabling acquisition of controlling stakes or significant minority positions in strategic Companies across East Africa.

The Centum Capital Private Equity Value Fund II seeks to invest in companies that are:

i. Within the East Africa
   a. Primary Markets: *Kenya, Uganda;*
   b. Secondary Markets: *Rwanda, Tanzania;*
   c. Tertiary Markets: *South Sudan, Burundi, Ethiopia;*

ii. Have demonstrated profitability;

iii. Within our sectors of focus – Consumer and Manufacturing, Financial Services, Healthcare, Education, Energy, Agribusiness and Technology

iv. Are important to their customers and that employ a capital light model

v. Have a sound, knowledgeable and experienced management team

vi. Are at a reasonable valuation

v. Are offering a Controlling Stake or Significant Minority, and,

vi. Demonstrate impact to their operating environment, people, customers, suppliers and sector as a whole.

From a value creation strategy – CCAP's value creation levers are mainly centred around unlocking the true earnings potential of our underlying investee companies and in line with maximising shareholder value.

This is achieved through working closely with management teams to define and drive business strategy, supporting business development and fundraising efforts by leveraging Centum's networks and subsidiaries, utilizing synergies between portfolio companies and forging strategic partnerships both at operational and shareholder level.

On risk management – a tiered structure approach coupled with the investment team's experience has been embedded in the development of systems and process and is anchored on three key elements:

1. An extensive and thorough pre-investment due diligence process that is led by discreetly selected and prequalified partners at the supervision of the investment team and industry advisory panel,
2. An investment management process that entails the incorporation of risk identification, mitigation and tracking measures in monthly management review meetings for all portfolio companies,
3. Adherence to Environmental, Social and Governance (ESG) best practices.

Growth Portfolio

Our ESG approach

CCAP has had a long-standing commitment to fostering strong Environmental, Social and Governance (ESG) performance in its portfolio. Seeking positive ESG outcomes aligns with one of our core values of investing responsibly which forms the bedrock upon which sustainable development is anchored within the Company.

CCAP engages and aligns its ESG practices with a range of leading performance – focused organizations and standard setting entities, including the Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI).

To best improve the environmental and social impacts of our deployed capital, material ESG considerations are managed across multiple functions, including Risk and Compliance, Legal and Governance, Human Resources and Operations. The multidisciplinary team reviews the progress, activities, risks, and opportunities related to the environmental and social impacts of our capital at work. In addition, we have a dedicated team of ESG-focused professionals supporting the Company's activities in these areas.

The ESG team is responsible for the design, implementation, and performance of the firm's ESG strategy, including how to conduct ESG screening and due diligence on potential investments, encouraging cross-portfolio collaboration and knowledge sharing, and developing initiative-level engagements designed to create value and improve performance within individual portfolio companies. In the past 12 months, we have conducted Material ESG Factor performance screenings of potential investments and existing portfolio companies, produced quantitative assessments and benchmarks to guide our ESG strategy and value creation plans.

Fund I - FY 2022 Performance

In the Financial Year ended March 2022, the Private Equity Portfolio recorded a significant improvement in operational performance from the previous financial year. Managements' initiatives during the year paid off as all portfolio companies were able to navigate the recessionary period and were able to record significant improvements in operational performance.

The initiatives largely focused on the following areas:-

1. **Strengthening of the balance sheet, enhancing liquidity -** This ultimately led to portfolio companies having resilient and agile balance sheets, able to quickly leverage on new opportunities and ultimately ride the recovery wave witnessed in the second half of the financial year, as various restrictions were lifted.

2. **Business Continuity -** All portfolio companies were prepared for a possible protracted restricted operating period. Management initiatives ensured robust business continuity plans were in place and there were minimal disruptions on operations. This consequently resulted in a smooth resumption to pre-COVID business operations in all of our portfolio company's operations.

Portfolio Performance

The performance of the PE sector is categorised into three broad verticals:

Banking Subsidiary

Sidian Bank – The bank recorded a significant operational performance improvement during the year, recording a profit after tax of Ksh 548 million in the year ended 31 March 2022, which was a 3.2X growth from Ksh 171 million attained the previous year. The improved performance was driven by a 26% improvement total operating income, which outpaced the 3% growth in total operating expenses. The bank has continued to be a key contributor to economic growth, having issued loans of circa Ksh 23 B during the year. Sidian was well poised to take advantage of the numerous growth opportunities presented as the economy recovered. To aid the bank on this front, we successfully led a Ksh. 180 M rights issue, which ensured the bank was well capitalized for onward lending to its customers, in addition to complying with all minimum capital regulatory requirements. As of June 2022, we have entered into a binding agreement with Access Bank Kenya, to exit our 83.4% shareholding in the bank, for a total consideration of Ksh 4.3 B. The transaction completion is subject to obtaining customary approvals from regulatory authorities.

Trading Subsidiaries

Our trading subsidiaries continued to record operational performance improvement, aided by gradual resumption in economic activity as COVID restrictions were eased in the second half of the year.

Longhorn – the business had been significantly affected by the COVID-19 pandemic, after the suspension of learning activities for most of FY20/21. However, with a gradual reopening of the schools in FY 21/22 in Kenya, the business has recorded a significant increase in open market trading activities, which has complemented the government publishing segment, thereby resulting in the business recording a significant improvement in turnover thereby cementing its market leadership with a market share of circa. 25%. The business's strategy on regional expansion has also supported the recovery, with key markets such Uganda, resuming learning after a 2-year hiatus. Operational focus for the business has largely been deleveraging the balance sheet and enhancing working capital to enhance distributions to its shareholders.

NAS Servair – Operates in the airline and corporate catering business segment. The business was significantly affected following the imposition of movement restrictions which affected air travel, and consequently the inflight catering revenue segment, and directives on enforcing work-from-home initiatives which affected the corporate catering revenue segment. With a gradual easing of the travel restrictions, towards the second half of FY21/22, NAS was able to quickly leverage its positioning as a market leader, to record a significant improvement in operational performance and ultimately becoming profitable at an operating level at year end. We expect the business to record a significant improvement in FY 22/23 with a full year of operations in an improving economic environment with minimal to no restrictions.

ACE Holdings – Operates in the education space and has continued to record an improved performance on key metrics such as student enrolment. The school continues to leverage on its bespoke curriculum offering coupled with quality and well-rounded education delivery at a discount compared to peers. The underlying business is now profitable operationally and is now focused on scaling its student population.

Associate Companies

Isuzu East Africa Limited continues to record an exemplary performance year on year with a focus on regional diversification into the broader East African market namely Uganda, Tanzania & Rwanda with a leading market share at 45.0% of Kenya's new motor vehicle market as at December 2021. The business continues to be active in enhancing economic activity having produced and sold 5,608 and 163 units in the local and export markets, respectively, which was a 32% and 117% improvement from the 4,265 and 75 sold in the local and export markets, respectively, in the previous year.

The growth was jointly driven by the improving economic environment as well as increased capacity resulting from the new assembly line launched towards the end of FY20/21, for a new series of trucks. The business continues to be a key player in the economy creating a lot of employment opportunities as well as being an enabler of business in a wide range of sectors.

Growth Portfolio

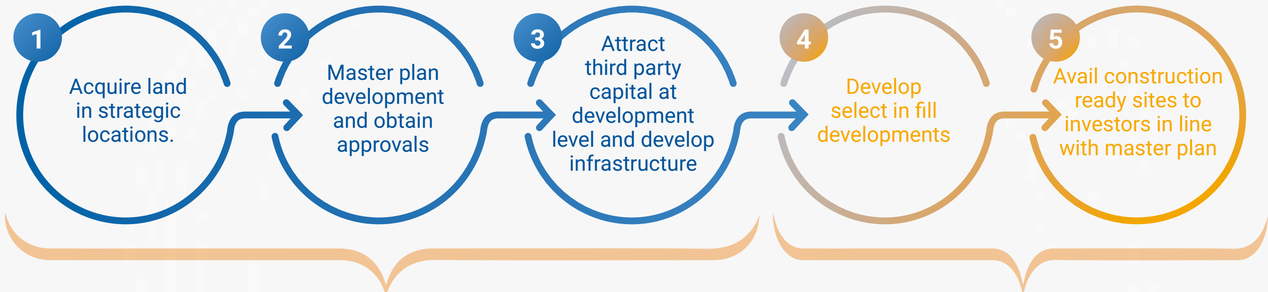
Our Real estate portfolio has two businesses; Centum Real Estate, which is 100% owned and Two Rivers Development Limited (TRDL) which is 58% owned by Centum Investment Company Plc.

Centum Real Estate Ltd. (Centum RE)

Centum Re is a master developer of large mixed-use destinations. It is the holding company for four wholly owned subsidiaries; Vipingo Development Plc, Pearl Marina Estates Ltd, Centum Development Kenya Ltd and Uhuru Heights Ltd.

Value creation

The value creation process of the business is highlighted below:



Centum RE set up construction & infrastructure ready mixed use master plan developments with unique cost and location advantages that are difficult to replicate within our primary catchment area

- Two Rivers Development: Duration 2013-2017
- Pearl Marina Development: Duration 2013-2017
- Vipingo Development: Duration 2016-2019

- The Company's present focus is on rolling out residential infill developments.
- Based on Centum RE's experience and market uptake the mid level housing market presents the most compelling market opportunity.

Stage Completed | Current Stage

The Company's business model focuses on enhancing performance around key value drivers. These are described below.

Drivers of Value

Development rights business
(Sale of development rights)

- Increase sales velocity within our land bank
- High margin business with low cost of sales
- Target to realise over Ksh 10Bn in 5years

Housing Business
(Built to rent & sell)

- Combine both build-to-rent and build-to-sell models
- Pre-let and sell units continously during construction
- Profit margin;
  - 2x of total construction cost or
  - 100% margin yield between development and exit
- Sell let but unsold houses to a REIT
- Target to realise over Ksh 100Bn in 5 years through construction of 20,000+ houses

Property Management
(Leasing & Asset Management)

- Pre-let at higher rentals than business case
- Achieve high occupancy at high rates
- Generate leasing and property management fee
- Preserve value through asset management
- Key competitive advantage

Performance Highlights as at 31 March 2022

Residential Units Sales

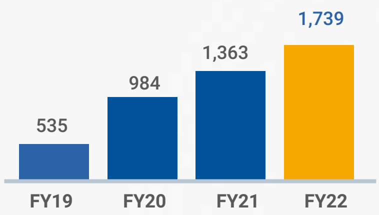
Ksh 14.8 billion
Value of Units Pre-sold to date

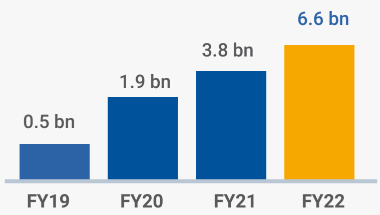
Residential Units Deposit Collections

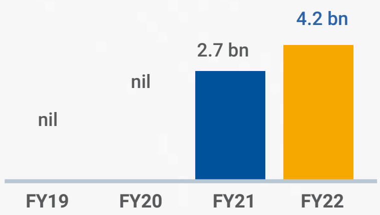
Ksh 6.6 billion
Deposits Collected to date on Pre-sold units date

Residential Units Right Collections

Ksh 8.2 billion
Value of Development Pipeline







a. Residential unit development

Exceptional progress was made in rolling out a pipeline of residential anchor projects, all of which are on course for completion. The business currently has an approval to sell and develop 5,792 units across the three sites: Two Rivers (Nairobi, Kenya), Vipingo (Kilifi, Kenya) and Pearl Marina (Entebbe, Uganda) as well as in partnership with third-party landowners.

At the close of FY2022, there were 1,422 units under construction of which 1,052 or approximately 73% had been sold; with units in Awali Estate (Vipingo), Palm Ridge (Vipingo) and Mirabella Villas (Pearl Marina), Riverbank (Two Rivers) handed over to the buyers. The value of the pre-sold units as at March 31, 2022 was Ksh 14.8 billion.

The infill development strategy is to reduce the market risk of the development by achieving a minimum 30% pre-sales level prior to the commencement of each development. To reduce the capital intensity of the business, customer deposit collected are deployed. By 31 March 2022, over Ksh 6.6 billion of deposits had been collected. The total receivable from the sold units as at 31 March 2022 was greater than the cost to completion implying that the funding requirement to complete the projects can be fully met from the receivables of the project and therefore any project level debt is only required to bridge shortfall in the collection of deposits.

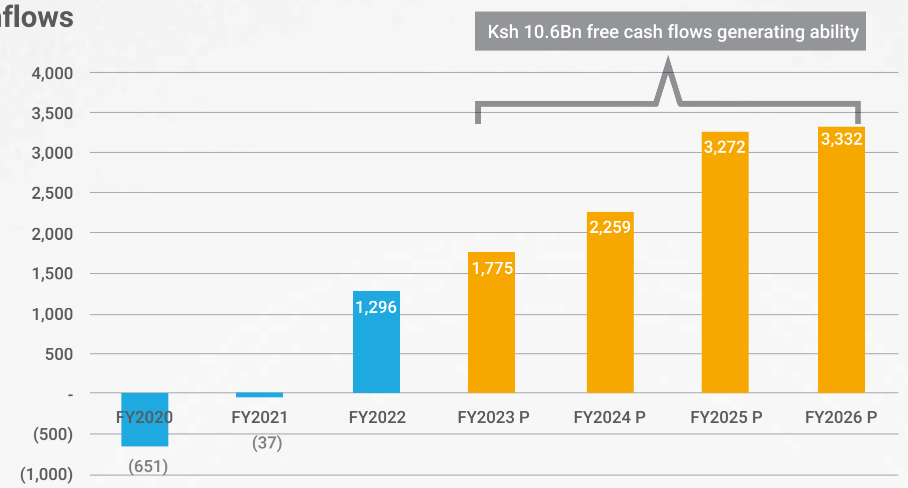
b. Sale of development rights

At 31 March 2022, the business had converted third party bulk land sales worth Ksh 8.7 billion, on which the requisite deposits have been received. These sales are at different phases of legal documentation and the transactions are expected to be completed in the financial year ending 31 March 2023.

The business has launched new products under this revenue stream, targeting retail buyers for single-dweller development. The value of development rights set aside for this product is Ksh 3.6 billion.

Growth Portfolio

c. Cashflows



Centum Re generated Ksh 1.3 billion in free cashflows for the year ended 31 March 2022. With the significant opportunity to scale up development of residential units, the business has the capacity to generate Ksh 10.6 billion in free cashflows progressively between FY2023 to FY2027. The focus of the business is on enhancement of efficiency of project delivery, while pursuing a capital light model to increase the velocity of cashflow generation.

Centum Re continues to generate sufficient cashflows to service and repay debt. The debt cover as at 31 March 2022 stood at 9.6x.

Financial Metrics	March 22	March 21
Borrowings	Ksh 5.8 Bn	Ksh 6.7 Bn
Less: Cash holdings	(Ksh 1.6 Bn)	(Ksh 1.6)
Net Borrowing	Ksh 4.2Bn	Ksh 5.0Bn
Total Assets	Ksh 40.9 Bn	Ksh 39.6
Assets coverage over debt	9.6x	7.9x

Two Rivers Development Ltd. (TRDL)

TRDL is a prime 101-acre mixed use urban node located within Kenya's Diplomatic Blue Zone in Nairobi. This master-planned development-ready site has 1.3 million square meters of development rights currently available. The development includes state of the art installed infrastructure including power, ICT, roads, water and waste management facilities. Development rights sales activity during the year is highlighted below.

Two Rivers Development Valuation	Completed Sales
Monetized Bulk (Sqm)	157,906
Total sales proceeds (Ksh Mn)	2,858
Average selling price (Ksh/Sqm)	**18,101**
Balance of bulk (Sqm)	1,355,760
Carrying value	12,975.50
Average carrying value (Ksh/Sqm)	**9,571**
Market Price/ Carrying Value multiple	**1.9x**

An estimated 1.5 million households in Nairobi are tenants with 197,000 annual growth in demand for housing, the bulk of this demand being in the mid-market segment. TRDL is competitively positioned to supply this demand and has earmarked 867,000 sqm of its available bulk to cater for this market segment. TRDL's locational attractiveness is underscored by the sales and collections of the projects under development.

Ongoing residential projects developed by Centum Re at Two Rivers include the Loft, Cascadia and Mizizi Court. These projects amount to 811 residential units, of which 573 units (71%) are already pre-sold. These units are expected to generate sales of Ksh 7.44 billion. Out of this sales amount, Ksh 2.34 billion has already been collected so far.

The performance of TRDL for the year ended 31 March 2022 was largely affected by the high level of finance costs. As the company focuses on delivery of residential units in partnership with Centum RE as well as the ongoing equity capital raise, improvement in performance is expected in the future. Two Rivers Lifestyle Centre (The Two Rivers Mall), which is accounted for as a JV in TRDL's books, posted improved performance in the year. The growth of TRDL is expected to further grow footfall into the Mall and improve performance.

Outlook

Our master planned mixed used developments across East Africa retain a unique locational and structural competitive advantage in our target markets. We remain optimistic of growth into the future as the businesses focus on taking advantage of the market opportunities and efficient delivery of the value creation plans.

Development Portfolio

Our development portfolio consists of assets in the Power and Agribusiness sectors, namely Akiira Geothermal Limited and Green Blade Growers Limited.

The strategy for our development portfolio is centred around the development of the existing assets into profitability before transitioning them into our private equity portfolio or exiting to a strategic acquirer at an opportune time in the future.

Development Portfolio - FY 21/22 Performance

Unlock value across the development portfolio in line with the value creation plans across the underlying assets which continue to be undertaken. In the Financial Year ended March 2022;

Green Blade Growers Ltd – the business continued to increase the acreage in the Tumaini and Bendor farms with product diversification, market expansion and operational efficiency enhancement being key focus areas in the year. During the year the business recorded increased export volume of horticultural products, largely herbs, by c. 17% to c. 275 thousand tonnes in FY 21/22 from c. 236 thousand tonnes in FY 20/21. The improvement in production coupled with efficiency improvement has resulted in the business becoming profitable for the first time since inception and is now focusing on scaling up over the strategic period. Green Blade continues to be a key employer within the region, with over 300 employees working at the farm, with the number of employees is expected to increase in lock step with the business's growth.

Akiira Geothermal Ltd – The business continues to explore opportunities to complete the exploration phase of the project. We continue to pursue several avenues to complete the phase, including raising the balance of required capital to complete the exploration phase from 3rd party investors, as well as partnering with strategic players in the energy generation space.

FUND II OUTLOOK

Centum - through Centum Capital Partners – continues to make significant strides with an objective to launch and subsequently operationalise a Ksh 20 Bn mid-market buyout fund focused on East Africa.

To this end, the Investment team is actively evaluating new investment opportunities that are being considered internally and at a Board level and engaging with potential investors looking at making an investment in the Fund.

FUND I OUTLOOK

We remain positive for the 2021/ 2022 financial year for our private equity business. In the near-term, focus will be placed on driving value creation in these assets through active portfolio management and exiting Fund I mature assets in line with the value realisation objective with a target to conclude this by 2024. Funds realised upon exit are to be re-deployed to enhance the cash generation capacity of the Business.

Development Portfolio Outlook

With increasing population in the Country, we anticipate increased demand for power and food which offers growth opportunities for players in the industry with the assets under our development portfolio expected to continue offering needed solutions for the society i.e. access to power and food security.

In the near term, the focus remains to develop the existing assets into profitability, operationalise those under development before transitioning them into our private equity portfolio or exiting to a strategic acquirer at an opportune time in the future.

Marketable Securities

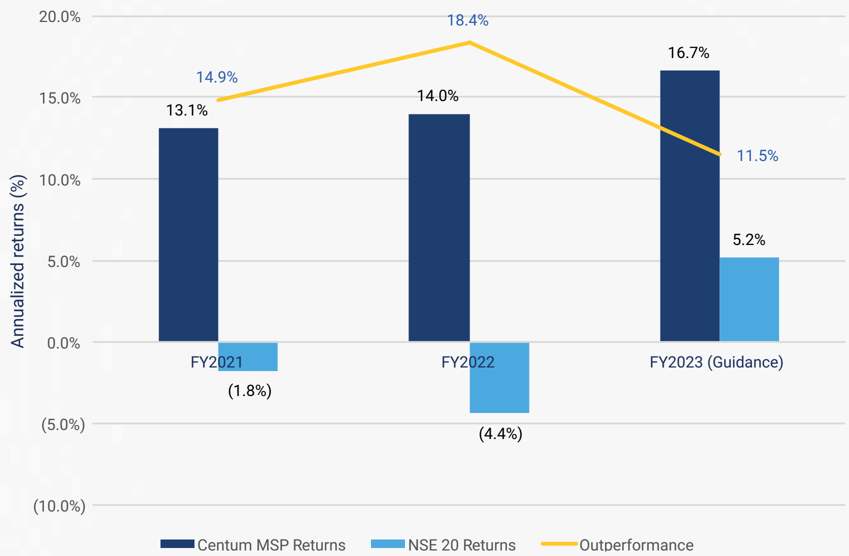
Nabo Capital Limited (Nabo) is mandated by Centum Investment Company PLC (Centum) to generate attractive risk-adjusted returns on its Marketable Securities Portfolio, while providing operational liquidity when required. To achieve this, Nabo employs an active, asset class agnostic strategy that seeks to capitalize on investment opportunities prevalent within different market cycles. A core tenet is that majority of the cash generated by the portfolio is uncorrelated with cashflows of other businesses.

Nabo is charged with a dual mandate to provide a liquidity cushion whilst generating asymmetric risk adjusted return.

FY2022 Performance Review

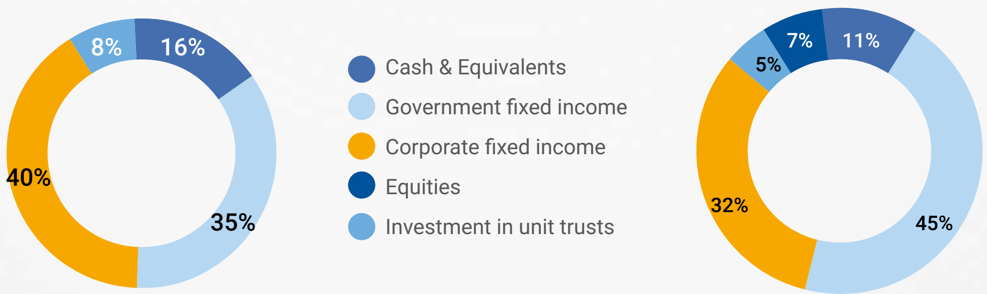
The portfolio generated a solid return of 14% despite macro headwinds in FY2022 due to its all-weather architecture.

Perfomance of Centum Marketable Securities vs NSE 20 Share Index



The allocations by portfolio are summarized below. Our strategic asset allocation is currently biased towards fixed income however we may choose to tactically tilt to other asset classes given prevailing macro conditions.

Portfolio Asset Allocation as at 31 March 2022	Portfolio Asset Allocation as at 31 March 2021



Operating Environment

2021 was characterized by a global recovery following the easing of COVID-19 containment measures owing to an increase in vaccination rates and reduced infections. In the first three months of 2022, the significant escalation of the Russian- Ukraine conflict catalyzed the risks of an already strained supply chain. The catalytic impact of events in the European theater caught most market participants off guard—Sharpe Ratio's are negative across asset classes and geographies. We will discuss equity and bond markets in turn.

Equity Market Performance

Equity market returns across Africa averaged 3.4% in local currency and -1.8% in USD terms in FY2022. This was primarily driven by advanced market equity performance as major economies such as Egypt devalued their currency regime overnight and others continued to experience net foreign outflows.

Overall Equity Market Performance

Source: **Bloomberg**

Markets peaked in late December 2021, buoyed by the global economic recovery from the COVID-19 pandemic, and have since declined owing to the tightening monetary policy stance adopted by Central Banks to combat persistently high inflation, coupled with the geopolitical tensions following Russia's invasion of Ukraine.

Select Market Forward P/E Ratios

Source: **Bloomberg**

While Price to Earnings (P/E) ratios in all markets have rebounded from the COVID-19 decline, ratios in advanced markets remain high compared to emerging markets. Thus, whilst emerging markets appeared attractive from a valuation standpoint, they underperformed their developed market counterparts due to anaemic capital inflows. For example, Kenyan capital markets notched a positive inflow in only one quarter last year.

Marketable Securities

Kenya Net Capital Flows (USD Mns) March 2021 - March 2022

Source: NSE

Capital flows resumed their negative trend in Q4 2021, largely driven by a flight from emerging and frontier markets due to concerns following the announcement of the Omicron variant and potential effects on the performance of the global economy, inflationary pressures, and concerns over impending interest rate hikes along with local currency depreciation.

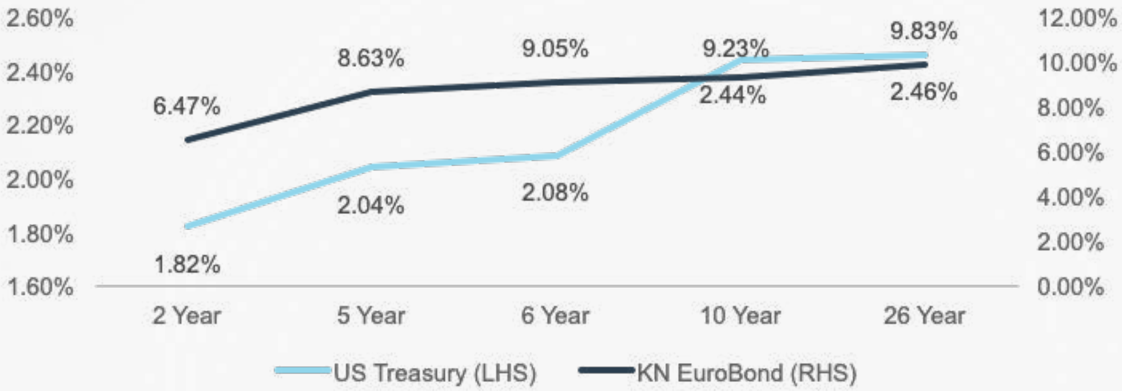
Fixed Income Market Performance

Africa Eurobond Index Performance

Source: Bloomberg, Standard Bank

Following the pandemic in 2020, there has been a broad improvement in the Africa Eurobond index in 2021 due to tightening credit spreads and improving fiscal and monetary conditions. However, in February 2022, the Russian-Ukraine conflict elevated global risks leading to a sharp selloff of African sovereigns. Spreads have widened on the US Federal Reserve's hawkish stance exacerbated by record high inflation and strengthening of the US Dollar, resulting in tighter global financial conditions.

USD Denominated



We believe that the widening spread between US Treasuries and Kenya Eurobond sovereigns is a proxy for supply-demand imbalance caused by lackluster capital inflows. A combination of lower growth, high inflation and synchronized global liquidity tightening is creating the conditions for African credit spreads, including Kenya, to further widen to US Treasuries as rising US real yields and USD strength could drive a reallocation of capital (flight to safety), making Kenya and other emerging market players look less attractive.

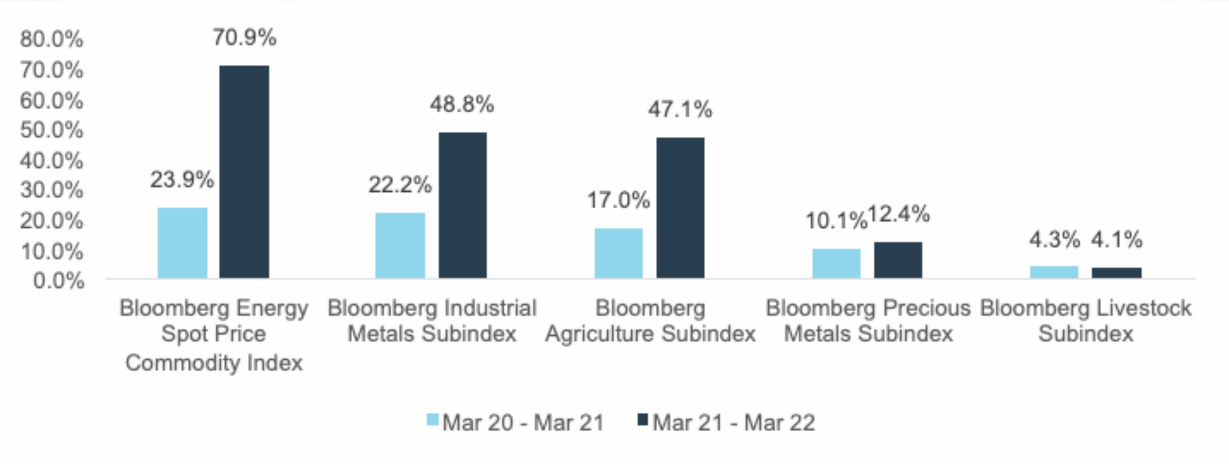
Ksh Denominated Bond Yield Shifts

Source: **Nairobi Securities Exchange**

Kenya bond yield levels shifted upwards, and the slope became steeper increasing on average by 61 bps across the yield curve over the period from March 2021 to March 2022. Interest rates continue to rise on the back of increased domestic debt appetite by the government to plug the fiscal deficit following a pandemic year which constrained fiscal consolidation. Due to inflationary pressures and limited fiscal space, we expect local rates to remain on a rising trend in the near term and stabilize in the medium term as the global uncertainties gradually unwind.

Marketable Securities

Outlook: Specter of Hyper Inflation Looms Large



Source: **Bloomberg**

Key commodity prices rocketed upwards at a significantly higher pace as compared to the previous year. Oil prices rose above USD 100 per barrel, prices not seen in the last 5 years whilst Livestock prices rose a more measured 4.3%. We believe that whilst geopolitical tensions exacerbated the inflationary regime—it was driven primarily by decades of underinvestment in old world economies. Thus, detente in Europe is unlikely to curb inflationary pressure. The risk of a prolonged inflationary super cycle is the primary headwind for capital markets in the next fiscal year.

Furthermore, adverse weather conditions in many parts of Africa and rising fertilizer costs are weighing on crop output, further elevating food prices. However, there are some tailwinds that point to future recovery despite the existing global headwinds including infrastructure development, ongoing policy support, improving tourism and higher commodity prices improving the current account and FX reserves for resource-rich economies. Given the rich valuations in developed markets, we thus expect performance in the African capital markets to be driven by a return of portfolio flows as investors search for higher yields on the continent.

FINANCIAL STATEMENTS

Directors' Report

The Directors submit their report together with the audited financial statements of Centum Investment Company Plc (the 'Company') and its subsidiaries together, the 'Group for the year ended 31 March 2022.

In evaluating performance, the Group's and Company's business is segmented into two principal portfolios:

a) Growth Portfolio

This portfolio includes (i) Real Estate, where we are master developers of mixed-use developments in East Africa and (ii) Private Equity representing our trading subsidiaries or investments that have progressed from development to cash generative stage. Investments under this segment include the publishing, financial services, and utility companies. This business unit is also responsible for managing our development portfolio.

b) Marketable securities and cash.

This portfolio represents our investment in large and mid-capitalization equities, fixed income and cash, contributing to the Company's liquidity.

Perfomance

Company

The company recorded a 97% improvement in performance for the year ended 31 March 2022. Loss after tax reduced to Ksh 21 million from a loss after tax of Ksh 607 million in FY 2021. The improved performance was attributable to an increase in investment income as the company continued rebalancing its portfolio in line with its capital preservation and liquidity enhancement objectives, reduction in impairment provisions and increased operational efficiencies. Operating and administration expenses reduced by 21%, while finance costs reduced by 10% in FY 2022 compared to FY 2021. The company recorded net revaluation losses of Ksh 227 million in FY 2022 compared to Ksh 4.2 billion revaluation losses in FY 2021 on the back of improved market multiples and profitability of the portfolio companies.

During the year, the company did not take up additional debt, and maintained a positive cash position net of debt, cash and the marketable securities portfolio. Short term debt remained at Ksh 4.2 billion, and gearing remained at 10%. There was no long-term debt in the year.

Group

The Group recorded a 2% improvement in loss after tax driven by the improvement in performance of the underlying portfolio businesses. The Group's consolidated operating loss reduced to Ksh 1.3 billion from a prior year loss of Ksh 1.4 billion. Other comprehensive income reported for the year ended 31 March 2022 was Ksh 1.5 billion compared to a prior year loss of Ksh 87 million driven by improved performance and net asset value of the portfolio companies. Consolidated total comprehensive income for the year stood at Ksh 142 million a 110% growth from the loss of Ksh 1.5 billion recorded for the FY2021.

Performance improvement was recorded by the trading, financial services, and investment operations businesses. Centum Real Estate recorded a profit of Ksh 127 million in FY2022 on the back of increased sales of residential units. Two Rivers Development recorded a loss driven by the high finance costs on account of the underlying capital structure. The Board of Two Rivers Development Limited has initiated steps to restructure the company's balance sheet. In November 2021, Two Rivers Lifestyle Centre Limited (a joint venture held by Two Rivers Development Limited and Old Mutual Properties Africa Investment Company PTY Limited) restructured its loan with a significant portion being replaced by a zero-coupon equity linked instrument which will result in reduced finance costs for the company.

A detailed analysis of performance is set out in the Integrated Report under the Business review section.

During the year ended 31 March 2022, the directors approved a strategic decision to dispose of Centum's holding in Sidian Bank Limited, giving management the go-ahead to identify and dispose of the investment to potential investors. On 8 June 2022, Centum Investment Company Plc entered into a binding agreement with Access Bank Plc ('Access Bank') regarding a proposed purchase by Access Bank of Centum's entire equity stake in Sidian Bank Limited ('Sidian'). It is envisaged that the transaction will be concluded during the financial year ending 31 March 2023 and as such the asset has been classified as held for sale in the financial statements for the year ended 31 March 2022. The binding agreement entered into with Access Bank Kenya to exit the 83.4%

shareholding in Sidian Bank was for a total consideration of Ksh 4.3 billion. The transaction completion is subject to obtaining customary approvals from regulatory authorities.

Outlook

In line with objectives of the current strategy period, our focus will be on enhancement of the return from our portfolio after a season of capital preservation. Each economic cycle presents different set of opportunities and risks. As an investment company, we are actively monitoring these and continuously rebalancing the portfolio as necessary to enhance returns and mitigate risks.

Our significant investment in mixed use developments across East Africa remains a unique competitive advantage, with our sites strategically located to address the market gap in the affordable housing market. We currently have an approved pipeline of 5,792 residential units geared towards the affordable housing segment. We focus on improving the business model through faster delivery of units and improvement of margins through strategic procurement. In addition, we have a healthy land bank of development rights across our sites, which we will continue to monetize.

We are reviewing the capital structure of some of our real estate entities to reduce the financial risk at that level and unlock liquidity for redeployment to other asset classes and achieve the desired portfolio allocation and return. We look to maintain our marketable securities portfolio at 15% - 20% of the total portfolio. This will ensure sufficient liquidity and further boost our annuity income.

We continue to add value and spur growth in our private equity portfolio. The private equity team continues to scout for new opportunities, and we are confident that as we unlock liquidity from exit of mature assets, we shall be well positioned to take on new assets into the portfolio with potential for greater returns for our shareholders.

RESULTS

	Group		Company	
	2022 Ksh'000	**2021 Ksh'000**	**2022 Ksh'000**	**2021 Ksh'000**
(Loss)/ Profit before income tax	(1,641,885)	(2,332,211)	61,321	(826,472)
Income tax (credit)/ expense	302,076	964,295	(81,960)	219,871
Loss for the year	**(1,339,809)**	**(1,367,916)**	**(20,639)**	**(606,601)**

The results for the year are set out fully on pages **128** to **248** in the financial statements.

DIVIDEND

The Directors recommend a dividend of Ksh 0.587 (2021: Ksh 0.33) per share for the financial year ended 31 March 2022.

Directors' Report

DIRECTORS

The directors who served during the year and to the date of this report are:

1	Dr. D Kaberuka	- Chairman
2	Dr. J M Mworia	- Managing Director
3	Dr. Christopher Kirubi	- Deceased: 14 June 2021
4	Mr. A Musangi	- Appointed: 26 July 2021
5	Dr. L Macharia	
6	Hon. W Byaruhanga	- Alternate: Mr. A Kasirye
7	Mrs. C Igathe	
8	Mrs. C Mturi- Wairi	- Appointed: 31 March 2022
9	Kenya Development Corporation	- Alternate Mr. C Huka (Appointed : 21 July 2021)
10	Mrs. S Githuku	
11	Dr. M Ikiara	
12	Mrs. Mary Ngige	- Resigned: 11 February 2022
13	Mr. William Haggai	- Resigned: 21 July 2021

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AND GROUP'S AUDITOR

The directors confirm that with respect to each director at the time of approval of this report:

a) there was, as far as each director is aware, no relevant audit information of which the Company's and Group's auditor is unaware; and

b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of all that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

Mical Agina
Secretary
Nairobi
25 July 2022

Directors' Remuneration Report

Information not Subject to Audit

The Board of Directors reviews and recommends the remuneration structure of Directors annually, subject to approval of the Shareholders at the Company's annual general meetings. The Company gathers relevant remuneration data and explores market conditions that are used to determine the Directors' remuneration.

Executive Directors

The remuneration of Executive Directors is determined based on remuneration benchmarks in the industry, prevailing market conditions as well as the Company's performance and profitability. The Chief Executive is currently the only Executive director. The Executive Directors' remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. This review was last conducted in 2016. The Executive Director is eligible to participate in the Company's bonus scheme which is dependent on the Company's performance and profitability. The basis for determination of staff bonus is set out under Note 2.3.2 to the financial statements. In respect to the FY2021/22, the performance hurdle rate, and vesting conditions required to unlock previous bonus tranches were not met. As such the eligibility for bonus was not attained. The Executive Directors do not earn directors' fees or sitting allowances.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years which is dependent on regulatory approval and ratification by shareholders. Non-Executive Directors retire by rotation and eligibility for re-election is subject to performance. Independent non-executive directors can only serve for a maximum term of nine years.

The Company undertakes a Board evaluation on an annual basis to review its performance and that of the individual directors and the various Board committees.

The Group has a policy in place that guides the remuneration of Non-Executive Directors. There is no direct link between Non-Executive Directors' remuneration and the annual results of the Company.

The remuneration comprises a quarterly allowance, sitting allowances for board and committee meetings and a travel allowance. There was no change in the rate of allowances paid during the year.

Professional Indemnity Cover

In line with best market practice, the Company provides Directors' and Officers' Liability Insurance to Executive and Non-Executive Directors in undertaking their duties in such capacity.

Share Options

The Company has no share options issued to the Executive and Non-Executive Directors.

Information Subject to Audit

The following table shows a single figure remuneration for the Executive Director, Chairman and Non-Executive directors in respect of qualifying services for the year ended 31 March 2022 together with the comparative figures for 2021. The aggregate Directors' emoluments are shown on note 12.1 (iv) to the financial statements.

Directors' Remuneration Report

Information Subject to Audit (continued)

Year ended 31 March 2022	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,744	2,744
Dr. Christopher Kirubi (Deceased)	-	-	311	311
Kenya Development Corporation Limited	-	-	984	984
Mr. Andrew Musangi	-	-	2,377	2,377
Mr. Christopher Huka	-	-	872	872
Hon. William Byaruhanga	-	-	2,208	2,208
Dr. Laila Macharia	-	-	3,292	3,292
Mrs. Mary Ngige	-	-	2,748	2,748
Mrs. Catherine Igathe	-	-	3,048	3,048
Dr. Moses Ikiara	-	-	3,048	3,048
Mrs. Susan Wakhungu-Githuku	-	-	2,628	2,628
Mr. William Haggai	-	-	592	592
Dr. James Mworia	43,255	3,247	-	46,502
	43,255	**3,247**	**24,852**	**71,354**

Year ended 31 March 2021	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,584	2,584
Dr. Christopher Kirubi	-	-	2,328	2,328
Industrial & Commercial Development Corporation	-	-	1,090	1,090
Hon. William Byaruhanga	-	-	1,908	1,908
Dr. Laila Macharia	-	-	2,748	2,748
Mrs. Mary Ngige	-	-	2,508	2,508
Mrs. Catherine Igathe	-	-	2,748	2,748
Dr. Moses Ikiara	-	-	2,568	2,568
Mrs. Susan Wakhungu-Githuku	-	-	2,268	2,268
Mr. William Haggai	-	-	1,625	1,625
Dr. James Mworia	42,257	3,171	-	45,428
	42,257	**3,171**	**22,375**	**67,803**

On behalf of the Board

Dr. Laila Macharia
Chairperson, Nomination and Governance Committee
25 July 2022

Directors' Responsibilities

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 25 July 2022 and signed on its behalf by:

Dr. James M. Mworia
Director

Catherine Mturi- Wairi
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC

Report on the financial statements

Our opinion

We have audited the accompanying financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 128 to 248, which comprise the consolidated statement of financial position at 31 March 2022 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2022 and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes, which include a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and the Company at 31 March 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti B Ngunjiri

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (continued)

Key audit matters (continued)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Fair value measurement of unquoted investments The Group holds unquoted investments, comprising investments in unlisted entities, measured at fair value. As explained under Note 1.5.1 and Note 5.2 of the financial statements, the Group uses a variety of approaches in estimating the fair value of these investments. The methods used in determining the fair value of the unquoted investments involves significant estimates and assumptions of unobservable inputs such as comparable market multiples, marketability discounts and control premiums. Changes in these assumptions could result in material adjustments to the carrying amounts of the investments and the recorded gains/losses at the end of year.	We assessed management's processes and controls for determination of fair values of investments, including the oversight from those charged with governance. We assessed the appropriateness and consistency of the valuation methods used and the underlying assumptions such as the selected comparable entities, liquidity discounts, and any other adjustments. We tested the arithmetical accuracy of the computations. We evaluated the adequacy and consistency of disclosures in the financial statements.
Valuation of investment properties As described in Note 5.1.2 of the financial statements, the Group holds significant investment properties measured at fair value. The Group's accounting policy is to measure investment properties at fair value using either the market approach or the income approach depending on the type of property. The Group uses external independent property valuers to determine the fair values of investment properties at year end. The external valuers make significant estimates and assumptions of unobservable inputs in the valuation models such as comparable market prices based on location and zoned use of the property, projected future cash flows, future rent escalations, exit values and the discount rates. The fair values of the investment properties are highly sensitive to the changes in the underlying estimates and assumptions.	We assessed management's processes and controls over the valuation of investment properties, including the oversight from those charged with governance. We evaluated the objectivity, independence and expertise of the external independent valuers. We assessed the appropriateness of the valuation methodology used and the reasonableness of the applicable assumptions depending on the type of property. Where possible, we tested the calculations of the valuations. We agreed the carrying amounts and the related valuation gains/losses of the investment properties in the financial statements to the independent valuers' reports. We assessed the adequacy of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Estimation of expected credit losses on loans and advances As described in Notes 1.4.4, 1.5.3 and 7.1 of the financial statements, the assumptions and inputs into the models for estimation of expected credit losses (ECL) on loans and advances involves significant judgments made by management. The key areas where significant judgements are exercised, and therefore an increased level of audit focus applied, include: - The classification of loans and advances which involves consideration of qualitative and quantitative considerations, particularly the identification of significant increase in credit risk in accounts and default events. The classification of loans determines whether a 12-month or lifetime Probability of Default is applied in the calculation of expected credit losses and; - The estimation of exposures at default, the probabilities of default and the loss given default for the various credit exposures, including the amounts and timing of expected future cash flows. Changes to the assumptions and estimates used by management could result in material variations in the reported financial performance and financial position of the Group.	We evaluated the compliance of the Group's accounting policies with the key principles of IFRS 9 in relation to significant increase in credit risk, default definition, forecasting of forward looking macro-economic factors and weighting of expected loss scenarios. For a sample of contracts, we tested the identification of financial assets that have experienced significant increase in credit risk or met the Group's default definition criteria for purposes of classification. This was done through examining documentation and credit performance to form an independent judgment as to whether the staging of such facilities was in line with the Group's policy and IFRS 9 requirements. We tested the accuracy of the computations of exposures at default, probability of default and loss given default and evaluated the reasonableness of the assumptions used in the computations. We tested the reasonableness of management's assumptions in deriving the amounts and timing of expected future cash flows. For secured facilities, we agreed the collateral values used in the impairment model to external valuation reports. We tested the historical data used in derivation of the key model parameters, and how these had been used to project forward looking parameters; and We evaluated and assessed adequacy of the related disclosures in the financial statements.
Impairment assessment of investments in associates and joint ventures As disclosed in Note 6.2.1 and 6.2.2 of the financial statements, the Group has significant investments in associates and joint ventures. These investments are assessed annually for impairment by comparing the carrying amount of the investments to their respective recoverable amount. Significant judgement is involved in the determination of the recoverable amounts and therefore an increased level of audit focus is applied. Changes to the assumptions and estimates used by management could result in material variations in the reported financial performance and financial position of the Group and Company.	We evaluated the assumptions used by management in assessing the impairment of investments and determining the recoverable amounts; We tested the reasonableness of management's assumptions in deriving the amounts and timing of expected future cash flows from the investments; and We evaluated and assessed adequacy of the related disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (continued)

Other information

The other information comprises the Directors report, Directors' remuneration report and Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report and Financial Statements which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Integrated Report and Financial Statements, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (continued)

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on pages 116 to 118 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 119 to 120 has been properly prepared in accordance with the Companies Act, 2015.

FCPA Michael Mugasa, Practising certificate Number 1478
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

25 July 2022

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Consolidated statement of profit or loss

	Notes	2022 Ksh'000	2021 Ksh'000
Trading business:			
Sales	2.2	2,303,649	995,792
Cost of sales	2.3.1	(1,468,654)	(712,292)
Gross profit		**834,995**	**283,500**
Operating and administrative expenses	2.3.1	(606,484)	(610,889)
Finance costs	2.4	(155,296)	(201,645)
Trading profit/(loss)		**73,215**	**(529,034)**
Real estate:			
Residential units sales;			
Sales		1,858,032	459,744
Cost of sales		(1,523,309)	(335,326)
Gross profit		**334,723**	**124,418**
Other income		99,204	297,990
Operating and administrative expenses	2.3.1	(449,339)	(555,684)
Operating loss		**(15,412)**	**(133,276)**
Change in fair value of investment properties		513,068	1,638,662
Gain/(loss) on disposal of investment properties	5.1.2	111,074	(237,907)
Finance costs	2.4	(481,681)	(392,179)
Profit from real estate operations		**127,049**	**875,300**
Two Rivers investment operations:			
Sale of goods and services (utilities)		242,983	181,836
Cost of sales		(207,390)	(261,563)
Change in fair value of investment properties		53,500	721,712
Other income		29,380	162,872
Gain on disposal of subsidiary with retention of joint control	13	427,004	-
Operating and administrative expenses		(113,334)	(183,072)
Share of loss from joint venture	6.2.2	(956,006)	(1,074,310)
Provision for impairment of investment in joint ventures	6.2.2	(52,758)	(21,034)
Finance costs	2.4	(1,409,210)	(1,385,721)
Loss from Two Rivers investment operations		**(1,985,831)**	**(1,859,280)**
Financial services:			
Income from provision of financial services	2.2	5,599,891	4,338,068
Interest expenses	2.4	(2,186,851)	(1,730,313)
Net impairment of loans and advances	7.1	(500,341)	(117,505)
Operating and administrative expenses	2.3.1	(2,221,042)	(2,160,392)
Operating profit from financial services		**691,657**	**329,858**
Investment operations:			
Investment income	2.2	1,084,518	666,433
Project and development management fees	2.2	-	17,681
Operating and administrative expenses	2.3.1	(746,031)	(715,021)
Provision for impairment of assets	2.3.1	(191,156)	(488,707)
Finance costs	2.4	(545,143)	(629,441)
Share of loss from associates	6.2.1	(150,163)	-
Operating loss from investment operations		**(547,975)**	**(1,149,055)**
Loss before income tax		**(1,641,885)**	**(2,332,211)**
Income tax credit	3.1	302,076	964,295
Loss for the year		**(1,339,809)**	**(1,367,916)**
Attributable to:			
Owners of the parent		(732,554)	(618,998)
Non-controlling interest		(607,255)	(748,918)
		(1,339,809)	**(1,367,916)**
Earnings per share (Basic and diluted)	2.6	(1.10)	(0.93)

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Consolidated statement of comprehensive income

	Notes	2022 Ksh'000	2021 Ksh'000
Loss for the year		(1,339,809)	(1,367,916)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Change in fair value of unquoted investments	5.2	1,188,735	(531,349)
Change in fair value of quoted equity investments	5.3	(3,806)	56,803
Deferred income tax thereon	3.2	1,109	6,822
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		295,823	381,169
Total other comprehensive income/(loss)		**1,481,861**	**(86,555)**
Total comprehensive income/(loss) for the year		**142,052**	**(1,454,471)**
Total comprehensive income/(loss) for the year is attributable to:			
Owners of the parent		745,877	(705,553)
Non-controlling interest		(603,825)	(748,918)
		142,052	**(1,454,471)**
Total other comprehensive income/(loss) for the year is attributable to:			
Owners of the parent		1,475,919	(108,886)
Non-controlling interest		5,942	22,331
		1,481,861	**(86,555)**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Company statement of profit or loss and other comprehensive income

	Notes	2022 Ksh'000	2021 Ksh'000
Investment income	2.2	1,661,922	1,516,870
Expenses			
Operating and administrative expenses	2.3.1	(569,992)	(669,082)
Finance costs	2.4	(540,466)	(602,867)
Operating profit		**551,464**	**244,921**
Provision for impairment of assets	2.3.1	(490,143)	(1,071,393)
Profit/ (loss) before income tax		**61,321**	**(826,472)**
Income tax (expense)/credit	3.1	(81,960)	219,871
Loss for the year		**(20,639)**	**(606,601)**
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Change in fair value of investments in subsidiaries	6.1	(1,422,410)	(3,978,028)
Change in fair value of unquoted investments	5.2	1,204,080	(541,255)
Change in fair value of quoted investments	5.3	(3,784)	80,108
Deferred income tax thereon	3.2	(5,242)	227,056
Total other comprehensive loss		**(227,356)**	**(4,212,119)**
Total comprehensive loss for the year		**(247,995)**	**(4,818,720)**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Consolidated statement of financial position

	Notes	2022 Ksh'000	2021 Ksh'000
Assets			
Property, plant and equipment	8.1	3,237,650	4,453,925
Investment properties	5.1.2	41,193,072	41,528,010
Inventory - Residential houses	5.1.1	7,551,257	6,485,145
Intangible assets - goodwill	8.2	361,335	361,335
Intangible assets - software	8.2	859,576	1,061,538
Deferred income tax	3.2	449,603	825,655
Right-of-use assets	8.3	126,643	941,965
Investments:			
- Associates	6.2.1	978,905	1,094,479
- Joint ventures	6.2.2	1,116,581	2,108,890
- Unquoted equity investments	5.2	5,468,619	4,060,015
- Quoted investments	5.3	8,295	429,104
- Government securities and corporate bonds	7.2	4,082,564	12,481,002
Loans and advances	7.1	-	20,422,533
Finance lease receivable	8.3.2	138,639	165,445
Inventories	4.1	738,021	846,320
Current income tax	3.1	399,738	595,395
Receivables and prepayments	4.2	6,697,243	5,694,180
Restricted cash	4.3.1	1,200,021	754,774
Cash and bank balances	4.3	1,196,077	5,122,495
		75,803,839	**109,432,205**
Assets classified as held for sale	8.4	43,029,504	-
Total assets		**118,833,343**	**109,432,205**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	1,319,597	224,178
Retained earnings		40,663,839	41,752,206
Proposed dividends	11.3	390,983	219,596
Total equity attributable to equity holders of the company		**43,296,893**	**43,118,454**
Non-controlling interests	6.1	4,072,947	3,930,250
Total equity		**47,369,840**	**47,048,704**
Liabilities			
Borrowings (excluding banking subsidiary)	9.1	20,626,420	21,008,981
Banking subsidiary:			
- Customer deposits	7.3	-	23,069,729
- Borrowings	9.1	-	4,492,116
Presales customer deposits	4.5	4,738,811	3,597,608
Payables and accrued expenses	4.4	3,560,087	4,327,565
Dividends payable	11.3	274,111	310,303
Current income tax	3.1	131,479	260,529
Deferred income tax	3.2	4,409,064	4,158,918
Lease liabilities	8.3	143,886	1,157,752
Total liabilities		**33,883,858**	**62,383,501**
Liabilities directly associated with assets classified as held for sale	8.4	37,579,645	-
Total equity and liabilities		**118,833,343**	**109,432,205**

The financial statements on pages 128 to 248 were approved by the Board of Directors on 25 July 2022 and signed on its behalf by:

Dr. James M. Mworia
Director

Catherine Mturi- Wairi
Director

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Company statement of financial position

	Notes	2022 Ksh'000	2021 Ksh'000
Assets			
Property and equipment	8.1	82,191	97,687
Right-of-use assets	8.3	21,803	18,903
		103,994	**116,590**
Investments:			
- Investment in subsidiaries	6.1	22,242,876	26,258,390
- Debt investment in subsidiaries	12.1	11,546,394	11,803,965
- Unquoted equity investments	5.2	4,946,898	3,585,229
- Government securities and corporate bonds	7.2	3,949,862	4,235,342
- Quoted equity investments	5.3	7,561	156,411
		42,693,591	**46,039,337**
Receivables and prepayments	4.2	267,468	431,188
Current income tax recoverable	3.1	100,074	61,405
Cash and bank balances	4.3	1,019,103	866,720
		1,386,645	1,359,313
Assets classified as held for sale	8.4	2,776,163	-
Total assets		**46,960,393**	**47,515,240**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	19,079,651	19,321,343
Retained earnings		20,932,675	21,358,633
Proposed dividends	11.3	390,983	219,596
Total equity		**41,325,783**	**41,822,046**
Liabilities			
Borrowings	9.1	4,159,036	4,121,584
Payables and accrued expenses	4.4	340,140	493,009
Dividends payable	11.3	273,339	310,303
Lease liabilities	8.3	25,981	19,386
Deferred income tax	3.2	836,114	748,912
Total liabilities		**5,634,610**	**5,693,194**
Total equity and liabilities		**46,960,393**	**47,515,240**

The financial statements on pages **128** to **248** were approved by the Board of Directors on 25 July 2022 and signed on its behalf by:

Dr. James M. Mworia
Director

Catherine Mturi- Wairi
Director

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Consolidated statement of changes in equity

	Notes	Share capital Ksh'000	Share premium Ksh'000	Other reserves Ksh'000	Retained earnings Ksh'000	Proposed dividends Ksh'000	Owners equity Ksh'000	Non-controlling interest Ksh'000	Total equity Ksh'000
Year ended 31 March 2022									
At start of year		332,721	589,753	224,178	41,752,206	219,596	43,118,454	3,930,250	47,048,704
Comprehensive income									
Loss for the year		-	-	-	(732,554)	-	(732,554)	(607,255)	(1,339,809)
Other comprehensive income:									
Change in fair value of unquoted investments	5.2	-	-	1,188,735	-	-	1,188,735	-	1,188,735
Change in fair value of quoted investments	5.3	-	-	(3,806)	-	-	(3,806)	-	(3,806)
Currency translation differences		-	-	295,823	-	-	295,823	-	295,823
Deferred income tax thereon	3.2	-	-	1,109	-	-	1,109	-	1,109
Total other comprehensive income		**-**	**-**	**1,481,861**	**-**	**-**	**1,481,861**	**-**	**1,481,861**
Total comprehensive income		**-**	**-**	**1,481,861**	**(732,554)**	**-**	**749,307**	**(607,255)**	**142,052**
Transactions with owners in their capacity as owners:									
First and final 2021 dividends paid	11.3	-	-	-		(219,596)	(219,596)	-	(219,596)
Proposed 2022 dividends	11.3	-	-	-	(390,983)	390,983	-	-	-
Transactions with non controlling interest		-	-	(386,442)	35,170	-	(351,272)	749,952	398,680
At end of year		**332,721**	**589,753**	**1,319,597**	**40,663,839**	**390,983**	**43,296,893**	**4,072,947**	**47,369,840**

Consolidated statement of changes in equity

	Notes	Share capital Ksh'000	Share premium Ksh'000	Other reserves Ksh'000	Retained earnings Ksh'000	Proposed dividends Ksh'000	Owners equity Ksh'000	Non-controlling interest Ksh'000	Total equity Ksh'000
Year ended 31 March 2021									
At start of year		332,721	589,753	310,733	41,963,316	798,530	43,995,053	5,278,029	49,273,082
Comprehensive income									
Loss for the year		-	-	-	(618,998)	-	(618,998)	(748,918)	(1,367,916)
Other comprehensive income:									
Change in fair value of unquoted investments	5.2	-	-	(531,349)	-	-	(531,349)	-	(531,349)
Change in fair value of quoted investments	5.3	-	-	56,803	-	-	56,803	-	56,803
Currency translation differences		-	-	381,169	-	-	381,169	-	381,169
Deferred income tax thereon	3.2	-	-	6,822	-	-	6,822	-	6,822
Total other comprehensive income		**-**	**-**	**(86,555)**	**-**	**-**	**(86,555)**	**-**	**(86,555)**
Total comprehensive income		**-**	**-**	**(86,555)**	**(618,998)**	**-**	**(705,553)**	**(748,918)**	**(1,454,471)**
Transactions with owners in their capacity as owners:									
First and final 2020 dividends paid	11.3	-	-	-		(798,530)	(798,530)	-	(798,530)
Proposed 2021 dividends	11.3	-	-	-	(219,596)	219,596	-	-	-
Transactions with non controlling interest		-	-	-	627,484	-	627,484	(598,861)	28,623
At end of year		**332,721**	**589,753**	**224,178**	**41,752,206**	**219,596**	**43,118,454**	**3,930,250**	**47,048,704**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Company statement of changes in equity

	Notes	Share capital Ksh'000	Share premium Ksh'000	Other reserves Ksh'000	Retained earnings Ksh'000	Proposed dividends Ksh'000	Total equity Ksh'000
Year ended 31 March 2022							
At start of year		332,721	589,753	19,321,343	21,358,633	219,596	41,822,046
Comprehensive income							
Loss for the year		-	-	-	(20,639)	-	(20,639)
Other comprehensive income:							
Reserves released on disposal of investments	2.7	-	-	(14,336)	(14,336)	-	(28,672)
Change in fair value of investments in subsidiaries	6.1	-	-	(1,422,410)	-	-	(1,422,410)
Change in fair value of unquoted investments	5.2	-	-	1,204,080	-	-	1,204,080
Change in fair value of quoted investments	5.3	-	-	(3,784)	-	-	(3,784)
Deferred income tax thereon	3.2	-	-	(5,242)	-	-	(5,242)
Total other comprehensive income		-	-	(241,692)	(14,336)	-	(256,028)
Total comprehensive income		**-**	**-**	**(241,692)**	**(34,975)**	**-**	**(276,667)**
Transactions with owners							
Proposed 2022 dividends	11.3	-	-	-	(390,983)	390,983	-
First and final 2021 dividends paid	11.3	-		-		(219,596)	(219,596)
At end of year		**332,721**	**589,753**	**19,079,651**	**20,932,675**	**390,983**	**41,325,783**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Company statement of changes in equity

	Notes	Share capital Ksh'000	Share premium Ksh'000	Other reserves Ksh'000	Retained earnings Ksh'000	Proposed dividends Ksh'000	Total equity Ksh'000
Year ended 31 March 2021							
At start of year		**332,721**	**589,753**	**23,533,462**	**22,184,830**	**798,530**	**47,439,296**
Comprehensive income							
Loss for the year		-	-	-	(606,601)	-	(606,601)
Other comprehensive income:							
Reserves released on disposal of investments	2.7	-	-	-	-	-	-
Change in fair value of investments in subsidiaries	6.1	-	-	(3,978,028)	-	-	(3,978,028)
Change in fair value of unquoted investments	5.2	-	-	(541,255)	-	-	(541,255)
Change in fair value of quoted investments	5.3	-	-	80,108	-	-	80,108
Deferred income tax thereon	3.2	-	-	227,056	-	-	227,056
Total other comprehensive income		-	-	(4,212,119)	-	-	(4,212,119)
Total comprehensive income		**-**	**-**	**(4,212,119)**	**(606,601)**	**-**	**(4,818,720)**
Transactions with owners							
Proposed 2021 dividends	11.3	-	-	-	(219,596)	219,596	-
First and final 2020 dividends paid	11.3	-		-		(798,530)	(798,530)
At end of year		**332,721**	**589,753**	**19,321,343**	**21,358,633**	**219,596**	**41,822,046**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Consolidated statement of cash flows

	Notes	Year ended 31 March: 2022 Ksh'000	2021 Ksh'000
Cash flows from operating activities			
Cash generated from operations	2.5	4,951,014	1,661,257
Proceeds from disposal of investment property (land)	5.1.2	1,508,038	2,682,197
Income tax paid	3.1	(378,638)	(89,198)
Net cash flows from operating activities		**6,080,414**	**4,254,256**
Cash flows from investing activities			
Purchase of investment properties	5.1	(24,617)	(45,938)
Purchases of property, plant and equipment	8.1	(319,898)	(530,594)
Purchases of intangible assets	8.2	(108,286)	(206,364)
Purchase of shares in associates	6.2.1	(34,589)	(30,040)
Purchase of shares in joint venture	6.2.2	(16,455)	(314,437)
Purchase of unquoted equity investments	5.2	(224,420)	(40,914)
Purchase of quoted equity investments	5.3	(1,024,093)	(82,644)
Purchase of corporate bonds at amortised cost	7.2.3	(762,276)	(1,276,894)
Purchase of commercial papers at amortised cost	7.2.4	(107,669)	(604,394)
Purchase of government securities at fair value through profit or loss	7.2.1	(4,154,275)	(2,161,196)
Purchase of government securities at amortised cost	7.2.2	(7,230,986)	(5,420,901)
Proceeds from disposal of property, plant and equipment	8.1	22,353	-
Proceeds from disposal of unquoted investments	5.2	71,644	-
Proceeds from disposal of commercial papers	7.2.4	255,300	-
Proceeds from disposal of quoted investments	2.7	1,465,677	78,575
Proceeds on disposal of government securities at fair value through profit or loss	7.2.1	2,315,234	2,990,029
Proceeds on disposal of government securities at amortised cost	7.2.2	3,275,141	2,858,355
Proceeds from disposal of corporate bonds at amortised cost	7.2.3	1,982,210	113,816
Net cash flows from investing activities		**(4,620,005)**	**(4,673,541)**
Cash flows from financing activities			
Proceeds from borrowings		6,994,741	12,147,793
Repayments of borrowings		(6,553,223)	(10,425,765)
Interest paid on borrowings		(3,135,833)	(2,571,285)
Dividends paid		(219,595)	(762,735)
Payment of principal portion of lease liabilities	8.3	(124,914)	(252,380)
Net cash flows from financing activities		**(3,038,824)**	**(1,864,372)**
Decrease in cash and cash equivalents		**(1,578,415)**	**(2,283,657)**
Movement in cash and cash equivalents			
At start of year		4,842,612	7,126,269
Decrease		(1,578,415)	(2,283,657)
At end of year	**4.3**	**3,264,197**	**4,842,612**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Company statement of cash flows

	Notes	Year ended 31 March: 2022 Ksh'000	2021 Ksh'000
Cash flows from operating activities			
Cash generated from operations	**2.5**	**1,154,632**	**4,631,335**
Income tax paid	3.1	(38,669)	(90,513)
Net cash flows from operating activities		**1,115,963**	**4,540,822**
Cash flows from investing activities			
Purchase of property and equipment	8.1	(6,720)	(297)
Investment in subsidiaries	6.1	(183,059)	-
Net debt investment in subsidiaries		(1,132,184)	(988,190)
Proceeds from sale of unquoted investments	2.7	20,892	-
Proceeds from sale of quoted securities	2.7	1,229,203	-
Proceeds from sale of government securities and corporate bonds	7.2.1	4,987,430	-
Purchase of quoted investments	5.3	(1,007,159)	-
Purchase of shares in unquoted investments	5.2	(175,589)	-
Purchase of government securities and corporate bonds	7.2	(4,037,908)	(1,084,785)
Net cash flows from investing activities		**(305,094)**	**(2,073,272)**
Cash flows from financing activities			
Proceeds from borrowings		-	3,063,350
Repayment of borrowings		-	(6,210,000)
Interest paid on borrowings		(395,650)	(582,000)
Dividends paid		(219,595)	(730,542)
Unclaimed dividends paid	11.3	(36,964)	(32,193)
Net cash flows from financing activities		**(652,209)**	**(4,491,385)**
Increase /(decrease) in cash and cash equivalents		**158,660**	**(2,023,835)**
Movement in cash and cash equivalents			
At start of year		(149,093)	1,874,742
Increase/(Decrease)		158,660	(2,023,835)
At end of year	**4.3**	**9,567**	**(149,093)**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements

1.1 General information

Centum Investment Company Plc is incorporated and domiciled in Kenya. Its shares are listed on the Nairobi Securities Exchange and on the Uganda Securities Exchange. The address of its registered office is:

Two Rivers Office Towers
9th Floor, South Tower, Limuru Road
P O Box 10518 – 00100
Nairobi

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

1.2 Basis for preparation

(i) Compliance with IFRS

The consolidated financial statements of Centum Investment Company Plc (the "Company"), its subsidiaries and its interests in associates and joint ventures (together, the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Centum Group has operations across various sectors. In order to achieve a more informative presentation of the financial statements, the expenses in the consolidated statement of profit or loss have been presented using a mix of both nature and function classification. As required by IFRS, a detailed breakdown of the expenses has been presented in the notes to the financial statements. The directors are satisfied that mixing the presentation provides more relevant information and does not have an effect of misstating any balance or giving any undue bias.

The consolidated statement of profit and loss has been presented based on the nature of the various businesses that the Group engages in. A list of the subsidiaries and the nature of their operations has been presented under note 6.1

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 April 2021:

Number	Effective Date	Executive Summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published May 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted)	On 31 March 2021, the IASB published an additional amendment to extend the date of the May 2020 practical expedient from 30 June 2021 to 30 June 2022. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(iii) New and amended standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group and Company. The Group and Company have not applied the following new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 April 2021, and the Directors do not plan to apply any of them until they become effective. They are not expected to have a significant impact on the financial statements.

Standard	Effective Date	Executive Summary
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(iii) New and amended standards not yet adopted by the Group (continued)

Number	Effective Date	Executive Summary
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.3 Going concern

The Group and the Company forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and the Company should be able to operate within their current funding levels into the foreseeable future.

The Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.4 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the Group financial statements.

The principal accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

1.4.1 Principles of consolidation and equity accounting

i. Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

ii. Changes in ownership interests in subsidiaries without change of control
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Centum Investment Company Plc.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

iii. Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv. Associates
Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 49% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

vi. Joint arrangements
Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

vii. Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

viii. Changes in ownership interests with change of control

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

xi. Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32 Financial Instruments: Presentation. The Group classifies any rights to the return of consideration previously transferred as a financial asset. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, with the corresponding gain or loss recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amount recognised at that date, are considered to be measurement period adjustments.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

ix. Business combinations (continued)
The Group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information that they were seeking about the facts and circumstances that existed at the acquisition date or learns that information cannot be obtained. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability.

1.4.2 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kenyan Shillings (Ksh)', which is the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation. The Group does not have qualifying cash flow hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.2 Foreign currency (continued)

Transactions and balances (continued)

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4.3 Measurement principles
Key assets and liabilities shown in the statement of financial position are measured as follows:

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
		Assets	
Property, plant and equipment	Historical cost less accumulated depreciation and impairment losses except for land and buildings that are carried at fair value.	Biological assets	Fair value less cost to sell
		Quoted investments	Fair value through other comprehensive income
		Investment properties	Fair value

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.3 Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets			
Loans and advances	Amortised cost	Cash and cash equivalents	Amortised cost
Goodwill	Historical cost less impairment losses	Receivables and prepayments	Amortised cost
Intangible assets	Historical cost less accumulated amortisation and impairment losses	Investment in subsidiaries	Company: Fair value based on recent transactions or price multiples, or net asset value
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised.	Government securities, corporate bonds and commercial papers	Fair value through profit and loss, fair value through other comprehensive income and armotized cost.
Investments in associates and joint ventures	Group: Cost adjusted for share of movements in net assets less impairment losses. Company: Fair value based on price of a recent transaction or earnings multiples of comparable companies or cost.	Current income tax recoverable	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Unquoted investments	Fair value based on price of a recent transaction or earnings multiples of comparable companies or cost.	Right of use asset	Historical cost less accumulated depreciation and accumulated impairment.
Liabilities			
Customer deposits	Amortised cost	Contract liabilities	Nominal Value
Deferred income tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled.	Current income tax liabilities	Amount expected to be paid to tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Provisions	Present value of the best estimate of the settlement amount	Payables and accruals	Amortised cost
		Borrowings	Amortised cost
		Bank overdraft	Amortised cost
Lease liabilities	Present value of lease payments during the lease term that are not yet paid	Dividends payable	Present value of the best estimate of the settlement amount

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial Instruments

i. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual characteristics of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:-

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial Instruments (continued)

iii. Measurement (continued)

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iv. Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

v. Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial Instruments (continued)

vi. Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

vii. Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.4.5 Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.5 Critical accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The “Critical accounting judgements, estimates and assumptions” note should be read in conjunction with the “Significant accounting policies”.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments

Valuation of the Group's unquoted investments is an area of judgement, involving significant estimates and assumptions.

The Group's policy is to measure all unquoted investments at fair value on the Company statement of financial position. On the consolidated statement of financial position, only unquoted investments with a holding of less than 20% are measured at fair value as subsidiaries are consolidated and associates are accounted for under the equity accounting method. Unquoted investments on the Company statement of financial position are classified as fair value through other comprehensive income.

Valuation of unquoted investments involves making use of significant unobservable inputs. The main inputs into the valuation models for these investments include:

a) EV/EBITDA multiples - based on the most recent EBITDA achieved on a rolling 12 months basis of the company under valuation and equivalent corresponding EBITDA multiples of comparable companies;

b) Price-to-Book multiples for the banking subsidiary, using the closing balance sheet of the subsidiary and average price-to-book multiples of comparable listed banks in Kenya, adjusted for control premium since the multiple has been determined using minority stakes;

c) Discounted cash flow methodology which reflects the specifics of the entity and its operating environment;

d) EV/Revenue multiples - based on the most recent Revenue achieved on a rolling 12 months basis of the company under valuation and equivalent corresponding Revenue multiples of comparable companies; and

e) Marketability discounts, based on guidance under International Private Equity and Venture Capital Valuation (IPEV) and International Financial Reporting Standards (IFRS) Guidelines. In principle, the Group applies an illiquidity discount between 1% and 30% set out under IPEV guidelines.

The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third party transactions in comparable companies instruments in valuation of some of the unquoted investments.

Real Estate subsidiaries are valued on the basis of the Group's proportionate share of their Net Asset Values as the underlying properties are measured at fair value. A cost or net asset value approach is also used for some of the unquoted investments and early stage portfolio companies.

In evaluating the valuations, management reviews the performance of the portfolio investee companies on a monthly basis and is regularly in contact with the management of the portfolio companies in order to make assessments of business and operational matters which are considered in the valuation process. Where appropriate, management also tracks peer company multiples, recent transaction results and credit ratings for similar instruments and companies.

The valuations are prepared by management and are reviewed on a regular basis by the Board Finance and Investment Committee and the Board Audit Committee. The Board Committees consider the appropriateness of the valuation model itself, the significant and key inputs as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.

In determining the continued appropriateness of the chosen valuation technique, management may perform back-testing to consider the various models' actual results and how they have historically aligned to actual market transactions. As a result of this process, management may recalibrate the valuation techniques appropriately.

Where EBITDA multiples are used, management determines comparable companies based on industry, size, development stage, revenue generation and strategy. The trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA).

The trading multiple is then adjusted for discounts with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the portfolio company and the comparable public company based on company specific facts and circumstances.

The table below present those investments in portfolio companies whose fair values have been determined on the basis described above.

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments

Year ended 31 March 2022

Description	Ownership	Fair value at 31 March 2022 Ksh'000	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/- Ksh'000
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,999,485	Comparable trading multiples	EBITDA multiple	7.99x	1%	25,116
				Marketability discount	30%	5%	(64,275)
				Discounted EBITDA multiple	5.59x		
				EBITDA (Kes 'm)	ND*	10%	251,158
				Net debt (Kes 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	859,167	Comparable trading multiples	Revenue multiple	3.80x	1%	8,560
				Marketability discount	30%	5%	(18,411)
				Discounted Revenue multiple	2.66x		
				Revenue (Kes 'm)	ND*	10%	85,600
				Net debt (Kes 'm)	ND*	NA	NA
Africa Crest Education (ACE) Holdings		960,217	Cost				
Nabo Unit Trust Funds		128,029	Amortised cost				
Total - Company		**4,946,898**					

* Isuzu East Africa Limited, NAS Airport Services Limited and Africa Crest Education (ACE) Holdings are private companies where the Group holds a minority interest. The EBITDA and debt information is market sensitive information and has therefore not been disclosed.

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Year ended 31 March 2021

Description	Ownership	Fair value at 31 March 2021 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/- Ksh'000
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,442,145	Comparable trading multiples	EBITDA multiple	7.61x	1%	18,907
				Marketability discount	30%	5%	(52,332)
				Discounted EBITDA multiple	5.33x		
				EBITDA (Kes 'm)	ND*	10%	189,073
				Net debt (Kes 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	212,427	Comparable trading multiples	Revenue multiple	1.16x	1%	2,192
				Marketability discount	30%	5%	(4,552)
				Discounted Revenue multiple	0.81x		
				Revenue (Kes 'm)	ND*	10%	21,920
				Net debt (Kes 'm)	ND*	NA	NA
Africa Crest Education (ACE) Holdings		930,657	Cost				
Total - Company		**3,585,229**					

*These are private companies where the Group holds a minority interest. The EBITDA and debt information is market sensitive information and has therefore not been disclosed.

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Year ended 31 March 2022

Subdiaries: Company	**Ownership**	**31-Mar-22 Ksh'000**	**Valuation basis for the year ended 31 March 2022**
Centum Real Estate Limited	100%	16,800,858	This is a holding company with interest in real estate development within the Centum Group. The entity holds investments in Uhuru Heights Limited, Centum Development Kenya Limited, Vipingo Development Plc, Vipingo Estates Plc and Centum Development Mauritius Company Limited (that owns 100% of Pearl Marina Estates Limited). It is measured at net asset value of the underlying assets and liabilities.
Two Rivers Development Limited	53.6%	3,796,322	This is a real estate development that holds a joint control in the investment in Two Rivers Mall. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Two Rivers Mall is disclosed in note 6.2
Bakki Holdco Limited	100%	2,776,163	This is a holding company for the investment in Sidian Bank Limited. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Sidian Bank Limited is disclosed below.
Longhorn Publishers Limited	60.2%	572,409	This is the investment in the controlling stake of the publishing company. The entity is listed on the Nairobi Securities Exchange. The investment valuation is based on market prices.
Rasimu Limited	100%	258,518	This is an investment company that holds 3.65% of Two Rivers Development Limited. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Nabo Capital Limited	100%	463,134	This is an investment company involved in fund management and transaction advisory services. It is measured at net asset value.
Greenblade Growers Limited	100%	117,462	This is an agricultural production company. It is measured at net asset value.
Zohari Credit Limited	100%	190,958	This is a leasing company. It is measured at net asset value.
Tribus TSG Limited	100%	43,215	This is a training, security and governance consultancy services company. It is measured at net asset value.
Tier Data Limited	100%	-	This is the investment in the controlling stake of an IT service provision company. It is measured at net asset value.
Barium Capital Limited	100%	-	This is an investment company involved in fundraising. It is measured at net asset value.
		25,019,039	
Reclassification to asset held for sale			
Sidian Bank Limited		(2,776,163)	
Total		**22,242,876**	

Valuation:	**Valuation technique**	**Ksh'000**	**Unobervable inputs**	**Weighted average input**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation +/- Ksh'000**
Sidian Bank Limited	Price to book multiples	2,778,781	PB Ratio multiple	0.59x	1%	27,788
			NAV (Ksh '000)	4,881,223	10%	277,878
			Control premium	20%	10%	241,633
			Illiquidity discount	5%	10%	(12,082)
			Discounted multiple	0.68		

A complete list of the Group's subsidiaries is included under note 6.1

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Year ended 31 March 2021		31-Mar-21	
Subdiaries: Company	**Ownership**	**Ksh'000**	**Valuation basis for the year ended 31 March 2021**
Centum Real Estate Limited (Formerly Athena Properties Limited)	100%	16,675,774	This is a holding company with interest in real estate development within the Centum Group. The entity holds investments in Uhuru Heights Limited, Centum Development Kenya Limited, Vipingo Development Plc, Vipingo Estates Plc and Centum Development Mauritius Company Limited (that owns 100% of Pearl Marina Estates Limited). It is measured at net asset value of the underlying assets and liabilities.
Two Rivers Development Limited	58.3%	5,230,018	This is a real estate development that holds a joint control in the investment in Two Rivers Mall. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Two Rivers Mall is disclosed in note 6.2.
Bakki Holdco Limited	100%	2,520,986	This is a holding company for the investment in Sidian Bank Limited. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Sidian Bank Limited is disclosed below.
Longhorn Publishers Limited	60.2%	665,897	This is the investment in the controlling stake of the publishing company. The entity is listed on the Nairobi Securities Exchange. The investment valuation is based on market prices.
Rasimu Limited	100%	340,811	This is an investment company that holds 3.65% of Two Rivers Development Limited. It is measured at net asset value of which the underlying assets are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Nabo Capital Limited	100%	502,610	This is an investment company involved in fund management and transaction advisory services. It is measured at net asset value.
Greenblade Growers Limited	100%	52,172	This is an agricultural production company. It is measured at net asset value.
Zohari Leasing Limited	100%	218,566	This is a leasing company. It is measured at net asset value.
Tribus TSG Limited	100%	34,722	This is a training, security and governance consultancy services company. It is measured at net asset value.
Tier Data Limited	100%	16,834	This is the investment in the controlling stake of an IT service provision company. It is measured at net asset value.
Barium Capital Limited	100%	-	This is an investment company involved in fundraising. It is measured at net asset value.
		26,258,390	

Valuation:	**Ownership**	**Valuation technique**	**Ksh'000**	**Unobervable inputs**	**Weighted average input**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation +/- Ksh'000**
Sidian Bank Limited	82.2%	Price to book multiples	2,522,252	PB Ratio multiple	0.63x	1%	25,223
				NAV (Ksh '000)	4,212,952	10%	252,225
				Control premium	20%	10%	219,326
				liquidity discount	5%	10%	(10,966)
				Discounted multiple	0.73		

A complete list of the Group's subsidiaries is included under note 6.1

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

The change in valuation disclosed in the above table shows the relative increase or decrease in the input variables deemed to be subjected to the most judgement and estimate and the respective impact on the fair value presented in these financial statements. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However an increase in the discount for lack of marketability would lead to a decrease in value.

1.5.2 Valuation of investment properties

The fair value model has been applied in accounting for investment properties. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment properties at 31 March 2022 and 31 March 2021 on the basis of open market value. The current use of the investment properties equates to the highest and best use.

The valuation of the investment properties is derived by making reference to recent comparable sales transactions in the relevant property market, on the assumption that the property had already been completed at the valuation date. The fair value gains have been credited to 'income' in the income statement (Note 2.2).

The Group's investment properties are valued by reference to a level 3 fair value measurement. In 2022 and 2021, there were no transfers between different levels within the fair value hierarchy. Level 3 measurement uses one or more significant inputs not based on observable data.

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
31 March 2022			
Investment properties	-	-	41,193,072
31 March 2021			
Investment properties	-	-	41,528,010

See note 5.1.2 for the reconciliation of investment properties.

1.5.3 Impairment losses on loans and advances

IFRS 9 Financial Instruments requires assessment on a forward looking basis of the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan committments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to note 7.1 for a detailed analysis on the Group's expected credit loss model for loans and advances.

1.5.4 Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to CGUs. On the basis described on the accounting policy above, the Group's primary CGUs are as outlined above. Goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying CGU with its carrying amount. In addition, in accordance with IAS 36, the Group tests goodwill whenever a triggering event is identified. The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use.

See assumptions as discussed in Note 8.2

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations

2.1 Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group's chief operating decision maker is the executive management committee.

The executive management committee consists of the Group Chief Executive Officer, Group Finance Director, Managing Director - Centum Capital Partners Limited, Managing Director - Centum Real Estate Limited, Managing Director - Nabo Capital Limited, Company Secretary, Partner, Portfolio operations, Centum Capital Partners Limited, and heads of the various business units.

The Group's operating structure comprises the reportable segments below:

a) Growth Portfolio - This consists of:-

Centum's legacy investments in Longhorn Publishers Plc, NAS Servair Limited, Sidian Bank Limited, Isuzu East Africa Limited, Africa Crest Education (ACE) Holdings, Amu Power Limited, Akiira Geothermal Limited, Centum Capital Partners Limited, Zohari Credit Limited, Jafari Credit Limited, Greenblade Growers Limited, Tribus TSG Limited and Tier Data Limited, Centum Real Estate Limited and Two Rivers Development Limited Group.

b) Centum Capital Private Equity Fund II - portfolio currently under development.

c) Marketable Securities

These consists of Centum Exotics Limited and Oleibon Investments Limited that are involved in investment of funds in quoted equity and fixed income securities.

Performance is reviewed from a total return perspective.

i. Total return

Total return is the total value created in the period which includes after-tax profits as well as unrealised movements in the portfolio. Total return is calculated as the gross portfolio return less portfolio and funding costs. Total return is expressed in absolute amounts or as a percentage of opening net asset value in the period.

ii. Gross portfolio return

Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio. Gross return is analysed into the following components:

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations

2.1 Operating Segments (continued)

ii. Gross portfolio return (continued)

a Portfolio income
Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. Portfolio income includes; dividend income, interest income, realised and unrealised profit, rental income as well as fee income.

- Realised profits on the disposal of investments are the differences between the fair value of the consideration received less any directly attributable costs, on the sale of equity, and its carrying value at the start of the accounting period.
Although the net realised gains are similar to those in the statement of comprehensive income, the disclosure differs under the Group's segment reporting.

The difference between the sales proceeds and cost of the investments are accounted for in the income statement, while the difference between the gains and the opening fair value is then disclosed under other comprehensive income as reserves released on disposal of investments.

- Unrealised profits on the revaluation of investments are the movement in the carrying value of investments between the start and end of the accounting year.

Under the Group's segment reporting, there is no differentiation between fair value through profit or loss and fair value through other comprehensive income. All value movements are passed through the statement of total return.

b Portfolio costs

Portfolio costs include all expenses, operating and administrative incurred in the furtherance of investment activity during the accounting period.

c Total assets
Total assets represents the portfolio value, which includes the carrying value of equity investments as well as marketable securities.

The segment information provided to the executive management committee for the reportable segments for the year ended 31 March 2022 and 31 March 2021 is as presented overleaf.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.1 Operating Segments (continued)
Group

Year ended 31 March 2022	**Private Equity Ksh'000**	**Real Estate Ksh'000**	**Marketable Securities Ksh'000**	**Total Ksh'000**
Dividend income	131,325	-	16,309	147,634
Interest income	3,828,311	-	715,085	4,543,396
Lease rentals	81,654	-	-	81,654
Fund management income	77,531	-	-	77,531
Sale of residential units and development rights	-	1,969,106	-	1,969,106
Sales income	2,303,649	242,983	-	2,546,632
Cost of sales	(1,468,654)	(1,730,699)	-	(3,199,353)
Other income	222,099	873,177	-	1,095,276
Realised gains/(losses)	91,314	-	(168,207)	(76,893)
Fee, commission and forex trading income	1,477,914	-	-	1,477,914
Share of profit/(loss) of associates and joint ventures	(150,163)	(956,006)	-	(1,106,169)
Unrealised value movements	1,189,844	862,391	(103,359)	1,948,876
Gross return	**7,784,824**	**1,260,952**	**459,828**	**9,505,604**
Finance costs	(2,887,290)	(1,890,891)	-	(4,778,181)
Impairment of assets	(691,497)	(52,758)	-	(744,255)
Portfolio costs	(3,519,840)	(562,673)	(60,679)	(4,143,192)
Net return	**686,197**	**(1,245,370)**	**399,149**	**(160,024)**
Tax	(297,997)	600,073	-	302,076
Total return	**388,200**	**(645,297)**	**399,149**	**142,052**
Gross Return on opening shareholder funds (%)	72%	4%	18%	22%
Return on opening shareholder funds (%)	4%	-2%	16%	0%
Opening shareholder funds				
Total assets	47,350,938	59,437,248	2,644,019	109,432,205
Borrowings	(10,047,409)	(15,453,688)	-	(25,501,097)
Other liabilities	(25,458,491)	(11,339,297)	(84,616)	(36,882,404)
Non-controlling interest	(981,479)	(2,948,771)	-	(3,930,250)
Net asset value attributable to equity holders	**10,863,559**	**29,695,492**	**2,559,403**	**43,118,454**
Closing shareholder funds				
Total assets	56,704,062	60,068,517	2,060,763	118,833,342
Borrowings	(5,162,667)	(15,463,753)	-	(20,626,420)
Other liabilities	(39,759,572)	(10,844,412)	(233,098)	(50,537,082)
Non-controlling interest	(1,119,466)	(2,953,481)	-	(4,072,947)
Net asset value attributable to equity holders	**10,662,357**	**30,806,871**	**1,827,665**	**43,296,893**

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Notes to the financial statements

2 Results of operations (continued)

2.1 Operating Segments (continued)

Group

Year ended 31 March 2021	Private Equity Ksh'000	Real Estate Ksh'000	Marketable Securities Ksh'000	Total Ksh'000
Dividend income	135,784	-	16,493	152,277
Interest income	3,367,777	-	121,316	3,489,093
Lease rentals	100,217	-	-	100,217
Fund management income	137,147	-	-	137,147
Sale of housing units	-	459,744	-	459,744
Sales income	995,792	323,674	-	1,319,466
Cost of sales	(712,292)	(596,889)	-	(1,309,181)
Other income	24,783	-	-	24,783
Realised gains/(losses)	-	-	(61,140)	(61,140)
Fee, commission and forex trading income	1,157,290	-	-	1,157,290
Project and development management fees	17,181	85	-	17,266
Share of profit/(loss) of associates and joint ventures	-	(1,074,310)	-	(1,074,310)
Unrealised value movements	(143,358)	2,360,374	62,052	2,279,068
Gross return	**5,080,321**	**1,472,678**	**138,721**	**6,691,720**
Finance costs	(2,554,812)	(1,806,512)	-	(4,361,324)
Impairment of assets	(488,707)	-	-	(488,707)
Portfolio costs	(3,794,888)	(431,824)	(33,743)	(4,260,455)
Net return	**(1,758,086)**	**(765,658)**	**104,978**	**(2,418,766)**
Tax	204,253	760,042	-	964,295
Total return	**(1,553,833)**	**(5,616)**	**104,978**	**(1,454,471)**
Gross Return on opening shareholder funds (%)	55%	7%	7%	18%
Return on opening shareholder funds (%)	-15%	0%	5%	-3%
Opening shareholder funds				
Total assets	43,228,356	56,356,682	2,278,565	101,863,603
Borrowings	(12,684,754)	(9,512,011)	-	(22,196,765)
Other liabilities	(18,939,881)	(11,150,444)	(303,431)	(30,393,756)
Non-controlling interest	(1,116,104)	(4,161,925)	-	(5,278,029)
Net asset value attributable to equity holders	**10,487,617**	**31,532,302**	**1,975,134**	**43,995,053**
Closing shareholder funds				
Total assets	47,350,938	59,437,248	2,644,019	109,432,205
Borrowings	(10,047,409)	(15,453,688)	-	(25,501,097)
Other liabilities	(25,458,491)	(11,339,297)	(84,616)	(36,882,404)
Non-controlling interest	(981,479)	(2,948,771)	-	(3,930,250)
Net asset value attributable to equity holders	**10,863,559**	**29,695,492**	**2,559,403**	**43,118,454**

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Notes to the financial statements

2 Results of operations (continued)

2.1 Operating Segments (continued)
Company

Year ended 31 March 2022	Private Equity Ksh'000	Real Estate Ksh'000	Marketable Securities Ksh'000	Total Ksh'000
Dividend income	172,835	-	-	172,835
Interest income	10,359	399,238	720,726	1,130,323
Other income	5,120	312,096	-	317,216
Realised gains/(losses)	29,999	-	11,549	41,548
Unrealised value movements	1,129,205	(1,352,966)	(3,595)	(227,356)
Gross return	**1,347,518**	**(641,632)**	**728,680**	**1,434,566**
Finance costs	(130,174)	(304,472)	(105,820)	(540,466)
Impairment of assets	(60,970)	(429,173)	-	(490,143)
Portfolio costs	(137,286)	(321,107)	(111,599)	(569,992)
Net return	**1,019,088**	**(1,696,384)**	**511,261**	**(166,035)**
Tax	(81,960)	-	-	(81,960)
Total return	**937,128**	**(1,696,384)**	**511,261**	**(247,995)**
Gross Return on opening shareholder funds (%)	13%	-2%	20%	3%
Return on opening shareholder funds (%)	9%	-6%	14%	-1%
Opening shareholder funds				
Total assets	13,642,462	30,138,684	3,734,095	47,515,241
Borrowings	(2,724,589)	(1,396,995)	-	(4,121,584)
Other liabilities	(545,164)	(1,026,440)	(7)	(1,571,611)
Net asset value attributable to equity holders	**10,372,709**	**27,715,249**	**3,734,088**	**41,822,046**
Closing shareholder funds				
Total assets	14,811,057	28,483,707	3,665,629	46,960,393
Borrowings	(2,762,041)	(1,396,995)	-	(4,159,036)
Other liabilities	(519,199)	(956,375)	-	(1,475,574)
Net asset value attributable to equity holders	**11,529,817**	**26,130,337**	**3,665,629**	**41,325,783**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.1 Operating Segments (continued)
Company

Year ended 31 March 2021	Private Equity Ksh'000	Real Estate Ksh'000	Marketable Securities Ksh'000	Total Ksh'000
Dividend income	138,511	-	-	138,511
Interest income	32,535	564,286	675,176	1,271,997
Other income	106,362	-	-	106,362
Unrealised value movements	(870,461)	(3,421,766)	80,108	(4,212,119)
Gross return	**(593,053)**	**(2,857,480)**	**755,284**	**(2,695,249)**
Finance costs	(143,452)	(391,089)	(68,326)	(602,867)
Impairment of assets	(1,071,393)	-	-	(1,071,393)
Portfolio costs	(234,903)	(434,179)	-	(669,082)
Net return	**(2,042,801)**	**(3,682,748)**	**686,958**	**(5,038,591)**
Tax	219,871	-	-	219,871
Total return	**(1,822,930)**	**(3,682,748)**	**686,958**	**(4,818,720)**
Gross Return on opening shareholder funds (%)	-6%	-9%	12%	-6%
Return on opening shareholder funds (%)	-18%	-12%	11%	-10%
Opening shareholder funds				
Total assets	13,527,479	36,879,694	6,443,151	56,850,324
Borrowings	(2,628,037)	(4,857,486)	-	(7,485,523)
Other liabilities	(709,305)	(1,216,195)	(5)	(1,925,505)
Net asset value attributable to equity holders	**10,190,137**	**30,806,013**	**6,443,146**	**47,439,296**
Closing shareholder funds				
Total assets	13,642,462	30,138,684	3,734,095	47,515,241
Borrowings	(2,724,589)	(1,396,995)	-	(4,121,584)
Other liabilities	(545,164)	(1,026,440)	(7)	(1,571,611)
Net asset value attributable to equity holders	**10,372,709**	**27,715,249**	**3,734,088**	**41,822,046**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.2 Revenue

Type	Nature	Description	Recognition
Sale of goods	Educational materials	Sale of educational material is through Longhorn Publishers Plc.	Revenues from the various sources are recognised in the period in which the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.
	Agricultural products	The Group exports exotic herbs through Greenblade Growers Limited.	
Financial services	1. Interest income 2. Fund management income 3. Fees, commissions and trading income 4. Leasing income	1. Interest income relates to income earned by Sidian Bank Limited and fixed income investments by the asset management subsidiaries. 2. Fund management income relates to management fees earned by the asset management companies. 3. Fees, commissions and trading income is the non funded income earned by Sidian Bank Limited. 4. Leasing income relates to rental and finance lease income earned on operating and finance leases provided by Zohari Credit Limited.	- Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the interest rate applicable. - Fund management income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided. - Fees and commissions are recognised on an accrual basis when the service has been provided. Loan commitment fees for advances are credited to income upon first utilisation of the facility and are charged on an annual basis.
Sale of services	1. Project management fees 2. Utilities 3. Provision of security and cleaning services 4. Provision of IT service	1. Project management fees relate to fees earned by Centum Real Estate Limited on Real Estate projects. 2. Utilities relate to income earned by Two Rivers Power Company Limited and Two Rivers Water and Sanitation Company Limited on the provision of electricity and water to the Two Rivers Development. 3. Security and cleaning services earned by Tribus TSG Limited to third party clients 4. IT services earned by Tier data on provision of ICT infrastructure, internet services, networking solutions, data centre and disaster recovery.	- Project management fees are recognised in the period in which the services are rendered, by reference to completion of the specific project assessed on the basis of the actual service provided as a percentage of the total service to be provided. - Electricity and water revenue are recognised when electricity and/or water is consumed by the user and is stated net of value added tax and other Government levies. - Security and cleaning services are recognised on a monthly basis when services are offered. - IT services are recognised on a monthly basis when monthly services are offered. In case of projects, the revenues are recognised based on the work completed.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.2 Revenue (continued)

Type	Description	Recognition
Investment income	1. Dividend income 2. Gains on disposal of investments 3. Interest income	- Dividend income from investments is recognised when the shareholders' right to receive payment has been established. - Gains on disposal of investments are recognised when the Company has no unfulfilled obligation that could affect the completion of the transaction. - Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the interest rate applicable.
Real Estate	1. Sale of houses 2. Sale of land	- Revenue from sale of housing units is recognised upon completion and release of ownership to the respective buyers of the completed units. - Revenue from sale of land is recognised upon execution of the transfer of title and settlement of the consideration of the land per the agreement.

The Group revenues are recognised based on point in time and over period of time based on the various businesses invested in.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.2 Revenue (continued)

Year ended 31 March 2022	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Sale of goods and services:				
- Publishing business	1,901,023	699,295	-	-
- Utilities	226,309	156,738	-	-
- Agribusiness	169,355	139,759	-	-
- Other income	6,962	-	-	-
Total	**2,303,649**	**995,792**	**-**	**-**
Financial services:				
- Banking subsidiary:				
- Interest income	3,718,440	2,731,948	-	-
- Fees, commission and forex trading income	1,477,914	1,157,290	-	-
- Other income	201,508	157,829	-	-
- Asset management subsidiaries:				
- Fund management income	77,531	137,147	-	-
- Interest income	31,323	31,601	-	-
- Other income	1,685	13,188	-	-
- Leasing:				
- Lease rentals	81,654	100,217	-	-
- Other income	9,836	8,848	-	-
Total	**5,599,891**	**4,338,068**	**-**	**-**
Others:				
Project, development management and other fees	-	17,266	-	-
Other income	-	415	-	-
Total	**-**	**17,681**	**-**	**-**
	7,903,540	**5,351,541**	**-**	**-**
Investment income				
Dividend income	147,634	152,277	172,835	138,511
Interest income from investing and financing activities	793,633	725,544	1,130,443	1,271,997
(Loss)/gain on disposal of investments (Note 2.7)	(76,893)	(61,140)	91,314	-
Unrealised (losses)/gains on government securities	(99,553)	5,249	(49,766)	-
Other income	319,697	(155,497)	317,096	106,362
	1,084,518	**666,433**	**1,661,922**	**1,516,870**
Dividend income				
Subsidiaries	-	-	41,510	-
Unquoted investments	131,325	135,784	131,325	135,784
Quoted investments	16,309	16,493	-	2,727
	147,634	**152,277**	**172,835**	**138,511**

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.3 Expenses

2.3.1(a) Cost of sales

Year ended 31 March 2022	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Publishing business	1,162,396	450,078	-	-
Utilities business	224,637	203,767	-	-
Agribusiness	81,621	58,447	-	-
	1,468,654	712,292	-	-
2.3.1(b) Operating and administrative expenses				
Employee benefits expense (Note 2.3.2)	1,991,670	2,052,244	199,169	189,544
Directors' fees and expenses	130,635	132,267	24,852	22,375
Auditor's remuneration	53,429	45,820	13,339	9,200
Office rent and service charge	267,103	251,082	13,924	16,101
Depreciation and amortisation	383,106	716,789	16,140	15,289
AGM and annual report printing	7,313	12,080	7,313	12,080
Business development costs	31,206	19,037	645	207
Advertising costs	116,406	96,207	1,485	3,146
Share registration costs	10,459	12,265	10,459	12,265
Listing expenses	5,590	3,261	5,121	2,308
Consultancy	226,966	237,714	28,308	15,315
Management fees	213,598	108,384	182,107	324,612
Expected credit losses	10,143	16,821	-	-
Donations	18,260	13,865	2,544	7,384
Other costs	670,346	507,222	64,586	39,256
	4,136,230	4,225,058	569,992	669,082
Analysed as below:				
Trading subsidiaries	606,484	610,889	-	-
Real estate operations	449,339	555,684	-	-
Two Rivers Group	113,334	183,072	-	-
Financial services subsidiaries	2,221,042	2,160,392	-	-
Other	746,031	715,021	569,992	669,082
	4,136,320	4,225,058	569,992	669,082

*Other costs relate to software licences, legal fees, connectivity charges, printing and stationery, travel and accomodation expenses among other operating expenses.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.1(c) Provision for impairment of assets

Year ended 31 March 2022	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
- Joint venture (Note 6.2.2)	52,758	21,034	-	-
- Shareholder loans	-	-	490,143	989,247
- Other assets	191,156	82,146	-	82,146
- Associates (Note 6.2.1)	-	385,527	-	-
	243,914	488,707	490,143	1,071,393

2.3.2 Employee benefits expense

2.3.2.1 Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2.3.2.2 Retirement benefits obligations

The Group operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. The scheme is administered by independent fund managers and is funded by contributions from both the employer and the employees.

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution pension scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific obligations legislated from time to time and are currently limited to a maximum of Ksh 200 per month per employee.

The Group contributions in respect of retirement benefit schemes are charged to profit or loss in the year to which they relate.

2.3.2.3 Performance bonus

The bonus scheme is designed to optimize the cash return on the assets managed by Centum on behalf of the shareholders. The scheme aligns the staff reward system to creation of cash return on assets at a rate greater than that of the market. The return considered for the purposes of the bonus computation is cash adjusted and does not include the annual fair valuation movement of assets, but instead incorporates the net asset value movements.

2.3.2.3.1 Determining the bonus pool

Determination of the bonus pool is as follows:

1. The private equity and marketable securities portfolios bonus pool

The annual performance bonus pool for the private equity and marketable securities portfolios is subject to attainment of a total cash return as a percentage of Company opening cash-adjusted shareholder funds of 15% or more in the financial year (the hurdle rate).
The annual bonus pool is then computed as 20% of the total cash return that is above the hurdle rate of 15%. Should total return exceed 25%, then the performance pool will be increased by 1% for each 1% above total return.

Elements of cash return for the two portfolios are:

i. Monetization events which include sale/exit of a stake in a portfolio company and securing equity partnerships at multiples to the carrying value of the portfolio investments,

ii. Dividend and interest income from the portfolio, and

iii. Cash Net Asset Value movements in the portfolio companies, representing the Company's share of distributable dividends.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2. Real estate portfolio

The Real Estate portfolio bonus pool is only determined on the attainment of a cash return (property sale or an exit transaction) in a real estate portfolio company. However, the hurdle rate in Real Estate cash returns is tied to a relevant index of value appreciation (Hass Composite Land Property Index) to ensure that management is not incentivized for ordinary/inflationary increases in property values. The percentage cash return is therefore effectively adjusted downwards for the effects of ordinary property value appreciation.

The Real Estate bonus pool is based on 10% of return in excess of the hurdle adjusted base. The base refers to the actual cash deployed into the investment. At the end of a financial year where sale or exit transactions have occurred, the base is adjusted for the hurdle rate plus all costs incurred (investment and operational).

2.3.2.3.2 Vesting Conditions

The bonus entitlement for a particular year is paid out (vests) to staff in three tranches over a period of three years. The vesting conditions are:

i. Shareholder funds (defined as Net Asset Value) will not fall below the level they were at the point of the bonus award (high-water mark),

ii. The high-water mark will be adjusted for owner related adjustments such as payment of dividends or new capital raisings, and

iii. An eligible employee must remain in the employ of the Company for the entire period unless a specific waiver is granted by the Board of Directors.

2.3.2.3.3 Bonus entitlement in respect of the financial year

The performance hurdle rates described above were not met in the year ended 31 March 2022 and hence no bonus pool for the year.

The vesting conditions that are required to unlock the second and third bonus tranche for the year ended 31 March 2020 were not met.

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Salaries	1,526,933	1,615,282	137,473	72,425
Performance bonus	70,926	150,458	40,523	101,308
Retirement benefit scheme contributions	84,637	61,904	9,156	5,520
National Social Security Fund contributions	6,648	4,830	39	14
Accrued leave	13,994	4,622	(3,236)	449
	1,703,138	1,837,096	183,955	179,716
Staff medical expenses	127,632	123,797	5,518	4,778
Other staff costs	160,900	91,351	9,696	5,050
	1,991,670	**2,052,244**	**199,169**	**189,544**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.4 Finance costs

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions and net foreign exchange that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Trading businesses:				
- Interest on bank and other borrowings	155,296	201,645	-	-
	155,296	**201,645**	**-**	**-**
Financial services:				
- Interest on customer deposits	1,290,758	1,058,116	-	-
- Interest on bank and other borrowings	896,093	672,197	-	-
	2,186,851	**1,730,313**	**-**	**-**
Centum real estate:				
- Interest on bank and other borrowings	445,542	328,291	-	-
- Commitment and other fees	-	19,799	-	-
- Foreign exchange losses on borrowings	15,008	28,607	-	-
- Amortised borrowing costs	21,131	15,482	-	-
	481,681	**392,179**	**-**	**-**
Two Rivers group:				
- Interest on bank and other borrowings	877,456	1,015,203	-	-
- Commitment and other fees	83,792	26,278	-	-
- Foreign exchange gains losses on borrowings	447,962	344,240	-	-
	1,409,210	**1,385,721**	**-**	**-**
Other finance costs:				
- Interest on bank and other borrowings	370,147	291,964	370,147	291,964
- Commitment and other fees	78,892	142,302	78,892	144,048
- Foreign exchange gains/(losses) on borrowings	90,463	42,903	89,310	21,171
- Interest on corporate bonds	-	145,684	-	145,684
- Interest on lease liabilities	5,641	6,588	2,117	-
	545,143	**629,441**	**540,466**	**602,867**
Total finance costs	**4,778,181**	**4,339,299**	**540,466**	**602,867**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

2 Results of operations (continued)

2.4 Finance costs (continued)

	Group 2022 Ksh'000	Group 2021 Ksh'000	Company 2022 Ksh'000	Company 2021 Ksh'000
Analysed as below:				
Trading subsidiaries	155,296	201,645	-	-
Real Estate subsidiaries	481,681	392,179	-	-
Two Rivers Group subsidiaries	1,409,210	1,385,721	-	-
Financial services subsidiaries	2,186,851	1,730,313	-	-
Other entities*	545,143	629,441	540,466	602,867
	4,778,181	**4,339,299**	**540,466**	**602,867**

*other entities refers to Centum Investment Company Plc, Jafari Credit Limited (formerly Centum Business Solutions Limited) and Centum Capital Partners Limited.

2.5 Cash generated from operations

		Group 2022 Ksh'000	Group 2021 Ksh'000	Company 2022 Ksh'000	Company 2021 Ksh'000
Reconciliation of profit before income tax to cash generated from operations:					
(Loss)/Profit before income tax		(1,641,885)	(2,332,210)	61,321	(826,472)
Adjustments for:					
Finance costs	2.4	4,778,181	4,339,299	540,466	602,867
Depreciation on property, plant and equipment	8.1	282,824	295,942	11,219	21,235
Amortisation of intangible assets	8.2	117,094	152,506	-	-
Depreciation of right of use asset	8.3.1	234,680	-	-	-
Gain/(loss) on disposal of investments	2.7	76,893	(61,140)	(91,314)	-
Change in fair value of investment property	5.1.2	(566,568)	(2,360,374)	-	-
Unrealised exchange (gains)/losses		(319,697)	155,496	(227,786)	(106,361)
Fair value losses on government securities through profit and loss	7.2.1	298,352	45,260	49,766	-
Gain on disposal of subsidiary with retention of joint control		(427,004)	-	-	-
Gain on disposal of investment property		(111,074)	-	-	-
Share of loss from joint ventures	6.2.2	956,006	1,074,310	-	-
Share of loss from associates		150,163	-	-	-
Net impairment of loans and advances		500,341	-	-	-
Provision for impairment on assets	2.3.1	243,914	488,707	490,143	1,071,393
Proceeds from shareholder loans		-	-	425,579	3,579,405

Centum Investment Company Plc
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Notes to the financial statements

2 Results of operations (continued)

2.5 Cash generated from operations (continued)

		Group		Company	
		2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Reconciliation of profit before income tax to cash generated from operations (continued):					
Changes in working capital:					
- inventories		108,299	(221,440)	-	-
- receivables and prepayments		269,471	1,320,141	48,107	197,667
- construction of residential units	5.1.1	(945,213)	(3,469,181)	-	-
- payables and accrued expenses		(164,166)	831,683	(152,869)	91,601
- unclaimed dividends paid	11.3	-	(32,193)	-	-
- finance lease receivable		26,806	(11,052)	-	-
- presales customer deposits		1,141,203	1,297,296	-	-
- loans and advances		(2,506,184)	(5,461,102)	-	-
- customer deposits		2,893,825	5,609,309	-	-
- restricted cash		(445,247)	-	-	-
		4,951,014	**1,661,257**	**1,154,632**	**4,631,335**

2.6 Earnings per share

Basic earnings per share
Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders.

Diluted earnings per share
The Company has not issued any convertible securities and as such, the basic and diluted earnings per share is the same.

	2022 Ksh	2021 Ksh
Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(1.10)	(0.93)
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	(1.10)	(0.93)
Reconciliation of earnings used in calculating earnings per share		
Loss attributable to equity holders of the company used in calculating basic and diluted earnings per share:		
- From continuing operations (Ksh'000)	(732,554)	(618,998)
	(732,554)	(618,998)
Weighted average number of ordinary shares in issue (thousands)	665,442	665,442

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Notes to the financial statements

2 Results of operations (continued)

2.7 Gain on disposal of investments

Year ended 31 March 2022	Notes	Group			Company		
		Carrying value	Proceeds	(Loss)/Gain on disposal	Cost	Proceeds	Gain on disposal
		Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Quoted investments	5.3	1,572,569	1,465,677	(106,892)	1,137,889	1,199,204	61,315
Unquoted investments, including subsidiaries		-	29,999	29,999	-	29,999	29,999
		1,572,569	**1,495,676**	**(76,893)**	**1,137,889**	**1,229,203**	**91,314**
Reserves released on disposal:							
Quoted investments				-			(14,336)
				-			(14,336)
(Losses)/gains during the year				(76,893)			76,978
Year ended 31 March 2021							
Quoted investments	5.3	139,715	78,575	(61,140)	-	-	-
		139,715	78,575	(61,140)	-	-	-
				-			-
Loss during the year				**(61,140)**	**-**	**-**	**-**

3 Income Tax

3.1 Income tax expense

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax

Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

3 Income Tax (continued)

3.1 Income tax expense (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group		Company	
	2022 Ksh'000	**2021 Ksh'000**	**2022 Ksh'000**	**2021 Ksh'000**
Current income tax	472,129	303,182	-	-
Deferred income tax	(774,205)	(1,267,477)	81,960	(219,871)
	(302,076)	**(964,295)**	**81,960**	**(219,871)**

b) Tax rate reconciliation

The table below explains the differences between the expected tax expense at the Kenyan statutory tax rate of 30% (2021:30%) and the Group's total tax expense.

Accounting (loss)/profit before tax	(1,641,885)	(2,332,211)	61,321	(826,472)
Tax at the applicable rate of 30% (2021: 30%)	(492,566)	(699,663)	18,396	(247,942)
Tax effect of:				
Income not subject to tax	(155,495)	(41,553)	(27,394)	(41,553)
Income subject to capital gains tax rate*	(714,559)	(630,140)	-	-
Expenses not deductible for tax	1,130,777	947,099	90,958	328,061
Unrecognised deferred tax assets	(4,994)	(351,130)	-	(69,529)
Adjustment in respect of prior periods	3,057	(188,908)	-	(188,908)
Previously unrecognised deferred tax losses	(68,296)	-	-	-
	(302,076)	**(964,295)**	**81,960**	**(219,871)**
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	(16,647)	(1,170,433)	-	(231,763)
Potential tax benefit at 30%	**(4,994)**	**(351,130)**	**-**	**(69,529)**

*relates to capital gains tax on fair value movements on investment properties, unrealised gains/(losses) on investments and realised gains/(losses) on disposal of investments.

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Notes to the financial statements

3 Income Tax (continued)

3.1 Income tax expense (continued)

Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Foreign currency translation	744,254	448,431	-	-
Undistributed earnings	2,655,955	2,655,955	-	-
	3,400,209	3,104,386	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	340,021	310,439	-	-

Temporary differences of Ksh 744 Million (2021 – Ksh 448 Million) have arisen as a result of the translation of the financial statements of the Group's subsidiaries in Mauritius, Uganda and Tanzania. However, a deferred tax liability has not been recognised as the liability will only eventuate in the event of disposal of the subsidiaries, and no such disposals are expected in the foreseeable future.

e) Current income tax (recoverable)/payable	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
At start of year	(334,866)	(556,506)	(61,405)	29,108
Charge for the year	472,129	303,183	-	-
Payments during the year	(378,638)	(89,198)	(38,669)	(90,513)
Derecognition on disposal of subsidiary	-	7,655	-	-
Over-provision in prior years	(26,884)	-	-	-
At end of year	(268,259)	(334,866)	(100,074)	(61,405)
Analysed as:				
Current income tax recoverable	(399,738)	(595,395)	(100,074)	(61,405)
Current income tax payable	131,479	260,529	-	-
	(268,259)	(334,866)	(100,074)	(61,405)

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Notes to the financial statements

3 Income Tax (continued)

3.2 Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2021: 30%) and the capital gains tax rate of 5% (2021: 5%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
At start of year	3,333,263	4,603,218	748,912	1,195,839
Credit to income statement	(774,205)	(1,267,477)	81,960	(219,871)
Credit to other comprehensive income	(1,109)	(6,822)	5,242	(227,056)
Adjustment in respect of prior periods	722,150	4,344	-	-
Derecognition on disposal of subsidiary	53,916	-	-	-
Reclassified to assets held for sale	625,446	-	-	-
At end of year	**3,959,461**	**3,333,263**	**836,114**	**748,912**
Deferred income tax assets and liabilities are analysed as follows:				
Deferred income tax assets	(449,603)	(825,655)	-	-
Deferred income tax liabilities	4,409,064	4,158,918	836,114	748,912
	3,959,461	**3,333,263**	**836,114**	**748,912**

Group	At start of year Ksh'000	(credited) to Profit/loss Ksh'000	Charged/ (credited) to OCI Ksh'000	Reclassified to assets held for sale Ksh'000	At end of year Ksh'000
Year ended 31 March 2022					
Property, plant and equipment:					
- on historical cost basis	206,868	130,243	-	(36,467)	300,644
Tax losses	(1,994,733)	(414)	-	(61,763)	(2,056,910)
Other deductible differences	70,913	(740,413)	-	(527,216)	(1,196,716)
Exchange differences	48,711	(48,719)	-	-	(8)
Fair value changes on investment properties	6,488,742	870,256	-	-	7,358,998
Fair value changes on investments	(1,487,238)	1,041,800	(1,109)	-	(446,547)
	3,333,263	1,252,753	(1,109)	(625,446)	3,959,461

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

3 Income Tax (continued)

3.2 Deferred income tax (continued)

Group	At start of year Ksh'000	Charged/ (credited) to Profit/loss Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2021				
Property, plant and equipment:				
- on historical cost basis	186,853	20,015	-	206,868
- on fair value basis				
	386,733	-	(386,733)	-
Tax losses carried forward	(1,575,728)	(419,005)	-	(1,994,733)
Other deductible differences	(241,443)	312,356	-	70,913
Exchange differences	48,711	-	-	48,711
Fair value changes on investment properties	6,856,630	(367,888)	-	6,488,742
Fair value changes on investments	(1,058,538)	(808,611)	379,911	(1,487,238)
	4,603,218	**(1,263,133)**	**(6,822)**	**3,333,263**

Company	At start of year Ksh'000	Charged/ (credited) to Profit/loss Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2022	1,105	(3,445)	-	(2,340)
Other deductible differences	(256,889)	85,405	-	(171,484)
Fair value gains on investments	1,004,696	-	5,242	1,009,938
	748,912	**81,960**	**5,242**	**836,114**
Year ended 31 March 2021	2,333	(1,228)	-	1,105
Other deductible differences	(38,246)	(218,643)	-	(256,889)
Fair value gains on investments	1,231,752	-	(227,056)	1,004,696
	1,195,839	**(219,871)**	**(227,056)**	**748,912**

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group is expected to continue generating taxable income.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

4 Working capital

4.1 Working capital

Inventories are stated at the lower of cost and net realisable value. Cost is determined by use of weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

	Group	
	2022 Ksh'000	**2021 Ksh'000**
Publishing business:		
- Educational materials	816,785	839,844
- Provision for obsolescence	(86,922)	-
Agribusiness:		
- Consumables	8,158	6,476
	738,021	**846,320**

Inventories are held in Longhorn Publishers Limited and Greenblade Growers Limited. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Ksh 885,238,438 (2021:Ksh 450,078,000).

No amounts of inventory have been pledged as security for any borrowings.

4.2 Receivables and prepayments

Receivables are amounts due from investments and sales in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are accounted for as current assets. If not, they are non-current assets.

Receivables are recognised initially at fair value and subsequently recognised at amortised cost, less any provision for impairment.

		Group		Company	
	Notes	**2022 Ksh'000**	**2021 Ksh'000**	**2022 Ksh'000**	**2021 Ksh'000**
Trade receivables		991,607	1,328,493	-	-
Less: provision for expected credit losses		(224,629)	(202,495)	-	-
Net trade receivables		766,978	1,125,998	-	-
VAT recoverable		184,744	267,992	-	-
Other receivables		2,113,932	1,562,928	231,705	326,498
Reclassification to assets held for sale		(1,195,113)	-	-	-
Prepayments		431,729	877,428	9,363	4,889
Dividend & interest receivable		51,678	99,801	26,400	99,801
		2,353,948	**3,934,147**	**267,468**	**431,188**
Amounts due from joint ventures		4,902,417	2,319,155	-	-
Less: Provision for impairment		(559,122)	(559,122)	-	-
		4,343,295	1,760,033	-	-
		6,697,243	**5,694,180**	**267,468**	**431,188**

Centum Investment Company Plc
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Notes to the financial statements

4 Working capital (continued)

4.2 Receivables and prepayments (continued)

	Group 2022 Ksh'000	Group 2021 Ksh'000	Company 2022 Ksh'000	Company 2021 Ksh'000
Movement in provision for expected credit losses				
At start of year	202,495	298,812	-	-
Charge in the year	22,134	(96,317)	-	-
At end of year	**224,629**	**202,495**	**-**	**-**

4.3 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost in accordance with the accounting policies.

Cash and cash equivalents includes deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, including overdrafts

Cash and bank balances:

	Notes	Group 2022 Ksh'000	Group 2021 Ksh'000	Company 2022 Ksh'000	Company 2021 Ksh'000
Banking subsidiary:					
- Bank balances		-	2,937,609	-	-
Others:					
- Call deposits (maturing within 90 days)		228,238	419,618	1,007,331	309,192
- Bank balances		967,839	1,765,268	11,772	557,528
		1,196,077	**5,122,495**	**1,019,103**	**866,720**
Reclassified to assets held for sale	8.4	3,108,274	-	-	-
		4,304,351	**5,122,495**	**1,019,103**	**866,720**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2022 Ksh'000	Group 2021 Ksh'000	Company 2022 Ksh'000	Company 2021 Ksh'000
Cash and cash equivalents	1,196,077	5,877,269	1,019,103	866,720
Bank overdrafts	(1,040,154)	(1,034,657)	(1,009,536)	(1,015,813)
Cash reclassified as held for sale	3,108,274	-	-	-
	3,264,197	**4,842,612**	**9,567**	**(149,093)**

4.3.1 Restricted Cash

	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
- Restricted cash	1,200,021	754,774	-	-
	1,200,021	**754,774**	**-**	**-**

Restricted cash relates to cash held in a debt service reserve account and is used for servicing the borrowings obtained. The cash is restricted and therefore not available for general use by the Group companies within Centum Real Estate Limited.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

4 Working capital (continued)

4.4 Payables and accrued expenses

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Other payables are recognised at their nominal value.

		Group		Company	
		2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
Trade payables		639,667	861,005	10,185	-
Payable to property contractors		1,060,353	995,659	-	-
Other payables and accrued expenses		2,311,180	2,424,632	329,955	492,713
Reclassified to liabilities held for sale	8.4	(603,312)	-	-	-
Client deposits		4,825	44,816	-	-
Due to related parties	12.1	147,374	1,453	-	296
		3,560,087	**4,327,565**	**340,140**	**493,009**

The carrying amounts of the payables approximate to their fair values.

4.5 Pre-sales customers' deposits

The balance relates to advance deposits from customers for purchase of land and housing units in the ongoing development projects. The amounts are recognised as revenue when the Company meets its performance obligations under the sales contracts.

	Group	
	2022 Ksh'000	2021 Ksh'000
Deposits on land sales	309,056	206,780
Deposits on residential units	4,429,755	3,390,828
	4,738,811	**3,597,608**

Residential units advances and progress billings

The movement in this balance is as broken down below:

Residential Units		
At start of year	3,390,828	2,046,452
Collections during the year	2,784,645	1,804,121
Currency translations	112,314	-
Recognised as revenue during the year	(1,858,032)	(459,745)
At end of year	**4,429,755**	**3,390,828**
Land sales		
At start of year	199,922	319,066
Collections during the year	1,508,038	2,354,015
Recognised as revenue during the year	(1,405,138)	(2,466,301)
Currency translations	6,234	-
At end of year	**309,056**	**206,780**

The deposits are non-interest bearing and are only refundable in accordance with the provisions of the respective sale agreements.

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Notes to the financial statements

5 Investments

5.1 Investment properties and residential houses under construction (inventories)

5.1.1 Inventories - Residential Houses

Inventoried costs on the residential houses program include land, construction costs, borrowing costs and professional fees not in excess of the estimated net realisable value. To the extent a material amount of such costs are related to an abnormal event or are fixed costs not appropriately attributable to the program, they are expensed in the current period rather than inventoried. Inventoried costs include amounts relating to programs and contracts with long-term production cycles, a portion of which is not expected to be realised within one year.

The determination of net realisable value of long term contract costs is based on monthly reviews that estimate costs to completion. When actual contract costs and the estimate to complete exceed total estimated contract revenues, a loss provision is recorded.

Borrowing costs directly attributable to the acquisition and construction of the residential houses are capitalised.

	Group	
	2022 Ksh'000	2021 Ksh'000
At start of year	6,485,145	3,015,964
Additions	2,349,225	3,313,297
Capitalized borrowing costs	133,967	56,889
Transfer from investment properties	4,701	83,701
Transfer to investment properties	(27,900)	-
Transfers to cost of sales	(1,514,848)	(71,085)
Currency translation differences	120,967	86,379
At end of year	**7,551,257**	**6,485,145**

5.1.2 Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment properties and are non-current assets. Investment properties are carried at fair value, representing open market value determined annually by external valuers. Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions. Changes in fair values are presented in the income statement in the year to which they relate.

Borrowing costs directly attributable to the acquisition and construction of investment properties are capitalised.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

5 Investments

5.1 Investment properties and residential houses under construction (inventories)

5.1.2 Investment properties (continued)

	Group 2022 Ksh'000	Group 2021 Ksh'000
At start of year	41,528,010	41,181,081
Additions	24,617	62,570
Capitalised input VAT	-	862,467
Transfers to inventory/other assets	(75,940)	(1,030,227)
Transfer from inventory	27,900	-
Change in fair value	566,568	2,360,374
Disposals	(1,597,549)	(2,682,197)
Currency translation differences	719,466	773,942
	41,193,072	**41,528,010**
The changes in fair value are broken down below:-		
Two Rivers Development Limited	53,500	721,712
Centum Real Estate Limited	513,068	1,638,662
	566,568	**2,360,374**

Transfers to inventory/other assets
These relate to transfers of investment property in Vipingo Development Plc, Pearl Marina Estates Limited and Uhuru Heights Limited to inventory following a change of use in these investment properties

Valuation
The information is set out under Note 1.5.2

Cashflow
For the purposes of the statement of cash flows, additions during the year are made up of:

	2022 Ksh'000	2021 Ksh'000
Actual cash payments	24,617	45,938
Accrued expenses	-	16,632
	24,617	**62,570**

Valuers
The fair value of the investment properties are based on the valuation carried out by Regent Valuers International (K) Limited and Ark Consultants Limited independent valuers. The valuers are registered valuers and have recent experience in the locations and the category of the investment properties being valued.

Disposals
During the year, the group sold land for a total consideration of Ksh 1,716,725,000 (2021: Ksh 2,466,301,000) resulting in a gain in the profit or loss account as follows:

	2022 Ksh'000	2021 Ksh'000
Sales proceeds	1,716,725	2,466,301
Commissions	(2,511)	-
Original cost of the land and related infrastructure costs	(327,208)	(258,668)
	1,387,006	2,207,633
Less: previously recognised fair value gains	(1,275,932)	(2,445,540)
Gain/(loss) recognised in profit or loss	**111,074**	**(237,907)**
Amounts in profit and loss:		
Change in fair value	566,568	2,360,374
Currency translation differences	719,466	773,942
	1,286,034	**3,134,316**

Pledges as security for borrowings
Investment properties valued at Ksh 30.41 billion (2021: Ksh 31.425 billion) has been pledged as security for borrowings in the Group. Refer to note 9.1c

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Notes to the financial statements

5 Investments (continued)

5.2 Unquoted equity investments

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
At start of year	4,060,015	4,550,450	3,585,229	4,126,484
Additions	224,420	40,914	175,589	-
Disposals	(71,644)	-	(18,000)	-
Interest income	67,093	-	-	-
Changes in fair value	1,188,735	(531,349)	1,204,080	(541,255)
	1,408,604	**(490,435)**	**1,361,669**	**(541,255)**
At end of year	**5,468,619**	**4,060,015**	**4,946,898**	**3,585,229**

The Group's unquoted investments relate to investments in Isuzu East Africa Limited, Nas Servair, Africa Crest Education (ACE) Holdings and Nabo Unit Trusts Fund.

Africa Crest Education (ACE) Holdings is carried at cost as the fair value cannot be reliably determined at this stage given the level of development of the asset. This is a private equity investment with no quoted market.

The fair value of unquoted investments is determined by using the earnings multiples method using multiples as derived from comparable companies at the year-end date, adjusted for points of difference between the comparable company and the company being valued. Unquoted investments are non-current assets. Detailed disclosures in the valuation of each investee company are set out under note 1.5.1.

5.3 Quoted equity investments

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
At start of year	429,104	398,174	156,411	22,586
Additions	1,024,093	82,644	1,007,159	53,717
Disposals	(1,752,596)	(94,624)	(1,152,225)	-
Currency translation differences	311,500	(13,893)	-	-
Changes in fair value	(3,806)	56,803	(3,784)	80,108
	(420,809)	**30,930**	**(148,850)**	**133,825**
At end of year	**8,295**	**429,104**	**7,561**	**156,411**

The fair value of all equity securities is based on the quoted closing market prices on the listed securities market at the year end date.

Notes to the financial statements

6 Group composition

6.1 Interest in subsidiaries

The Company's interest in subsidiaries is as set out below:

		Cost				Cumulative fair value gains/ (losses)				Fair value	
	Ownership	01-Apr-21	Additions	Disposals	31-Mar-22	01-Apr-21	In the year	Released on disposal	31-Mar-22	31-Mar-22	31-Mar-21
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Centum Real Estate Limited	100%	501,498	-	-	501,498	16,174,275	125,085	-	16,299,360	16,800,858	16,675,773
Rasimu Limited	100%	100	-	-	100	340,711	(82,293)	-	258,418	258,518	340,811
Centum BVI Limited	100%	8	-	-	8	(8)	-	-	(8)	-	-
Two Rivers Development Limited	53.60%	1,216,458	-	-	1,216,458	4,013,561	(1,433,697)	-	2,579,864	3,796,322	5,230,019
eTransact Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Exotics Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Nabo Capital Limited	100%	438,000	-	-	438,000	64,610	(39,476)	-	25,134	463,134	502,610
Investpool Holdings Limited	100%	68	-	-	68	(68)	-	-	(68)	-	-
Mvuke Power Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Jafari Credit Limited (Formerly Centum Business Solutions Limited)	100%	100	-	-	100	(100)	-	-	(100)	-	-
Bakki Holdco Limited	100%	4,585,207	183,059	-	4,768,266	(2,064,221)	72,118	-	(1,992,103)	2,776,163	2,520,986
Greenblade Growers Limited	100%	412,405	-	-	412,405	(360,233)	65,290	-	(294,943)	117,462	52,172
Elimu Holdings Limited	100%	1,000	-	-	1,000	(1,000)	-	-	(1,000)	-	-
Longhorn Publishers Plc	60.20%	749,866	-	-	749,866	(83,969)	(93,488)	-	(177,457)	572,409	665,897
Zohari Credit Limited	100%	214,428	-	-	214,428	4,138	(27,608)	-	(23,470)	190,958	218,566
Tier Data Limited	100%	-	-	-	-	16,834	(16,834)		-	-	16,834
Tribus TSG Limited	80%	100	-	-	100	34,622	8,493	-	43,115	43,215	34,722
Barium Capital Limited	100%	5,000	-	-	5,000	(5,000)	-	-	(5,000)	-	-
		8,124,538	**183,059**	**-**	**8,307,597**	**18,133,852**	**(1,422,410)**	**-**	**16,711,442**	**25,019,039**	**26,258,390**
Reclassification to asset held for sale Sidian Bank Limited		-	-	-	(4,768,266)	-	-	-	1,992,103	(2,776,163)	-
Total		**8,124,538**	**183,059**	**-**	**3,539,331**	**18,133,852**	**(1,422,410)**	**-**	**18,703,545**	**22,242,876**	**26,258,390**

Notes to the financial statements

6 Group composition (continued)

6.1 Interest in subsidiaries

The Company's interest in subsidiaries is as set out below:

	Ownership	01-Apr-20	Additions	Disposals	31-Mar-21	Cumulative fair value gains/ (losses) 01-Apr-20	In the year	Released on disposal	31-Mar-21	Fair value 31-Mar-21	31-Mar-20
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Centum Real Estate Limited (Formerly Athena Properties Limited)	100%	114,735	-	-	114,735	(114,735)	-	-	(114,735)	-	-
Rasimu Limited	100%	100	-	-	100	573,046	(232,335)	-	340,711	340,811	573,146
Centum BVI Limited	100%	8	-	-	8	(8)	-	-	(8)	-	-
Two Rivers Development Limited	53.60%	1,216,458	-	-	1,216,458	4,767,031	(753,470)	-	4,013,561	5,230,019	5,983,488
Uhuru Heights Limited	100%	100	-	-	100	238,934	(140,992)	-	97,942	98,042	239,034
eTransact Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Exotics Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Development Limited	100%	90	-	-	90	2,700,702	570,581	-	3,271,283	3,271,373	2,700,792
Nabo Capital Limited	100%	438,000	-	-	438,000	8,712	55,898	-	64,610	502,610	446,712
Investpool Holdings Limited	100%	68	-	-	68	(68)	-	-	(68)	-	-
Mvuke Power Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Bakki Holdco Limited	100%	4,585,207	-	-	4,585,207	(2,047,398)	(16,823)	-	(2,064,221)	2,520,986	2,537,809
Vipingo Development Plc	100%	364	-	-	364	14,060,528	(2,538,989)	-	11,521,539	11,521,903	14,060,892
Vipingo Estates Limited	100%	386,209	-	-	386,209	2,098,134	(699,888)	-	1,398,246	1,784,455	2,484,343
Greenblade Growers Limited	100%	412,405	-	-	412,405	(368,924)	8,691	-	(360,233)	52,172	43,481
Elimu Holdings Limited	100%	1,000	-	-	1,000	(1,000)	-	-	(1,000)	-	-
Longhorn Publishers Plc	60.20%	749,866	-	-	749,866	119,408	(203,377)	-	(83,969)	665,897	869,275
Zohari Leasing Limited	100%	214,428	-	-	214,428	16,002	(11,864)	-	4,138	218,566	230,430
Tier Data Limited	100%	-	-	-	-	-	16,834	-	16,834	16,834	-
Tribus TSG Limited	80%	100	-	-	100	56,456	(21,834)	-	34,622	34,722	56,556
Barium Capital Limited	100%	5,000	-	-	5,000	5,460	(10,460)	-	(5,000)	-	10,460
Centum Capital Partners Limited	100%	-	-	-	-	-	-	-	-	-	-
Total		**8,124,538**	**-**	**-**	**8,124,538**	**22,111,880**	**(3,978,028)**	**-**	**18,133,852**	**26,258,390**	**30,236,418**

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Notes to the financial statements

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Operating segment	Percentage ownership	Principal activity
Centum Real Estate Limited	Kenya	Investment operations	Real estate	100%	End-to-end project and development management services for real estate projects and real estate development and also owns developments
Rasimu Limited	Kenya	Investment operations	Real estate	100%	Investment holding company. At 31 March 2022, the company's sole holding was a 3.65% stake in Two Rivers Development Limited.
Pearl Marina Estates Limited	Uganda	Investment operations	Real estate	100%	Real estate development in Uganda
Two Rivers Development Limited	Kenya	Investment operations	Real estate	53.60%	Real estate development. The company has developed the Two Rivers project in Nairobi. The company holds a joint controlling stake of 50% at Two Rivers Lifestyle Center Limited and a 100% stake in Two Rivers Luxury Apartments Limited, Two Rivers Power Company Limited, Two Rivers Water and Sanitation Company Limited, Two Rivers Property Owners Limited, Two Rivers Office Suites Limited and Two Rivers Development Phase 2 Limited. Two Rivers Theme Park Limited is a Joint Venture between Two Rivers Development Limited and Funscapes Limited.
Uhuru Heights Limited	Kenya	Investment operations	Real estate	100%	The company is an investment holding company. At 31 March 2022, the company's holdings included a 1.05% stake in Two Rivers Development Limited and was developing Cascadia apartments.
Centum Development Kenya Limited	Kenya	Investment operations	Real estate	100%	The company is an investment holding company.
Centum Exotics Limited	Mauritius	Investment operations	Marketable securities	100%	The company is engaged in investment in marketable securities. At 31 March 2022, the company held 100% stake in Oleibon Investments Limited.
Centum Development Company Limited	Mauritius	Investment operations	Real estate	100%	The company is an investment holding company for real estate development. At 31 March 2022, the company's sole holding was in Pearl Marina Estates Limited
Nabo Capital Limited	Kenya	Financial services	Private equity	100%	The company is involved in fund management and transaction advisory services.
Investpool Holdings Limited	Mauritius	Investment operations	Private equity	100%	The company is an investment holding company. At 31 March 2022, the company held 100% of Mvuke Limited that is a special purpose vehicle to explore Geothermal opportunities in Africa and owns 37.5% of Akiira Geothermal Limited.
Jafari Credit Limited (Formerly Centum Business Solutions Limited)	Kenya	Financial services	Private equity	100%	The company is involved in payroll lending to government employees and previously provided shared services to Centum Investment Company Plc and its subsidiaries.
Bakki Holdco Limited	Kenya	Financial services	Private equity	100%	Holding company for the Group's investment in Sidian Bank Limited.
Vipingo Development Plc	Kenya	Investment operations	Real estate	100%	Real estate development
Vipingo Estates Limited	Kenya	Investment operations	Real estate	100%	Real estate development
Greenblade Growers Limited	Kenya	Trading	Private equity	100%	Agricultural production
Shefa Holdings Limited	Mauritius	Investment operations	Private equity	100%	Private equity investments
Zohari Credit Limited (Formerly Zohari Leasing Limited)	Kenya	Financial services	Private equity	100%	Leasing services
E Tranzact Limited	Kenya	Investment operations	Private equity	100%	Dormant entity
Centum BVI Limited	British Virgin Islands	Investment operations	Private equity	100%	Dormant entity
Elimu Holdings Limited	Mauritius	Investment operations	Private equity	100%	Dormant entity
Longhorn Publishers Limited	Kenya	Trading	Private equity	60.20%	Public limited liability company involved in publishing and distribution of learning materials in Kenya and East Africa.
Tier Data Limited	Kenya	IT Services	Private equity	100%	Provision of IT services
Tribus TSG Limited	Kenya	Investment operations	Private equity	100%	Training, security, governance consultancy services and facilities management

Notes to the financial statements

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

ii) Significant restrictions
No local exchange control regulations apply in relation to exporting capital in the foreign jurisdictions where the Group has incorporated subsidiaries.

iii) Non controlling interests
Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Sidian Bank Limited		Tribus TSG		Two Rivers Development Limited		Longhorn Publishers Plc		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised balance sheet										
Current assets	23,623,412	17,393,925	163,437	116,663	4,647,250	6,157,380	1,558,420	1,936,150	29,992,519	25,604,118
Current liabilities	(30,884,756)	(23,865,393)	(121,036)	(84,743)	(2,706,200)	(2,632,779)	(1,066,920)	(1,267,275)	(34,778,912)	(27,850,190)
Net current assets/ (liabilities)	(7,261,344)	(6,471,468)	42,401	31,920	1,941,050	3,524,601	491,500	668,875	(4,786,393)	(2,246,072)
Non current assets	19,619,020	16,039,098	11,618	13,605	16,212,287	17,959,831	1,265,128	1,168,244	37,108,053	35,180,778
Non current liabilities	(7,476,453)	(5,354,678)	-	(2,122)	(11,070,649)	(14,413,261)	(1,003,088)	(1,276,852)	(19,550,190)	(21,046,913)
Net non current assets/ (liabilities)	12,142,567	10,684,420	11,618	11,483	5,141,638	3,546,570	262,040	(108,608)	17,557,863	14,133,865
Net assets	4,881,223	4,212,952	54,019	43,403	7,082,688	7,071,171	753,540	560,267	12,771,470	11,887,793
Accumulated NCI	**808,754**	**749,905**	**10,804**	**8,681**	**2,953,481**	**2,948,678**	**299,908**	**222,986**	**4,072,947**	**3,930,250**
Summarised income statement										
Income	5,424,658	4,064,968	245,325	209,805	765,812	863,550	1,904,033	699,295	8,339,828	5,837,618
Profit/(loss) for the year	508,710	171,332	9,442	19,660	(1,796,216)	(1,574,593)	133,475	(374,154)	(1,144,589)	(1,757,755)
Other comprehensive income/ (loss)	-	-	-	-	14,147	53,168	-	-	14,147	53,168
Total comprehensive income/ (loss)	508,710	171,332	9,442	19,660	(1,782,069)	(1,521,425)	133,475	(374,154)	(1,130,442)	(1,704,587)
Profit/(loss) allocated to NCI	84,287	30,497	1,888	3,932	(743,123)	(634,434)	53,123	(148,913)	(603,825)	(748,918)
Dividends paid to NCI	-	-	-	-	-	-	-	-	-	-

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6 Group composition (continued)

6.2 Investment in associates and joint ventures

At Company level, associates and joint ventures are accounted for at fair value in accordance with IFRS 9. At the Group level, associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the profit attributable to the Group is recognised in profit or loss.

The Group's share of any post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The carrying amount of the Group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interests in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to align the accounting policies of the associates and joint ventures with those of the Group.

6.2.1 Investment in associates

Set out below are the associates of the Group at 31 March 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	
		2022	2021
Akiira Geothermal Limited	Kenya	37.5%	37.5%

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Notes to the financial statements

6 Group composition (continued)

6.2 Investment in associates and joint ventures

6.2.1 Investment in associates

Movements in investments in associates is as follows:

	Group	
	2022	2021
	Ksh'000	Ksh'000
At start of year	1,094,479	1,449,966
Additions during the year	34,589	30,040
Impairment charge to profit or loss	-	(385,527)
Share of loss of associate	(150,163)	-
	978,905	**1,094,479**

Associates are accounted for under the equity method in the Group's financial statements. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus share of subsequent profits or losses and other comprehensive income less any impairment in the value of individual investments.

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Notes to the financial statements

6 Group composition (continued)

6.2 Investment in associates and joint ventures

6.2.2 Investment in joint ventures

Set out below are the joint ventures of the Group at 31 March 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	
		2022	2021
Two Rivers Lifestyle Centre Limited	Mauritius	50%	50%
Two Rivers Theme Park Limited	Kenya	50%	50%
Amu Power Company Limited	Kenya	51%	51%

Movements in joint ventures during the year are as follows:

	Group		Company	
	2022 Ksh'000	2021 Ksh'000	2022 Ksh'000	2021 Ksh'000
At start of year	2,108,890	2,889,797	-	-
Additions during the year	16,455	314,437	-	-
Share of losses	(956,006)	(1,074,310)	-	-
Provision for impairment	(52,758)	(21,034)	-	-
	1,116,581	**2,108,890**	**-**	**-**
Analysed as follows:				
- Joint ventures (equity)	1,116,581	2,108,890	-	-
- Joint ventures (debt)	-	-	-	-
	1,116,581	**2,108,890**	**-**	**-**

Joint ventures are accounted for under the equity method in the Group's and company's financial statements. Under the equity method, joint ventures are carried in the consolidated and company statements of financial position at cost plus share of subsequent profits or losses and other comprehensive income less any impairment in the value of individual investments.

The Group used audited financial statements of Two Rivers Lifestyle Centre Limited and Two Rivers Theme Park Limited for the year ended 31 March 2022 to account for the Group's joint ventures using the equity method.

Impairment provision on Amu Power Company Limited debt instrument

An impairment provision of Ksh 2,097,549,000 was recognised against the carrying value of the investment in Amu Power Company Limited during the year ended 31 March 2020. At 31 March 2022, the Company had completed negotiations for an Operations and Maintenance (O&M) and the Engineering, Procurement and Construction (EPC) contracts, secured a Power Purchase Agreement with Kenya Power Limited, negotiated a debt term sheet and obtained a Government of Kenya Letter of Support.

In view of the uncertainties surrounding the timing of closure of these matters and the classification of the investment as a debt instrument, a full provision has been recorded in accordance with IFRS 9, Financial Instruments. Contractually, however, the investment in the debt instrument continues to be outstanding.

i) Summarised financial information for joint ventures

The tables below provide summarised financial information for joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

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Notes to the financial statements

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

i) Summarised financial information of joint ventures (continued)

	Two Rivers Lifestyle Centre Limited		Two Rivers Theme Park Limited	
	2022	2021	2022	2021
Summarised balance sheet	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Current assets:				
- Cash and cash equivalents	107,745	36,217	1,381	-
- Other current assets	2,346,104	2,432,895	86,095	-
Total current assets	2,453,849	2,469,112	87,476	-
Non current assets	15,676,139	16,167,293	892,590	-
Current liabilities:				
- Financial liabilities (excluding trade payables)	-	(10,022,460)	(66,073)	-
- Other current liabilities	(1,511,166)	(1,548,561)	(49,408)	-
Total current liabilities	(1,511,166)	(11,571,021)	(115,481)	-
Non current liabilities				
- Financial liabilities (excluding trade payables)	(11,196,414)	-	(1,117,902)	-
- Other non current liabilities	(3,189,243)	(3,055,212)	(55,150)	-
Total non current liabilities	(14,385,657)	(3,055,212)	(1,173,052)	-
Net assets	**2,233,165**	**4,010,172**	**(308,467)**	**-**
Reconciliation to carrying amounts:				
Opening net assets 1 April	4,010,172	6,136,907	-	-
Loss for the year	(1,803,554)	(2,148,619)	(108,457)	-
Additions	-	-	108,457	
Capital contribution	26,547	21,884	-	-
Closing net assets	**2,233,165**	**4,010,172**	**-**	**-**
Group's share in %	50%	50%	50%	0%
Group's share in Ksh	1,116,583	2,005,086	-	-
Carrying amount	**1,116,583**	**2,005,086**	**-**	**-**
Summary statement of comprehensive income				
Income	808,737	631,164	76,456	-
Cost of sales	-	-	(125,438)	
Operating and administration expenses	(581,925)	(572,613)	(7,748)	-
Operating profit/(loss)	**226,812**	**58,551**	**(56,730)**	**-**
Interest expense	(1,559,219)	(1,365,199)	(50,492)	-
Fair value losses on revaluation	(471,147)	(841,971)	-	-
Income tax expense	-	-	(1,235)	-
Loss for the year	**(1,803,554)**	**(2,148,619)**	**(108,457)**	**-**
Total comprehensive income	**(1,803,554)**	**(2,148,619)**	**(108,457)**	**-**

ii) Other joint ventures

In addition to the interest in joint ventures disclosed above, the Group also has interests in Amu Power Company Limited. The carrying amount of the investment is at the historical cost and represents the Group's investments in the company's power project. The management considers the cost to be the estimate of fair values. An impairment provision of Ksh 2,097,549,000 was recognised against the carrying value of the investment in Amu Power Company Limited during the year ended 31 March 2022.

There were no commitments and contingent liabilities with respect to associate and joint ventures that have a material impact on the Group.

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7 Other financial assets and liabilities

7.1 Loans and advances

Loans and advances are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

	Notes	Group 2022 Ksh'000	Group 2021 Ksh'000
Term loans		21,738,721	19,209,652
Overdrafts		2,132,277	2,138,707
Credit cards		56,116	60,219
Interest in suspense		(300,807)	(288,455)
Gross loans and advances		23,626,307	21,120,123
Expected credit loss allowance		(521,323)	(697,590)
Reclassified to assets held for sale	8.4	(23,104,984)	-
		-	**20,422,533**
Analysis of gross loans and advances by maturity			
Maturing within one year		5,235,644	6,306,300
Between two and three years		10,332,082	7,163,107
Over 3 years		7,537,258	7,650,716
		23,104,984	**21,120,123**
The movement in the expected credit loss allowance:			
Statement of financial position			
At start of year		697,590	915,880
Charged through profit or loss in the year (loans and advances)		500,341	117,505
Recoveries of amounts previously written off		(31,656)	(18,221)
Write - offs in the year		(644,952)	(317,574)
At end of year		**521,323**	**697,590**
Profit and loss			
Provision in the year		531,997	135,726
Recoveries of amounts previously provided for		(31,656)	(18,221)
		500,341	**117,505**

Loans and advances are held by Sidian Bank Limited.

The aggregate amount of non-performing advances was Ksh 2,835,458,136 (2021:Ksh 2,404,382,170) against which specific provisions of Ksh 1,143,523,171 (2021: Ksh1,169,619,892) have been made leaving a net balance of Ksh 1,691,934,965 (2021: Ksh 1,234,762,278) which is included in the statement of financial position in the loans and advances line item.

The weighted average effective interest rate on loans and advances as at 31 March 2022 was 14.9% (2021: 14.5%). The collateral held against these loans includes mortgages, motor vehicles, land and buildings, chattels, share certificates among other assets.

	Notes	Group 2022 Ksh'000	Group 2021 Ksh'000
Fair value of collateral held		81,919,229	67,504,045

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Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Loans and advances are held by Sidian Bank Limited (continued)

Impairment of loans and advances
The estimation of impairment of loans and advances is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of impairment of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Credit risk grading
The Group uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral for retail exposures, and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the credit officers to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for other types of portfolio held by the Group:

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7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Impairment of loans and advances (continued)

Expected credit loss measurement
IFRS 9 outlines a 'three-Stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirement of the standard are as follows:-

(a) Significant Increase in credit risk (SICR)
The Group's decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date.

The Group considers a financial instruments to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

Quantitative Criteria
The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The Group considers if there has been an increase in the customer's rating, the facility is deemed to have a significant increase in credit risk. The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk. In adherence to the standard, the Group shall at every reporting period assess the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Group shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

The Group's quantitative credit grading, as compared to CBK's prudential guidelines, into five prudential guidelines categories as follows:

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7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Impairment of loans and advances (continued)

(a) Significant increase in credit risk (SICR) (continued)

Quantitative Criteria (continued)

IFRS 9 credit staging	CBK PG/04 Guidelines	Days past due
1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
2	Watch	31 to 90 days overdue
3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

Qualitative Criteria
In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to the following:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage;
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected);
3. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations;
4. Significant changes in the value of collateral which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default;
5. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees); and
6. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

Backstop
A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

(b) Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(b) Definition of default and credit-impaired assets (continued)

Qualitative criteria (continued)

The Group considers a facility that is more than 90 days past due as credit impaired as per internal risk rating. The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows;

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.

- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.
The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Forecasts of the base economic scenario and the possible scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The most significant assumptions affecting the ECL allowance are as follows. The scenarios "base", "upside" and "downside" were used for all portfolios.

	All segments		
	Base	**Upside**	**Downside**
Exchange rate (USD)	115	110.8	119.2
Nominal Gross domestic product (GDP)	8.10%	7.80%	8.40%
Interest rates (lending rates)	13.00%	12.80%	13.20%
Inflation	6.50%	6.30%	6.70%

The weightings assigned to each economic scenario at 31 March 2021 and 31 March 2022 were as follows:

	Base	**Upside**	**Downside**
Weightings	50%	30%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(d) Forward-looking information incorporated in the ECL models (continued)

Maximum exposure to credit risk before collateral held

The breakdown of loans and advances is summarised below:

Group and Bank	2022				2021
	Stage 1 12 month ECL Ksh' 000	Stage 2 Ksh' 000	Stage 3 Lifetime ECL Ksh' 000	Total Ksh' 000	 Ksh' 000
Individually impaired / non performing facilities					
Grade 3: Substandard	-	-	604,558	604,558	275,055
Grade 4: Doubtful	-	-	655,210	655,210	1,822,226
Grade 5: Loss	-	-	1,575,690	1,575,690	307,102
Gross amount	**-**	**-**	**2,835,458**	**2,835,458**	**2,404,383**
Credit impairment losses	-	-	(567,750)	(567,750)	(592,741)
Carrying amount	**-**	**-**	**2,267,708**	**2,267,708**	**1,811,642**
Collectively impaired					
Grade 1: Normal	19,015,853	-	-	19,015,853	17,999,047
Grade 2: Watch	-	2,288,732	-	2,288,732	1,005,149
	-			-	
Gross amount	**19,015,853**	**2,288,732**	**-**	**21,304,585**	**19,004,196**
Credit impairment losses	151,777	102,603	-	(254,380)	(393,305)
Carrying amount	**18,864,076**	**2,186,129**	**-**	**21,050,205**	**18,610,891**
Total carrying amount	**18,864,076**	**2,186,129**	**2,267,708**	**23,317,913**	**20,422,533**

(e) Collateral and other credit enhancements

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the borrower's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and bank guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the borrower's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and bank guarantees.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the period.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(e) Collateral and other credit enhancements (continued)

Valuation of collateral
The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Lending limits
The Group maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

Financial covenants (for credit related commitments and loan books)
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(f) Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(f) Impairment and provisioning policies (continued)

The following tables explain the changes in the loss allowance in the year due to these factors:

Group and Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Ksh' 000	Ksh' 000	Ksh' 000	Ksh' 000
Year ended 31 March 2022				
Loss allowance at 1 April 2021	833,722	286,101	(161,860)	957,963
Net staging transfers	(53,796)	24,858	28,938	-
New financial assets originated or purchased	22,064	1,765	-	23,829
Net charge to profit or loss in the year	**(31,732)**	**26,623**	**28,938**	**23,829**
Other movements with no profit and loss impact:				**-**
Net staging transfers	-	-	-	-
Financial assets derecognised	26,111	(22,890)	55,495	58,716
Write-offs	-	-	(310,123)	(310,123)
Loss allowance at 31 March 2022	**828,101**	**289,834**	**(387,550)**	**730,385**
Year ended 31 March 2021				
Loss allowance at 1 April 2020	606,615	119,903	189,362	915,880
Net staging transfers	89,765	(36,309)	(53,456)	-
Changes in PDs/LGDs/EADs	-	-	-	-
Changes in model assumptions	-	-	-	-
Modification of contractual cash flows	-	-	-	-
Unwind of discount	-	-	-	-
New financial assets originated or purchased	69,438	10,038	15,609	95,085
Net charge to profit or loss in the year	**159,203**	**(26,271)**	**(37,847)**	**95,085**
Other movements with no profit and loss impact:				**-**
Net staging transfers	-	-	-	-
Financial assets derecognised	67,904	192,469	4,199	264,572
Write-offs	-	-	(317,574)	(317,574)
Loss allowance at 31 March 2021	**833,722**	**286,101**	**(161,860)**	**957,963**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(f) Impairment and provisioning policies (continued)

The following table below shows the movement in gross carrying amount of loans and advances to help explain the changes in the loss allowance for the same portfolio:

Group and Bank	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	Ksh' 000	**Ksh' 000**	**Ksh' 000**	**Ksh' 000**
Year ended 31 March 2022				
Gross carrying amount at 1 April 2021	17,782,303	1,005,148	2,332,672	21,120,123
Net staging transfers	(1,721,838)	788,855	932,983	(0)
Financial assets derecognised	(2,202,403)	15,658	48,212	(2,138,533)
New financial assets originated	4,509,591	163,922	48,935	4,722,448
Modification of contractual cash flows	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	(599,054)	(599,054)
Forex translation and other movements	-	-	-	-
At year end	**18,367,653**	**1,973,583**	**2,763,748**	**23,104,984**
Year ended 31 March 2021				
Gross carrying amount at 1 April 2021	11,722,784	990,147	3,164,380	15,877,311
Net staging transfers	(196,026)	238,906	(42,880)	-
Financial assets derecognised	1,051,046	(388,352)	(386,346)	276,348
New financial assets originated	5,204,499	164,447	23,875	5,392,821
Modification of contractual cash flows	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	(426,357)	(426,357)
Forex translation and other movements	-	-	-	-
At year end	**17,782,303**	**1,005,148**	**2,332,672**	**21,120,123**

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Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds:

		Group		Company	
		2022	2021	2022	2021
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Government securities at fair value through profit or loss	7.2.1	903,004	806,439	-	-
Government securities at amortised cost	7.2.2	1,810,041	9,211,218	1,664,655	2,625,924
Corporate bonds at amortised cost	7.2.3	851,013	1,815,477	2,285,207	1,609,418
Commercial papers at amortised cost	7.2.4	518,506	647,868	-	-
		4,082,564	**12,481,002**	**3,949,862**	**4,235,342**

7.2.1 Government securities at fair value through profit or loss				
At start of year	**806,439**	**1,639,048**	**-**	**-**
Reclassification to assets held for sale	(1,717,115)	-	-	-
Additions	4,154,275	2,161,196	-	-
Disposals	(2,315,234)	(2,990,029)	-	-
Accrued interest	272,991	41,484	-	-
Changes in fair value	(298,352)	(45,260)	-	-
	1,813,680	**(832,609)**	**-**	**-**
At end of year	**903,004**	**806,439**	**-**	**-**

Changes in fair values of government securities at fair value through profit and loss are recorded in 'investment income' in the income statement.

	Group		Company	
	2022	2021	2022	2021
7.2.2 Government securities at amortised cost	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**9,211,218**	**6,463,945**	**2,625,924**	**2,621,439**
Reclassification to assets held for sale	(12,066,153)	-	-	-
Additions	7,230,986	5,420,901	1,748,232	4,485
Disposals	(3,275,141)	(2,858,355)	(3,064,253)	-
Accrued interest	709,131	184,727	354,752	-
	4,664,976	**2,747,273**	**(961,269)**	**4,485**
At end of year	**1,810,041**	**9,211,218**	**1,664,655**	**2,625,924**
7.2.3 Corporate bonds at amortised cost				
At start of year	**1,815,477**	**634,940**	**1,609,418**	**529,118**
Additions	762,276	1,276,894	2,289,676	1,080,300
Accrued interest	255,470	17,459	255,470	-
Maturities	(1,982,210)	(113,816)	(1,869,357)	-
	(964,464)	**1,180,537**	**675,789**	**1,080,300**
At end of year	**851,013**	**1,815,477**	**2,285,207**	**1,609,418**

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Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds (continued)

7.2.4 Commercial papers at amortised cost	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**647,868**	**175,495**	**-**	**-**
Additions	107,669	604,394	-	-
Accrued interest	18,269	50,395	-	-
Interest receipts	-	(29,910)	-	-
Disposals	(255,300)	(152,506)	-	-
	(129,362)	472,373	-	-
At end of year	**518,506**	**647,868**	**-**	**-**

The maturity profile of government securities and corporate bonds is set out below:

Group					
Year ended 31 March 2022	**0 - 180 days**	**181 days - 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Government securities at fair value through profit and loss	-	-	-	903,004	903,004
Government securities at amortised cost	-	-	5,894	1,804,147	1,810,041
Corporate bonds at amortised cost	218,399	592,327	40,287	-	851,013
Commercial papers at amortised cost	-	518,506	-	-	518,506
	218,399	**1,110,833**	**46,181**	**2,707,151**	**4,082,564**
Year ended 31 March 2021					
Government securities at fair value through profit and loss	806,439	-	-	-	806,439
Government securities at amortised cost	-	-	-	9,211,218	9,211,218
Corporate bonds at amortised cost	-	-	1,815,477	-	1,815,477
Commercial papers at amortised cost	-	647,868	-	-	647,868
	806,439	**647,868**	**1,815,477**	**9,211,218**	**12,481,002**

Company					
Year ended 31 March 2022					
Government securities at amortised cost	-	-	5,894	1,658,761	1,664,655
Corporate bonds at amortised cost	218,399	1,522,295	544,513	-	2,285,207
	218,399	**1,522,295**	**550,407**	**1,658,761**	**3,949,862**

Company					
Year ended 31 March 2021					
Government securities at amortised cost	-	-	-	2,625,924	2,625,924
Corporate bonds at amortised cost	-	-	1,609,418	-	1,609,418
	-	**-**	**1,609,418**	**2,625,924**	**4,235,342**

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Notes to the financial statements

7 Other financial assets and liabilities (continued)

7.3 Customer deposits

			Group	
			2022	**2021**
			Ksh'000	**Ksh'000**
Call and fixed deposits			14,327,321	11,733,567
Current and demand accounts			8,616,328	8,621,726
Savings accounts	- Microsavers		650,536	2,714,436
	- Others		2,369,369	-
Reclassification to liabilities held for sale		8.4	(25,963,554)	-
			-	**23,069,729**
Analysis of customer deposits by maturity:				
Payable within one year			25,729,055	22,848,088
Between one year and three years			234,499	221,641
Reclassification to liabilities held for sale			(25,963,554)	-
			-	**23,069,729**

Customer deposits are held by Sidian Bank Limited.

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Notes to the financial statements

8 Non financial assets

8.1 Property, plant and equipment

All categories of property, plant and equipment excluding land and buildings are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown under other reserves in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve. All other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	40 - 50 years
Factory plant and machinery	8 years
Motor vehicles, lorries and trucks	4 - 5 years
Computers	3 - 4 years
Furniture, fittings and equipment	8 - 10 years

Depreciation charged on factory plant, buildings, machinery and motor vehicles used in distribution of raw materials and finished goods is included in cost of sales while depreciation on all the other assets is included in operating and administrative expenses in the statement of profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the financial statements

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Work in progress	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2021							
Cost or valuation	505,121	5,551,926	1,009,468	593,917	509,602	364,434	8,534,468
Accumulated depreciation	(116,862)	(2,502,639)	(639,720)	(440,763)	(380,559)	-	(4,080,543)
Net book amount	**388,259**	**3,049,287**	**369,748**	**153,154**	**129,043**	**364,434**	**4,453,925**
Year ended 31 March 2022							
Opening net book amount	388,259	3,049,287	369,748	153,154	129,043	364,434	4,453,925
Additions	16,463	125,763	19,790	17,020	19,134	121,728	319,898
Transfers*	59,472	9,754	82,841	-	7,467	(55,178)	104,356
Disposals	-	(3,529)	(299)	(1,801)	1	(16,725)	(22,353)
Derecognition on disposal of a subsidiary	(77,167)	(856,830)	(682)	-	(26)	(29,741)	(964,446)
Reclassification to assets held for sale	(125,219)	(201,857)	(40,735)	-	-	-	(367,811)
Depreciation released on disposal	-	(2,808)	(287)	-	-	-	(3,095)
Depreciation charge for the year	(12,995)	(152,435)	(68,779)	(20,603)	(28,012)	-	(282,824)
Closing net book amount	**248,813**	**1,967,345**	**361,597**	**147,770**	**127,607**	**384,518**	**3,237,650**
At 31 March 2022							
Cost or valuation	503,889	4,827,084	1,111,118	609,136	535,852	384,518	7,971,597
Reclassification to assets held for sale	(125,219)	(201,857)	(40,735)	-	-	-	(367,811)
Accumulated depreciation	(129,857)	(2,657,882)	(708,786)	(461,366)	(408,245)	-	(4,366,136)
Net book amount	**248,813**	**1,967,345**	**361,597**	**147,770**	**127,607**	**384,518**	**3,237,649**

* Relates to capitalisation of costs for assets that are ready for use from work in progress to the various classes.

Centum Investment Company Plc
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Notes to the financial statements

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Work in progress	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2020							
Cost or valuation	461,771	5,401,043	982,103	594,749	472,590	30,243	7,942,499
Accumulated depreciation	(104,252)	(2,346,482)	(617,534)	(418,554)	(356,861)	-	(3,843,683)
Net book amount	**357,519**	**3,054,561**	**364,569**	**176,195**	**115,729**	**30,243**	**4,098,816**
Year ended 31 March 2021							
Opening net book amount	357,519	3,054,561	364,569	176,195	115,729	30,243	4,098,816
Additions	402	58,783	44,180	2,000	37,012	388,217	530,594
Transfers*	42,948	151,753	5,072	-	-	(54,026)	145,747
Disposals	-	(59,653)	(21,887)	(2,832)	-	-	(84,372)
Derecognition on disposal of a subsidiary	-	-	-	-	-	-	-
Revaluation deficit	-	-	-	-	-	-	-
Depreciation released on revaluation	-	-	-	-	-	-	-
Depreciation released on disposal	-	52,476	6,606	-	-	-	59,082
Depreciation charge for the year	(12,610)	(208,633)	(28,792)	(22,209)	(23,698)	-	(295,942)
Closing net book amount	**388,259**	**3,049,287**	**369,748**	**153,154**	**129,043**	**364,434**	**4,453,925**
At 31 March 2021							
Cost or valuation	505,121	5,551,926	1,009,468	593,917	509,602	364,434	8,534,468
Accumulated depreciation	(116,862)	(2,502,639)	(639,720)	(440,763)	(380,559)	-	(4,080,543)
Net book amount	**388,259**	**3,049,287**	**369,748**	**153,154**	**129,043**	**364,434**	**4,453,925**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Group

There are no assets within property, plant and equipment where the Group is a lessee under a finance lease. Information on non-current assets pledged as security by the Group is set out under Note 9.1.

If freehold land and buildings carried at fair value were stated on the historical cost basis, the amounts would be as follows:

	2022 Ksh'000	2021 Ksh'000
Land and buildings:		
Cost	627,808	505,121
Accumulated depreciation	(118,572)	(116,862)
Net book amount	**509,236**	**388,259**

Fair value hierarchy

Details of the fair value hierarchy for the Group's property, plant and equipment held at fair value as at 31 March 2022 are as follows. An explanation of each level is provided in Note 10.1(d)

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
31 March 2022				
Land and buildings	-	-	**248,813**	**248,813**
31 March 2021				
Land and buildings	-	-	**388,259**	**388,259**

The following table presents the changes in level 3 items for the year ended 31 March 2022 and 31 March 2021 for recurring fair value measurements:

	2022 Ksh'000	2021 Ksh'000
At start of year	388,259	357,519
Additions	16,463	402
Transfers	59,472	-
Disposals	-	42,948
Derecognition on disposal of a subsidiary	(77,167)	-
Reclassification to assets held for sale	(125,219)	-
Depreciation charge	(12,995)	(12,610)
At end of year	**248,813**	**388,259**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Company

Property and equipment	Motor Vehicles Ksh'000	Computers Ksh'000	Furniture & Fittings Ksh'000	Total Ksh'000
At 1 April 2021				
Cost	27,536	18,477	123,739	169,752
Accumulated amortisation	(27,536)	(14,094)	(30,435)	(72,065)
Net book amount	-	4,383	93,304	97,687
Year ended 31 March 2022				
Opening net book amount	-	4,383	93,304	97,687
Additions	-	424	6,296	6,720
Transfers	-	-	(10,997)	(10,997)
Depreciation charge	-	(636)	(10,583)	(11,219)
Closing net book amount	-	4,171	78,020	82,191
At 31 March 2022				
Cost	27,536	18,901	119,038	165,475
Accumulated amortisation	(27,536)	(14,730)	(41,018)	(83,284)
Net book amount	-	4,171	78,020	82,191
At 1 April 2020				
Cost	27,536	18,180	123,739	169,455
Accumulated amortisation	(21,590)	(9,182)	(20,058)	(50,830)
Net book amount	5,946	8,998	103,681	118,625
Year ended 31 March 2021				
Opening net book amount	5,946	8,998	103,681	118,625
Additions	-	297	-	297
Depreciation charge	(5,946)	(4,912)	(10,377)	(21,235)
Closing net book amount	-	4,383	93,304	97,687
At 31 March 2021				
Cost	27,536	18,477	123,739	169,752
Accumulated amortisation	(27,536)	(14,094)	(30,435)	(72,065)
Net book amount	-	4,383	93,304	97,687

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.2 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill on subsidiaries is not amortised but is tested annually or more frequently if changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes being the operating segment.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

Computer software

Expenditure incurred on computer software are initially accounted for at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives for a period of 3 to 5 years.

		Group		Company
	Goodwill	Computer software	Total	Computer software
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2021:				
Cost	1,209,983	1,975,974	3,185,957	2,327
Accumulated amortisation	(848,648)	(914,436)	(1,763,084)	(2,327)
Net book amount	361,335	1,061,538	1,422,873	-
Year ended 31 March 2022				
Opening net book amount	361,335	1,061,538	1,422,873	-
Additions	-	108,286	108,286	-
Transfers	-	(4,928)	(4,928)	-
Amortisation charge and impairment	-	(117,094)	(117,094)	-
Reclassification to assets classified as held for sale	-	(188,226)	(188,226)	-
Closing net book amount	361,335	859,576	1,220,911	-
At 31 March 2022				
Cost	1,209,983	1,891,106	3,101,089	2,327
Accumulated amortisation	(848,648)	(1,031,530)	(1,880,178)	(2,327)
Net book amount	361,335	859,576	1,220,911	-

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Notes to the financial statements

8 Non financial assets (continued)

8.2 Intangible assets (continued)

	Group			Company
	Goodwill	Computer software	Total	Computer software
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2020:				
Cost	1,209,983	1,769,610	2,979,593	2,327
Accumulated impairment	(848,648)	-	(848,648)	
Accumulated amortisation	-	(761,930)	(761,930)	(2,327)
Net book amount	361,335	1,007,680	1,369,015	-
Year ended 31 March 2021				
Opening net book amount	361,335	1,007,680	1,369,015	-
Additions	-	206,364	206,364	-
Amortisation charge and impairment	-	(152,506)	(152,506)	-
Closing net book amount	361,335	1,061,538	1,422,873	-
At 31 March 2021				
Cost	1,209,983	1,975,974	3,185,957	2,327
Accumulated amortisation	-	(914,436)	(914,436)	(2,327)
Accumulated impairment	(848,648)	-	(848,648)	
Net book amount	361,335	1,061,538	1,422,873	-

Goodwill on acquisition

Goodwill represents the excess of the cost of acquisition over the fair value of the share of net identifiable assets of the subsidiary at the date of acquisition. Goodwill on acquisition of associates in included in the carrying amount of the investments in associates. Goodwill is monitored by the directors at the level of the related cash generating unit (CGU) as follows:

	2022 Ksh'000	2021 Ksh'000
Longhorn Publishers Plc	361,335	361,335

Goodwill is monitored by management at the Group level and management considers the whole business to be one cash generating unit for the purposes of testing the impairment of goodwill.
The recoverable amounts for the purposes of Goodwill impairment testing is based on fair value less cost to sell basis or value in use calculations using a discounted cashflow. The analysis of the method and the assumptions used in assessing the impairment of goodwill for each cash generating unit is as follows:

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Notes to the financial statements

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Cash generating unit	Method used and assumptions
Longhorn Publishers Limited	Method used to determine recoverable amount: Value in use determined using Discounted Cash Flow(DCF) model The DCF Valuation has been done on the basis of forecasted free cashflows to the firm per the strategy period forecasts. The business has a Weighted Average Cost of Capital (WACC) of 17.8%. **Significant estimate: Impact of possible changes in key assumptions:** **WACC** If the WACC had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 1 billion lower. If the WACC had been 5% lower and all inputs remain unchanged, the market value would have been Ksh 2.5 billion higher. **Free Cash flows** If the free cash flows had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 259 million lower. If the free cash flows had been 5% lower and all inputs remain unchanged, the market value would have been Ksh 259 million higher. The fair value of the entity was determined using the quoted share price as the company is listed on the Nairobi Securities Exchange **Significant estimate: Impact of possible changes in key assumptions:** **Share price** If the share price had been 5% lower and all inputs remain unchanged, the market value would have been Ksh 29 million lower. If the share price had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 29 million higher

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of all the CGU's as analysed below:

At 31 March 2022

Cash generating unit	Carrying value Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying amount + goodwill Ksh'000	Headroom Ksh'000
Longhorn Publishers Plc	572,409	2,533,415	933,744	1,599,671

At 31 March 2021

Cash generating unit	Carrying value Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying amount + goodwill Ksh'000	Headroom Ksh'000
Longhorn Publishers Plc	665,897	980,804	725,169	255,635

The directors are satisfied that there is no impairment of goodwill for Longhorn Publishers Plc based on a comparison of the recoverable amounts and the carrying amount (including goodwill) of the subsidiary, taking into account all possible ranges of estimates of the fair values of the investments.

The directors have considered and assessed reasonably possible changes for the key assumptions in relation to the other investments and have not identified any instances that could cause the carrying amount (including the related goodwill) to exceed the recoverable amount of Longhorn Publishers Plc.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.3 Leases

8.3.1 Leases

This note provides information for leases where the Group and Company is a lessee. For leases where the group is a lessor, see note 8.3.2

(i) Amounts recognised in the balance sheet

The statement of financial position shows the following amounts relating to leases:

		Group		Company
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Right-of-use assets				
Buildings	126,643	941,965	21,803	18,903
	126,643	**941,965**	**21,803**	**18,903**
Lease liabilities				
Current	72,155	9,286	4,639	4,034
Non - current	71,731	1,148,466	21,342	15,352
	143,886	**1,157,752**	**25,981**	**19,386**
The movement in right-of-use assets is broken down below:				
At start of year	941,965	1,061,882	18,903	23,786
Additions	175,268	145,196	9,897	-
Amortisation	(234,680)	(265,113)	(6,997)	(4,883)
Reclassified to assets held for sale	(708,100)	-	-	-
Adjustment to cashflow changes	(47,810)			
At end of year	**126,643**	**941,965**	**21,803**	**18,903**
The movement in lease liabilities is broken down below:				
At start of year	1,157,752	1,270,102	19,386	24,112
Additions	179,196	145,196	12,516	-
Accretion of interest	132,550	22,070	2,117	1,628
Interest repayment	(399,548)	(279,616)	(7,712)	(6,354)
Adjustment to cashflows	(37,112)	-	(326)	-
Reclassified to liabilities held for sale	(888,952)	-	-	-
At end of year	**143,886**	**1,157,752**	**25,981**	**19,386**

(i) Amounts recognised in the statement of profit or loss

Depreciation charge of right of use assets				
Buildings	234,680	244,630	6,997	4,883
Vehicles	-	20,483	-	-
	234,680	**265,113**	**6,997**	**4,883**
Interest expense (included in finance cost)	132,550	6,588	2,117	1,628

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.3 Leases (continued)

8.3.1 Leases (continued)

(iii) The Group and Company's leasing activities and its accounting treatment

The Group and Company leases various office spaces, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Group and Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.3 Leases (continued)

8.3.1 Leases (continued)

(iii) The Group and Company's leasing activities and its accounting treatment (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term and security.

The Group is exposed to potential future increases in variable lease payments based on a rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

8 Non financial assets (continued)

8.3 Leases (continued)

8.3.2 Leases

This note provides information for leases where the Group and Company is a lessor.A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

	Group	
	2022	2021
	Ksh'000	Ksh'000
Finance lease receivable	138,639	165,445

The finance lease receivables relate to Zohari Leasing Credit Limited which is the lessor.

The maturity of the lease receivable is as below:

	2022	2021
Non current:		
Gross finance lease receivable	143,908	153,815
Unearned finance income	(42,324)	(36,473)
	101,584	**117,342**
Current:		
Gross finance lease receivable	66,010	75,482
Unearned finance income	(28,955)	(27,379)
	37,055	48,103
	138,639	**165,445**
Gross receivable from finance leases:		
- No later than 1 year	66,010	75,482
- Later than 1 year no later than 5 years	143,908	153,815
	209,918	229,297
Unearned future finance income on finance lease	(71,279)	(63,852)
	138,639	**165,445**

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Notes to the financial statements

8 Non financial assets (continued)

8.4 Assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

During the year ended 31 March 2022, the directors approved a strategic decision to dispose of Centum's holding in Sidian Bank Limited, giving management the go ahead to identify and dispose of the investment to potential investors. On 7 June 2022, the Group announced a binding agreement to sell its 83.4% stake in Sidian to Access Bank Plc. It is envisaged that the transaction will be concluded during the financial year ending 31 March 2023 and as such the asset has been classified as held for sale in the financial statements for the year ended 31 March 2022. The following assets and liabilities have been reclassified as held for sale:-

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

	2022	2021
Group	**Ksh'000**	**Ksh'000**
- Investment in subsidiary:		
Sidian Bank Limited		
- Total assets	43,029,504	-
- Total liabilities	(37,579,645)	-
Net assets	**5,449,859**	**-**
Company		
Investment in subsidiary:		
- Sidian Bank Limited	2,776,163	-
	2,776,163	**-**

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Notes to the financial statements

8 Non financial assets (continued)

8.4 Assets classified as held for sale (continued)

(i) Sidian Bank Limited	2022 Ksh'000	2021 Ksh'000
Intangible assets	188,226	-
Equipment	367,811	-
Receivables, prepayments and other assets	2,394,318	-
Loans and advances	23,104,984	-
Government securities & corporate bonds	13,865,891	-
Cash and bank balances	3,108,274	-
Total assets	**43,029,504**	-
Payables and accrued expenses	603,312	-
Customer deposits	25,963,554	-
Lease liabilities	888,952	-
Borrowings	10,123,827	-
Total liabilities	**37,579,645**	**-**
Net assets	**5,449,859**	**-**

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Financial Statements for the year ended 31 March 2022

Notes to the financial statements

9 Financing structure and commitments

9.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed under note 10.1(b).

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed as incurred.

		Group		Company	
		2022	2021	2022	2021
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Unsecured:					
Term loans		856,901	4,101,273	-	-
Commercial Papers and Loan Notes		3,145,678	4,112,483	-	-
Corporate bonds		1,206,185	1,204,857	-	-
		5,208,764	**9,418,613**	**-**	**-**
Secured:					
Bank borrowings		15,387,037	15,534,785	4,159,036	4,121,584
Short term borrowings		30,619	547,699	-	-
		15,417,656	**16,082,484**	**4,159,036**	**4,121,584**
Total borrowings		**20,626,420**	**25,501,097**	**4,159,036**	**4,121,584**
Analysed as follows:					
Banking subsidiary		10,123,827	4,492,116	-	-
Reclassified to liabilities held for sale	8.4	(10,123,827)	-		
Other		20,626,420	21,008,981	4,159,036	4,121,584
		20,626,420	**25,501,097**	**4,159,036**	**4,121,584**
The classification of the Group's and Company's borrowings is as follows:					
Current		9,078,383	7,228,448	4,159,036	4,121,584
Non current		11,548,037	18,272,649	-	-
		20,626,420	**25,501,097**	**4,159,036**	**4,121,584**
Kenya Shillings		10,835,647	10,345,761	2,442,046	3,597,117
United States dollar		9,714,010	14,953,818	1,716,990	524,467
Euro		76,763	201,518	-	-
	-	**20,626,420**	**25,501,097**	**4,159,036**	**4,121,584**

The Group and Company had the following undrawn committed facilities at year end

	Group	
	2022	2021
	Ksh'000	Ksh'000
Standard Chartered Bank	111,623	173,860
The Co-operative Bank of Kenya Limited	1,771,760	-
	1,883,383	**173,860**

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9 Financing structure and commitments

9.1 Borrowings (continued)

a) Term loans

	Group	
	2022	**2021**
	Ksh'000	**Ksh'000**
Oiko Credit	1,186,095	226,741
Triodos Investment Management	1,166,858	-
EMF Microfinance Fund	1,162,624	-
Water Equity	559,643	-
East Africa Development Bank	534,819	409,433
Investment Fund for Developing Countries (IFU)	1,593,575	1,486,623
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)	1,547,690	1,957,292
Aqua For All	4,217	21,184
Reclassified to liabilities held for sale	(7,755,521)	-
GridX Africa	856,901	-
Total term loans	**856,901**	**4,101,273**

The Term Loans above are held by Sidian Bank Limited and Two Rivers Power Company Limited. The movement in the

term loans is as follows:-

	Group	
	2022	**2021**
	Ksh'000	**Ksh'000**
At start of year	4,101,273	3,068,627
Received during the year	4,750,878	1,112,459
Foreign exchange loss	27,497	-
Accrued interest	376,227	219,867
Repayments during the year	(643,454)	(299,680)
Reclassified to liabilities held for sale	(7,755,520)	-
At end of year	**856,901**	**4,101,273**

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9 Financing structure and commitments

9.1 Borrowings (continued)

Oiko Credit
The Oiko Credit facility was received in two tranches of Ksh 75 million and Ksh 300 million respectively in December 2020 and September 2021 respectively. Additional Oiko Credit of USD 9 million at an interest rate of 5% p.a with a tenure of 5 years was received in August 2021. The interest is repayble semi-annually with a 1- year grace period for payment of first principal instalment. The loan is for on-lending to Micro and SME segments. This loan is unsecured.

East Africa Development Bank (EADB)
The EADB facility has a tenor of 8 years and accrues interest at a fixed rate of 8.25% per annum. The interest is payable semi annually. The principal will be repaid in 14 equal semi annual instalments after 12-month grace period from the date of first drawdown. The loan is secured by treasury bonds.
Additional EADB Loan of Ksh 128 million (EUR 1 million) was received in June 2021 at a fixed rate of 8.5%p.a.Total amounts received since inception of patnership with EADB is Ksh 657 million (EUR 5.5 million). The interest is payable semi-annually. This loan is secured by treasury bonds. The loan is for on lending to the agriculture value chain.

Investment Fund for Developing Countries
The IFU convertible loan of USD 12 million with a tenure of 7 years was received on 22 March 2019 at an interest rate of 5.25% plus six month Libor rate p.a.The loan has a 2 year grace period for payment of interest and an option to convert the outstanding loan to ordinary shares within 5 years of first drawdown. This qualifies as tier II capital being a subordinated loan.

The Group treats this as a compound instrument. The equity instrument in the loan is considered insignificant. The loan is unsecured.

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)
The FMO Loan of USD 20 million was received in two tranches- 1st tranche of USD 10 million (December 2019) and 2nd tranche USD 10 million (June 2020) at a rate of 4.25% plus six-month Libor rate p.a repayable over a period of 5 years.The first principal instalment and interest was paid in November 2020. Interest is repayable semi-annually. This loan is for on-lending to Micro Small and Medium-sized Enterprise (MSME) segments and is unsecured.

Aqua for all
A Term loan of EUR 200,000 was received from Aqua for all in September 2020. The loan has a tenor of 2 years repayable as bullet payment less Aqua for All's share of funding project. This loan is unsecured.

GridX Duara Holdings
During the year, Two Rivers Power Company obtained a USD 7,000,000 convertible loan facility from GridX Duara Holdings. According to the terms of the agreement, the lender has the option to convert the outstanding loan balance to share capital of the Company voluntarily or on occurrence of an event of default. No such conversion had occurred by the year end date. The facility accrues interest at a rate of 14.13% per annum. The loan tenor is 180 months since the first drawn down in October 2021. Financial covenants include borrower loan to value ratio (75%) and borrower Debt Service Coverage Ratio (DSCR) equal to or greater than (1.11x). As at 31 March 2022, the company obtained a waiver for borrower DSCR and was compliant with the rest of the financial covenants. The loan is unsecured.

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9 Financing structure and commitments

9.1 Borrowings (continued)

b) Commercial Papers and Loan Notes

Commercial Papers and Loan Notes are issued by the following entities to private investors:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Two Rivers Development Limited	2,990,981	3,580,192	-	-
Longhorn Publishers Plc	154,697	532,291	-	-
Total commercial papers and loan notes	**3,145,678**	**4,112,483**	**-**	**-**

The movement in commercial papers was as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
At start of year	4,112,483	3,024,928	-	-
Received during the year	603,028	1,522,267	-	-
Accrued interest	904,882	745,336	-	-
Repayments during the year	(2,474,715)	(1,180,048)	-	-
At end of year	**3,145,678**	**4,112,483**	**-**	**-**

The Commercial Papers and Loan Notes are unsecured debt obligations and have fixed repayment maturity dates. The Two Rivers Development Limited Loan Notes earn interest at rates of 20% while the Longhorn Publishers Plc Commercial Papers earn interest at a rate of 16%.

c) Bank borrowings	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Kenya Commercial Bank Limited	4,117	144,750	-	-
Stanbic Bank Kenya Limited	4,128,751	4,121,584	4,159,036	4,121,584
Standard Bank of South Africa Limited	3,819,650	4,465,331	-	-
Nedbank Group	6,303,526	5,862,747	-	-
SBM Bank (Kenya) Limited	40,824	40,824	-	-
NCBA Bank Kenya	76,763	201,518	-	-
Standard Chartered Bank Kenya Limited	785,166	698,031	-	-
Co-operative Bank of Kenya Limited	228,240	-	-	-
	15,387,037	**15,534,785**	**4,159,036**	**4,121,584**

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9 Financing structure and commitments

9.1 Borrowings (continued)

c) Bank borrowings (continued)

	Group		Company	
	2022	**2021**	**2022**	**2021**
Movement in bank borrowings is as follows:	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	15,534,785	8,519,439	4,121,584	1,037,217
Received during the year	1,150,805	8,317,501	-	3,063,350
Revaluation loss	528,628	256,812	58,592	-
Accrued interest	850,646	607,089	370,024	21,017
Derecognition on disposal of a subsidiary	-	203,075	-	-
Repayments during the year	(2,677,827)	(2,369,131)	(391,164)	-
At end of year	**15,387,037**	**15,534,785**	**4,159,036**	**4,121,584**

Co-operative Bank of Kenya Limited

Co-operative Bank of Kenya approved a Ksh 2 billion project finance facility during the year ended 31 March 2021. The facility is earmarked for the completion of the Cascadia Apartments being developed by Uhuru Heights Limited. The facility has a tenor of 36 months and is priced at the Central Bank Rate (CBR) plus 4%.

Kenya Commercial Bank Limited

Ksh 8.5 million of the Kenya Commercial Bank Limited loan was advanced to Law Africa Limited, a subsidiary of Longhorn Publishers Plc to finance working capital requirements and is secured by the company's building. It attracts interest at Central Bank Rate (CBR) plus 4% and matures in 72 months. The carrying amount on the statement of financial position represents the amortised cost of the facility.

SBM Bank (Kenya) Limited

Longhorn Publishers Plc has an asset financing facility with the bank for acquisition of vehicles. The loan is secured by the Company's vehicles and attracts interest at 14%. The loan tenor is 60 months.

Standard Chartered Bank Kenya Limited

The facility was advanced to Longhorn Publishers Plc for working capital financing and is secured by the Company's buildings. The loan attacts interest at Central Bank Reference Rate (CBR) plus 4% and matures over 12 months.

Commercial Bank of Africa Limited

The facility is a EUR 2,181,991 loan advanced to Two Rivers Power Company Limited to finance the installation of solar equipment at the Two Rivers development in 2017. The loan is priced at 3% plus 3 months Euribor and has a tenor of 120 months.

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9 Financing structure and commitments

9.1 Borrowings (continued)

c) Bank borrowings (continued)

Stanbic Bank Kenya Limited
Centum Investment Company Plc

The Company maintains an overdraft and revolving credit facilities with Stanbic Bank Kenya Limited of Ksh 1 billion and Ksh 3 billion respectively. Both facilities are equally split between Kenya Shillings (Ksh) and United States Dollars (USD). The Ksh facilities are priced at Central Bank Rate (CBR) plus 3.65% while the USD facilities are priced at 3 months LIBOR plus 5.5%. The facilities are secured by a charge over the Company's shares in Isuzu East Africa Limited, Vipingo Development Plc and NAS Servair Limited.

Nedbank Limited
Two Rivers Development Limited

Nedbank Limited acting through its Corporate and Investment Banking division advanced a term facility of USD 65,650,000 to Two Rivers Development Limited in July 2019. The facility is priced at 3-Month LIBOR plus 5.5% and has a tenor of 5 years. The facility is secured by a charge over the Company's vacant land valued at Ksh 13.029 billion (2021: Ksh 12.975 billion)and has corporate guarantees from Centum Investment Company Plc and Centum Development Company Limited.

Standard Bank of South Africa Limited
Vipingo Development Plc

Standard Bank of South Africa advanced a USD 45 million facility to Vipingo Development Plc. The facility is split into two components: USD 9 million and Kenyan shilling equivalent of USD 36 million. The USD component is priced at 3 months LIBOR plus 5.75% per annum while the Ksh component is priced at Central Bank Rate plus 4% per annum. The facility is secured by a charge over Vipingo's land valued at Ksh 17.381 billion (2021: Ksh 18.45 billion) and is guaranteed by Centum Investment Company Plc. The facility has a tenor of 48 months.

d) Corporate bonds	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	1,204,857	6,448,305	-	6,448,305
Received during the year	490,029	1,195,566	-	-
Accrued interest	251,276	211,315	-	128,601
Amortisation of bond issue costs	17,250	(73,423)	-	-
Repayments during the year	(757,227)	(6,576,906)	-	(6,576,906)
	1,206,185	**1,204,857**	**-**	**-**

The bond of Ksh 6 billion was issued in 2015. The bond matured and was fully settled on 8 June 2020. It comprised fixed rate notes of Ksh 3,899,226,700 at an interest rate of 13% and a variable component of Ksh 2,100,773,300 at a 12.5% fixed rate.

On 16 December 2020, Centum Real Estate Limited issued a 3 year Zero Coupon Bond of Ksh 2,957,900,000. This represented 75% of the target bond of Ksh 4,000,000,000. The bond comprises fixed rate notes of Ksh 2,603,300,000 at an interest rate of 12.5% and equity linked notes of Ksh 354,600,000 at 12%. The investors in the equity linked notes will be paid an additional 200bps for a total return of 14% if the developer achieves a 20% internal rate of return on at least two of its projects funded using the bond proceeds.

The carrying amounts of borrowings approximate to their fair value.

The bond is secured by a floating charge over the projects funded by the bond and a fixed charge over a sinking fund set up for the purposes of funding the redemption of the bond upon maturity.

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9 Financing structure and commitments

9.2 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Group	
	2022 Ksh'000	2021 Ksh'000
Residential housing projects	6,297,408	6,082,107
Property and equipment	-	166,389
	6,297,408	**6,248,496**

9.3 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until it is probable that an outflow of resources will take place and a reliable estimate can be made.

a) Contingent consideration

Centum Investment Company Plc (CICP) entered into a Sales and Purchase Agreement (SPA) with Coca-Cola Beverages Africa (CCBA) relating to the disposal of CICP's stakes in Almasi Beverages Limited and Nairobi Bottlers Limited during the year ended 31 March 2020. Under the terms of the SPA, CCBA required CICP to provide a guarantee of USD 34.4 Million against general and contingent tax liabilities that were unresolved as at the transaction date. During the year ended 31 March 2022, USD 21.4 Million of the CCBA guarantee was discharged following the Supreme Court's ruling on the Excise duty claim in favor of the bottlers. The third party guarantee from Stanbic Bank Kenya Limited stands at USD 13 Million (2021: USD 34.4 Million) and is secured by an equivalent charge on the Marketable Securities Portfolio of Ksh 1.5 Billion (2021: Ksh 3.5 Billion). The guarantee is in respect of any claims that were unknown as at the sale date which may later come up. As at March 2022 no claims had come up. The guarantee matures 7 years from September 2019.

b) Letters of credit and performance bonds

In the ordinary course of business, Sidian Bank Limited conducts business involving letters of credit, performance bonds and guarantees. Letters of guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by a customer to third parties. The Bank holds cash collateral to the extent of the guarantee that is realised in the events of default by customers.

	Group	
	2022 Ksh'000	2021 Ksh'000
Letters of credit and performance bonds	9,639,344	11,820,395

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10 Financial risk

10.1 Financial risk management and financial instruments

Risk management framework

Introduction

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

a) Market risk - currency risk, interest rate risk and price risk;
b) Credit risk; and
c) Liquidity risk.

The Group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Group recognises that in order to pursue its objectives and take advantage of opportunities, it cannot avoid taking risks, and that no risk management programme can aim to eliminate risk fully.

The Group's general risk management approach is to increase the likelihood of success in its strategic activities, that is, to raise the potential reward of its activities relative to the risks undertaken.

Accordingly, the Group's approach to risk management is intended to increase risk awareness and understanding, and thus support taking risks where appropriate, in a structured and controlled manner. The Group recognises that in pursuit of its mission and investment objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved.

To assist in implementing its risk management policy, the Group has:

- identified, analysed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival as a leading investment Group and Company;
- raised awareness of and integrated risk management into its management policies. Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities; and
- established risk management roles and responsibilities for its board of directors, audit risk committee and the risk department.

The risk management function is supervised by the Board Audit Committee. Management identifies, evaluates and manages financial risks under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

The Board has put in place a Group Risk and Internal Audit function to assist it in assessing the risk faced by the Group on an ongoing basis, evaluate and test the design and operating effectiveness of its internal accounting and operational controls.

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10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

a) Financial assets

	Group				
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through other comprehensive income	At amortised cost
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 31 March 2022					
Government securities	903,004	-	1,810,041	-	1,664,655
Corporate bonds and commercial papers	-	-	851,013	-	2,285,207
Loans and advances	-	-	23,626,307	-	-
Finance lease receivables	-	-	138,639	-	-
Call deposits	-	-	228,238	-	1,007,331
Bank balances	-	-	2,167,860	-	11,772
Trade and other receivables	-	-	6,697,241	-	267,468
Shareholder loans advanced to subsidiaries	-	-	-	-	11,546,394
Quoted investments	-	8,295	-	7,561	-
Unquoted investments	-	5,468,619	-	4,946,898	-
Non financial assets					
Investment in subsidiaries	-	-	-	25,019,039	-
	903,004	**5,476,914**	**35,519,339**	**29,973,498**	**16,782,827**
At 31 March 2021					
Government securities	806,439	-	9,211,218	-	4,235,342
Corporate bonds and commercial papers	-	-	1,815,477	-	-
Loans and advances	-	-	21,120,123	-	-
Finance lease receivables	-	-	165,445	-	-
Call deposits	-	-	419,618	-	309,192
Bank balances	-	-	4,702,877	-	557,528
Trade and other receivables	-	-	5,694,180	-	431,189
Shareholder loans advanced to subsidiaries	-	-	-	-	11,803,965
Quoted investments	-	429,104	-	156,411	-
Unquoted investments	-	4,060,015	-	3,585,229	-
Non financial assets					
Investment in subsidiaries	-	-	-	26,258,390	-
	806,439	**4,489,119**	**43,128,938**	**30,000,030**	**17,337,216**

b) Financial liabilities

All the Group's financial liabilities are measured at amortised cost. The carrying value of the Group's and the Company's financial liabilities at the end of 2022 and 2021 are shown under respective notes.

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices, and foreign exchange rates which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Interest rate risk
The Group is exposed to interest rate risk as it borrows funds at both floating and fixed interest rates and also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance. Interest rates on overdrafts are pegged to the bank's base lending rate or prevailing Treasury Bills rates.

Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes. Deposits are placed at fixed interest rates and management is therefore able to plan for the resulting income. For facilities with variable rates, the Group is in regular contact with the lenders in a bid to obtain the best available rates. The Group may also review the level of holding of such facilities downwards in order to mitigate the attaching cash flow interest rate risk.

As at 31 March 2022, Group and Company held deposits of Ksh 228,238,000 and Ksh 1,007,331,000 respectively (2021: Ksh 419,618,000 and Ksh 309,192,000 respectively) and the Company had unutilised bank credit facilities of Ksh 65,214,308 (2021: Ksh Nil).

As at 31 March 2022, a 5% increase/decrease of the annual interest rate would have resulted in an increase/ decrease in pre-tax profit and equity of Ksh 239 million (2021: Ksh 221 million) for Group and Ksh 27 million (2021: Ksh 30 million) for Company respectively as a result of exposures in bank deposits and borrowings.

The Group has invested in corporate bonds and Government securities with fixed interest rate which is not affected by interest rate fluctuations.

ii) Price risk
The Group's private equity holdings are valued in accordance with International Private Equity and Venture Capital guidelines and International Financial Reporting Standards, which set out the valuation methodology for fair valuation. Valuation is relatively subjective and may change from time to time. In addition the valuation is also affected by the volatility of the stock prices since the Group uses the earnings multiple method which entails the use of the trading multiples of similar/comparable quoted companies among other components. Valuation risks are mitigated by comprehensive quarterly reviews of the underlying investments by management every quarter. The appropriateness of the investment valuations are then considered by the Board Audit Committee.

Quoted equity are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by choice of defensive stocks with low price volatility, and weekly monitoring of the value changes.

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

ii) Price risk (continued)

At 31 March 2022, if the prices at the Nairobi Securities Exchange and other exchanges had appreciated/ depreciated by 5% with all other variables held constant, the impact on the Group and Company comprehensive income and equity would have been Ksh 413,386 (2021: Ksh 21,455,200) and Ksh 378,056 (2021: Ksh 7,820,550) higher/lower respectively.

iii) Investment holding period risk

85% and 99% (2021: 89% and 98%) of the Group and Company's investments respectively are not traded on any formal exchange. Disposal of these investments is constrained in many instances by pre-emptive rights, shareholder agreements and the absence of willing trade buyers or an active secondary market. The timing of realised proceeds on disposal may pose a risk to the Group.

The Group/Company mitigates this risk by seeking influence in the investee company's operations through large shareholding or board representation. The Group/Company also seeks compensation for this risk through high return hurdles during the investment appraisal and laying emphasis on dividend generating potential. However, the Group/Company has no fixed time horizon for its investments, and does not enforce exit options on investments as it believes current practice makes it easier to acquire attractive investments.

iv) Concentration risk

80% (2021: 82%) of the Group's assets are located in Kenya with 20% (2021: 17%) in the wider East African Region and 0% (2021: 1%) outside East Africa.

Investment portfolio sectoral allocation

The allocation of Centum's investments to the different sectors is as disclosed in note 2.

Each investment asset is considered independently by the Board's Finance and Investment Committee and the Board of Directors according to a structured process that includes extensive due diligence, industry analysis, consideration of existing assets and future capital commitments. Whereas sector limits are in place, concentration in the Real estate and financial sectors have mainly been brought about by organic growth and appreciation of market value.

To reduce exposure to country risk the Group is actively looking for regional investment opportunities.

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Refer to the table below for the Group's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is also exposed to translation risk as holding companies do not report in the same currencies as operating entities.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

The Group's exposure to fluctuations in the foreign currency rates relate to conversion rates for valuation of overseas holdings.

The mean exchange rates ruling at 31 March 2022 and 31 March 2021 were:

	2022	2021
1 US dollar (USD)	114.95	109.51
1 Euro (Eur)	127.80	128.60
1 British pound (GBP)	151.13	150.69
1 Ugandan shilling (UGX)	31.23	0.03
1 Tanzania shilling (Tshs)	20.18	0.05
1 Ghana cedi (Ghc)	15.26	18.49

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

Below is a summary of the financial assets and liabilities denominated in foreign currencies at their carrying amounts:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets				
Quoted investment (EGP)	-	41,636	-	-
Balances due from banks (USD)	868,833	1,439,836	-	-
Balances due from banks (EUR)	75,859	234,313	-	-
Balances due from banks (GBP)	1,900	2,599	-	-
Cash and equivalents (USD)	118,398	1,744,043	3,227	11,310
Cash and equivalents (EUR)	45,133	73,689	-	-
Cash and equivalents (GBP)	8,804	12,246	-	-
Loans and advances (USD)	2,572,407	1,414,133	6,401,534	5,931,506
Loans and advances (EUR)	19,919	23,736	-	-
	-	-		
	3,711,253	**4,986,231**	**6,404,761**	**5,942,816**
Financial liabilities				
Customer deposits (USD)	940,011	813,411	-	-
Customer deposits (EUR)	132,977	98,543	-	-
Customer deposits (GBP)	1,326	-	-	-
Borrowings (Euro)	76,763	-	-	-
Borrowings (USD)	9,714,010	10,387,951	1,716,991	524,467
	10,865,087	**11,299,905**	**1,716,991**	**524,467**

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk (continued)

If all other variables were held constant, at 31 March 2022 and 31 March 2021, the impact on profit and equity of the Shilling weakening or strengthening by 5% against the above currencies would have been as below:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
1 US dollar (USD)	483,340	629,168	234,389	270,917
1 Euro (EUR)	(599)	10,473	-	-
1 British pound (GBP)	469	742	-	-
1 Egyptian pound (EGP)	-	2,082	-	-
1 Ghana cedi (GHC)	-	-	-	-
	483,210	**642,465**	**234,389**	**270,917**

b) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities, including off balance sheet items. Prudent liquidity risk management includes maintaining sufficient cash to meet its obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group manages liquidity risk by:
- maintaining adequate cash reserves and banking facilities on the Parent company and operating subsidiaries' balance sheets;
- holding cash, near cash assets and other fixed income marketable securities in two special purpose liquidity vehicles (Centum Exotics Limited and Oleibon Investments Limited); and
- continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk also relates to the risk that the Group would miss out attractive investment opportunities due to lack of funding. This risk is mitigated by the fact that the investments measured at fair value through other comprehensive income can be converted to cash when funds are required. The risk is also minimised by use of annually renewable credit facilities.

The Group has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow.

At 31 March 2022, 4.6% (2021: 11.8%) of the Group's assets were held in quoted securities which are quickly convertible to cash. The Group untilised bank credit facilities of Ksh 65,214,308 (2021: Ksh Nil) (Note 9.1).

Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Group

At 31 March 2022	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Investment in associates	-	-	-	-	978,905	-	978,905
Investment in joint ventures	-	-	-	-	1,116,581	-	1,116,581
Unquoted equity investments	-	-	-	-	5,468,619	-	5,468,619
Quoted investments	-	-	-	8,295	-		8,295
Loans and advances	-	2,378,834	2,856,809	15,815,218	-	2,054,123	23,104,984
Finance lease receivable	-	-	66,010	72,629	-	-	138,639
Government securities at fair value through profit and loss	-	1,717,115	-	-	-	903,004	2,620,119
Government securities at amortised cost	-	19,702	428,257	2,464,364	-	11,046,493	13,958,816
Corporate bonds at amortised cost	-	218,399	1,110,833	40,287	-	-	1,369,519
Receivables and prepayments	1,194,743	-	2,357,445	757,657	-	4,781,715	9,091,560
Cash and cash equivalent	3,506,349	688,462	109,539	-	-	-	4,304,350
	4,701,092	**5,022,512**	**6,928,893**	**19,158,450**	**7,564,105**	**18,785,335**	**62,160,387**
Financial liabilities							
Customer deposits	7,834,764	15,084,262	2,810,029	234,499	-	-	25,963,554
Borrowings	-	6,321,604	7,334,635	15,783,555	-	1,310,453	30,750,247
Other liabilities and accrued expenses	787,041	-	3,371,532	4,825	-	-	4,163,398
Unclaimed dividends	-	274,111	-	-	-	-	274,111
	8,621,805	21,679,977	13,516,196	16,022,879	-	1,310,453	61,151,310
Net liquidity	**(3,920,713)**	**(16,657,465)**	**(6,587,303)**	**3,135,571**	**7,564,105**	**17,474,882**	**1,009,077**
Financial guarantees	-	-	-	-	-	-	-

Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Group

At 31 March 2021	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Investment in associates	-	-	-	-	1,094,479	-	1,094,479
Investment in joint ventures	-	-	-	-	2,108,890	-	2,108,890
Unquoted equity investments	-	-	-	-	4,060,015	-	4,060,015
Quoted investments	-	-	-	429,104	-		429,104
Loans and advances	2,782,861	652,781	1,317,952	7,163,107	5,854,024	2,651,808	20,422,533
Finance lease receivable	-	-	75,482	89,963	-	-	165,445
Government securities at fair value through profit and loss	-	86,265	200,000	-	-	520,174	806,439
Government securities at amortised cost	250,001	2,625,925	2,471,268	99,498	-	1,785,828	7,232,520
Corporate bonds at amortised cost	-	1,609,418	-	-	206,059	-	1,815,477
Receivables and prepayments	650,431	855,432	1,828,495	4,866	35,801	2,319,155	5,694,180
Cash and cash equivalent	4,651,522	945,257	280,500	-	-	-	5,877,279
	8,334,815	**6,775,078**	**6,173,697**	**7,786,538**	**13,359,268**	**7,276,965**	**49,706,361**
Financial liabilities							
Customer deposits	5,528,785	11,518,903	4,964,400	1,057,641	-	-	23,069,729
Borrowings	777,202	4,121,584	8,207,007	8,639,266	3,756,038	-	25,501,097
Other liabilities and accrued expenses	862,458	1,306,600	2,113,692	44,816	-	-	4,327,566
Lease Liabilities	29,150	58,300	262,348	1,157,875	-	-	1,507,673
Unclaimed dividends	-	310,303	-	-	-	-	310,303
	7,197,595	**17,315,690**	**15,547,447**	**10,899,598**	**3,756,038**	**-**	**54,716,368**
Net liquidity	**1,137,220**	**(10,540,612)**	**(9,373,750)**	**(3,113,060)**	**9,603,230**	**7,276,965**	**(5,010,007)**
Financial guarantees	**1,213,135**	**1,522,860**	**6,075,239**	**2,535,520**	**167,222**	**60,140**	**11,574,116**

Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Company	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
At 31 March 2022	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Financial assets							
Investment in subsidiaries	56,015	-	1,632,569	8,158,895	22,921,632	3,796,322	36,565,433
Unquoted equity investments	-	-	-	-	4,946,898	-	4,946,898
Quoted investments	-	-	7,561	-	-	-	7,561
Receivables and prepayments	35,763	-	231,705	-	-	-	267,468
Cash and cash equivalent	11,772	1,007,331	-	-	-	-	1,019,103
	103,550	**1,007,331**	**1,871,835**	**8,158,895**	**27,868,530**	**3,796,322**	**42,806,463**
Financial liabilities							
Payables and accruals	15,063	5,969	-	308,923	-	-	329,955
Borrowings	-	4,159,036	-	-	-	-	4,159,036
Unclaimed dividends	-	273,339	-	-	-	-	273,339
	15,063	**4,438,344**	**-**	**308,923**	**-**	**-**	**4,762,330**
Net liquidity	**88,487**	**(3,431,013)**	**1,871,835**	**7,849,972**	**27,868,530**	**3,796,322**	**38,044,133**

Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Company	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
At 31 March 2021	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Financial assets							
Investment in subsidiaries	3,667	-	1,363,081	8,827,118	22,638,471	5,230,018	38,062,355
Unquoted equity investments	-	-	-	-	3,585,229	-	3,585,229
Quoted investments	-	-	156,411	-	-	-	156,411
Receivables and prepayments	104,690	-	326,499	-	-	-	431,189
Cash and cash equivalent	557,528	309,192	-	-	-	-	866,720
	665,885	**309,192**	**1,845,991**	**8,827,118**	**26,223,700**	**5,230,018**	**43,101,904**
Financial liabilities							
Payables and accruals	40,475	10,022	-	442,215	-	-	492,712
Due to subsidiary companies	-	296	-	-	-	-	296
Borrowings	-	-	4,121,584	-	-	-	4,121,584
Unclaimed dividends	-	249,205	-	61,098	-	-	310,303
	40,475	**259,523**	**4,121,584**	**503,313**	**-**	**-**	**4,924,895**
Net liquidity	**625,410**	**49,669**	**(2,275,593)**	**8,323,805**	**26,223,700**	**5,230,018**	**38,177,009**

c) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis. Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Group carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis. In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

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Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

If the Group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Group clusters financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral held

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Group	**12-month expected credit losses**	**Lifetime expected credit losses (see note below)**			
Basis for measurement of loss allowance		**(a)**	**(b)**	**(c)**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At 31 March 2022					
Government securities	2,713,045	-	-	-	2,713,045
Corporate bonds and commercial papers	1,369,519	-	-	-	1,369,519
Loans and advances	19,015,853	2,288,732	2,835,458	-	24,140,043
Finance lease receivables	138,639	-	-	-	138,639
Call deposits	228,238	-	-	-	228,238
Bank balances	4,076,113	-	-	-	4,076,113
Trade and other receivables	-	-	-	7,049,263	7,049,263
Gross carrying amount	27,541,407	2,288,732	2,835,458	7,049,263	39,714,860
Loss allowance	(521,323)	-	-	(783,751)	(1,305,074)
Exposure to credit risk	**27,020,084**	**2,288,732**	**2,835,458**	**6,265,512**	**38,409,786**
At 31 March 2021					
Government securities	10,017,657	-	-	-	10,017,657
Corporate bonds and commercial papers	2,463,345	-	-	-	2,463,345
Loans and advances	16,856,146	1,005,149	2,404,382	-	20,265,677
Finance lease receivables	165,445	-	-	-	165,445
Call deposits	419,618	-	-	-	419,618
Bank balances	4,702,877	-	-	-	4,702,877
Trade and other receivables	-	-	-	5,578,369	5,578,369
Gross carrying amount	34,625,088	1,005,149	2,404,382	5,578,369	43,612,988
Loss allowance	(697,590)	-	-	(761,617)	(1,459,207)
Exposure to credit risk	**33,927,498**	**1,005,149**	**2,404,382**	**4,816,752**	**42,153,781**

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

Company **Basis for measurement of loss allowance**	**12-month expected credit losses**	**Lifetime expected credit losses (see note below)**			
		(a)	**(b)**	**(c)**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At 31 March 2022					
Call deposits	1,007,331	-	-	-	1,007,331
Bank balances	11,772	-	-	-	11,772
Government securities and corporate bonds	3,949,862	-	-	-	3,949,862
Trade and other receivables	-	-	-	258,105	258,105
Shareholder loans advanced to subsidiaries	13,471,136	-	-	-	13,471,136
Gross carrying amount	18,440,101	-	-	258,105	18,698,206
Loss allowance	(1,924,742)	-	-	-	(1,924,742)
Exposure to credit risk	**16,515,359**	**-**	**-**	**258,105**	**16,773,464**
At 31 March 2021					
Call deposits	309,192	-	-	-	309,192
Bank balances	557,528	-	-	-	557,528
Government securities and bonds	4,235,342	-	-	-	4,235,342
Trade and other receivables	-	-	-	426,300	426,300
Shareholder loans advanced to subsidiaries	12,407,685	-	-	-	12,407,685
Gross carrying amount	17,509,747	-	-	426,300	17,936,047
Loss allowance	(603,720)	-	-	-	(603,720)
Exposure to credit risk	**16,906,027**	**-**	**-**	**426,300**	**17,332,327**

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Notes to the financial statements

10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

The loss allowances at the end of each year relate to the following

Group

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 31 March 2022					
Loans and advances	19,015,853	2,288,732	2,835,458	-	24,140,043
Trade and other receivables	-	-	-	7,049,263	7,049,263
	19,015,853	**2,288,732**	**2,835,458**	**7,049,263**	**31,189,306**
At 31 March 2021					
Loans and advances	16,856,146	1,005,149	2,404,382	-	20,265,677
Trade and other receivables	-	-	-	5,578,369	5,578,369
Total	**16,856,146**	**1,005,149**	**2,404,382**	**5,578,369**	**25,844,046**

The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

(b) financial assets that are credit impaired at the balance sheet date; and

(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy

The Group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1
Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

Level 3
Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The following table shows an analysis of financial instruments reflected at fair value by level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Group	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
31 March 2022				
Financial assets:				
Unquoted equity instruments	-	-	5,468,619	5,468,619
Quoted equity instruments	8,295	-	-	8,295
Government securities at fair value through profit and loss	-	903,004	-	903,004
	8,295	**903,004**	**5,468,619**	**6,379,918**
Non financial assets:				
Investment property	-	-	41,193,072	41,193,072
Property, Plant and equipment	-	-	248,813	248,813
	-	**-**	**41,441,885**	**41,441,885**
31 March 2021				
Financial assets:				
Unquoted equity instruments	-	-	4,060,015	4,060,015
Quoted equity instruments	429,104	-	-	429,104
Government securities at fair value through profit and loss	-	806,439	-	806,439
	429,104	**806,439**	**4,060,015**	**5,295,558**
Non financial assets:				
Investment property	-	-	41,528,010	41,528,010
Property, Plant and equipment	-	-	388,259	388,259
	-	**-**	**41,916,269**	**41,916,269**

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

The following table summarises the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

31 March 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Loans and advances	23,104,984	23,104,984	-	-	23,104,984
Finance lease receivable	138,639	138,639	-	-	138,639
Cash and cash equivalent	5,504,372	5,504,372	-	-	5,504,372
Other assets	9,091,559	9,091,559	-	-	9,091,559
	37,839,554	**37,839,554**	**-**	**-**	**37,839,554**
Financial liabilities					
Customer deposits	25,963,554	25,963,554	-	-	25,963,554
Borrowings	30,750,247	30,750,247	-	-	30,750,247
Dividend payable	274,111	274,111	-	-	274,111
Other liabilities	8,902,209	8,902,209	-	-	8,902,209
	65,890,121	**65,890,121**	**-**	**-**	**65,890,121**
31 March 2021					
Financial assets					
Loans and advances	20,422,533	20,422,533	-	-	20,422,533
Finance lease receivable	165,445	165,445	-	-	165,445
Cash and cash equivalent	5,877,269	5,877,269	-	-	5,877,269
Other assets	5,694,180	5,694,180	-	-	5,694,180
	32,159,427	**32,159,427**	**-**	**-**	**32,159,427**
Financial liabilities					
Customer deposits	23,069,729	23,069,729	-	-	23,069,729
Borrowings	25,501,097	25,501,097	-	-	25,501,097
Dividend payable	310,303	310,303	-	-	310,303
Other liabilities	7,925,174	7,925,174	-	-	7,925,174
	56,806,303	**56,806,303**	**-**	**-**	**56,806,303**

Reconciliation of level 3	Note
Loans and advances	7.1
Finance lease receivable	8.3
Cash and cash equivalents	4.3

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

The following table summarises the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

Company	Level 1	Level 2	Level 3	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
31 March 2022				
Financial assets:				
Investment in subsidiaries	572,409	-	24,446,630	25,019,039
Government securities and corporate bonds	-	-	3,949,862	3,949,862
Unquoted equity instruments	-	-	4,946,898	4,946,898
Quoted equity instruments	7,561	-	-	7,561
	579,970	**-**	**33,343,390**	**33,923,360**
31 March 2021				
Financial assets:				
Investment in subsidiaries	665,897	-	25,592,493	26,258,390
Government securities and corporate bonds	-	-	4,235,342	4,235,342
Unquoted equity instruments	-	-	3,585,229	3,585,229
Quoted equity instruments	156,411	-	-	156,411
	822,308	**-**	**33,413,064**	**34,235,372**

There were no transfers into or out of level 3 in 2022 and 2021. The following is a movement of financial assets classified under level 3.

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	4,060,015	4,550,450	33,493,628	69,445,641
Additions	224,420	40,914	175,589	246,205
Disposals	-	-	-	(32,394,405)
Impairment	-	-	(18,000)	(2,105,978)
Fair value (losses)/gains	1,188,735	(531,349)	1,297,568	(1,697,835)
At end of year	**5,473,170**	**4,060,015**	**34,948,785**	**33,493,628**
Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	1,188,735	298,729	1,297,568	(1,697,835)

Financial assets under level 3 are valued using earnings multiples that are based on the market prices of comparable entities. If the market prices of the comparable entities listed on the Nairobi Securities Exchange appreciated/(depreciated) by 5%, the fair values of the financial assets under level 3 would change by the following:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
5% change in market value	8,560	2,192	36,348	27,415

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10 Financial risk

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

e) Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders; and
- To maintain a strong capital base to support the current and future development needs of the business.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is important and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio within 20% to 50%. The gearing ratios at 31 March 2022 and 31 March 2021 were as follows:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Share capital	332,721	332,721	332,721	332,721
Share premium	589,753	589,753	589,753	589,753
Investment revaluation reserve	1,319,597	224,178	19,079,651	19,321,343
Retained earnings	40,663,839	41,752,206	20,932,675	21,360,631
Dividends proposed	390,983	219,596	390,983	217,599
Non controlling interest	4,072,947	3,930,250	-	-
Equity	**47,369,840**	**47,048,704**	**41,325,783**	**41,822,047**
Total borrowings	20,626,420	21,008,981	4,159,036	4,121,584
Less: cash and cash equivalents	(4,304,351)	(5,877,269)	(1,019,103)	(866,720)
Net borrowings	**16,322,069**	**15,131,712**	**3,139,933**	**3,254,864**
Gearing (%)	**34.46%**	**32.16%**	**7.60%**	**7.78%**

Loan covenants

Group

Sidian Bank Limited
The Bank was compliant with all financial covenants as at 31 March 2022.

Two Rivers Development Limited
The loan's financial covenants relating to Guarantor net asset value and Guarantor interest cover ratio were not met at 31 March 2022. The lender, Nedbank Limited, waived the breaches and has not recalled the loan. During the year, Two Rivers Power Company obtained a USD 7,000,000 convertible loan facility from GridX Duara Holdings. Financial covenants included borrower loan to value ratio (75%) and borrower DSCR equal to or greater than (1.11x). As at 31 March 2022, the company obtained a waiver for borrower DSCR and was compliant with the rest of the financial covenants..

Centum Real Estate Limited
Group
Under the terms of the borrowing facility, Vipingo Development Plc is required to comply with the following financial covenants:

1. Loan to value ratio(equal to or less than 40%);
2. Net asset value (equal to or greater than USD 400 million) - measured at Centum Investment Company Plc level;
3. Leverage ratio (equal to or greater than 1.5x) - measured at Centum Investment Company Plc level; and
4. Marketable securities cover ratio (equal to or greater than 1.35x) - measured at Centum Investment Company Plc level

The Company obtained a waiver for the breaches noted on the guarantor net asset value and marketable securities cover ratio covenants as at 31 March 2022. The Company was compliant with the other covenants.

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

Company

Under the terms of the corporate bond, Centum RE is required to maintain a sinking fund to be exclusively used to meet its obligations to bond holders at the maturity date or upon redemption of Centum RE's option. The Sinking Fund is made up of 100% of collections received past the bond issue date on the projects being funded by proceeds of the bonds. As at 31 March 2022. the Sinking Fund was fully funded and the amounts invested in money market instruments in line with the terms of issue.

Centum Investment Company Plc

Company

Under the terms of the major borrowing facilities, the company is required to comply with the following financial covenants:

a) Leverage ratio: the ratio of total liabilities to the net assets value less restricted cash and marketable securities is equal to or less than 1.5:1;
b) Asset cover Ratio: the ratio of the total assets to the total debts shall be equal or more than 2:1 and
c) Marketable securities cover ratio: the ratio of total marketable securities to the current and contigent liabilities is equal to or more than 1.35:1.

The Company did not meet the marketable securities cover ratio and had obtained a waiver from Stanbic Bank Limited before 31 March 2022 for the compliance requirment.

11 Equity structure

11.1 Ordinary share capital and share premium

Ordinary shares are classified as 'share capital' in equity. Any amounts received over and above the par value of the shares is classified as 'share premium' in equity.

	Number of shares (in thousands)	Ordinary shares Ksh'000	Share premium Ksh'000
At 1 April 2021, 31 March 2021 and 31 March 2022	665,442	332,721	589,753

The total authorised number of ordinary shares is 800,000,000 with a par value of Ksh 0.50 per share. 665,441,714 shares were issued and fully paid up as at 31 March 2022 and 31 March 2021.

11.2 Other reserves

	Group			Company
	Investment revaluation Ksh'000	Currency translation Ksh'000	Total other reserves Ksh'000	Investment revaluation Ksh'000
At 31 March 2020	243,471	67,262	310,733	23,533,462
Change in fair value of investments in subsidiaries	-	-	-	(3,978,028)
Change in fair value of unquoted investments	(531,349)	-	(531,349)	(541,255)
Change in fair value of quoted investments	56,803	-	56,803	80,108
Currency translation differences	-	381,169	381,169	-
Deferred income tax thereon	6,822	-	6,822	227,056
At 31 March 2021	**(224,253)**	**448,431**	**224,178**	**19,321,343**
Realised gains on disposal of investments	-	-	-	(14,336)
Change in fair value of investments in subsidiaries	-	-	-	(1,422,410)
Change in fair value of unquoted investments	1,188,735	-	1,188,735	1,204,080
Change in fair value of quoted investments	(3,806)	-	(3,806)	(3,784)
Currency translation differences	-	295,823	295,823	-
Deferred income tax thereon	1,109	-	1,109	(5,242)
Other movements	(386,442)	-	(386,442)	-
At 31 March 2022	**575,343**	**744,254**	**1,319,597**	**19,079,651**

Centum Investment Company Plc
Financial Statements for the year ended 31 March 2022

Notes to the financial statements

11 Equity structure (continued)

11.2 Other reserves (continued)

Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of financial assets at fair value through other comprehensive income financial assets and are distributable upon realisation. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, which is effectively realised, is reduced from the investment revaluation reserve and is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in retained earnings .

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of foreign operations and are distributable upon realisation.

11.3 Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

	2022	2021
i) Dividends paid	**Ksh'000**	**Ksh'000**
Final dividend in respect of the prior year	219,595	730,542

ii) Dividends proposed

The Board of Directors has recommended the payment of a dividend equivalent to Ksh 0.587 per share for the financial year ended 31 March 2022 (2021: Ksh 0.33 per share). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 March 2022, but not recognised as a liability at year end, is Ksh 390,983,000 (2021: Ksh 219,596,000)

iii) Unclaimed dividend	**Group**		**Company**	
	2022	**2021**	**2022**	**2021**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	310,303	275,038	310,303	275,038
Dividend	772	67,458	-	67,458
Dividend paid	(36,964)	(32,193)	(36,964)	(32,193)
	274,111	**310,303**	**273,339**	**310,303**

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Notes to the financial statements

12 Related parties

12.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals. Related party transactions are done at an armslength.

Centum Investment Company Plc is the ultimate parent of the Group. The Group transacts with companies related to it by virtue of common shareholding and also by virtue of common directors.

The following transactions were carried out with related parties:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
i) Purchase of goods and services				
Office rent paid to a related party	44,506	26,783	13,924	16,101
Management fees paid to a subsidiary	-	-	182,107	319,116
At end of year	**44,506**	**26,783**	**196,031**	**335,217**

	Company	
	2022	2021
ii) Interest and dividend income	Ksh'000	Ksh'000
Interest income earned on advances and deposits placed with subsidiaries	1,368,853	1,182,500
Dividend income earned from subsidiaries and associates	33,691	-

iii) Key management compensation

Key management includes executive directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Salaries	229,540	192,385	73,861	43,013
Retirement benefit scheme contribution	15,823	14,209	5,425	3,228
	245,363	**206,594**	**79,286**	**46,241**

The increase in key management compensation for the Company was due to staff reorganisation in the Group.

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Notes to the financial statements

12 Related parties (continued)

12.1 Related party transactions (continued)

iv) Directors remuneration	Group		Company	
	2022	2021	2022	2021
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Fees and expenses for services as a non-executive director	130,635	132,267	24,852	22,375
Other included in key management compensation above	46,502	46,241	46,502	45,528
	177,137	**178,508**	**71,354**	**67,903**
v) Outstanding related party balances				
Amounts due to related parties	147,374	1,453	-	296
Amounts due from related parties	4,343,295	1,760,033	11,546,394	11,803,965
vi) Shareholder loans advanced to related parties				
Two Rivers Development Limited	-	-	1,578,141	1,326,635
Two Rivers Lifestyle Centre Limited	3,210,701	1,760,033	3,324	-
Two Rivers Theme Park Limited	1,132,594	-	-	-
Uhuru Heights Limited	-	-	580,377	580,377
Centum Exotics Limited	-	-	2,271,324	2,275,996
Pavilion Heights Limited	-	-	-	-
Centum Development Limited (Mauritius)	-	-	4,388,920	4,711,264
Centum Development Limited (Kenya)	-	-	-	-
Nabo Capital Limited	-	-	50,930	30,910
Centum Business Solutions Limited	-	-	289,988	307,975
Mvuke Limited	-	-	-	1,094,479
Tier Data Limited	-	-	7,312	3,512
Rasimu Limited	-	-	31,253	31,253
Investpool Holdings Limited	-	-	1,014,226	3,935
Shefa Holdings Limited	-	-	1,533	-
Elimu Holdings Limited	-	-	6,087	5,106
Greenblade Growers Limited	-	-	155,345	142,480
Bakki Holdco Limited	-	-	1,266	1,266
Centum Real Estate Limited	-	-	1,049,418	1,242,652
Zohari Leasing Limited	-	-	54,428	36,446
Tribus (TSG) Limited	-	-	6,507	6,000
Barium Capital Limited	-	-	-	12
Centum Capital Partners Limited	-	-	56,015	3,667
	4,343,295	**1,760,033**	**11,546,394**	**11,803,965**

At Group level, the amounts due from related parties are in relation to joint venture investments specifically loans issued by Two Rivers Development Limited to Two Rivers Lifestyle Centre Limited and Two Rivers Theme Park Limited. During the year, the investment in Akiira Geothermal Limited was transferred to Investpool Holdings Limited.

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13 Disposal of investments

Year ended 31 March 2022

During the year, Two Rivers Development Limited (a 58% subsidiary of Centum Investment Company Plc) and Funscapes FZC entered into a share subscription agreement in which Funscapes FZC acquired a 50% equity stake in Two Rivers Theme Park Limited at a consideration of Ksh 103,604,000. The transaction was effected through Two Rivers Theme Park Limited issuing and Funscapes FZC subscribing to additional shares in Two Rivers Theme Limited resulting in a deemed disposal of a 50% stake by TRDL. As at 31 March 2022, all the conditions precedent, as set out on the joint venture agreement have been fulfilled. On the basis of the 50-50 ownership and control structure, Two Rivers Theme Park Limited was deemed as disposed by TRDL, with TRDL retaining joint control.

Prior to this transaction, Two Rivers Theme Park Limited was 100% owned by TRDL. At 31 March 2022, Two Rivers Theme Park Limited was de-consolidated with a corresponding investment in joint venture recognised. The arising gain recognised in the income statement set out as below.

	Group	
	2022	**2021**
	Ksh'000	**Ksh'000**
Fair value of interest gained	103,804	-
Net assets derecognised	323,200	-
Gain on disposal	**427,004**	**-**

centum.co.ke, (+254) 20 228 6000, info@centum.co.ke