CENTUM

tangible wealth

2020
INTEGRATED REPORT AND FINANCIAL STATEMENTS

Inside this Report

About this Report

The Integrated Report for the year ended 31 March 2020 provides a holistic view of Centum Investment Company Plc ("Centum") business model, how the Company is managed and how it manages its investment portfolio.

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 good understanding of the financial, human, social, environmental and economic impacts of Centum to enable them to evaluate our ability to create sustainable value for our stakeholders.

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 106 to 243 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 holding company, its real estate development activities and material matters arising from its investment activities through Private Equity 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 subsidiaries. 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.

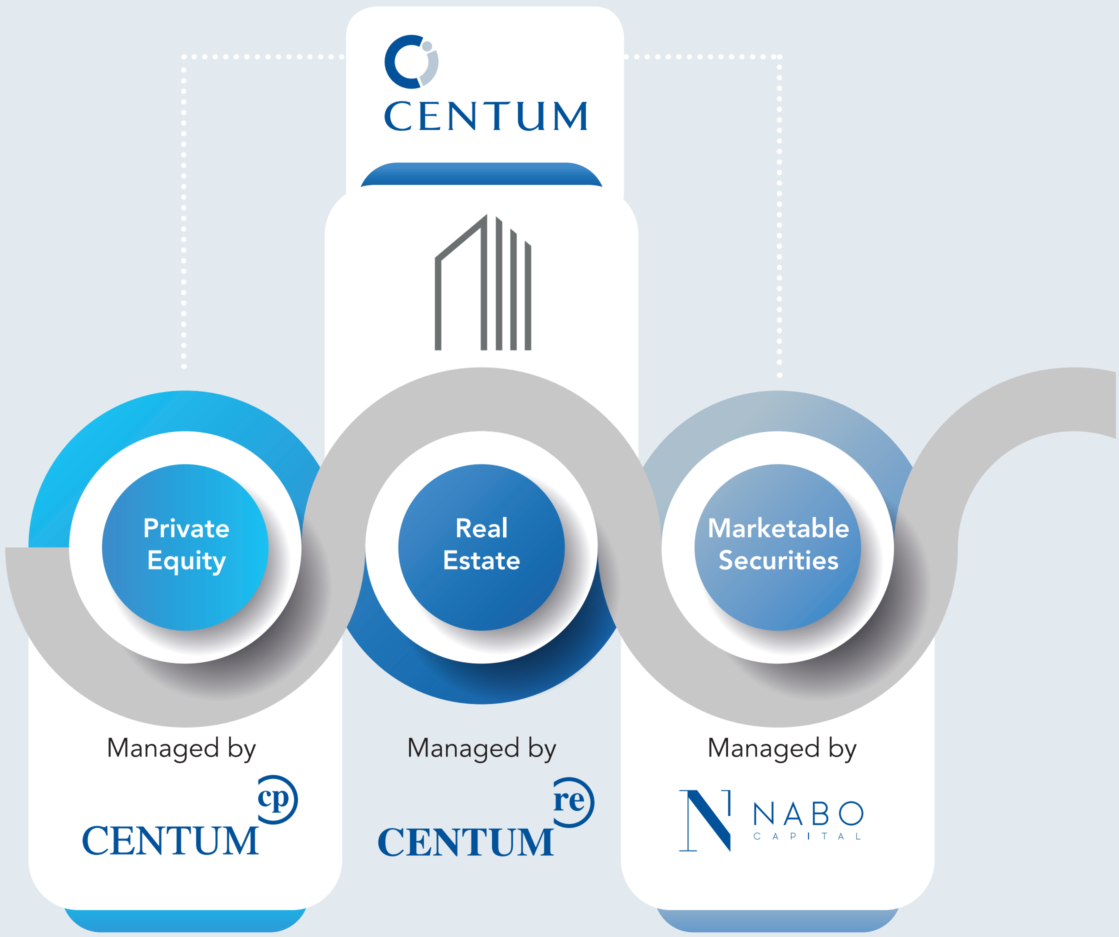
The External Auditor's report in relation to the financial statements of the Group and the Company is set out on pages 113 to 118 of this report.

About Us

Centum Investment Company Plc ("Centum" or "CICP") is an investment holding company, with a focus on Private Equity, Real Estate and Marketable Securities. We position ourselves as an investment channel through which other investors can access diversified investments.

Operating Model

Our portfolio consists of 3 business units, representing our 3 broad asset classes



Our principal objective is to invest in a diversified portfolio of growth capital and change of control investments in mid-sized companies primarily operating in growth markets across East Africa.

Within Real Estate, we are master developers of urban nodes in East Africa. We generate our return through the sale of construction-ready sites, development and sale of targeted infill projects, and managing specific assets for rental.

Represents our investment in large and mid-capitalization equities, fixed income and cash, contributing to Centum's liquidity.

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
We deliver to promise,
We invest responsibly,
We value our people,
We learn and innovate.

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 target market broadly divided into two categories:

Target Market

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

Private Equity

SidianBank	82.20%
Longhorn Publishers PLC	60.20%
Zohari Leasing	100%
Isuzu East Africa	17.82%
NAS Servair	15.00%
Tribus	79.92%
Nabo Capital	100%
Barium Capital	100%
Greenblade Growers Limited	100%
Centum cp	100%
Bakki Holdco Limited	100%
Centum Business Solutions	100%
Akiira Geothermal	38%

Real Estate

Centum re	100%
Vipingo Development Limited	100%
Pearl Marina	100%
Two Rivers	58.33%
athena Properties Ltd	100%
Uhuru Heights Limited	100%
Centum Development (MU) Limited	100%
Rasimu Limited	100%

Marketable Securities

Centum Exotics Limited	100%

Our Business Model and Capitals

Inputs

Financial Capital

All shareholder funds and debt capital:

Long term Debt: Ksh 6,448 million

Shareholder Funds: Ksh 47,439 million

Read more on our financial capital management under the CFO review on page 80

Human and intellectual capital

Our people, comprising of specialist investment skills in Private Equity and Marketable Securities and vertically integrated skillset within Real Estate

Social and Relationship Capital

Our relationships within Centum and between the Company and its external stakeholders 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 24 to 27

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 our sustainable approach to investments on pages 10 to 18

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.

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

Read more on our Private Equity, Real Estate and Marketable Securities investment models in the Business Review section on pages 88 to 105

Outputs

Private Equity Portfolio

- Capital appreciation
- Cash returns

[See more information on our Private Equity portfolio on page 100]

Real Estate Portfolio

- Capital appreciation
- Cash returns
- Social/community development

[See more information on our Real Estate portfolio on page 90]

Marketable Securities Portfolio

Contribution to company's returns and liquidity management through investment in listed securities and fixed income instruments

[See more information on our Marketable Securities portfolio on page 104]

Development Portfolio

- Continued investments in assets that are still under development and will generate future returns
- Social development

[See more information on our Development portfolio on page 103]

Outcomes

Debt and Equity Investors

Through value investing, we deliver continued Net Assets Value growth year on year while complying with debt covenants.

Total Assets:

Ksh 56,850 million

Dividends paid:

Ksh 799 million

Proceeds from exit of investments during the year:

Ksh 19,570 million

Interest paid:

Ksh 1,513 million

Employees

We offer our employees 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 Note 2.3.2 to the financial statements, aligns staff reward and retention to value creation and cash returns.

Direct employment

1,082 employees across the group

<1.0% voluntary staff turnover

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

250 - Scholarships awarded to date in Vipingo

100 - Graduates from vocational training program to date in Vipingo

7,534 - New job connections through Ajiry

30% green areas - Land dedicated to green spaces across all land banks

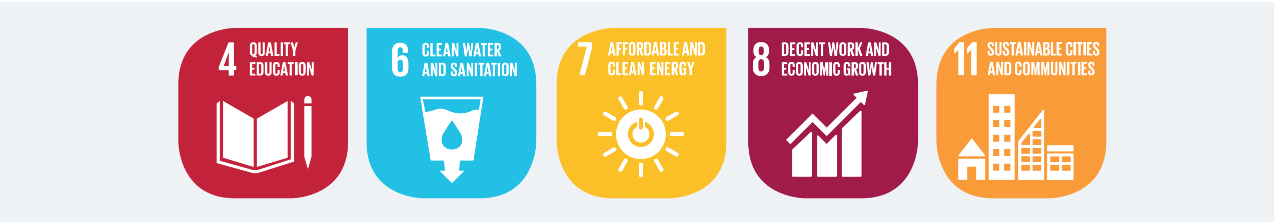
Preservation of indigenous trees in our developments

Our economic and social contributions are detailed in our Sustainable Investing section on pages 10 to 18

Sustainable Investing

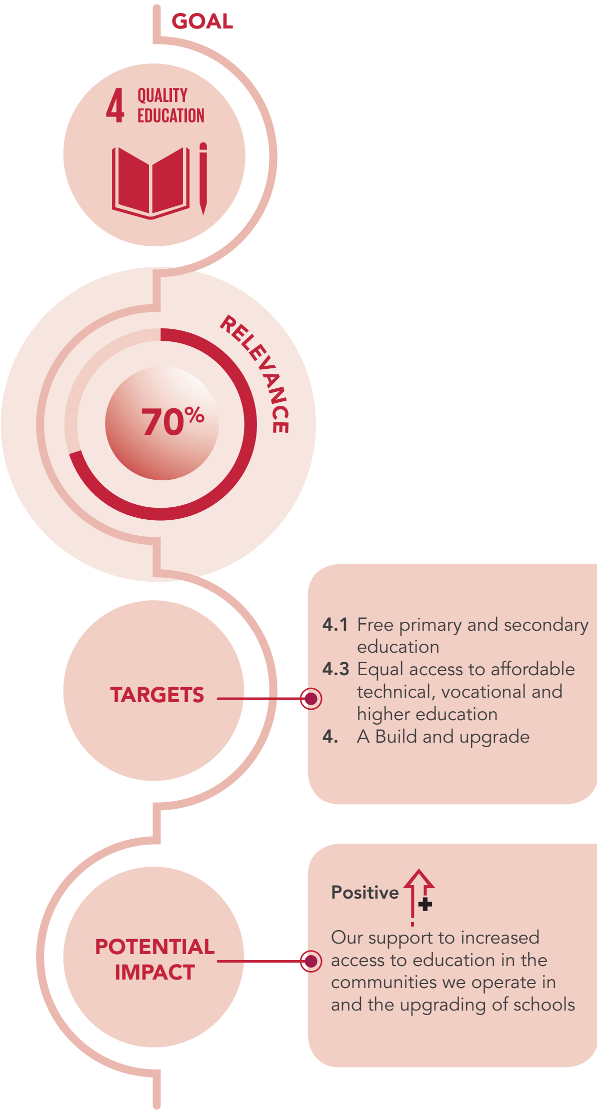
Alignment with the United Nations Sustainable Development Goals

Centum Group'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 and both relevant to, and aligned with, our business strategy. We have identified 5 of the 17 SDGs as most relevant to our business and stakeholders, and on which we can have the most impact. These include:



The process used to identify these SDGs and prioritize them for action involved mapping the SDGs to our current primary investment and CSR activities. We have also reviewed the 169 SDG targets to help identify connections between the goals and classified them according to a comparative level of relevance to our business.

SDG Nº4 Status



Upgrading of learning infrastructure in Vipingo and Mathari, Nairobi

Through our wholly owned subsidiary, Vipingo Development Limited, we have committed to upgrading learning facilities within primary schools in Kilifi County. To date, we have put up new classrooms for four schools: Makonde, Timboni, Kadzinuni and Mukwajuni Primary schools.

In 2017, Two Rivers Development Ltd 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 resulting in an increased capacity from 845 students to 1,156 students. It also created employment opportunities for 18 new teachers due to the increased number of students.

Provision of over 200 annual scholarships

Through Vipingo Development Limited, we provide at least 50 full scholarships every year to bright but needy students in Kilifi County. To date, we have awarded a total of 250 scholarships. We aim to maintain a scholarship level of at least 200 students annually on a rolling basis.

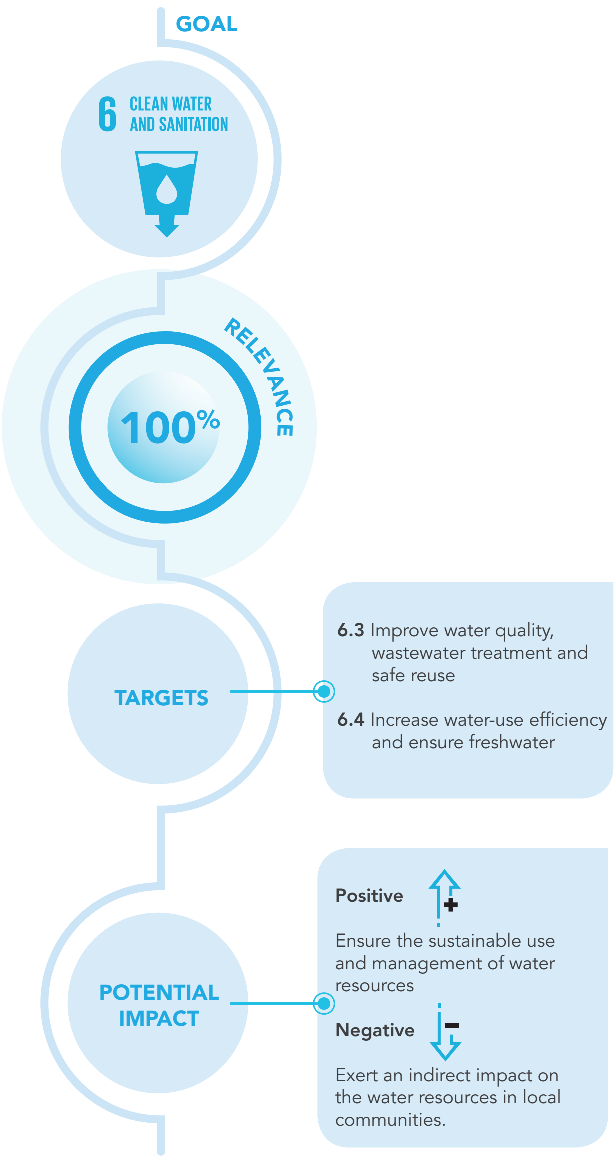
Establishment of a Vocational Training Centre

Through Vipingo Development Limited, we have 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 our Vipingo Development and in the wider market-place.

We provide fully paid scholarship opportunities and refresher courses to eligible and qualified residents of the community who submit their application to join the vocational training facility. The scholarship opportunity is limited to one course and to date we have awarded 100 scholarships. Of the 100 beneficiaries, 80 are now in gainful employment.

Sustainable Investing

SDG N°6 Status



Wastewater Management at Two Rivers

At Two Rivers, we have the region's largest reverse osmosis water treatment plant with capacity to treat 2 million litres of water per day. This reduces the daily raw water consumption by 70% and allows for 80% of grey water to be recycled and treated to World Health Organisation standards.

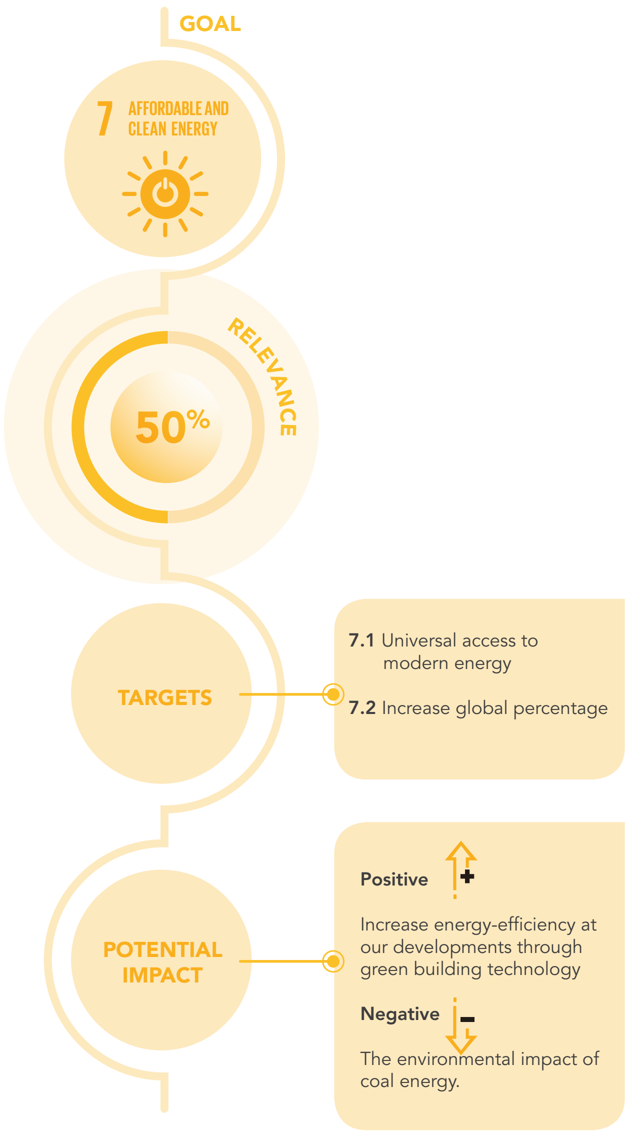
Sea water desalination plant at Vipingo

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. Our subsidiary, Vipingo Development Limited, has 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.

Vipingo Development Limited is installing a 1MW solar farm to power the desalination plant. In addition, the system has energy recovery devices that will reduce the overall energy needs. The energy recovered is approximately 20-30% of the input energy. The solar power installation will support energy efficient, sustainable and cost-effective water generation and the benefits will be passed to the water consumers.

Vipingo Development Limited desalination plant

SDG N°7 Status



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.

Development of Geothermal Power

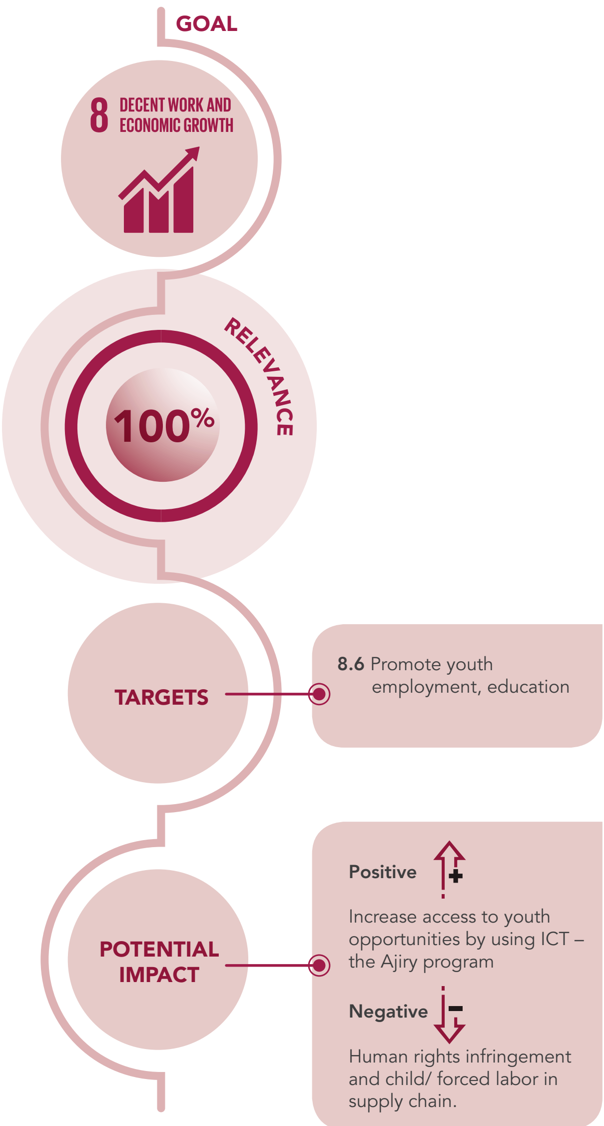
Through the project company, Akiira Geothermal Limited, we are undertaking feasibility studies for the development of a 140MW geothermal power plant in the Olkaria region of Nakuru County. The project will be undertaken in two phases, with the first phase involving the installation of 70MW. Upon completion, the Akiira geothermal power plant will be connected to the national grid, sustainably unlocking the vast geothermal potential within Kenya's Rift Valley.

Green Energy at Vipingo

Our water desalination plant at Vipingo will be powered by solar energy as outlined under SDG 6. The use of solar power is estimated to reduce the amount of carbon dioxide emissions by over 535 tonnes per annum.

Sustainable Investing

SDG Nº8 Status



In 2019, Tribus Security Group (TSG), a subsidiary of Centum, entered into a Memorandum of Understanding ('MoU') with the National Youth Service (NYS) to hire 300 graduates annually.

Under the MoU, TSG will be working closely with NYS to ensure that the youth are deployed to its diverse job categories to ensure that opportunities are created to empower the youth. In the same year, TSG launched a web-based application, AJIRY. This progressive web application directly connects both employers and employees to interact effortlessly and conveniently. AJIRY also offers workforce sourcing solution for contractual, short-term or one-off jobs to employers providing the youth free access to job opportunities.

The application is built around a progressive web application model which allows users to use less mobile data and storage on their devices. Ajiry therefore offers a workforce sourcing solution for contractual, short-term, or one-off jobs to employers providing the youth free access to job opportunities. Through the Ajiry Program and our MOU with the NYS, we have been able to create over 11,254 job connections, with over 7,534 successful hires.

Additionally, TSG partnered with the Mastercard Foundation under Young Africa Works to invest $1.4 million (about Ksh144 million) to establish ten (10) Ajiry Centers. Young Africa Works in Kenya is a public-private partnership (PPP) between the Mastercard Foundation, the private sector, and the Government of Kenya with the goal of enabling five million young Kenyans to access dignified work.

The Ajiry Centers will work with the national government, county governments, corporates, educational institutes, training providers, associations, and NGOs to create an open, free employment platform. Currently, we have opened Ajiry Centers in 14 counties out of the total strategic target of 47 counties.

The strategically located centers have been established with the aim serving people from diverse backgrounds and are anchored on three pillars namely, Capacity Enhancement, Financing and Market Access:

1. Capacity Enhancement is targeted at equipping the youth with additional skills such as branding, digital marketing, and business skills.
2. Financing by offering easier access to microfinance, monetary and non-monetary aid as well as hiring of the tools and equipment needed to compete in a fast-changing market.
3. Market Access is focused on providing unfettered access to both local and international markets for products made within the respective counties through e-commerce while creating employment opportunities at the respective centers.

SDG Nº11 Status

GOAL

11 SUSTAINABLE CITIES AND COMMUNITIES

RELEVANCE

100%

56% of all our current residential projects under construction fall within the affordable housing segment. In addition, growth into the wider Nairobi through joint ventures, as set out under the Real Estate section of Business Review, will focus primarily on affordable housing.

All our master planned developments are required to have at a minimum 30% of the spatial area dedicated to green and open spaces to support improved quality of life and improve environmental compliance in our developments.

TARGETS

11.1 Ensure access for all to adequate, safe and affordable housing.
11.3 Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management
11.6 Reduce the adverse per capita environmental impact of cities. Paying special attention to air quality and waste management.

POTENTIAL IMPACT

Positive +

- Investment in affordable housing projects.
- Enhancing the aesthetic value of the environment while incorporating green development initiatives.
- Sustainable and efficient use of resources when incorporating the use of renewable and clean sources of energy.

Negative −

- Reduced underground water infiltration as a result of built environments.
- Increase in water stress as a result of water consumption during projects' cycle.

Sustainable Investing

SDG Nº11 Status (continued)

Future Action

Our future reporting on the SDGs will be using the 'SDGs Compass'. This reporting tool is developed by the Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) and is widely recognized as a leading strategic tool to guide business action on the SDGs. We target to carry out a stakeholder engagement exercise to fully understand our positive and negative impacts on the SDGs. We plan to increase our positive impacts and reduce on the negatives by setting clear SDG-related performance goals for our business.

Responsible Investing

Material Environmental, Social and Governance (ESG) risks are monitored and assessed in the course of our business operations. These material ESG risks are defined as those issues that are or have the potential to have a direct substantial impact on our ability to preserve or erode environmental and social value, as well as economic value for our stakeholders. This policy is regularly updated, as necessary.

Minimum ESG Standards

Through this, we seek to invest in businesses committed to;

a. Taking necessary measures to ensure equitable distribution of value across the supply chain in all their operations;

b. A cautious and responsible approach to environmental management of their business operations (and those of their supply chain) by making efficient use of natural resources and mitigating environmental risks and damage;

c. Respecting the human rights of their workers and of the people working in their supply chain;

d. Maintaining safe and healthy working conditions for their employees and contractors and for the people working in their supply chain;

e. Treating their employees fairly;

f. Upholding the right to freedom of association and collective bargaining.

g. Treating their customers fairly and respecting the health, safety and wellbeing of those affected by their business activities;

h. Upholding high standards of business integrity, avoiding corruption in all its forms and complying with applicable sanctions and anti-bribery, anti-fraud, anti-tax evasion and anti-money laundering laws and regulations; and

i. Implementing a strong corporate governance and risk management culture and to complying in form and substance with established best practice in corporate governance

Centum Foundation

The Centum Foundation is a non-profit company limited by guarantee and is a fully owned subsidiary of Centum Investments Company plc. It was established in 2016 to mobilize and scale the Centum Group's existing corporate social investment (CSI) initiatives. The Centum Foundation's mission is "To facilitate Africa's most creative and sustainable solutions" and our vision is "To create sustainable programs that empower the community".

The Foundation centrally develops and manages CSI initiatives across the Centum Group and receives funding from the various development projects subject to approval by each of their respective Boards.

Our Covid Response

In the face of COVID-19 pandemic, Centum has launched several initiatives to support our communities in these tough times.

Githogoro Water Project

Over 10,000 families now have access to clean water supplied from the Two Rivers Water Treatment Plant.

In Kilifi County, Vipingo Water Desalination Plant supplies water to neighbouring communities.

Food Donation

Food donation to 4,300 families so far in Nairobi and Kilifi county.

ZERO Contact Distribution System (ZCDS)

The ZCDS developed by Tribus-TSG (a subsidiary of Centum) has been adopted by 14 counties and other groups in distribution of food hampers.

More than 75,000 hampers have successfully been issued through the system in about 2 months since its launch.

Cash Donation of UGX 100 million Donation

Donated to the Uganda National COVID-19 task force

In April 2020, our subsidiary, Tribus-TSG, launched a zero-contact distribution application in response to the COVID-19 pandemic. This is part of Tribus-TSG's wider partnership with Mastercard Foundation in Kenya, under its Young Africa Works initiative.

The Zero Contact Food Distribution application, designed and developed entirely by young African developers, is in response to the skyrocketing demand for food relief under the existing COVID-19 related restrictions.

The application intermediates between the need for relief and the need to avoid large crowds or the use of unsafe traditional paper vouchers or gift. It is built on a USSD platform so that users do not require access to smart phone technology. Through the application, a unique SMS is generated and sent to relief beneficiaries once the donating organization assigns a collection point. The beneficiary is then free to collect the food parcels using their unique verification code.

This chain allows for a safe, controlled distribution and full data capturing process.

Sustainable Investing

Our Covid Response (continued)

Group CEO, Dr. James Mworia breaking ground to commence the construction of *Githogoro Water Project.*

Group CEO, Dr. James Mworia commissioning the *Githogoro Water Project.*

Zero Contact Food Distribution mobile phone application.

Distribution of food hampers to residents of Githogoro.

Laikipia County residents during the food distribution exercise.

Our Strategy & KPIs

Our Strategy & KPIs

Centum 4.0

The year ended 31 March 2020 marked the first year of our five-year (2019 – 2024) strategy period dubbed 'Centum 4.0'. The key pillars underpinning Centum 4.0 and performance progress as at 31 March 2020 are set out below.

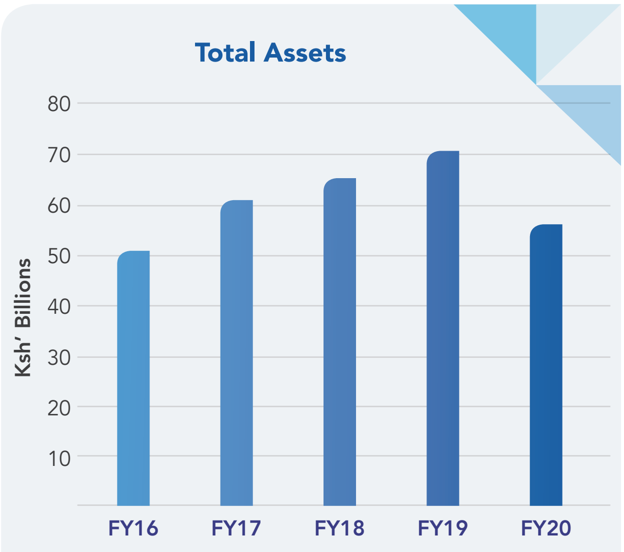
Centum 4.0 Strategic pillars

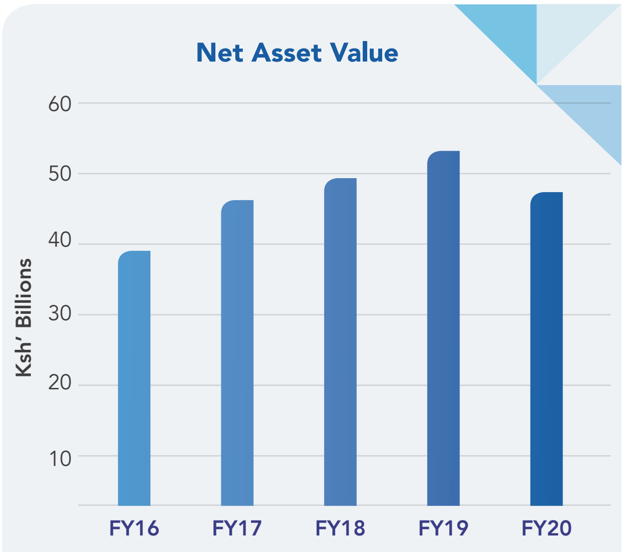
Pillar	Targets	Performance and progress
Capital Structure	Balance sheet strengthening through repayment of all long- term debt obligations at Centum level and enhancement of liquidity Double the book-value of shareholders' funds to Ksh 100 billion by FY24	The performance and progress against the pillars are set out under the CEO statement section on page 60.
Return and Dividend Pay-out	Generate a minimum return on equity of 20% through value- creating activities.	
	Optimise dividend pay-out to the higher of 30% of cash annuity income (excluding capital gains) and the previous year's dividend pay-out.	
Operating Costs	Maintain a maximum operating cost-to-cash annuity income ratio of 30%.	
Organizational Effectiveness	Ensure optimisation of Centum's operating model to support effective and efficient execution of its strategy including governance, structure, people, processes, technology and culture	
Portfolio Focus	Restructure portfolio to focus on three key business units, namely: Real Estate (Target asset allocation: 45-55%) Private Equity (Target asset allocation: 30-40%) Marketable Securities (Target asset allocation: 10-20%)	

Five-Year Performance Highlights

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Return					
Total Return (Ksh'Mn)	(4,362)	4,713	4,677	6,160	7,376
Return on Opening Equity (%)	-8%	10%	10%	16%	23%
Outperformance relative to NSE 20 Share Index	23%	35%	-14%	38%	26%
Cost Efficiency %	1.6%	1.1%	0.9%	1.0%	1.0%
Financial Position					
Total Assets (Ksh Mn)	56,850	71,644	66,087	61,570	51,542
Net Asset Value	47,439	52,600	48,686	44,808	39,315
NAV Per Share	71.3	79.0	73.2	67.3	59.1
Share Price (Ksh)	22.6	32.0	44.5	36.5	45.0
Market Capitalization (Ksh Mn)	15,006	21,294	29,612	24,289	29,945
Gearing					
Debt (Ksh Mn)*	7,486	16,145	14,843	14,656	10,475
Net Debt	4,574	15,892	13,765	12,209	6,626
Net Debt to Equity	10%	30%	28%	27%	17%
Net Debt to Total Assets	8%	22%	21%	20%	13%

*Subsequent to year end, the outstanding long-term debt has been paid





Our Operating Environment

Economy

As an investment firm, our performance is closely aligned to the economic performance of the East African region, where we operate.

The period under review was characterized by generally weak economic activity. Prevailing economic headwinds were exacerbated by the economic shocks arising from the Covid–19 pandemic in the last quarter of our financial year. The direct impact of the COVID-19 related economic shock will however be seen subsequent to the year end.

Given the underlying operating environment, the drivers of performance across our three business units are set out on page 80 of the CFO's review.

Regulation

The reversal of interest rate capping regulations is expected to reverse the previously seen trend of curtailed private sector lending. In the medium to long term, this will have a direct positive impact to our real estate business.
Other regulatory reforms over the past year have mainly focused around the 4 pillars of the government's third Medium Term Plan (MTP) of the Vision 2030, for the period 2018–2022. (Housing, Universal Healthcare, Manufacturing, Agriculture)

The significant regulatory developments have largely impacted our real estate portfolio, since delivering 500,000 affordable housing units has been the central theme in the government's agenda. The Government has put in place several policies to drive home ownership including:

I. Affordable housing relief of 15.0% of gross emoluments up to Ksh 108,000 per annum or Ksh 9,000 per month for Kenyans buying houses under the Affordable Housing Scheme;
II. Tax exemption for interest on mortgage repayments up to Ksh 25,000 per month or Ksh 300,000 per annum provided that the taxpayer occupies the property;
III. A waiver on stamp duty for first- time home buyers under the affordable housing programme; and
IV. Allowing the use of 40.0% of accumulated pension benefits for the purchase of a residential house in addition to the previous use of 60.0% as mortgage collateral.

The government has also formed the National Housing Development Fund that aims to bridge the gap for affordable housing by enabling end-buyer uptake through provision of affordable financing solutions such as the anticipated nationwide Tenant Purchase Scheme (TPS).

Furthermore, the government has established the Kenya Mortgage Refinancing Company (KMRC), an institution tasked with deepening Kenya's mortgage market by providing long-term funding to primary mortgage lenders. The facility is set to lend money to local financial institutions at an annual interest rate of 5.0%, enabling them to write home loans at 7.0%, 6.0% points lower than the market rate of approximately 13.0%.

The government further enacted policies to attract investment in the affordable housing space by:

1. Reducing corporate tax from 30% to 15% for developers of over 100 affordable housing units annually;
2. Exempting from Value Added Tax supplies imported or purchased for direct and exclusive use in the construction of affordable houses by licensed Special Economic Zones (SEZ), subject to;
   i) recommendation of the Cabinet Secretary for Housing, and
   ii) a minimum of 5,000 units to qualify;
3. Applying a 25.0% tax exemption for investors in commercial property, who spend on social infrastructure such as power, water, sewer lines, and roads to allow recovery of their expenses within 4-years; and
   Waiving of building approval fees for all affordable housing projects in Nairobi, under the Nairobi City County Sessional Paper Number 1 of 2018.

The medium to long term outlook for affordable and mid-market therefore remains an attractive asset class, despite the immediate impact of COVID-19. The regulatory environment, including the above recent changes, support the long-term stability of the sector.

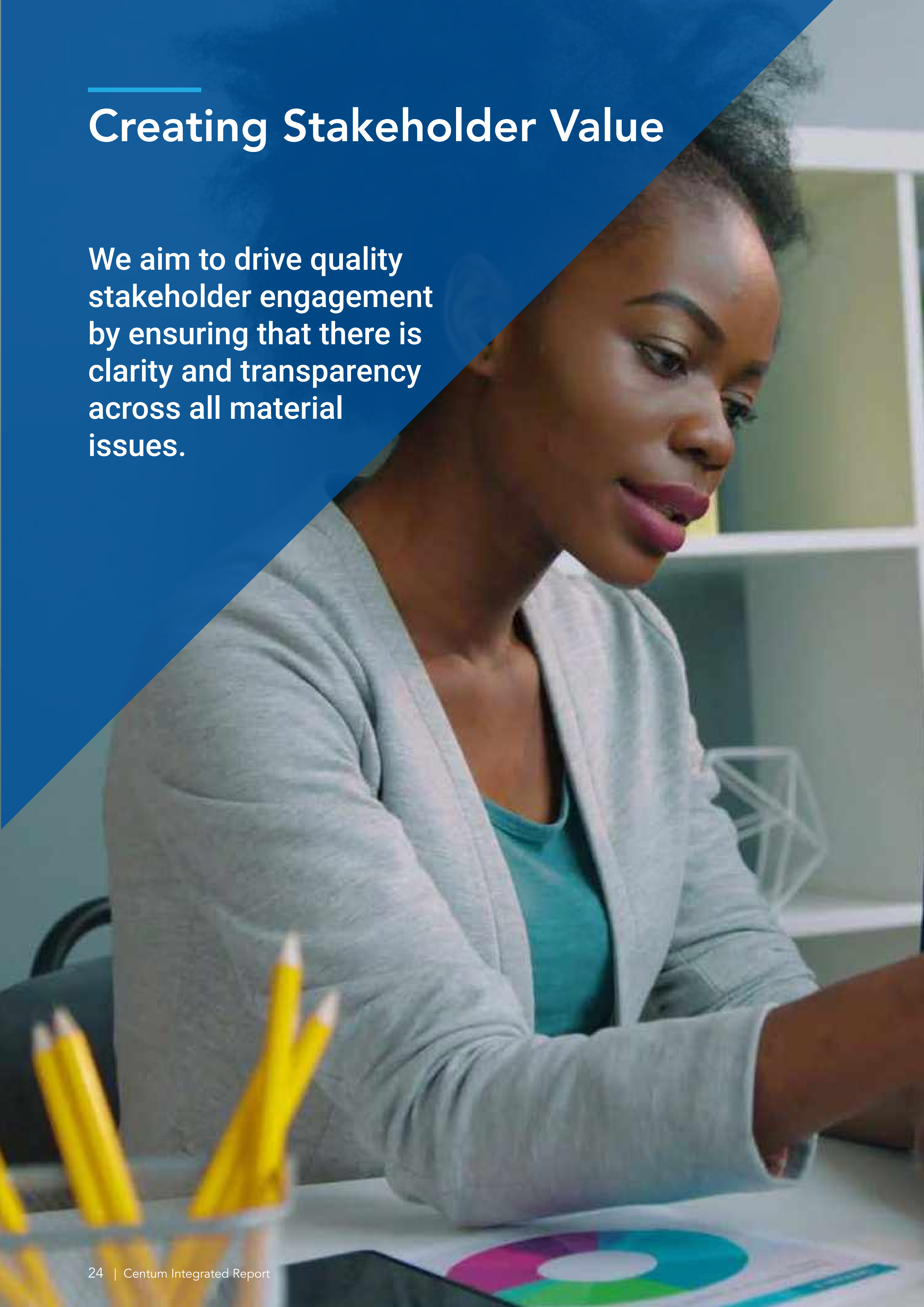
Competitive Landscape

Our competitive landscape continues to evolve with a number of Private Equity funds and Real Estate investors and developers intensifying their focus on the Kenyan and East Africa market as a whole. However, our positioning as the region's leading master developer and investment partner, our capacity to raise capital locally and abroad and our intellectual and human capital, allows us to compete effectively.

Our current strategy, Centum 4.0, is underpinned on intensive research and competitor analysis to ensure that we focus on delivering value for our stakeholders.

Creating Stakeholder Value

We aim to drive quality stakeholder engagement by ensuring that there is clarity and transparency across all material issues.



We define our stakeholders as 'any person or group with direct interest, involvement or investment in Centum and (i) who can affect the Company or its operations; and (ii) who can be affected by our decisions or operations'. These include providers of capital (shareholders and financiers), the broader investment community, employees, government and regulatory bodies, communities in the areas we operate, suppliers and consumers of our products from the investee companies.

We aim to proactively engage with all our stakeholders and in this regard drive quality stakeholder engagement by ensuring that there is clarity and transparency across all material issues

Creating Stakeholder Value

Stakeholder Group	Our Value proposition	Engagement Rationale
Debt and Equity Instrument Holders Local and international institutional and individual investors as well as fund managers and analysts.	**Delivery of sustainable return**	**Principal providers of financial capital**
Employees All full-time and part-time employees of Centum	**Attract, develop and retain quality employees**	**Principal providers of intellectual capital**
Government & Regulatory Bodies Global and local public authorities and government agencies.	**Compliance with all regulatory frameworks**	**Govern the operating environment in which we leverage all our capitals**
Communities Local communities and organisations that impact or are impacted by the business	**Sustainable use of our capitals**	**Directly impacted by our social and natural capitals.**

Primary Engagement	Key matters of interest in FY20	Our responses to issues, needs and concerns in FY20
Results presentations and company announcements; periodic reporting, investor meetings and other updates.	Ongoing engagement and communication on the Group's strategy.	Meetings and teleconferences with investors, analysts and fund managers
	Delivery of return to shareholders.	Annual General Meeting
		Investor updates and press releases.
	Continued compliance with debt covenants.	Submission of required debt covenants compliance reports.
Staff townhalls, electronic staff communication, intranet and performance reviews driven by the HR department and business unit leaders	Career progression and advancement.	New job evaluation system with improved competency framework
	Increased communication.	Townhalls, sports day and staff meetings
	Involvement of staff in decisions	Increased management and leadership training. Read more on key initiatives carried out during the period under review on page 87.
Submissions, meetings and representation on various regulatory bodies	No regulatory issues were raised during the period under review	Continued compliance with all regulatory frameworks.
Direct engagement with local communities and CSI initiatives	Managing environmental and social risk related to our investment activities.	Adoption of new Codes and Bills assented into Laws in the period
	Applying our capitals to give back to the communities that are part of urban nodes	Continued contribution to alleviating societal challenges. Read more on how we include community engagement in our Sustainable Investing on pages 10 to 18.

Risk Management

Since the start of the Centum 4.0 strategy, the Company has been on a journey to achieve enterprise-wide risk management and a risk mature culture. The objective of adopting a risk management framework is to ensure that risks are identified, measured, managed and monitored in order to optimise between the risk and return trade off with an end goal of protecting and enhancing shareholder value, enhancing sustainability of the business and stakeholder inclusivity while reducing earnings volatility.

The integrated risk management approach focuses on operational excellence by creating a people first culture, keeping a close eye on operational costs and continued process improvement, enhancing returns and liquidity through management of the quality of assets and portfolio focus where risks are viewed from an enterprise-wide perspective rather than from siloed business units.

The risk management framework

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

The Company has adopted a set of rules that describe the risk steps that it is undertaking on its journey to achieving full risk maturity:

- Our risk appetite is a calculated trade-off between risk and return and taKsh into account 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 before-hand in order to stress test our planned outcomes and work towards minimising the negative impact.

Risk governance

The board of directors is responsible for establishing and authorising our risk appetite and ultimately for management of 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 of 5 members all of whom are non-executive independent directors. The BRC is responsible for reviewing and recommending to the Board for approval, the Group's 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 of 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.

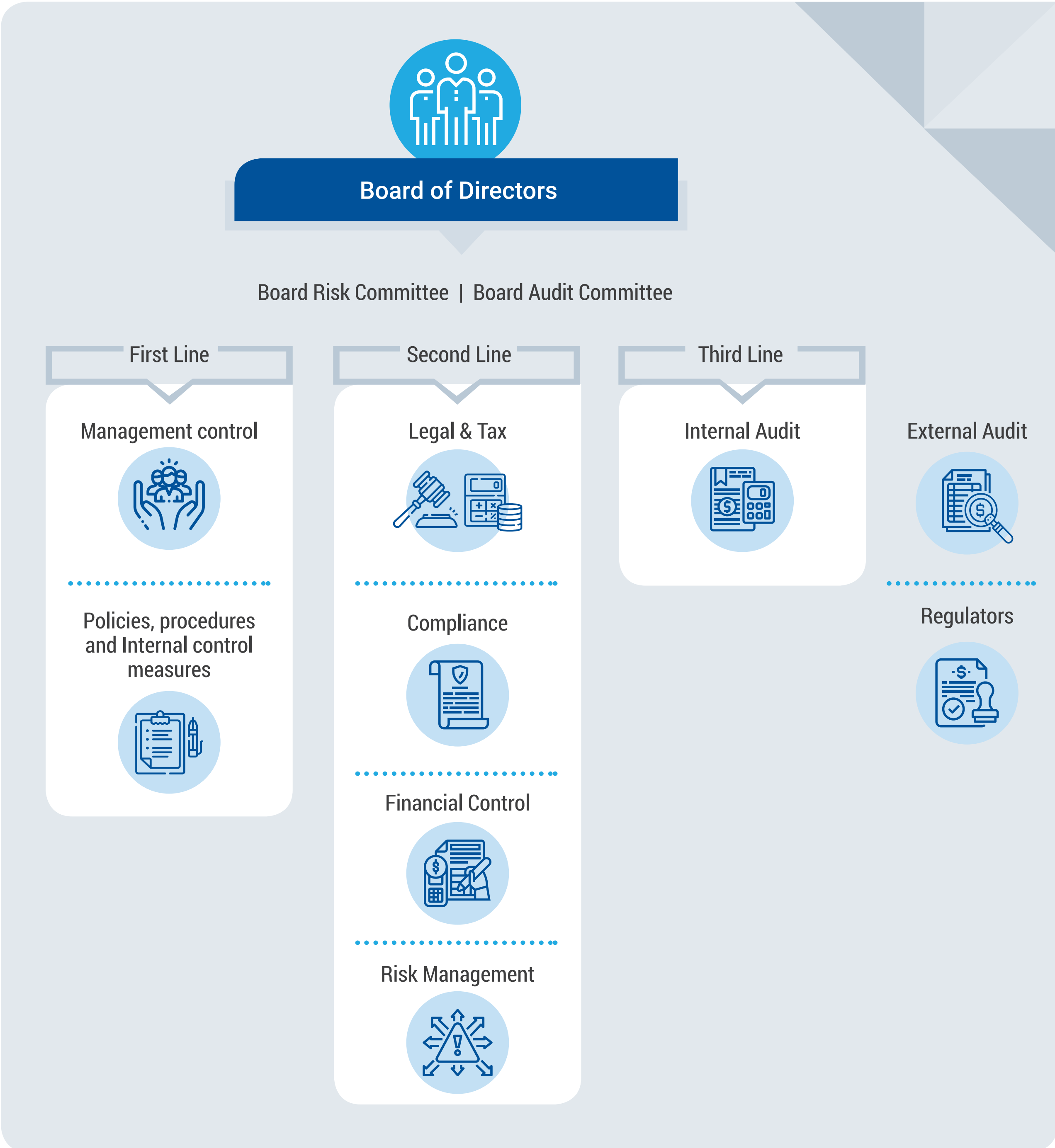
The report includes an assessment of the key exposures to the Company as well as its subsidiaries against the risk appetite.

The Executive Committee (EXCO) which comprises of the Group Chief Executive Officer as well as senior executives is accountable to the BRC for management of risk.

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.

Under the integrated framework, responsibility for risk management is delegated through the three lines of defense model.

Under the integrated framework, responsibility for risk management is delegated through the three lines of defence model.



Risk Management

The first line of defence is all the employees taking responsibility for management of risks in their day to day operations and for all the areas of operations that are within their direct control. The managing directors and senior executives are specifically responsible for ensuring that staff who serve under them manage risks during the execution of all responsibilities delegated to them.

The second line of defence is made up of a number of players including the risk function and risk champions and the compliance section of the legal and tax department. The risk function supports the first line in risk identification, analysis, quantification, management and monitoring while the legal and tax compliance functions manage a number of risks including regulatory compliance risks, tax issues and the risks associated with legal contracts.

The Group Internal Audit function whose work is overseen by the Board Audit Committee is the third line of defence. The Board Audit Committee is made up of non-executive independent directors and at any given time, the chair of the committee will be a member of the Institute of Certified Public Accountants of Kenya with recent audit and financial experience. The Group Internal Audit function is responsible for assessing the effectiveness of governance, risk management and controls with its findings and corrective actions agreed with management and then reported to the Board Audit Committee and any other relevant second line of defence partners. The function therefore primarily gives assurance on the effectiveness with which the first line is using the tools at their disposal to manage risk and on whether the second line is effective in its dual role of monitoring and assisting the first line.

The Risk Function

The Risk function is headed by the Group Chief Risk Officer who has a direct reporting line to the Board Risk Committee and administratively to the Group Chief Executive Officer.

The mandate of the risk function includes:

- To monitor implementation of the risk management framework;
- To ensure that risks are properly assessed and managed and that decisions implemented are within the approved risk appetite;
- To ensure that all the key risks of each of the subsidiaries are reported at the subsidiary's board meetings; and
- To assess and report management of risk at the portfolio level which includes an aggregate view of risk at Group, considering whether the risks are correlated while considering macro level risks such as interest rates, foreign exchange risk and growth of the economy.

The risk function is independent from the operations of the business in order to safeguard its objectivity in assessment, analysis, measurement, monitoring and reporting role.

Risk Appetite

Risk appetite is a measure of the aggregate amount of risk that we are prepared to take while working to achieve our strategic objectives. 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 appetite

Risk tolerance

Risk capacity

Risk universe

The Board has defined risk appetite as the aggregate level and type of risk that Centum, and its constituent business units, is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

Risk Culture

The Group's risk culture is fostered through the internal initiatives conducted jointly by the Group Risk and Compliance and HR function. These initiatives involve but are not limited to staff sensitization on key risk areas, employee sign-off on key policies such as the Code of Ethics and Business Conduct, assessment of risk management initiatives carried out at individual employee level during quarterly performance appraisals and periodic compliance checks on adherence to policies and procedures.

The Group's whistleblowing policy is designed to enable management to detect at an early stage suspected fraudulent, unethical or malicious conduct and embed a positive risk-management culture among employees. In the following sections, we outline how we control and manage the risks in our business. We highlight the principal risks to the business, their evolving profile during the year, our assessment of their potential impact to our business and how we responded to them.

Principal Risks

Principal risks are the key risks which have the potential to materially affect the achievement of the Group's 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 Group 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 Group Risk Appetite Framework, took into consideration the unacceptable outcomes to the Group from the occurrence of key risk events.

Risk Management

Outlined below are key risks that had a 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.
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 change in the political economic, social factors economic outlook • Illiquidity – inability to sell investment assets without incurring a substantial loss in value because of a lack of willing investors.	**Return**	The Group's 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 asset is exposed to. The Group 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 assets until we are in a position to realise the investment through an exit, we also maintain an active pool of possible willing investors that we try to 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.	**Brand**	The Group runs liquidity stress tests and scenario analyses on a regular basis to ensure that robust and optimal funding and use plans exist for best, plausible and worst-case liquidity situations.
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.	**Brand**	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.
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**	Compliance checks for all entities conducted quarterly Proactive engagement with regulators on any changes in the business.

The top risk exposures at the individual business lines over the year are captured in the table below:

	Key risk category	Risk description	Potential impact	Risk management and mitigation
Real Estate	Market uptake risk	Risk of less than expected sale of houses under development and land development rights	**Return**	Ramp up in marketing efforts, market validation through pre-selling and development of affordable products
	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 ground breaking.
	Liquidity	Risk of inability to meet obligations as they fall due without incurring high financing costs	**Return**	Accelerating the pace of monetising the land bank through bulk sales and infill projects
Private Equity	Financial risk	Slow response by limited partners in committing to Fund II	**Delayed acquisitions**	Targeting a large number of limited partners across Africa and Europe
	Operational 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
	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 Group**	Maintaining multiple potential exit relationships
Marketable Securities	Return risk	The possibility that the MSP I and MSP II portfolios achieve less than expected returns	**Lower cash proceeds redistributed to the Group**	Disciplined portfolio construction guided by the Investment Policy statement

Chairman's Statement

Dear Stakeholders,

The financial year ended 31 March 2020 marked the first 12 months of Centum 4.0 Strategy implementation. In this strategy, the business aims for sustainable growth and delivery of exceptional returns to all its stakeholders with positive social impact in the communities that we engage with.

I am happy to report that the new strategy has guided the Group well in delivering tangible value for all its stakeholders.

To highlight, Centum posted 12% growth in consolidated net profit despite making accounting provisions of Ksh 2.75 billion. Without these provisions, the profit would have been Ksh 7.4 billion, 79% better than the previous year's profit of Ksh 4.1 billion. This reflects the exceptional returns achieved from the sale of the Centum's staKsh in Almasi Beverages Limited, Nairobi Bottlers Limited, and King Beverage Limited as well an impressive performance of the underlying businesses in which we have invested.

We also embarked on a strategic initiative to rationalize debt at the holding company level so as to improve the Company's flexibility in delivering long term returns to the shareholders, and the board is happy to note the significant strides made by management in this regard. As of 31 March 2020, Centum had paid down Ksh 7.8 billion of long-term debt and subsequently redeemed Ksh 6.6 billion bond maturing in June 2020. This deleveraging of the balance sheet will effectively translate into Ksh 1.8 billion annual savings on finance cost going forward, thereby offering much needed flexibility in the face of a projected tepid economy and tight market liquidity.

The bond redemption accomplished in June 2020 was a significant milestone especially coming in the middle of the prevailing COVID-19 pandemic situation that has plagued the globe.

Dividend Payment

The Board of Directors has recommended the payment of a dividend equivalent to Ksh 1.20 per share for the financial year ended 31 March 2020, similar to the 2019 payout. This is in line with the Company's dividend policy, which sets the dividend payout at the higher of prior year payment or 30% of annual recurrent income.

Corporate Structure

The Group's transformation journey to become an allocator of capital has seen it complete the restructuring of its business into three units under distinct entities with separate management teams, all reporting to the Group CEO.

Centum Development Company Limited is the real estate portfolio holding company and the portfolio is managed by Athena Properties Limited under the Centum RE brand. Centum RE's key focus is to unlock the value that Centum group has created in the real estate portfolio over time.

Centum Capital Partners Limited houses our private equity experts and is responsible for the management of Centum's Private Equity business, including acquisitions, value creation and exits in the portfolio. The team is currently setting up Centum PE Fund II that will offer our Private Equity business the next frontier for growth by leveraging on third party capital.

The Nabo Capital Limited team maintains their fund management responsibilities with a mandate for the group's Marketable Securities Portfolio which is key as a liquidity buck stop and generates a steady annuity income for Centum. Nabo also offers fund management services to third parties.

Corporate Governance and Controls

Centum remains committed to the highest governance standards, in line with the requirements of the Code of Corporate Governance for Issuers of Securities to the Public.

The company undertakes robust governance audits that assess the interaction between management, the Board of directors and other stakeholers as well as evaluating the adequacy of policies and procedures, controls and risk management.

We take pride to note that our governance structures and internal control systems have consistently passed the quality test. The Legal and Compliance Auditors issued an unqualified opinion for the year ended 31 March 2020, a feedback that has been consistent over the years.

The Board remains steadfast in upholding the highest governance practices and will continue to vouch for systems that surpass the minimum standards to set our Company a cut above the rest.

Chairman's Statement

Corporate Social Responsibility and Sustainability Impact

Centum Foundation continues to be a bright ray of hope in the communities that we operate in. The foundation partners with our businesses and other stakeholders to mobilize resources and roll out initiatives that support the social wellbeing of the communities around them. Additionally, all the investments we make across our portfolio companies consciously consider and seek to advance the global efforts towards the achievement of UN - sustainable development goals.

Below are some highlights of our FY2020 community engagement efforts and initiatives that align to UN-SDGs.

Quality Education:

We upgraded two primary schools in the Vipingo neighborhood and equipped their libraries, bringing to a total of four schools whose learning infrastructure we have enhanced in the area. We issued 50 secondary school scholarships, bringing to 250 total scholarships issued to bright but needy students that we have committed to support since 2016 from the Vipingo region. Additionally, we continue to support several needy students at various top national schools through scholarships. Over 102 youth have graduated from our Vipingo Technical Training Program to date and proceeded to secure gainful employment in the area and beyond.

Clean Water and Sanitation:

We have made a combined investment of over Ksh 467 million to provide clean and safe water to neighbouring communities at both Two Rivers and Vipingo Development projects.

Our Vipingo desalination plant is set to be commissioned in FY2021 and will serve the entire development and surrounding communities with clean water.

Affordable and Clean Energy:

Our 1.2MW installed rooftop solar plant at Two Rivers mall continues to provide up to Ksh 28 million savings in electricity bills and reduction in carbon emissions by 535 tons annually.

Decent Work and Economic Growth:

Our team at Tribus – TSG (a Centum subsidiary) developed the Ajiry App and has since rolled out Ajiry Centres in over 13 counties, all in a bid to provide a solution to the youth unemployment challenge.

The Ajiry program has secured partnership with the Mastercard Foundation and offers a convenient platform that connects potential employers to job seekers, most of whom are skilled and semi-skilled youth. Since its launch in May 2019, the program has facilitated the placement of over 7,534 job seekers.

Coronavirus Pandemic

The global Coronavirus (COVID-19) pandemic, whose first case in Kenya was reported on March 13 having spread to Africa in mid-February, has raised the need for every individual and corporate citizen to act responsibly and play their part in keeping their neighbors safe.

The pandemic has also had a severe negative impact on economic growth as businesses went into lockdown, rendering millions jobless and denying families their livelihoods. Centum has continued to support the community during these tough times.

Some of the initiatives that that the group undertook include:

Githogoro water project: Providing piped portable water from our water treatment facilities at Two Rivers to the neighboring Githongoro informal settlement.

Food donations: The Centum Foundation donated food hampers to families across Nairobi and Kilifi counties.

Zero contact food distribution system: Centum subsidiary, Tribus TSG, created a zero-contact food distribution system that has been greatly useful in facilitating the orderly distribution of food hampers without crowding, thereby curbing the spread of corona virus.

Through **Centum Foundation** and conscious regard to the environment, social and governance considerations in the course of our business, the Group will continue to undertake initiatives and responsible investments that support the sustainable development goals.

Strategic Focus and Outlook

The Board remains responsible for the success of Centum 4.0 Strategy spanning FY2020 – 2024 and has tasked management with its implementation while retaining an oversight role and responsibility for its outcomes.

I am proud to state with confidence that the first year of implementation of Centum 4.0 Strategy has seen a lot of hard work put in by management to set a very strong foundation that positions the business well towards the realization of its long term objectives. Indeed some of the key initiatives such as completion of the exits from its legacy bottling businesses and the repayment of a significant chunk of its debt now leaves the business with a much stronger balance sheet and liquidity position to launch the company into its next phase of growth.

The board has maintained an unflinching focus on the key pillars on which the strategy is based: Return and dividend payout, Capital structure and liquidity, Operating costs, Portfolio focus and Organizational effectiveness. We are convinced that remaining faithful to these pillars will, undoubtedly, unlock significant value for all our stakeholders and lay the foundation for long-term success.

The global Coronavirus pandemic has presented a formidable challenge that will significantly alter the business landscape over the remaining strategy period. However, the board has confidence in the management's intervening measures that will ensure agility in execution and position the business for any opportunities arising to achieve Centum's long term objectives even in the face of medium-term uncertainties.

Dr. Donald Kaberuka
Chairman, Board of Directors

Ripoti ya mwenyekiti

Mwaka wa kifedha uliokamilika mnamo 31 Machi 2020 ulihitimisha miezi 12 ya kwanza tangu kuanzishwa kwa utekelezaji wa mikakati ya Centum 4.0. Lengo la utekelezaji wa mikakati hiyo ni kudumisha ukuaji na kuzalisha faida ya kipekee kwa wenye dau wote na kuboresha hali ya maisha kwa jamii tunaoshiriakana nao.

Ni furaha kwangu kuripoti kuwa mikakati hayo mapya yameweza kutoa mwongozo kwa kampuni ili kupatia wenye dau wake wote faida inayostahili.

Kwa vidokezi tu, Centum ilirekodi ukuaji wa faida kwa asilimia 12 licha ya kutenga fedha za kugharamia hasara ya shilingi bilioni (k) 2.75. Kama hatungefanya hivyo, faida ingelikuwa shilingi bilioni (k) 7.4, ongezeko la asilimia 79 kulinganishwa na faida ya shilingi bilioni (k) 4.1 ya mwaka uliopita. Hii ni ushahidi wa faida iliotia fora kutokana na mauzo ya umiliki wa Centum katika shirika la Almasi Beverages Ltd, Nairobi Bottlers, na King Beverages Limited na vile vile kudhihirisha utendaji kazi wa kuvutia wa kampuni tanzu ambamo tumewekeza.

Pia tulibuni mikakati ya kudhibiti mikopo ya kundi la Centum ili kutoa fursa ya kuzalisha faida kwa wepesi na ya kudumu kwa wenyehisa. Bodi ya wakurugenzi wanafuraha kutambua juhudi za wasimamizi kutekeleza hayo.

Mnamo 31 Machi 2020, Kampuni ya Centum iliwahi kulipia deni ya shilingi (k) bilioni 7.8 na kufuatanisha na ulipaji wa shilingi (k) bilioni 6.6 ili kuondosha deni la hati za bondi baada ya kuhitimisha muhula wa muda uliowekwa mnamo Juni 2020. Hali hii ya kifedha bila mikopo itapelekea kupungua kwa gharama ya riba kwa siku sijazo kwa shilingi (k) bilioni 1.8 kwa mwaka na hivyo kurahisisha utenda kazi katika hali ngumu ya uchumi na ukosefu wa fedha. Hatua ya kuondoa hati za bondi kupitia ulipaji wa deni mnamo juni 2020 ni tukio muhimu wakati huu wa janga la COVID-19 ambalo limekabili dunia nzima.

Ulipaji wa mgawo wa faida

Bodi ya wakurugenzi wanapendekeza ulipaji wa mgawo wa faida wa shilingi (k) 1.20 kwa kila hisa kwa mwaka wa kifedha uliokwisha mnamo 31 Machi 2020 sawia na ulipaji wa mwaka wa 2019. Hii ni kuambatana na sera ya kampuni kuhusu ulipaji wa mgawo wa faida na ambayo inabainisha ulipaji wa juu kulinganishwa na malipo ya mwaka uliotangulia na kwa kiwango cha asilimia 30 ya mapato yote kwa jumla ya mwaka huu.

Muundo wa Kampuni Kihalmashauri

Kundi la Centum wakati linajibadilisha kuwa mwelekezaji wa mtaji limeshuhudia mabadiliko makubwa ambapo shughuli zimegawanywa kwa vitengo vitatu kila kimoja kikiwa na kundi la wasimamizi tofauti na ambao wanawajibika kwa Afisa Mkuu Msimamizi. Centum Development Company Limited ni kampuni inayomiliki rasilimali katika kitengo cha biashara ya shamba na nyumba chini ya usimamizi wa Athena Properties Limited kwa chapa Centum RE. Wajibu wao ni kunyakua nafasi ili kuimarisha thamani ya rasilimili ambayo Kundi la Centum limejenga katika kitengo hicho kwa muda mrefu.

Centum Capital Partners Limited inao wataalamu wetu katika kitengo cha mashirika ya kibinafsi na inawajibika kwa usimamizi wa shughuli katika kitengo hicho, zikiwa ni ununuzi, uhimarishaji wa thamani, na uuzaji. Kwa wakati huu kundi hilo liko katika harakati ya kubuni Centum PE Fund II, hazina ambayo itatoa fursa kwa kitengo hicho kujiimarisha kupitia matumizi ya fedha za mashirika mengine.

Kundi la Nabo Capital Limited linaendelea na usimamizi wa fedha na kuwajibikia shughuli katika kitengo cha hati za dhamana ambacho ni muhimu kwa kukusanya fedha kwa haraka na pia kuhakikisha kuwepo kwa fedha kwa minajili ya matumizi ya Centum kuendesha shughuli. Nabo pia hutoa huduma kupitia usimamizi wa fedha kwa niaba ya wengine.

Usimamizi wa kihalmashauri pamoja na udhibiti

Centum ingali inazingatia usimamizi shupavu ya kihalmashauri kwa kuwiana na maagizo na maadili yaliyowekwa kwa mashirika yanayohusika na hati za dhamana na ambazo zinatolewa kwa umma. Kampuni hufanyiwa ukaguzi wa kina ili kutathmini uzingatifu wa sera bora za usimamizi na ili kuweza kutoa ishara endapo kanuni hizo zitakiukwa.

Tunajivunia kutambua ya kwamba mfumo wetu wa usimamizi umeendelea kuhitimu mizani bora ya ukadiriaji. Ripoti ya wakaguzi wa hesabu kwa mwaka uliokwisha mnamo 31 Machi 2020 haikutoa dosari juu ya usimamizi, sambamba na jinsi walivyotoa ripoti yao kwa miaka iliopita.

Bodi ya wakurugenzi wanaendelea kuzingatia usimamizi wa kihalmashauri na wataendelea kutekeleza sera bora ili kampuni iweze kuwa na hadhi ya juu.

Ripoti ya mwenyekiti

Uwajibikaji kwa jamii na kudumisha manufaa

Wakfu wa Centum Foundation unaendelea kutoa matumaini ya maisha kwa jamii anbamo tunahudumu. Shirika hilo letu linashirikiana na kampuni tanzu zetu na washikaji dau wengine ili kuchangisha na kubuni mbinu ya kusaidia hali ya maisha katika jamii kwenye maeneo tunamohudumu. Pia uwekezaji wetu katika biashara zote unatilia maanani na kuzingatia juhudi za kimataifa zenye azma ya kutimizwa kwa malengo ya maendeleo ya kudumu yaliyowekwa na shirika la Umoja wa Mataifa.

Janga la ugonjwa wa Corona

Janga la kimataifa la virusi vya corona (covid -2019) na ambalo kisa cha kwanza nchini Kenya kiliripotiwa Machi 13 baada ya kuenea na kufika bara la Afrika katikati ya Februari limezua haja kwa kila mmoja wetu binafsi pamoja na mashirika kuwajibika na kufanya juhudi ili kuhakikisha kuwa mitaa yetu ni salama. Janga hili limeweza pia kuathiri vibaya ukuaji wa uchumi kufuatia ufungaji wa shughuli za kibiashara, huku mamilioni ya watu wakiwachishwa kazi na kupelekea kosoroteka kwa hali ya maisha miongoni mwa jamii. Centum imeendelea kusaidia jamii katika nyakati hizi ngumu.

Baadhi ya miradi iliyotekelezwa na kundi la Centum:

Mradi wa maji wa Githogoro: Kuruhusu wakazi wa kitongoji duni cha Githogoro kuteka maji safi ya mfereji kutoka kiwanda chetu cha kusafisha maji katika Two Rivers.

Msaada wa Vyakula: Wakfu wa Centum Foundation imetoa msaada wa vyakula kwa familia katika kaunti za Nairobi na Kilifi.

Mfumo wa kusambaza vyakula bila kutangamana: Kampuni tanzu ya Centum kwa jina Tribus TSG imebuni mbinu wa kusambaza vyakula pasipo na kutangamana na ambao umesaidia pakubwa katika ugavi wa vifurushi vya vyakula kwa njia taratibu na kuepusha msongamano, ili kusadia kusitisha kuenea kwa virusi vya Corona.

Kupitia wakfu wa Centum Foundation na kwa kuelewa wajibu wetu kuhusu maswala ya kimazingira, jamii na kanuni za kihalmashauri wakati tunapoendesha shughuli, tutaendelea kuzingatia utekelezaji wa malengo ya kudumisha maendeleo.

Uzingatifu wa mikakati na matarajio ya siku sijazo

Bodi ya wakurugenzi inawajibikia kufaulu kwa mikakati ya Centum 4.0 iliyowekwa kwa kipindi cha kifedha cha 2020 hadi 2024 na wamepatia wasimamizi jukumu la utekelezaji ilihali wao wakisalia na jukumu la uongozi na kuwajibika kwa yale yatakayojiri.

Ninajivunia kunena kwa imani ya kwamba mwaka wa kwanza wa kutekelezwa kwa mikakati ya Centum 4.0 umeshuhudia kujituma kwa wasimamizi katika utendaji kazi ili kuweka nguzo thabiti za kuwezesha kampuni kufanikisha malengo yake kwa siku sijazo. Kwa hakika baadhi ya matukio muhimu katka utendaji kazi ni kukamilika kwa uuzaji wa viwanda vyetu tangulizi katika biashara ya vinywaji vitamu pamoja na ulipaji wa madeni makubwa, na ambao umefanya kampuni kuimarisha hali yake ya kifedha na kuwepo kwa fedha ya kutosha na kuipa kampuni nguvu katika awamu inayofuata ya ustawi.

Bodi ya wakurugenzi inaendelea kuzingatia nguzo za kutekeleza mikakati ambazo ni: Faida na ulipaji wa mgawo wa faida, muundo wa mtaji na uwepo wa fedha, kudhibiti gharama ya utendaji kazi, kuzingatia vitengo na kubuni muundo wa usimamizi unaostahili.

Tunaamini kuwa kwa kuzingatia nguzo hizo tutaweza kutunza masilahi ya washikaji dau wetu wote na kuweka msingi thabiti kwa minajili ya kufaulu hata zaidi kwa siku sijazo.

Janga la kimataifa la virusi vya korona bila shaka litatukabili vibaya na kuathiri biashara katika kipindi cha mikakati kinachosalia. Walakini bodi ya wakurugenzi wanaimani na hatua zilizochukuliwa na wasimamizi ili kudhibiti hali hiyo na kuhakikisha ujasiri katika kunyakua nafasi zinazotokezea ili kufanikisha malengo ya Centum kwa siku sijazo licha ya changamoto ambazo zinatukabili kwa wakati huu.

Dr. Donald Kaberuka
Mwenyekiti, Bodi ya wakurugenzi

Corporate Governance

Corporate Governance

Board of Directors

Dr. Donald Kaberuka
CHAIRMAN
Age: 68
Appointment Date:
October 2016

Mrs. Susan Wakhungu-Githuku
Age: 59
Appointment Date:
September 2017

Dr. Christopher J. Kirubi
SIGNIFICANT SHAREHOLDING
Age: 79
Appointment Date:
December 1997

Dr. James Mworia
GROUP CEO
Age: 42
Appointment Date:
October 2008

Dr. Laila Macharia
Age: 49
Appointment Date:
October 2013

Executive
Non-Executive
Independent

Mrs. Mary Ngige

Age: 48
Appointment Date:
September 2016

Mrs. Catherine Igathe

Age: 46
Appointment Date:
September 2016

Dr. Moses Ikiara

Age: 54
Appointment Date:
November 2017

Hon. William Byaruhanga

Age: 59
Appointment Date:
October 2016

Mr. William Haggai

REPRESENTATIVE OF ICDC

Age: 49
Appointment Date:
June 2018

Mr. Andrew Kasirye, SC

ALTERNATE TO HON. WILLIAM BYARUHANGA

Age: 59
Appointment Date:
June 2019

Corporate Governance

Leadership and Culture

The Board of Directors is committed to sound corporate governance and the management of environmental and social issues. Towards the achievement of this commitment, the Board has continued to put in place appropriate governance policies.

In July each year, which is four months after the financial year end, the Company issues a comprehensive 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.

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

The Company has a compliance function which monitors compliance with the applicable governance standards and reports to the Board through the Risk Committee. In addition, the Company has an independent internal audit function, which reports to the Audit Committee on internal control matters.

Structure and Functioning of the Board

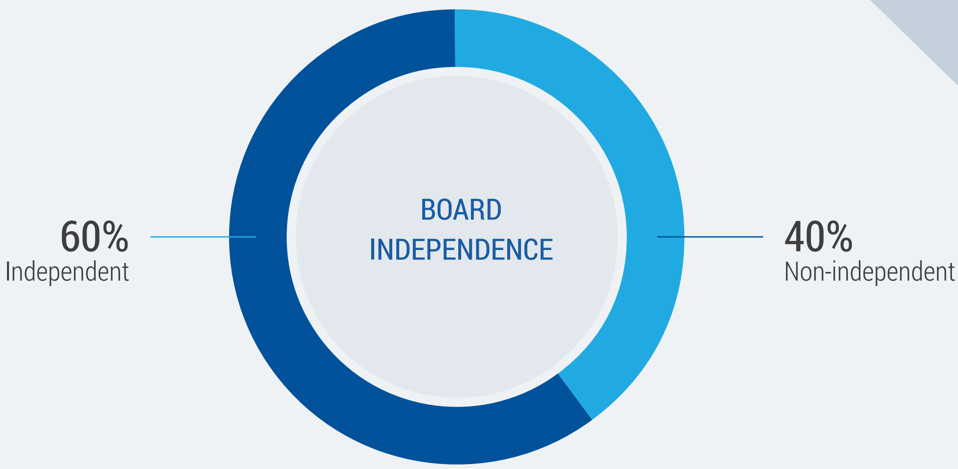
The Board is comprised of ten (10) directors, nine (9) who are non-executive directors.
Hon William Byaruhanga, a non-executive director, appointed Mr. Andrew Kasirye SC as his alternate with effect from 11 June 2019 in accordance with the Company's Articles of Association and the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.
60% of the Board members are independent non-executive directors.

There are four (4) Board-level committees:

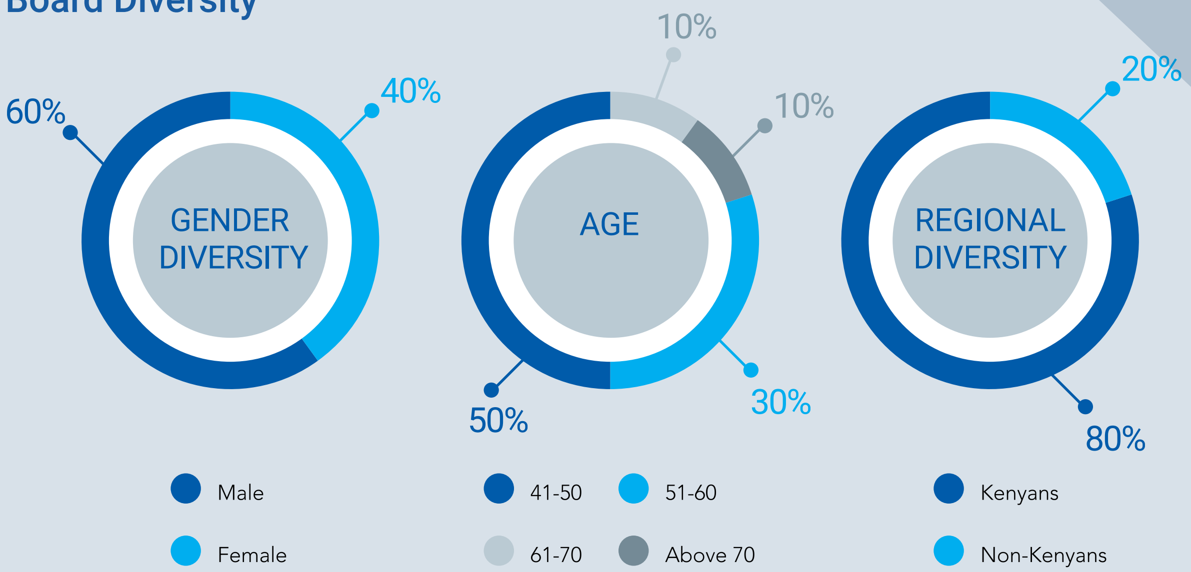
1. The Audit Committee
2. The Nomination and Governance Committee
3. The Risk Committee
4. The Finance and Investment Committee

The chairpersons and a majority of members of the Audit Committee and the Nomination and Governance Committee are independent non-executive directors. The Board comprises a balance of knowledge, skills, experience, diversity and independence.

Independence of the Board Members



Board Diversity



Board Skills

Experience and qualifications of board members

Summary of Directors' Qualifications and Experience

ACADEMIA/EDUCATION brings perspective regarding organisational 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 Environmental, Social and Governance 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.

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.

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 responsible for the overall compliance with the laws and regulations applicable to the Company.

	Dr. D. Kaberuka	Dr. J. Mworia (CEO)	Dr. C. Kirubi	Dr. L. Macharia	C. Igathe	M. Ngige	W. Haggai (ICDC Rep)	Hon. W. Byaruhanga	Dr. M. Ikiara	S. Wakhungu-Githuku
	∘			∘					∘	
	∘	∘	∘	∘	∘	∘	∘	∘	∘	∘
	∘	∘	∘	∘	∘	∘	∘	∘	∘	∘
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Corporate Governance

Procedure for Board Appointment

The Nomination and Governance Committee is responsible for scouting and assessing viability of Board candidates. The committee recommends to the Board qualified candidates for Board positions before they can be recommended for election by shareholders (or appointed by the Board in the case of filling a casual vacancy). Any appointment of a director by the Board to fill a casual vacancy is ratified by the shareholders at the next Annual General Meeting.

The Control Environment

The Board has put in place a robust system of internal control as well as risk management structure and processes to provide a reasonable assurance that the Company can deliver on its strategic objectives and is operating efficiently and effectively. To this end, the internal audit function and the risk & compliance function, which are two separate functions, work closely with the management of the Company to ensure the integrity and reliability of financial and non-financial reporting as well as compliance with the applicable laws, regulations, internal standards and policies for the Company and subsidiaries.

The internal audit function reports to the Audit Committee and administratively to the Group CEO. The function is led by the Group Head of Internal Audit who provides quality assessment on internal controls. The risk and compliance function supports the Company's strategy by assessing and managing risks and opportunities and continuous monitoring. The risk function reports to the Risk Committee, with a dotted line to the Group CEO. The Board approves the Group risk appetite framework and routinely monitors management and compliance with policies and procedures. This incorporates environmental and sustainability risk management practices.

The Audit Committee agrees with the external auditor on their scope and fees.

Treatment of Minority Shareholders

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. In addition, the Company facilitates the attendance of minority shareholders for shareholders' meetings by providing transport from Nairobi CBD to the meeting venue. Special resolutions require a supermajority of 75% of the total number of votes cast to be passed. The Company ensures there is communication with all shareholders, including minority shareholders, and the Company.

Shareholder Mapping – Top 10 shareholders

Below is a list of the top ten (10) shareholders as at 31 March 2020.

	31 March 2020			31 March 2019		
Name	**Total Shares**	**%**	**Rank**	**Total Shares**	**%**	**Rank**
Christopher John Kirubi	200,158,205	30.08%	1	192,559,412	28.94%	1
Industrial and Commercial Development Corporation	152,847,897	22.97%	2	152,847,897	22.97%	2
Standard Chartered Nominees Non-Red A/C 9827	11,899,537	1.79%	3	9,523,611	1.43%	5
Stanbic Nominees Ltd A/C Nr 1031144	9,539,073	1.43%	4	9,539,073	1.43%	4
Stanbic Nominees Ltd A/C Nr 1031141	9,057,400	1.36%	5	7,884,800	1.18%	7
Stanbic Nominees Ltd 1031083	8,255,340	1.24%	6	-	-	-
John Kibunga Kimani	8,040,021	1.21%	7	7,964,021	1.20%	9
Standard Chartered Kenya Nominees Ltd A/C Ke003534	8,017,169	1.20%	8	8,017,169	1.20%	8
Standard Chartered Kenya Nominees Ltd A/C Ke002367	6,390,856	0.96%	9	8,600,000	1.29%	7
Uganda Securities Exchange	5,805,306	0.87%	10	5,916,306	0.89%	10

Shareholding by directors:

Director	**Total Shares**
Dr. Christopher John Kirubi	**200,158,205**
Industrial and Commercial Development Corporation (Alternate - William Haggai) *	**152,847,897**
James M. Mworia	**5,674,594**
Dr. Moses Ikiara	**18,150**
Dr. Laila Macharia	-
Mary Githiaka Ngige	-
Catherine Igathe	-
Hon. William Byaruhanga	-
Dr. Donald Kaberuka	-
Mrs. Susan Wakhungu-Githuku	-

*William Haggai is an alternate director and does not own shares in the Company.

Shareholder analysis by Volume:

	31 March 2020			31 March 2019		
Volume	**Shares**	**%**	**Holders**	**Shares**	**%**	**Holders**
1 - 500	2,413,501	0.36%	14,343	2,405,011	0.36%	13,179
501 - 5,000	33,052,818	4.97%	16,108	33,484,286	5.03%	16,314
5,001 - 10,000	20,711,886	3.11%	2,874	20,969,591	3.15%	2,914
10,001 - 100,000	74,869,838	11.25%	3,012	76,975,000	11.57%	3,089
100,001 - 1,000,000	57,407,725	8.63%	214	63,866,060	9.60%	240
>1,000,000	476,985,946	71.68%	37	467,741,766	70.29%	42
TOTALS	**665,441,714**	**100%**	**36,588**	**665,441,714**	**100%**	**36,573**

Shareholder Analysis by Domicile

	31 March 2020			31 March 2019		
Domicile	**Shares**	**%**	**Holders**	**Shares**	**%**	**Holders**
Foreign Companies	73,501,927	11.05%	30	66,269,902	9.96%	35
Foreign Individuals	2,024,521	0.30%	196	2,423,936	0.36%	210
Local Companies	212,970,127	32.00%	1,692	224,674,868	33.76%	1,748
Local Individuals	376,945,139	56.65%	34,670	372,073,008	55.91%	34,585
TOTALS	**665,441,714**	**100.00%**	**36,588**	**665,441,714**	**100.00%**	**36,578**

Stakeholder Engagement

The Board of the Company recognizes the centrality of stakeholder engagement in the governance of the Company. In the year ended 31 March 2019, the Board approved the Stakeholder Engagement Policy, which maps the Company's far-reaching stakeholders and sets the overall framework and parameters for engaging with the stakeholders. The Stakeholder Engagement Policy will go a long way in achieving integrated reporting by providing a feedback mechanism and platforms of engagement with stakeholders. The policy also provides for internal and external dispute resolution mechanisms with its stakeholders.

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 2020, the Board undertook the following activities:

a) Received and considered updated reports on the business and investment activities;
b) Received and considered update reports on activities of all the committees;
c) Approved the Company and Group interim financial statements for the six-month period ended 30 September 2019;
d) Approved the Company and Group Financial statements for the year ended 31 March 2020;
e) Received progress update on Centum Strategy 4.0;
f) Approved the recommendation of the Nomination and Governance Committee for the approval of the Centum Group's philosophy, grading system and salary bands;
g) Received updates on the activities of subsidiary Boards;
h) Received and considered the reports on legal and compliance audit and board evaluation conducted during the year;
i) On the recommendation of the Audit Committee, considered and adopted the Group Internal Audit Charter; and
j) On the recommendation from the Risk Committee, considered and adopted the revised Risk Committee Charter

Group Anti-Money Laundering & Anti-Terrorism Policy, Company Business Continuity Plan, Anti- Bribery, Fraud and Corruption Policy, Ethics Committee Charter and approved the establishment of an Ethics Committee by Management.

Dr. Donald Kaberuka
Chairman, Board of Directors

Corporate Governance

Board and committees' activities

Risk Committee

Dear Shareholder,

I am pleased to present to you the Risk Committee report for the year ended 31 March 2020. 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) Approved the updated Group Risk Appetite Framework;
c) Received a compliance status update on the Group's companies based in Mauritius;
d) Approved and recommended to the Board the adoption of the Group Anti-Money Laundering & Counter Financing of Terrorism Policy;
e) Approved and recommended to the Board the adoption of the Company's Business Continuity Plan;
f) Approved and recommended to the Board the adoption of the Anti-Bribery, Fraud and Corruption Policy;
g) Approved and recommended to the Board the adoption of the Ethics Committee Charter and approved the establishment of an Ethics Committee; and
h) Received a Risk & Compliance update on the various business units in the Group.

On behalf of the Risk Committee,

Catherine Igathe
Chairperson, Risk Committee

Audit Committee

Dear Shareholder,

As Chair of the Audit Committee, I am pleased to present the Audit Committee's report to date.

The Audit Committee was actively involved in the oversight of matters within its mandate in the year ended 31 March 2020. The key matters that formed part of the deliberations of the Committee include:

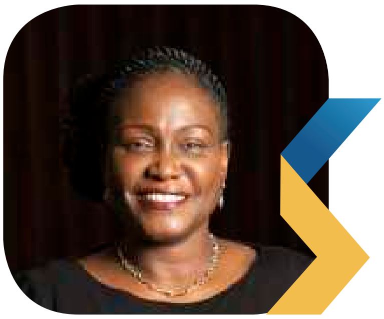
a) Consideration and approval of the Audit Committee workplan for the year;
b) Review of the interim financial statements for the six-month period ended 30 September 2019 and recommendation to the Board for their approval and publication.
c) Reviewed the independence and competence of the external auditors;
d) Discussed with the external auditors the nature and scope of the external audit for the year ended 31 March 2020, prior to the commencement of the audit;
e) Review of the external auditor's report on the financial statements for the year ended 31 March 2020 taking into account any changes in accounting policies, significant adjustments arising from the audit, the going concern assumption and compliance with International Financial Reporting Standards;
f) Discussed and challenged the judgements made by management during preparation of financial statements, and the assumptions and estimates on which they are based;
g) Reviewed transactions between related parties within the Group;
h) Review of the Financial Statements and Integrated Report for the year ended 31 March 2020 and recommended them to the Board for approval;
i) Approval of the Group Internal Audit Function's Charter and scorecard;
j) Reviewed the independence of the Group Internal Audit function.
k) Reviewed the adequacy, scope, capacity and resourcing of the Group Internal Audit function;
l) Reviewed and approved the Group Internal Audit function audit plan for the year ended 31 March 2020 and subsequent audit plans for the year ending 31 March 2021;
m) Reviewed the internal audit program, the results of the internal audit process, the adequacy and effectiveness of the risk management, governance and the internal control environment and where necessary ensured that appropriate action is taken on the recommendations of the internal audit function
n) Reviewed and recommended to the Board for approval of the annual budget for the financial year ending 31 March 2021;

On behalf of the Audit Committee,

Mary Ngige
Chairperson, Audit Committee

Corporate Governance

Board and Committees' Activities



Nomination and Governance Committee

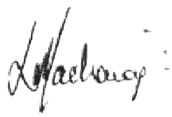
Dear Shareholder,

It is with pleasure that I present to you the report on the Nomination and Governance Committee for the year ended 31 March 2020. The Committee is mandated with oversight of governance and human resource matters. During the year ended 31 March 2020, the Committee:

a) Recommended the approval by the Board of the appointment of Mr. Andrew Kasirye, SC as an alternate Director to Hon. William Byaruhanga;
b) Recommended the approval by the Board for the appointment of directors of Centum Development Kenya Limited and Uhuru Heights Limited (subsidiaries of Centum);
c) Considered a report on Governance matters from Management that included the status on the implementation of the recommendations from the Governance Audit and Board Evaluation from the previous year;
d) Considered a HR Report on the Centum Group's pay philosophy, grading system and salary bands;
e) The Committee also dispensed with the following HR matters:
    i. Approved and recommended to the Board the adoption of a Learning & Development curriculum for the employees;
    ii. Considered the status on Performance Management for the Company employees for the year; and
    iii. Approved adoption of the revised Centum Group HR Policies and recommended them to the Board for approval.

f) Sanctioned the Centum Group legal and compliance audit and board evaluation activities for the year ended 31 March 2020.

On behalf of the Nominations and Governance Committee.



Dr. Laila Macharia
Chairperson, Nomination and Governance Committee

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 2020, the committee's activities included:

a) Receiving and deliberating on performance updates of the various investments by the Company, including risks associated with each investment;
b) Receiving activity and investment updates on the Company's private equity, marketable securities, real estate portfolios, including risks associated with each portfolio and approving the respective investment decisions;
c) Considering progress update on the set up of Centum Capital Fund II.
d) Considering and approving proposals on transactions involving the Company's assets and receiving updates on such transactions;
e) Approving issuance of required Corporate Guarantees
by Centum in fundraising transactions;
f) Approving the full divesture of the Company from a subsidiary and associate company; and
g) Receiving updates on ongoing transactions at the Company's real estate subsidiaries.

On behalf of the Finance and Investment Committee.

Dr. Chris Kirubi
Chairperson, Finance and Investment Committee

Corporate Governance

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	3/4	-	-	-	-
James Mworia	Executive	Group CEO	Membership	Y	N	N	N	Y
			Attendance	4/4	-	-	-	4/4
Dr. Christopher Kirubi	Non-Executive	Chair-FIC	Membership	Y	N	N	Y	Y
			Attendance	3/4	-	-	2/3	3/4
Dr. Laila Macharia	Non-Executive	Chair- Nomination and Governance	Membership	Y	Y	Y	Y	Y
			Attendance	4/4	4/5	2/3	3/3	4/4
Andrew Kasirye- alternate to Hon. William Byaruhanga	Non-Executive	Board member	Membership	Y	N	N	N	N
			Attendance	3/4	-	-	-	-
Susan Wakhungu- Githuku	Non-Executive	Board Member	Membership	Y	N	N	Y	Y
			Attendance	3/4	-	-	3/3	2/4
Catherine Igathe	Non-Executive	Chair-Risk	Membership	Y	Y	Y	Y	Y
			Attendance	3/4	4/5	3/3	3/3	4/4
Mary Ngige	Non-Executive	Chair- Audit	Membership	Y	Y	Y	N	N
			Attendance	3/4	5/5	3/3	-	1/4*
Dr. Moses Ikiara	Non-Executive	Board Member	Membership	Y	Y	Y	Y	Y
			Attendance	4/4	4/5	1/3	3/3	4/4
William Haggai (alternate to Industrial and Commercial Development Corporation)	Non-Executive	Committee member	Membership	Y	Y	N	N	Y
			Attendance	4/4	3/5	0/3	-	4/4

*Not a member of the Committee

Succession Planning

The Board, on the recommendation of the Nomination and Governance Committee, has put in place a succession plan for key management roles.

Remuneration Policies

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 Board remuneration policy is available on the Company's website.

Item	31 March 2020	31 March 2019
	Ksh'000	Ksh'000
Executive Director's Fees	-	-
Executive Director's Emoluments	45,428	45,284
Non-executive director's Fees	22,375	23,328
Non-executive director's Emoluments	-	-

See more information on the individual directors' remuneration on pages 110 to 111

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 2020 is available on the website.

Corporate Governance

Executive Committee

Dr. James Mworia
Group Chief Executive Officer

Appointment Date:
October 2008

Mr. Thomas Omondi-Achola
Group Chief Operating Officer and Managing Director; Centum Business Solutions

Appointment Date:
August 2018

Mr. Samuel Kariuki
Group CFO and Managing Director: Centum Real Estate

Appointment Date:
January 2016

Mr. Fred Murimi

Managing Director:
Centum Capital Partners

Appointment Date:
August 2015

Mr. Pius Muchiri

Managing Director:
Nabo Capital

Appointment Date:
March 2013

Mr. Mwangi J. Mbogo

Group Chief Legal Officer
and Company Secretary

Appointment Date:
September 2018

CEO's Statement

It gives me great pleasure to present to you the Annual Integrated Report for our financial period 2019/2020, which is the first financial year in the Centum 4.0 five-year strategy period that commenced on April 1, 2019. We embarked on this strategy following very satisfactory execution of Centum 3.0 strategy, which came to an end on 31 March 2019.

Performance over the Strategy Period

As I reported in my letter last year, the gain in net worth over the five years of the 3.0 strategy period that ended 31 March 2019 was Ksh 29.7 billion, with the book value of shareholder funds increasing from Ksh 22.9 billion in 31 March 2014 to Ksh 52.6 billion in March 31, 2019.

FY2019/2020 was the first year of the 4.0 strategy period and the book value of shareholder funds declined by Ksh 5.2 billion to Ksh 47.4 billion. The decline was largely on account of an impairment charge of Ksh 3.58 billion that was recognized in the year and a dividend payment of Ksh 799 million in the year. The impairment is largely in respect of provisions in our power development portfolio where, in the interest of prudence, we passed a 100% impairment of our investment in Amu Power Company following the decision of the National Environment Tribunal to revoke the Environmental Impact Assessment License that had been issued to the Amu Power Company. Although Amu Power has appealed the decision at the High Court, we were of the view that it was prudent to make a full provision of our investment in this company.

At the Group level we recorded a 12% growth in Profit After Tax, which increased to Ksh 4.6 billion driven mainly by investment income.

The make-up of the book value of shareholder funds by asset class as at 31 March 2019 and March 31 2020 is set out below:

Table 1: Our portfolio composition

Ksh. millions	31 March 2020	31 March 2019
Investment Portfolio*		
Private Equity	8,651	26,937
Real Estate	36,880	35,854
Marketable Securities and Cash	8,965	4,087
Development Portfolio	1,583	3,913
	56,079	70,791
Other Assets	771	853
Total Assets	**56,850**	**71,644**
Borrowings	7,486	16,145
Other Liabilities	1,925	2,899
Shareholder Funds	**47,439**	**52,600**

* This classification is from an investment perspective and may slightly differ from the financial statements, which are presented strictly in accordance with the IFRS requirements.

CEO's Statement

<table>
<tr><th>Centum 4.0 Objective</th><th>Actual Performance in the 2019/ 2020 Financial Year</th></tr>
<tr><td>Return and Dividend payout:

1. Generate a minimum return on equity of 20%;

2. Optimise dividend payout to the higher of 30% of the cash annuity income and the previous year's dividend income.</td><td>1. We achieved an average gross return on equity of 5.2% in FY2019/2020 as detailed below:

Private Equity 13.4%
Real Estate -1.8%
Marketable Securities 7.5%
Development 0.0%
Average weighted return 5.2%

2. In the FY2019/2020 we maintained dividend at the previous year's level of Ksh 1.20 per share in accordance with our policy bringing the total dividend for the year to Ksh 799 Million.</td></tr>
<tr><td>Capital structure and liquidity:

1. Repayment of all long-term debt obligations.

2. Maintain a minimum of 12 months cash cover.</td><td>1. We had by March 31, 2020 repaid all the long-term debt save for Ksh 6.6 Billion in respect to the five-year corporate bond that was maturing in June 2020. We repaid the bond in full upon maturity and therefore achieved this strategic objective within 14 months of the commencement of the Centum 4.0 strategy period.

2. This objective was achieved having closed with cash and cash equivalents of Ksh 2.9 billion up from Ksh 253 million as at March 2019 which represents 55 months cash cover.</td></tr>
<tr><td>Operating Costs

1. Maintain an average operating cost to cash annuity income ratio at a maximum of 30%.</td><td>1. In the period to March 2020, we achieved 50% cost to income ratio against the year's target of 54%. The objective is to improve our cost efficiency and gradually reduce this ratio to an average of 30% over the strategy period.</td></tr>
<tr><td>Portfolio Focus

1. Maintain focus on three business lines with target asset allocations as follows:

✓ Real estate: 45%-55%
✓ Private equity: 30%-40%
✓ Marketable securities: 10%-20%
✓ Development portfolio: 0%</td><td>1. At close of March 2020, our portfolio weighting was as follows:

✓ Real estate: 65%
✓ Private equity: 17%
✓ Marketable securities: 15%
✓ Development portfolio: 3%

2. We are actively pursuing a rebalancing of the portfolio as explained below, thus our 24 months outlook on the portfolio composition is:

▪ Real estate: 55%
▪ Private equity: 30%
▪ Marketable securities: 15%</td></tr>
</table>

Asset Allocation

Our private equity portfolio declined in value and weight during the year due to completion of the exit of Almasi Beverages, Nairobi Bottlers and King Beverage which generated proceeds of Ksh 19.6 billion. We applied these funds partly towards the reduction of our long-term debt, of which we retired USD 75 million (Ksh 7.8 billion) facility ahead of its maturity and fully redeemed Ksh 6.6 billion five-year bond that matured subsequent to year end in June 2020. The balance of sale proceeds were used to increase our investment in marketable securities and cash which stood at Ksh 8.9 billion in FY2020 up from Ksh 4.1 billion in FY2019. The decision to exit the bottling companies in FY2020 has turned out to have been very timely as it enabled us to unlock and preserve the value we had created in these assets, which would otherwise have been adversely impacted by the Covid 19 pandemic.

We are now well positioned to redeploy to private equity as we look to finalize the set up our Centum Private Equity Value Fund II. We have committed circa Ksh 6 billion to the fund that we expect to fully deploy within the Centum 4.0 strategy period.

We are currently overweight on the real estate asset class largely on account of a growth in value over time and as a result of the exits we have realized in the private equity asset class. Our strategic objective is to rebalance the overall portfolio by releasing liquidity from the real estate portfolio for re-investment in the private equity asset class, which we are currently underweight.

We closed FY2019/2020 with various transactions at advanced stages to unlock up to Ksh 6.0 billion from the real estate asset class. We had by June concluded a release of Ksh 4 billion and we expect to conclude the balance of Ksh 2 billion by the end of the current financial year. The objective over the remaining three years of Centum 4.0 will be to release a further Ksh 10 billion from the real estate asset class which will be funded through a distribution of dividends from the ongoing infill residential developments, bulk land sales and the refinancing of the shareholder loans that Centum has in the past advanced the real estate project companies for reallocation to the private equity and marketable securities asset classes. The ongoing infill residential projects that were 70% sold as at 31 March 2020 have a dividend distribution potential of Ksh 3.2 billion that we expect to be distributed to Centum over the next 3 years.

Closing the Price to NAV Gap

In my last year's letter, I set out our strategy for closing the Price to NAV gap. A major component of our strategy was the repayment of debt so as to enable us to direct the close to Ksh 1.8 billion that we have been incurring annually on interest payments towards dividend enhancement. I am pleased to report that we have now achieved the debt repayment objective having since repaid close to Ksh 14.4 billion in long term debt. We financed this objective through the sales of our stake in the bottlers and the repayment of shareholder loans of Ksh 4 billion that we had advanced our real estate subsidiaries.

In addition, we have enhanced our investment focus on assets that can provide us with steady and consistent cash flow streams. We therefore increased our holdings of marketable securities and cash, which is largely made up of a diversified portfolio of fixed income securities from Ksh 4.1 billion to Ksh 8.9 billion.

The deleveraging of the Company balance sheet and the marketable securities portfolio rebalancing in favor of fixed income securities that we began as part of the Centum 4.0 strategy has significantly insulated both our balance sheet and cash flow from the negative economic effects of Covid-19. It has also placed us in a good position to take advantage of investment opportunities that may emerge as the economy recovers from the Covid–19 crisis.

Business line review and outlook for 2020/2021

a) Real Estate

The real estate portfolio is managed by Athena Properties Limited under the brand Centum RE. Athena is a wholly owned subsidiary of Centum comprising a multiskilled team that manages Centum's real estate interests, provides development management, project management and project finance structuring for the portfolio. The portfolio includes Centum's 58% holding in Two Rivers Development Limited, 100% holding in Vipingo Development Limited, 100% holding in Pearl Marina Estates Limited and other interests held in joint venture arrangements.

This business is led by Samuel Kariuki. Samuel has proven himself to be very capable leader, especially in structuring funding and this being a capital-intensive business, he has been instrumental in instilling financial discipline in an area where that is key and effective project management. He is supported by a capable development team with specializations in all disciplines of real estate development, financing, sales and marketing.

CEO's Statement

Our real estate business strategy is founded on the following four pillars:

i. **Infill projects** – sale and development of infill projects on our current land banks to activate them.

ii. **Land sales** – sale of bulk land and development rights within our current land banks to third party co-developers.

iii. **Rentals property management** – management of our existing rental assets such as Two Rivers mall, Two Rivers offices, Two Rivers Theme Park and Pearl Marina Signature Villas.

iv. **Third party projects** – pursue affordable housing development in joint venture arrangements with third party landowners at strategic sites.

In the real estate business segment, we have made exceptional progress in rolling out a pipeline of residential anchor projects, all of which are on course for completion per schedule. The business currently has an approval to sell and develop a scheme of 4,426 units across our three sites at Two Rivers (Nairobi, Kenya), Vipingo (Kilifi, Kenya) and Pearl Marina (Entebbe, Uganda) as well as in partnership with third-party land owners.

At the close of FY2020, we had 1,442 units under construction of which 999 or approximately 70% had been sold; with some of the first batches of Awali Estate (Vipingo), Palm Ridge (Vipingo) and Mirabella Villas (Pearl Marina) set to be handed over to the buyers in the second half of 2020. The value of the pre-sold units as at March 31, 2020 was Ksh 7.8 billion, up from Ksh 3.8 Billion as at 31 March 2019.

The business model of our infill development business is to reduce the market risk of the development by achieving a minimum 30% pre-sales level prior to the commencement of each development. Secondly to reduce the capital intensity of the business our business model deploys the utilisation of customer deposits of which we had collected over Ksh 2 billion of deposits by 31 March 2020. The total receivable from the sold units is 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. This business model has been validated in the initial phases of the infill developments in Vipingo and Pearl Marina which will be handed over to buyers in a few weeks time and where the projects have not drawn down on any debt capital.

Table 2: Infill development progress as at 31 March 2020

Development Aspect	Pearl Marina, UG	Two Rivers, KE & Third Party JVs	Vipingo Development, KE	Total
Total Approved Scheme	1,321 units	1,698 units	1,407 units	**4,426 units**
Phase 1 Units	428 units	500 units	514 units	**1,442 units**
Units Pre-Sold	FY19: 201 units (47%) FY20: 344 units (81%)	FY19: 56 units (11%) FY20: 198 units (40%)	FY19: 325 units (63%) FY20: 457 units (88%)	**FY19: 582 units (40%) FY20: 999 units (70%)**
FY2020 Sales Value of pre-sold units	Ksh 2.74 billion	Ksh 2.96 billion	Ksh 2.12 billion	**Ksh 7.82 billion**
Debt at Project Level as at 31 March 2020	Nil	Nil	Nil	**Nil Projects fully funded from internally generated funds**

The infill development that are under development have a cumulative dividend payout potential of circa Ksh 3.2 billion that we expect to start being paid out from the 2020/2021 financial year as the projects get completed and handed over to buyers.

With respect to bulk land sales, we had executed sale agreement for the disposal of bulk land with a value of Ksh 3.1 billion. We are currently in the process of completing these transactions, their impact will be fully reflected in our financial year 2020/2021.

Table 3: Bulk land and development rights sales update at 31 March 2020

	FY2019 Cumulative Closed Sales	FY2020 Cumulative Closed Sales	Sales Pipeline under Negotiation as at FY2020
VIPINGO DEVELOPMENT LIMITED A member of Centum Group	Ksh 420 million	Ksh 2.92 billion	Ksh 1.74 billion
PEARL MARINA	Ksh 30 million	Ksh 30 million	Ksh 1.51 billion
TWO RIVERS	—	Ksh 216 million	Ksh 4.39 billion
Total	Ksh 450 million	Ksh 3.17 billion	Ksh 7.6 billion

At the close of FY2020, the aggregate sales value of units under development as well as bulk land and development rights was Ksh 10.6 billion, of which 26% of the amount had been received in deposits.

Two Rivers mall letting status was at 81% up from 78% at the start of the year while the office towers were 20% let. The construction of Two Rivers Cinema at the top of the mall is now complete and fit-out commenced by the operator, with an expectation to open in quarter three of 2020.

b) Private Equity

Our private equity business is managed by Centum Capital Partners (CCAP). This is a wholly owned subsidiary of Centum comprising a team led by Fred Murimi. Fred joined the company nine years ago as the Corporate Affairs Director and Company Secretary. In this position, he was the force behind many of the major transactions that we did across the business. He moved on to manage the private equity portfolio five years ago and, in that role, he immersed himself into portfolio management issues and has been very instrumental in the success of the current fund. Fred is supported by a very capable team.

As I had reported in my letter last year, we had expected to complete the sale of our investments in Almasi Beverages (54% stake), Nairobi Bottlers (27% stake) and King Beverage Limited (100% stake). This was successfully completed in September 2019 and netted in proceeds of Ksh 19.6 billion which was 18% higher than the book value of these asset at the beginning of the year. We have been able to deploy the capital that we released to generate total savings and interest income of Ksh 1.8 billion as opposed to the Ksh 408 Million peak dividend that we received from these companies in FY2019.

Some of the key assets that form part of our private equity portfolio include Sidian Bank, Isuzu East Africa, NAS Servair and Longhorn Publishers among others. These continued to demonstrate value accretion in FY2020, registering 2.7x year-on-year growth in profitability and paid Ksh 318 million in dividends to Centum in the period.

On the back of a track record of success with managing our proprietary private equity portfolio, we set out to establish Centum Capital Private Equity Value Fund II which would offer a platform to a broad range of investors and an opportunity to invest with us and benefit from the growth potential of the East Africa region. The vehicle would also unlock the much-needed growth capital for many of the promising business ventures in the region.

CEO's Statement

The current investment environment has presented a number of investment opportunities that we are currently evaluating. We will however remain very judicious and conservative in deploying capital and we will only deploy where we consider the upside to be significantly and the downside risk to be low.

c) Marketable Securities

This portfolio is managed by Nabo Capita Limited, Centum's wholly-owned subsidiary, which is a licensed asset manager. It was established five years ago and at the time it only managed Centum's marketable securities portfolio. It has over the last 6 years built up an impressive roster of other clients in addition to an excellent track record of market-beating performance in the listed securities asset class across the African continent. We intend to continue to employ the services of Nabo to manage our marketable securities portfolio. Nabo has been led since its inception in 2014 by the very capable Pius Muchiri. Pius joined Centum 15 years ago and has done a tremendous job in building a top tier company.

The marketable securities portfolio is largely segmented between listed equities and fixed income. In the last financial year and in line with our focus of generating recurrent cash flow Nabo shifted up to 90% of the marketable securities portfolio to a diversified portfolio of fixed income securities. This reallocation has not only optimized cash flow for the business but protected the value of the portfolio from the significant declines that we have witnessed in the equity markets.

Business Outlook

The global Covid-19 pandemic represents a major unknown for economies and businesses across the world. To augment the public efforts towards combating the spread of novel coronavirus disease 2019 (Covid-19), we have significantly cut back our employees' presence at the office and activated our business continuity plan (BCP) in place, fully embracing virtual working which has been well supported by our robust information technology (IT) infrastructure.

The medium term macro-economic environment is projected to be difficult, exacerbated by the economic shocks arising from the Covid–19 pandemic. However, our deleveraged balance sheet and significantly enhanced liquidity will provide the necessary resilience in this difficult period.

Notably, 90% of our marketable securities are allocated to fixed income. While the return in those securities would be lower, this strategy ensures capital preservation. The enhanced liquidity further provides us with a platform to take advantage of available opportunities in private equity and in public markets under the current market conditions.

The short-term impact of Covid-19 on our Private Equity business is likely to be a substantial reduction in the 2020/2021 earnings of the underlying portfolio companies and consequently a reduction in dividend income to Centum as the portfolio companies are likely to cut their dividend pay-out to preserve liquidity. In the long term however, the current market conditions present opportunities to make investments at reasonably priced valuations and ride the growth in earnings and market valuations as economies recover from the crisis caused by the Covid-19 pandemic and companies go back to their sustainable earnings levels under normal operating conditions.

Within real estate, we had initially experienced a reduction in new sales and collection in April 2020, but this has since progressively improved and by June 2020 monthly sales collections were at pre-Covid levels. The Covid 19 pandemic has had a limited impact on the construction progress and we expect to hand over the completed units on schedule.

At the close of FY2020, the aggregate sales value of units under development as well as bulk land and development rights was **Ksh 10.6 billion**, of which **26%** of the amount had been received in deposits.

Sustainability

At the core of our strategy is a sense of responsibility to our societies which drives our deliberate focus on investments that have positive socio-economic impact and are supportive to environmental sustainability. Indeed, we seek to make our contribution towards the realization of UN Sustainable Development Goals in the ordinary course of our business as well through targeted corporate social responsibility initiatives.

i. Sustainability initiatives across the Centum Group

UN SDGs addressed	Our Initiatives	Impact
4 QUALITY EDUCATION	1. Vipingo Scholarships: 50 bright and needy students from the Vipingo community awarded scholarships bringing the total number of beneficiaries to date to 250 students. 2. Kazdinuni and Mukwajuni primary schools in Vipingo area were refurbished in the year and their libraries fully equipped with textbooks in partnership with Longhorn Publisher. 3. Other scholarships awarded to students at Kianda School and Alliance High School. 4. Partnered with Davis & Shirtliff to install solar-powered water pumps at Mathari Primary. This added to the massive infrastructure investment we have made in the school since 2017 to provide 32 classrooms, library, science and computer laboratories, social hall and an administration block at over Ksh 180 million.	✓ 250 students have benefited from our secondary school scholarship programmes to date, enabling them to pursue their dreams. ✓ We have to date improved the infrastructure of Mathari Primary school and four other schools in Vipingo with an aggregate capacity of 2,500 students thereby enhancing the quality of their learning environment.
6 CLEAN WATER AND SANITATION	1. Installed Ksh 467 million Vipingo sea water desalination plant with a capacity of 3 million liters per day (Phase 1). 2. We run the Two Rivers water treatment plant with an installed capacity of 2 million liters per day.	✓ Millions of visitors and thousands of residents of Two Rivers and Vipingo are assured of safe clean water and highest standards of sanitation. ✓ Neighboring residents such as Githongoro informal settlement and the Vipingo community now have access to clean water for domestic use and enhanced sanitation.
8 DECENT WORK AND ECONOMIC GROWTH	1. Vipingo development launched a fully sponsored vocational technical training program which is aimed at equipping youth from the neighboring community with technical skills to gain access to employment opportunities. 2. Ajiry platform developed by Tribus-TSG (a Centum subsidiary) with objective of addressing the youth unemployment challenge and has rolled out: ▪ Ajiry App launched in May 2019 provides a platform where skilled and semi-skilled job seekers easily connect to potential employers. ▪ Ajiry Centres in 14 counties to provide self-employed youth with training in business, financial literacy, and access to markets for their products and services.	✓ 102 beneficiaries have graduated from our Vipingo Technical Training program and secured gainful employment within and beyond Vipingo Development. ✓ Ajiry App has enlisted over 30,000 skills, advertised more than 10,000 jobs, and connected over 7,534 job seekers to opportunities.

CEO's Statement

11 SUSTAINABLE CITIES AND COMMUNITIES	1. Affordable Housing Schemes providing high quality living at: a) Palm Ridge, Vipingo b) Bella Vista, Pearl Marina 2. Management of Two Rivers development which provides retail, entertainment, and lifestyle offering. The development is supported by best in class infrastructure encompassing security, technology, roads, renewable water and power, and a recreational park with sports facilities.	✓ The initial phases of approximately 1,500 units are under development across Pearl Marina (Uganda) and Vipingo (Kenya) with prices as low as Ksh 2.5 million. The first phases were more than 90% sold in FY2020, indicative of a need that was previously unmet in the affordable housing segment. ✓ These are supported by top grade infrastructure such as: paved roads, perimeter fencing, reliable power, sewer reticulation, potable water, children play areas and beautifully landscaped green parks that provide a high-quality living environment.

ii. Covid-19 pandemic mitigation

The global outbreak of novel coronavirus disease 2019 (Covid-19) pandemic came with major disruption to economies and a huge strain on healthcare systems. In an emerging economy like Kenya, measures such as inter-county travel restrictions and curfew imposed by the authorities to curb the spread of this disease also inevitably had an adverse impact on livelihoods, especially on the masses that rely on the informal sector.

Through various initiatives, Centum Foundation joined hands with the local and national governments as well as with other organizations to come to the aid of the vulnerable communities around us that were most impacted by the covid-19 situation.

Table 4: Summary of our Covid-19 impact mitigation activities

Water Supply for enhanced sanitation	Food collection and distribution
Githongoro informal settlement: This is an informal settlement that neighbours Two Rivers. We provided 10,000 families access to clean water from Two Rivers Development. This entailed piping and provision of four 10,000-Lts capacity tanks and 50 100-Lts capacity tanks. ***Vipingo community:*** We are providing free access to potable water from our desalination plant.	• We set up collection points where shoppers at Two Rivers were able to drop off their food donations. These were distributed to surrounding community social protection organizations such as children homes and the Karura Community Chapel. • We donated over 1,000 food hampers to the Githongoro informal settlement • Over 10 tons of cereals and 1,000 assorted food hampers were donated to the Vipingo community and Kilifi County government. • Sidian Bank distributed Ksh 1.5 million of assorted of food hampers to the Kawangware community.

Zero Contact Distribution System (ZCDS) by Ajiri	Free access to digital learning materials
In partnership with the Master Card Foundation, Tribus-TSG, our fully owned subsidiary developed the ZCDS – a platform that enables the distribution of food hampers without the need for personal contact. This reduces the chance of spread of coronavirus and enhances transparency of the process. Once the target group is identified, their identification and contact details are populated in the ZCDS which send each of them a notification with an appointed time for collection of the hampers. At the collection center, a code is produced and keyed in the system to confirm identity after which they proceed to collect their hampers. Over 10 organizations/institutions, including county governments adopted the system and have been able to distribute more than 100,000 on the ZCDS platform. This platform can be applied to other non-Covid related intervention including supply of farm inputs and learning material and the team is exploring the expansion of it's use.	Our subsidiary, Longhorn Publishers has partnered with internet service providers to provide free access to its digital curriculum for Grade 1 to Form 4 students. This is in responses to the disruption of learning occasioned by closure of schools to mitigate the spread of coronavirus disease.
Ventilators In partnership with Standard Bank of Kenya we imported 192 ventilators that have been distributed to the Ministry of Health and various Counties. These ventilators have made a significant contribution in bolstering the capacity of the health system to deal with Covid -19 and has facilitated the re-opening of the country's economy.	

Conclusion

I would like to conclude by thanking the shareholders and the Board for your support. I would also like to thank my colleagues in management for your contribution in this period. I am confident that the steps we have taken has enhanced the resilience of the business to deal with the economic storms arising out of Covid -19 and to emerge stronger.

Dr. James Mworia

Group Chief Executive Officer

Barua ya Afisa Mkuu Mtendaji

Ni furaha isiyo na kifani kwangu kuwasilisha kwenu ripoti ya kifedha ya kipindi cha 2019/2020, na ambayo ni ripoti ya kwanza ya kifedha katika kipindi cha mikakati ya miaka tano ya Centum 4.0 kilichoanzishwa mnamo 1 Aprili, 2019. Tulianzisha utekelezaji wa mikakati hayo baada ya kufanikisha mikakati ya Centum 3.0 ambayo ilikamilika 31 machi 2019.

Uchanganuzi wa utendaji kazi katika kipindi cha mikakati

Jinsi nilivyoripoti kwenye barua yangu mwaka uliopita, faida iliyopatikana katika kipindi cha miaka mitano ya mikakati ya Centum 3.0 na ambacho ilikwisha 31 Machi, 2014 ilikuwa shilingi (k) bilioni 29.7 ambapo thamani ya rasilimali ya wenyehisa iliyonakiliwa iliongezeka kutoka shilingi (k) bilioni 22.9 mnamo 31 Machi, 2014 hadi shilingi (k) bilioni 52.6 mnamo Machi 2019.

Mwaka wa kifedha wa 2019/2020 ni wa kwanza kwenye mikakati ya Centum 4.0 na ambapo thamani ya rasilimali ya mwenyehisa iliyonakiliwa ilipungua kwa shilingi (k) bilioni 5.2 hadi shilingi (k) bilioni 47.4. Upungufu huo ulisababishwa na ulipaji wa mgawo wa faida wa shilingi (k) milioni 799 mwaka huu na vile vile hasara iliyojitokeza kufuatia kunakiliwa kwa hasara ya shilingi (k) bilioni 3.58 kwenye vitabu vya hesabu. Hasara hiyo ilibidi kunakiliwa kwa asilimia 100 na ilihusiana na kule kufutiliwa mbali na jopo la mazingira leseni ya kibali iliyokuwa imetolewa kwa Kampuni ya Amu power. Hata ingawa Amu Power imeweza kukata rufaa kwenye mahakama kuu juu ya uamuzi huo, tulionelea kuwa ni busara kunakili kikamilivu hasara kutokana na uwekezaji huo.

Kundi la Centum lilinakili ukuaji kwa asilimia 12 kwa faida baada ya kutozwa ushuru, na kufikia shilingi (k) bilioni 4.6 kutokana hasa na mapato ya uwekezaji.

Jedwali la 1: Muundo wa Mseto wa vitengo vyetu

Shilingi (K) Millioni	31 Machi 2020	31 Machi 2019
Kitengo*		
Uwekezaji kwa kampuni za kibinafsi	8,651	26,937
Biashara ya ardhi na uuzaji nyumba	36,880	35,854
Hati za dhamana na pesa taslimu	8,965	4,087
Uwekezaji kwenye kampuni chipukizi	1,583	3,913
	56,079	70,791
Rasilimali zinginezo	771	853
Jumla	**56,850**	**71,644**
Mikopo	7,486	16,145
Madeni mengine	1,925	2,899
Rasilimali ya mwenyehisa	**47,439**	**52,600**

Barua ya Afisa Mkuu Mtendaji

Matokeo dhidi ya nguzo za mikakati ya 4.0

Lengo la mikakati ya Centum 4.0	Matokeo hakika ya mwaka wa kifedha wa 2020/2021
Faida na ulipaji wa mgawo wa faida: 1. Kuzalisha faida ya uwekezaji isiyopungua asilimia 20 2. Kufanikisha ulipaji wa mgawo wa faida kwa kiwango kitakachokuwa juu baina ya asilimia 30 ya faida kulinganishwa na mgawo wa faida wa mwaka uliopita	1. Tulipata faida yaliyotokana na uwekezaji wa asilimia 5.2 katika mwaka wa kifedha wa 2019/2020 jinsi inavyofuata: Uwekezaji kwa kampuni za kibinafsi 13.4% Biashara ya ardhi na uuzaji nyumba -1.8% Hati za dhamana na pesa taslimu 7.5% Uwekezaji kwenye kampuni chipukizi 0.0% **Faida kwa wastani 5.2%** 2. Katika mwaka wa kifedha wa 2019/2020 tuliweza kudumisha ulipaji wa mgawo wa faida kwa kiwango sawia na ule wa mwaka uliotangulia cha shilingi (k) 1.20 na ambao ni ulipaji wa shilingi(k) milioni 799 kwa jumla.
Muundo wa mtaji na pesa taslimu: 1. Kulipia madeni yetu yote ya muhula wa muda mrefu. 2. Kuweka pesa taslimu zitakazotoshelesha matunizi kwa miezi 12.	1. Kufikia Machi 31, 2020 tulikuwa tumelipia madeni yote ya muhula wa muda mrefu isipokuwa shilingi (K) bilioni 6.6 ya bondi ambayo muhula wake ulitimia mnamo Juni 2020. Tuliwahi kulipia bondi hizo baada ya muhula kutimia na hivyo kufanikisha lengo la mikakati kuhusiana na mikopo ndani ya miezi 14 tangu kuanzishwa kwa mikakati ya Centum 4.0. 2. Tulifanikisha lengo hili kwa kuwa tulifunga mwaka tukiwa na fedha shilingi (K) bilioni 2.9 kulinganishwa na shilingi (K) milioni 253 mnamo machi 2019.
Gharama za utendaji kazi 1. Kudhibiti kiwango cha gharama kwa kiwango kisichozidi asilimia 30 ya mapato ya jumla kwa mwaka.	1. Katika kipindi kilichokamilika Machi 2020, tuliwahi kudhibiti gharama kwa asilimia 50% ya mapato dhidi ya asilimia 54 tuliyotarajia. Madhumuni ni kupunguza kiwango cha gharama hadi asilimia 30 kwenye kipindi cha mikakati.
Malengo ya vitengo vya rasilimali 1. Utendaji kazi kwa kuzingatia vitengo vifuatavyo kulingana na viwango vya rasilimali: • Biashara ya ardhi na uuzaji nyumba: asilimia 45-55 • Uwekezaji kwenye kampuni za kibinafsi: asilimia 30-40 • Hati za dhamana: asilimia 10-20 • Uwekezaji kwenye kampuni chipukizi: asilimia 0	1. Mwishoni mwa Machi 2020, uwekezaji katika vitengo ulikuwa ufuatavyo: ✓ Biashara ya ardhi na uuzaji nyumba : asilimia 65 ✓ Uwekezaji kwenye kampuni za kibinafsi: asilimia 17 ✓ Hati za dhamana na pesa taslimu: asilimia15 ✓ Uwekezaji kwenye kampuni chipukizi: asilimia 3 2. Tunatarajia kuratibu na kusawazisha uwekezaji kwa vitengo katika muda wa miezi 24 ijayo ambapo muundo utakuwa jinsi ufuatavyo: ▪ Biashara ya ardhi na uuzaji nyumba: asilimia 55 ▪ Uwekezaji kwenye kampuni za kibinafsi: asilimia 30 ▪ Hati za dhamana na pesa taslimu: asilimia 15

Matumizi ya rasilimali

Thamani ya rasilimali katika kitengo cha mashirika ya kibinafsi ilipungua mwaka huu kufuatia kukamilika kwa uuzaji kwa shilingi (k) bilioni 19.6 wa kampuni ya Almasi Beverages, Nairobi Bottlers na King Beverages. Tulitumia fedha hizo kulipia madeni, hata kabla ya kuwadia kwa muhula wake, wa dola za marekani milioni 75 (shilingi (k) bilioni 7.8) na pia kulipia hati za bondi ya miaka mitano na ambazo muhula zao ulitimia juni 2020, baada ya kufunga mwaka huu wa kifedha. Fedha zilizosalia zilitumika kununua hati za dhamana na baada ya kuongezea pesa taslimu zilikuwa shilingi (k) bilioni 8.9 mwaka wa fedha wa 2020 ongezeko kutoka shilingi (k) bilioni 4.1 wa mwaka wa kifedha wa 2019. Uamuzi wa kuuza kampuni kwenye biashara ya vinywaji vitamu ulifanyika kwa wakati ufao kwa kuwa ulituwezesha kupata faida kutokana na kuimarika kwa thamani ya viwanda hivyo, jambo ambalo halingewezekana wakati huu tunapokabiliana na janga la Covid -19.

Kwa sasa tunao uwezo wa kujiingiza kikamilivu katika kitengo cha mashirika ya kibinafsi kwa kuanzisha hazina kupitia kampuni tanzu ya Centum Private Equity Value Fund II. Tumetenga takriban shilingi (k) bilioni 6 kwa hazina hiyo na tunatarajia kutumia kikamilivu katika uwekezaji kwenye kipindi cha mikakati cha Centum 4.0.

Kwa sasa uwekezaji katika sekta ya biashara ya shamba na nyumba umepita kiwango kinachostahili kulinganishwa na vitengo vingine kwa sababu ya kuimarika kwa thamani na kupitia uuzaji katika kitengo cha mashirika ya kibinafsi, jambo ambalo limedunisha uzito humo. Lengo letu kwenye mikakati ni kuweza kusawazisha kiwango cha uwekezaji baina ya vitengo kupitia uuzaji wa rasilimali katika kitengo cha biashara ya shamba na nyumba na kuwekeza fedha zitakazokusanywa katika kitengo cha mashirika ya kibinafsi, ili kuinua kiwango cha uwekezaji katika kitengo hicho.

Tulifunga mwaka wa kifedha wa 2019/2020 wakati tulikuwa kwenye harakati ya kukamilisha uuzaji katika kitengo cha biashara ya shamba na nyumba ili kuwachilia shilingi (k) bilioni 6.0 zilizomo. Kufikia juni tulikuwa tumekusanya shilingi (k) bilioni 4 na tunatarajia kupata shilingi (k) bilioni 2 zilizobakia mwishoni mwa mwaka wa kifedha tulioko. Lengo letu kwa miaka mitatu iliyobaki katika kipindi cha mikakati ya Centum 4.0 ni kuwachilia shilingi (k) bilioni 10 kutoka kwa kitengo cha biashara ya shamba na nyumba kupitia ufadhili wa mgawo wa faida kutokana na uuzaji wa nyumba, uuzaji wa maeneo makubwa ya shamba zetu na kupitia ukopaji upya ili kugharamia ulipaji wa mikopo ya kindani, na ambayo Centum imewahi kukopesha biashara ya shamba na nyumba hapo awali na badala yake fedha hizo kuelekezwa kwa kitengo cha mashirika ya kibinafsi na vile vile kwa kitengo cha hati za dhamana. Ujenzi wa nyumba kujaza maeneo yaliyosalia na ambapo asilimia 70 ziliuzwa kufikia 31 Machi, 2020 unao uwezo wa kugawa faida ya shilingi (k) bilioni 3.2 inayotarajiwa kufaidi Centum kwa miaka mitatu ijayo.

Kuandamanisha bei dhidi ya thamani ya rasilimali kwa kila hisa

Katika barua yangu ya mwaka uliopita nilitoa maelezo juu ya mikakati tutakayotumia ili kujaza pengo lililoko kati ya bei ya soko na thamani ya rasilimali kwa kila hisa. Tukio muhimu katika mikakati hayo ni ulipaji wa mikopo ili kuepusha gharama ya ulipaji wa riba ya takriban shilingi (k) bilioni 1.8 kila mwaka na badala yake kuelekeza fedha hizo katika kuimarisha ulipaji wa mgawo wa faida. Ni furaha kwangu kuripoti kuwa kwa sasa tumefaulu katika azma yetu ya ulipaji huo kwa kuwa tumewahi kulipia mikopo ya muhula mrefu ya shilingi (k) bilioni 14.4.Tuliweza kufadhili ulipaji huo kwa matumizi ya fedha kutokana na uuzaji wa umiliki wetu katika viwanda vya biashara ya vinywaji vitamu na fedha ambazo tulirudishiwa na kampuni tanzu katika biashara ya shamba na nyumba ya shilingi (k) bilioni 4.

Pia tumeangazia zaidi uwekezaji katika rasilimali ambazo zina uwezo wa kuzalisha fedha kwa urahisi na hakika. Kwa hivyo tuliongeza umiliki wetu wa hati za dhamana na uwekaji wa pesa taslimu ,zote zikijumuisha hati za dhamani zenye faida ya hakika, kutoka shilingi (k) bilioni 4.1 hadi shilingi (k) bilioni 8.9.

Hali ya kifedha ya kampuni imeimarika kufuatia ulipaji wa madeni na kuratibiwa upya kwa hati za dhamana tangu kuanzishwa kwa mikakati ya Centum 4.0 na hivyo kuwezesha kampuni kujistiri kutokana na changamoto za kiuchumu zinazoandamanishwa na janga la Covid-19. Muundo huo pia umetuwezesha kuwa katika hali nzuri ya kunyakua nafasi za uwekezaji zitakazoibuka wakati uchumi utakaporejelea hali ya kawaida baada ya kwisha kwa janga la korona -19.

Uchanganuzi wa biashara kwa vitengo na matarajio ya 2020/2021

a) Kitengo cha biashara ya shamba na nyumba

Kitengo cha biashara ya shamba na nyumba kinasimamiwa na Athena properties Limited chini ya chapa Centum RE. Athena ni kampuni tanzu ya centum yenye kundi la wasimamizi wenye taaluma mbali mbali kuendesha shughuli katika kitengo cha biashara ya shamba na nyumba, kama vile ujenzi,usimamizi wa miradi, na kuratibu fedha za miradi. Rasilimali kwenye kitengo hiki ni pamoja na umiliki na Centum wa asilimia 58 katika Two Rivers Development Limited, umiliki wa asilimia 100 katika Vipingo Development Limited, umiliki wa asilimia 100 katika Pearl Marina Estates Limited na umiliki nyinginezo ambamo tumeshiriki kwa pamoja na mashirika mengine.

Barua ya Afisa Mkuu Mtendaji

Kitengo hicho kiko chini ya uongozi wa Bw. Samuel Kariuki ambaye hadi hivi majuzi alikuwa afisa mkuu katika idara ya fedha ya Centum. Samuel amedhihirisha ustadi wake katika uongozi hasa katika kuratibu muundo wa fedha na kwa kuwa kitengo chenyewe kinahitaji mtaji kubwa, amekuwa katika mstari wa mbele kushinikiza maadili mema katika usimamizi wa fedha, jambo ambalo ni muhimu kwa usimamizi unaostahili wa miradi. Anashirikiana na maafisa wenye uwezo na taaluma katika nyanja mbali mbali kuhusiana na biashara ya shamba na nyumba kama vile maswala ya fedha, uuzaji na mahusiano.

Mikakati yetu katika biashara ya shamba na nyumba yanatilia maanani nguzo nne ambazo ni:

i. **Miradi ya ujenzi** – uuzaji na ujenzi katika shamba zetu ambazo hazijatumika.

ii. **Uuzaji wa ardhi** – uuzaji wa maeneo makubwa ya shamba zetu pamoja na kuweka mikataba baina yetu na mashirika mengine ya ujenzi.

iii. **Usimamizi wa nyumba za kupangisha** – Kusimamia upangaji wa nyumba zetu kama vile Two Rivers Mall, Two Rivers offices, Two Rivers Theme Park na Pearl Marina Signature Villas.

iv. **Miradi ya ujenzi ya mashirika mengine** – Kutafuta nafasi ya kujenga nyumba kwa kuweka mikataba na wenye shamba katika maeneo ya kuvutia.

Katika kitengo cha biashara ya shamba na nyumba tumepiga hatua kubwa kwa kuanzisha ujenzi wa nyumba za kuishi kadhaa ambazo ziko karibu kukamilika kwa wakati ulioratibiwa.

Kitengo hicho kwa sasa kinayo kibali cha kuuza na kujenga mradi wa nyumba 4,426 katika maeneo yetu tatu ya Two Rivers (Nairobi, Kenya), Vipingo (Kilifi, Kenya) na Pearl Marina (Entebbe, Uganda) na vile vile kupitia mikataba tuliyoweka na wamiliki wa shamba.

Jedwali 2: Nyumba zilizojengwa kufikia 31 Machi 2020

Shughuli	Pearl Marina, UG	Two Rivers, KE kwa pamoja na Ushirikiano	Vipingo Development, KE	Jumla
Miradi yote iliyoidhinishwa	Nyumba 1,321	Nyumba 1,698	Nyumba 1,407	**Nyumba 4,426**
Awamu ya 1	Nyumba 428	Nyumba 500	Nyumba 514	**Nyumba 1,442**
Nyumba zilizouzwa kabla ya ujenzi kukamilika	**Mwaka 2019:** Nyumba 201 (asilimia 47) **Mwaka 2020:** nyumba 344 (asilimia 81)	**Mwaka 2019:** Nyumba 56 (asilimia11) **Mwaka 2020:** Nyumba 198 (asilimia 40)	**Mwaka 2019:** Nyumba 325 (asilimia 63) **Mwaka 2020:** Nyumba 457 (asilimia 88)	**Mwaka 2019:** Nyumba 582 (asilimia 40) **Mwaka 2020:** Nyumba 999 (asilimia 70)
Mwaka 2020 Fedha ya mauzo kabla ya ujenzi kukamilika	Shilingi (k) bilioni 2.74	Shilingi (k) bilioni 2.96	Shilingi (k) bilioni 2.12	**Shilingi (k) bilioni 7.82**
Mikopo kwa ajili ya miradi mnamo 31 Machi 2020	Bila	Bila	Bila	**Bila Ujenzi ulifadhiliwa kwa matumizi ya fedha za kindani**

Mwishoni mwa mwaka wa kifedha wa 2020 tulikuwa tunaendelea na ujenzi wa nyumba 1,442 ambapo 999 au asilimia 70 zilikuwa tayari zimeuzwa, na zile za kwanza kama vile Awali Estate (Vipingo), Palm Ridge (Vipingo) na Mirabella Villas (Pearl Marina) zikitarajiwa kukabidhiwa wenyewe kabla ya mwisho wa mwaka wa 2020. Thamani ya nyumba hizo ambazo ziliuzwa wakati ujenzi ukiendelea kufikia 31 Machi, 2020 ilikuwa shilingi (k) bilioni 7.8 ambayo ni ongezeko kutoka shilingi (k) bilioni 3.8 mnamo machi 2019.

Mbinu tunayotumia wakati wa ujenzi wa nyumba ili kuepukana na madhara ya hali ya soko ambayo yanaweza yakatukabili ni kwa kuhakikisha ya kwamba tumepata amana ya asilimia 30 kutoka kwa wateja kabla ya kuanzisha ujenzi. Jambo la pili ambalo linasaidia kupunguza matumizi ya fedha zetu ni kwa kutumia fedha ya amana kutoka kwa wateja ambazo kufikia 31 Machi, 2020 tulikuwa tumekusanya shilingi (k) bilioni 2. Fedha zote kutoka kwa wateja ambazo tulikuwa tumekusanya kutokana na mauzo zina zidi gharama hadi kukamilisha ujenzi kumaanisha kwamba tunaweza kugharamia ujenzi kupitia matumizi ya fedha za wateja na fedha kutokana na mikopo zitatumika tu wakati kuna upungufu wa ukusanyaji wa amana. Manufaa ya mbinu hiyo yanabainika katika miradi ya ujenzi wa nyumba katika Vipingo na Pearl Marina na amabazo zitakabidhiwa wateja kwa wiki chache zijazo na ambapo hakuna fedha zozote za mikopo ambazo zilitumika.

Miradi yote ya ujenzi wa nyumba yana uwezo wa kuchangia mgawo wa faida wa takriban shilingi (k) bilioni 3.2 na ambao tunatarajia kuanza kulipia kuanzia kipindi cha mwaka wa kifedha cha 2020/2021 wakati tutakamilisha ujenzi na kukabidhi nyumba kwa wateja.

Kuhusiana na uuzaji wa maeneo makubwa wa shamba zetu, tuliwahi kupata nafasi ya kuuza shamba hizo kwa shilingi (k) bilioni 3.1. Kwa wakati huu tuko katika harakati ya kufanikisha uuzaji huo ambao manufaa yake yatabainika mwaka wa kifedha wa 2020/2021

Jedwali 3: Uuzaji wa maeneo makubwa ya shamba zetu kufikia 31 Machi 2020

	Mwaka 2019 mauzo kwa jumla	Mwaka 2020 mauzo kwa jumla	Mauzo ambazo bado tunajadiliana mwaka 2020
VIPINGO DEVELOPMENT LIMITED A member of Centum Group	Shilingi (k) millioni 420	Shilingi (k) billioni 2.92	Shilingi (k) billioni 1.74
PEARL MARINA	Shilingi (k) millioni 30	Shilingi (k) millioni 30	Shilingi (k) billioni 1.51
TWO RIVERS	—	Shilingi (k) millioni 216	Shilingi (k) billioni 4.39
Jumla	Shilingi (k) 450	Shilingi (k) billioni 3.17	Shilingi (k) billioni 7.6

Mwishoni mwa mwaka wa fedha wa 2020, fedha ambazo tulikusanya kutokana na mauzo ya nyumba na shamba ilikuwa shilingi (k) bilioni 10.6, ambapo tulikuwa tumepokea asilimia 26 kutokana na amana ya wateja. Upangaji wa Two Rivers mall ulikuwa umefikia asilimia 81 kutoka asilimia 78 mwanzoni mwa mwaka na kwa wakati huo upangaji wa ofisi ulikuwa aslimia 20. Ujenzi wa sinema katika paa laTwo Rivers kwa sasa umekamilika na mitambo tayari imeanza kuwekwa na watakaoendesha shughuli hiyo, huku ufunguzi ukitarajiwa kufanyika mwishoni mwa 2020.

b) Kitengo cha mashirika ya kibinafsi

Kitengo chetu cha mashirika ya kibinafsi kiko chini ya usimamizi wa Centum Capital Partners (CCAP). Hii ni kampuni tanzu inayomilikiwa kikamilivu na Centum ikiwa na kikundi kinachoongozwa na Fred Murimi.

Fred alijiunga na kampuni miaka tisa iliyopita akiwa mkurugenzi na pia katibu. Katika wadhifa huo alikuwa kinara shupavu aliyehakikisha kufanikishwa kwa shughuli muhimu ya kampuni. Baadaye alihamia kitengo cha mashirika ya kibinafsi miaka mitano iliyopita na katika wadhifa huo mpya amejiingiza na kushiriki kikamilivu katika usimamizi wa rasilimali zilizoko na amechangia pakubwa kwa ufanisi wa hazina hiyo. Fred anafanya kazi kwa kushirikiana na kikundi cha maafisa shupavu.

Jinsi nilivyoripoti katika barua yangu mwaka uliopita, tulitarajia kukamilisha uuzaji wa umiliki wetu katika Almasi Beverages (umiliki wa asilimia 54), Nairobi Bottlers (umiliki wa asilimia 27) na King Beverage Limited (umiliki wa asilimia 100). Tulikamilisha uuzaji huo mnamo Septemba 2019 kwa kukusanya shilingi (k) bilioni 1.8 kulinganishwa na shilingi (k) milioni 408 ya mgawo wa faida kutoka kwa kampuni hizo mwaka wa kifedha wa 2019.

Baadhi ya rasilimali muhimu katika kitengo cha mashirika ya kibinafsi ni pamoja na benki ya Sidian, Isuzu East Africa, NAS Servair na kampuni ya uchapishaji ya Longhorn Publishers. Hii ni kudhihirisha manufaa katika mwaka wa kifedha wa 2020 kwa kunakili ongezeko la faida kwa mara 2.7 na kwa kulipa Centum mgawo wa faida wa shilingi (k) milioni 318 katika kipindi hiki.

Baada ya kurekodi ufanisi katika usimamizi wa kitengo chetu cha mashirika ya kibinafsi tuliamua kuazisha kampuni ya Centum Capital Private Equity Value Fund II ambayo itatoa fursa kwa wawekezaji wengine ili waweze kushirikiana nasi ili kunyakua nafasi zinazotokezea katika kanda hili la Afrika ya Mashariki. Chombo hicho pia kitasaidia kuchangisha mtaji inayohitajika zaidi kukuza biashara zinazoinukia katika eneo hilo.

Barua ya Afisa Mkuu Mtendaji

Mazingira ya uwekezaji kwa sasa inayo nafasi kadhaa za uwekezaji zinazoibuka.Walakini tutajihathari wakati wa kuwekeza na tutaelekeza mtaji tu tunapotambua kuwa uwekezaji huo ni wenye faida na hauna madhara makubwa.

c) Kitengo cha hati za dhamana

Kitengo hicho kiko chini ya usimamizi wa Nabo Capital Limited, kampuni tanzu inayomilikiwa kikamilivu na Centum, na amabyo ilipewa leseni kuendesha shughuli za usimamizi wa rasilimali. Ilianzishwa miaka mitano iliyopita ambapo kwa wakati huo ilisimamia tu hati za dhamana za Centum pekee yake. Kwa miaka sita iliyopita imeweza kuvutia wateja wengine kuongezea sifa yake ya kuzalisha faida inayoshinda ile inayopatikana sokoni katika uchumishaji wa hisa zilizoorodheshwa kote katika bara la Afrika. Tunatarajia kuendelea kutumia huduma za Nabo kuendesha shughuli katika kitengo cha hati za dhamana. Tangu kuanzishwa mwaka wa 2014, Nabo imekuwa chini ya usimamizi wa Pius Muchiri. Pius alijiunga miaka 15 iliyopita na amefanya kazi murwa kwa kujenga kampuni yenye hadhi ya juu. Kitengo cha hati za dhamana imegawanywa baina ya hisa zilizoorodheshwa na hati za dhamana.

Katika mwaka wa kifedha uliotangulia na kwa uwiano na lengo letu la kuweka pesa taslimu Nabo ilielekeza asilimia 90 wa hati za dhamana kwa ununuzi wa hati mbali mbali zenye faida hakika. Uhamishaji huo mbali na kuhakikisha uwepo wa pesa taslimu kwa wakati wote pia unalinda thamani ya rasilimali ya kitengo hicho dhidi ya madhara ya kuanguka pakubwa kwa bei jinsi tulivyoshuhudia katika masoko ya hisa.

Matarajio ya siku sijazo kibiashara

Janga la Covid -19 limesababisha hali ya sintofahamu kwa chumi na biashara kote ulimwenguni. Ili kuongezea juhudi za kukabiliana na kuenea kwa ugonjwa huo wa Covid-19, tumeonelea vyema kuwataka maafisa wetu watumie njia mbadala za kufanya kazi bila kwenda ofisini kupitia matumizi ya teknolojia.

Mazingira ya hali ya uchumi kwa muda mfupi yanatarajiwa kuwa ngumu, na kuwa mbaya zaidi kutokana na athari za Covid-19. Walakini hali yetu nzuri ya kifedha bila ya kuwa na deni itatuwezesha kustahimili changamoto hiyo tunayopitia kwa wakati huu.

Muhimu ni kuwa asilimia 90 ya hati zetu za dhamana zimeelekezwa kwa hati zenye faida hakika. Licha ya kwamba faida kutokana na hati hizo ni kidogo, hata hivyo muundo huo unahakikisha uhifadhi wa mtaji. Kuweko kwa pesa taslimu kunatupatia fursa ya kunyakua nafasi zinazotokezea wakati huu katika masoko ya mashirika ya kibinafsi na ya hisa zilizoorodheshwa.

Kwa muhula wa muda mfupi athari za janga la Covid-19 kwa kitengo cha mashirika ya kibinafsi yaweza kusababisha kupungua kwa mapato ya vitengo vilivyomo mwaka wa 2020/2021 na kupelekea mashirika hayo kupunguza mgawo wao wa faida kwa Centum ili kuepusha matumizi ya fedha. Hata hivyo kwa muhula wa muda mrefu, hali ya soko kwa sasa inatoa fursa nzuri ya kufanya uwekezaji kwa kuwa bei ni nafuu na baadaye kufurahia ongezeko la faida na thamani wakati uchumi utakapofufuka kutokana na athari za janga la Covid -19 na mashirika kurejelea hali ya kawaida ya mapato na utendaji kazi.

Hapo awali katika biashara ya shamba na nyumba tulikuwa tumeshuhudia kupungua kwa ukusanyaji wa fedha za mauzo mnamo Aprili 2020, walakini kwa sasa yameongezeka kwa kuwa mnamo Juni 2020 mauzo ya mwezi yalikuwa katika kiwango cha awali kabla ya janga la Covid. Athari za janga la covid -19 haikuwa kubwa sana katika shughuli za ujenzi na tunatarajia kukabidhi wateja nyumba ambazo zimekamilika kwa wakati ulioratibiwa.

i. Juhudi zilizofanywa na kundi la Centum ili kudumisha manufaa kwa jamii

Jedwali la 4: Juhudi zetu zinazolenga kufanikisha maazimio ya umoja wa mataifa kuhusu maendeleo ya kudumu

Azimio la UN lililofanikishwa	Juhudi zetu	Manufaa
4 QUALITY EDUCATION	1. Ufadhili katika Vipingo: wanafunzi 50 werevu lakini masikini kutoka jamii ya Vipingo community walipata ufadhili wa masomo na kufikisha 250 idadi ya wanafunzi walionufaika kutokana na mpango huo hadi wa leo. 2. Shule za msingi za Kazdinuni na Mukwajuni katika eneo la Vipingo zilifanyiwa ukarabati na maktaba zao kupatiwa vitabu kupitia ushirikiano wa kampuni ya uchapishaji wa Longhorn 3. Ufadhili mengine ya kimasomo yalitolewa kwa wanafunzi katika shule za upili za Kianda School na Alliance High School. 4. Tulishirikiana na kampuni ya Davis & Shirtliff kwa kuweka mtambo wa kusambaza maji katika shule ya msingi ya Mathari Primary. Hii ni kuongezea mradi kubwa wa ukarabati tuliofanya katika shule hiyo tangu 2017 wa ujenzi wa madarasa 32, maktaba, mahabara, ukumbi na jengo la ofisi kwa gharama ya shilingi milioni 180.	✓ Wanafunzi 250 wamenufaika kutokana na mpango wa kufadhili wanafunzi wa shule za upili ili kuwawezesha kutimiza ndoto zao. ✓ Hadi sasa tumerekebisha miundo mbinu katika shule ya msingi ya Mathari Primary school na shule zingine nne katika Vipingo, zote kwa jumla zikiwa na uwezo wa kuchukua wanafunzi 2,500 na hivyo kuimarisha hali ya mazingira ya masomo.
6 CLEAN WATER AND SANITATION	1. Tuliweka kiwanda cha shilingi (K) milioni 467 cha kusafisha maji cha Vipingo chenye ukubwa wa lita milioni 1.5 kwa siku (awamu ya kwanza). 2. Tunaendesha kiwanda cha kusafisha maji cha Two Rivers chenye ukubwa wa lita milioni 3 kwa siku.	✓ Kuhakikisha kwamba mamilioni ya wageni na maelfu ya wakazi wa Two Rivers na Vipingo wanayo maji safi na ya ubora wa juu kwa matumizi na vile vile mazingira safi. ✓ Majirani kama vile wakazi wa kitongoji duni cha Githongoro na jamii ya Vipingo sasa wanayo maji safi kwa matumizi nyumbani pamoja na kuimarika kwa usafi kwa jumla.
8 DECENT WORK AND ECONOMIC GROWTH	1. Kampuni ya Vipingo development ilianzisha na kufadhili mpango wa mafunzo ya kiufundi ambao unalenga kupatia vijana maarifa ili kuweza kujiajiri. 2. Mbinu ya kiteknolojia uitwao Ajiry ulibuniwa na Tribus-TSG (Kampuni tanzu ya centum) kwa madhumuni ya kutatua shida ya ukosefu wa kazi kwa vijana umeanzisha: ▪ Mbinu ya kiteknolojia, Ajiry ilianzishwa Mei 2019 na hutoa nafasi kwa vijana wanaotafuta kazi kukutana na waajiri. ▪ Vituo vya Ajiry vilianzishwa katika kaunti 14 ili kuwapatia maarifa vijana ambao wamejiajiri kupitia mafunzo ya kibiashara, kifedha, na kutafutia soko bidhaa zao.	✓ Vijana 102 waliojiunga na mpango huo wamehitimu kupitia mpango huo wa Vipingo TechnicalTraining program na kupata ajira katika mradi wa Vipingo Development au nje ✓ Mbinu ya kiteknolojia ya Ajiry umeweza kusajili vijana wenye taaluma zaidi ya 30,000 na kutangaza zaidi ya nafasi za kazi 10,000 na kukutanisha 7,534 na waajiri.
11 SUSTAINABLE CITIES AND COMMUNITIES	1. Nyumba za kuishi nafuu katika: a) Palm Ridge, Vipingo b) Bella Vista, Pearl Marina 2. Usimamizi wa upangaji wa Two Rivers yenye maduka, burudani, na starehe. Jengo hilo ni la kisasa ambayo ni salama, uwepo wa huduma za kiteknolojia, barabara nzuri, maji na umeme na bustani ya kustarehe zenye bidhaa za michezo.	✓ Ujenzi ya awamu ya kwanza wa nyumba 1,500 unaendelea katika Pearl Marina (Uganda) na Vipingo (Kenya). Bei ya nyumba hizo inaanzia shilingi (k) milioni 2.5. Nyumba za kwanza ziliuzwa kwa zaidi ya asilimia 90 mwaka wa kifedha wa 2020, ishara tosha ya hamu iliyokuweko kununua nyumba hizo nafuu,na ambayo haikuwahi kutimizwa hapo mbeleni. ✓ Hayo yote ni kwa sababu ya kuwepo kwa miundo mbinu kama vile:barabara nzuri, uwekaji wa ua, huduma ya umeme usiokozekana, uzoaji wa taka, maeneo ya watoto kuchezea na bustani maridadi kuambatana na maisha ya hali ya juu

Barua ya Afisa Mkuu Mtendaji

ii. Kukabiliana na janga la Covid-19

Mkurupuko wa janga la covid -19 kote duniani umesababisha kuharibika kwa uchumi na pia kuathiri vibaya utoaji wa huduma za afya. Katika uchumi unaoinukia kama Kenya hatua kama vile kusitishwa kwa usafiri na kutolewa kwa amri ya kutotoka nje na serikali ili kudhibiti kuenea kwa ugonjwa huo kulisababisha kubadilika kwa maisha ya wananchi, hasa kwa wale wafanyabiashara ndogo ndogo.

Kupitia mipango mbali mbali, wakfu wa Centum Foundation imeshirikiana kwa pamoja na serikali za kaunti na ya kitaifa na pia mashirika mengine ili kutoa msaada kwa jamii masikini miongoni mwetu na ambao waliathirika vibaya kutokana na janga la Covid -19.

1. Usambazaji wa maji kwa sababu ya kiafya

Kitongoji duni cha Githongoro: Hiki ni kitongoji kinachopakana na Two Rivers. Tulisambaza maji safi kwa jamii 10,000 kutoka Two Rivers Development. Hii ni pamoja na ununuzi wa tengi nne za lita 10,000-kila moja na tengi 50 za lita 100-kila moja.

Jamii ya Vipingo: Tunatoa huduma bila malipo kwa kuruhusu utekaji wa maji safi kutoka kiwanda chetu cha usafishaji wa maji.

2. Ukusanyaji na ugawaji wa vyakula

- Tuliweka vituo vya upokezi kwa wateja kuweza kuweka msaada wa vyakula . Vyakula hivyo vilipatiwa jamii ambayo ni karibu na kwa mashirika mengine ya kijamii kama vile makao ya watoto na kwa jamii ya kanisa ya Karura Community Chapel.
- Tulitoa msaada wa zaidi ya vifurushi 1,000 kwa kitongoji duni cha Githongoro.
- Zaidi ya tani 10 vya nafaka na vifurushi 1,000 vya vyakula mbali mbali zilitolewa kwa jamii ya vipingo na kwa serikali ya kaunti ya Kilifi.
- Benki ya Sidian Bank ilitoa mchango wa vifurushi vya vyakula vyenye thamani ya shilingi (k) milioni 1.5 kwa jamii ya Kawangware

3. Ugavi wa vyakula bila kutangamana na Ajiry

Kwa kushirikiana na Master Card Foundation, Tribus-TSG, kampuni tanzu yetu ilibuni mbinu ya ugavi bila kutangmana – njia ambayo inawezesha ugavi wa vifurushi vya vyakula usiohitaji kutangamana. Hii inasaidia kuzuia kuenea kwa virusi vya corona na kuhakikisha uwazi wa mpango huo.

Baada ya kutambua wanaostahili msaada, majina yao na jinsi ya kuwasiliana yanawekwa kupitia teknolojia ya ZCDS na ambayo baadaye itatuma arafa kwa kila moja kuelezea namna watakavyopokea bidhaa hivyo vya vyakula. Katika kituo cha kupokea, nambari spesheli ya siri hutumika ili kujitambulisha na kisha kuruhusiwa kuchukua vifurushi hivyo.

Zaidi ya mashirika/taasisi 10 zikiwemo serikali za kaunti yanatumia mtindo huu na ambapo wamefanikiwa kufanya ugavi kwa watu 100,000.

Mtindo huu unaeza kutumika katika shughuli zinginezo za usaidizi mbali na zile za Covid kama vile ugavi wa bidhaa za upanzi, vifaa vya masomo na kadhalika. Wataalamu hawa wanatafuta kuongeza upeo wa matumizi wake.

4. Toleo la masomo ya kidijitali bila malipo

Kampuni tanzu ya Longhorn Publishers imeshirikiana na wanaotwaa huduma za mtandao ili kutowa huduma bila malipo na kuwezesha masomo ya kidijitali kwa wanafunzi wa darasa la 1 na wa kidato cha nne. Hii ni kwa sababu ya kuharibika kwa shughuli za kama kawaida kufuatia kufungwa kwa shule ili kukabiliana na kuenea kwa janga la ujonjwa wa virusi vya corona.

5. Vifaa Vinavyosaidia kupumua

Kwa kushirikiana na benki ya Standard Bank tuliweza kuagiza vifaa hivyo 192 kutoka nje na ambavyo vimepatiwa wizara ya afya na kaunti kadhaa. Vifaa hivyo vimechangia pakubwa kuimarisha toleo la huduma za afya zinazokusudiwa kukabiliana na janga la Covid-19, na kupekea kurejea hali ya kawaida kwa uchumi wetu.

Mwisho

Ningependa kuhitimisha kwa kuwashukuru wenyehisa na bodi ya wakurugenzi kwa uungaji mkono wenu. Ningependa pia kutoa shukrani kwa wenzangu kwenye usimamizi kwa mchango wenu katika kipindi hiki. Ninaimani kuwa hatua ambazo tumechukua zimeweza kulinda na kufanya kampuni kuwa timamu ili kukabiliana na changamoto za kiuchumi kutokana na janga la Covid -19 na itaibuka ikiwa thabiti.

Salamu za dhati,

Dr. James Mworia

Afisa mkuu mtendaji, Kundi la Centum

CFO's Review

Understanding our business and performance

As an investment holding company, we use the Company Total Return Statement to evaluate the performance of our investment portfolio. The Total Return Statement measures the extent to which earnings and cash flows are available to Centum to meet its costs, service debt obligations and pay dividends to shareholders. It also shows the value created in any given year within our investment portfolio, as reflected by unrealized gains, and hence the growth in total shareholder funds. Cumulative unrealized gains represent an estimate of realizable proceeds, upon exit. The focus at Company level is therefore not profitability but the total return.

On the other hand, the consolidated performance sets out the financial performance of the underlying portfolio companies and the proportion of that performance that is attributable to our shareholders. The Company, as a majority shareholder in our subsidiaries, directly influences the timing of dividends payments. Earnings at subsidiary level are only reflected on Centum profitability when a dividend decision, as controlled by the Company, is made. The retained earnings in the subsidiaries however remain available for distribution.

We segment our business into four portfolio classifications:

a. Private Equity;
b. Real Estate;
c. Marketable securities; and
d. Development portfolio, representing those investments under the Private Equity business unit that are still early stage.

The entities that make up each category, both subsidiary and non-subsidiary, are set out under the Group structure on page 7.

The Group and Company performance drivers under each of the business segments are set out below.

Total return statement

Ksh Millions	FY 20	FY 19
Investment income	3,695	3,167
Operating expenses	(894)	(631)
Finance costs	(1,815)	(1,710)
Income tax expense	(797)	(84)
Unrealised gains	(971)	3,970
Return for the year (before one-off provisions)	(782)	4,713
Impairment of assets	(3,580)	-
Total return for the year	**(4,362)**	**4,713**

i. Marketable Securities and Cash

The Group held Ksh 8.9 billion in marketable securities and cash deposits at 31 March 2020 (excluding the cash and securities held by Sidian Bank Limited). This represents a growth of 119% over the prior year holding of Ksh 4.1 billion. This portfolio is structured to minimize risk of capital loss while generating annuity cash flows which contribute to additional liquidity for the Group. At 31 March 2020, 90% of this portfolio was held in fixed income securities and interest earning cash deposits. This position was taken in light of the prevailing market conditions and our objective of capital preservation. Over the last 12 months, this portfolio recorded a realised cash investment income of Ksh 450 million.

ii. Private Equity

During the year, the Group completed the disposal of the entire of its equity staKsh in Almasi Beverages Limited, Nairobi Bottlers Limited and King Beverage Limited and thereby realising gross proceeds of Ksh 19.6 billion. The disposal of Almasi Beverages Limited and Nairobi Bottlers Limited achieved a combined average IRR of 31% over the last ten years.
Between years 2014 and 2019, the average annual dividends from the two businesses was Ksh 318 million. The proceeds from the exit were applied towards paying off our US Dollar bank debt and local currency revolving credit facilities, with the balance being invested into a cash-generating marketable securities portfolio. The interest income from this specific investment in marketable securities combined with the savings in finance costs on the bank debt is Ksh 1.8 billion per year, which compares favourably to the annual dividends we were receiving.
In our consolidated financial statements for the period ending 31 March 2020, the beverage business was consolidated only up to September 2019, which explains the drop in the operating profit of the trading businesses compared to the operating profit in the prior period ending 31 March 2019.

At Company level, the realized gains booked on this transaction amounted to Ksh 2.7 billion. Notably, the Company has changed the accounting method for realised gains on exit of investments following the adoption of IFRS 9, Financial Instruments. Previously, realised gains booked on the income statement were computed as the difference between the sales proceeds from the exit and the acquisition cost of the asset, which would have resulted in a realised gain for the year ended 31 March 2020 of Ksh 16 billion.

CFO's Review

UNDERSTANDING OUR BUSINESS AND PERFORMANCE

Under the IFRS 9 change, previously unrealised valuation gains are transferred directly to equity and the gain is computed as the difference between the sales proceeds and the previous period valuation.

The aggregate profitability of the remaining underlying portfolio in which the Group has a controlling stake increased by 2.7x year on year, driven primarily by the performance of Sidian Bank Limited, which returned to profitability in the year. Of the six portfolio companies in this category, five were profitable during the year.
Two portfolio companies where the Group holds a minority stake below 20% were also profitable and paid a combined dividend of Ksh 232 million to the Group, representing a growth of 28% year on year. Excluding the beverage business, the portfolio companies paid out a dividend of Ksh 318 million to Centum, representing a growth of 27% from the prior year.

iii. Real Estate

Under the real estate business, we are pursuing a four pronged strategy, namely: development and sale of infill developments within our land, sale of development rights within our current land bank, management of rental assets and development on third party sites on a joint-venture basis. Performance on each of these pillars is set out below:

a. **Development and sale of infill residential projects**

   Within this business line, the Group is pursuing a sales-led development model and is currently constructing 1,442 residential units across its three mixed-use developments. The level of sales and deposit collections is detailed under the Real Estate section on page 90.

   The profitability arising from units sold is not reflected in the current year group performance and will be booked progressively from the year ending 31 March 2021, as we complete and hand over the units, in accordance with revenue recognition principles under IFRS. We expect to complete and hand over 426 of the units under construction in the financial year ending 31 March 2021. All the units under construction have been financed through internally generated cash flows and the projects were debt free as at 31 March 2020. The underlying subsidiaries have an asset to debt ratio of 4.8x and are therefore under-leveraged. As at 31 March 2020, both Vipingo and Pearl Marina developments were fully funded through shareholders' funds.

b. **Sale of development rights**

   At 31 March 2020, the business had converted bulk land sales worth Ksh 2.8 billion, on which the requisite deposits have been received. These sales are at different phases of legal documentation and are expected to be booked in the financial year ending 31 March 2021 in accordance with revenue recognition principles under IFRS. The business has booked a net fair value gain on properties amounting to Ksh 1.8 billion, representing a decrease of 76% from the gain booked in the prior year, on account of property market movements.

c. **Management of rental assets**

   The primary asset under this business line is the Two Rivers Mall and two office towers. The leasing and trading status of tenants as at 31 March 2020 is set out under the Real Estate business review section on page 84. The Group has a stake of 50% of the mall holding company and Centum in turn holds a 58.33% stake in the intermediate subsidiary, resulting in an effective stake at the mall Company of 29%. On the consolidated financial statements, the mall is accounted for as a joint venture. We recorded a share of loss of Ksh 2 billion in the current year primarily as a result of fair value movements and de-recognition of deferred tax assets in that company.

d. **Development of joint venture projects**

   At 31 March 2020, the Group had signed a joint venture agreement for a 965-unit development along Thika Road, which is now under market validation. This is not reflected in the current year performance as capital deployments had not commenced at 31 March 2020. Progression of this project is subject to attainment of our pre-sale threshold.

iv. Development portfolio

During the year, the business recorded a one-off impairment provision against the debt instrument investment in Amu Power Company Limited. The details of this provision are set out under Note 6.2.2 to the financial statements. A number of other asset provisions were recorded at Group and Company levels, resulting in total provisions of Ksh 2.8 billion and Ksh 3.6 billion respectively.

Net of the provisions described above, consolidated profit for the year was Ksh 7.4 billion, representing an increase of 79% over the prior year. On the other hand, the company's operating profit increased from Ksh 827 million to Ksh 985 million for the year ended 31 March 2020, net of the above provisions, representing a 19% growth relative to prior year.

The negative return at Company level of Ksh 4.4Bn is attributable to the described impairment provisions.

GEARING

Under our Centum 4.0 strategy, one of the key pillars is on balance sheet resilience through deleveraging of the parent Company.

Ksh 7.8 billion relating to US Dollar denominated bank term loan was repaid in September 2019. At 31 March 2020, the only long term borrowing on the Company's balance sheet was the five-year Ksh 6.6 billion corporate bond. On 8 June 2020, Centum repaid the full amount outstanding, representing a key subsequent event.

This deleveraging will save Ksh 1.8 billion in annual finance costs, which will enhance the Company's performance and dividend payout looking forward. Although we retired the debt, we incurred finance costs for most of 2019 as the retirement took place late in the year for the bank term loan and post balance sheet date for the bond. The saving in finance costs is therefore expected to be realized from the financial year ending 31 March 2021 and going forward.

NET ASSET VALUE AND TOTAL ASSETS

Net Asset Value decreased from Ksh 52.6 billion as at 31 March 2019 to Ksh 47.4 billion as at 31 March 2020 on account of the dividend payment of Ksh 799 million in the year and the negative return described above.

On the other hand, total assets decreased from Ksh 71.6 billion to Ksh 56.9 billion between 31 March 2019 and 31 March 2020 primarily as a result of debt repayments and the provisions described above.

	Gross Value	Value Per Share
	Ksh'million	Ksh
Marketable securities and cash	8,965	13.5
Private Equity	8,641	13
Real Estate	36,880	55.4
Development	1,594	2.4
Other assets	771	1.2
Total	**56,850**	**85.4**
Debt	(7,486)	(11.2)
Other liabilities	(1,925)	(2.9)
Book value of equity	**47,439**	**71.3**

The cash generated from the sale of the current real estate infill projects and land monetization will progressively be allocated towards the Private Equity and Marketable Securities portfolios, in line with the strategic asset allocation targets under Centum 4.0

FUNDING AND CASH FLOWS

The Company generated net cash flows of Ksh 19 billion from operations in the year ended 31 March 2020, compared to Ksh 3.7 billion in the prior year. This was primarily driven by the exit transactions described above. Ksh 4.8 billion of these net cash flows were applied towards investment activities in existing subsidiaries and in marketable securities. Ksh 12.6 billion was used in financing activities, which included payment of Ksh 735 million in cash dividends and Ksh 11.8 billion to settle the USD facility as described above, short term bank advances and interest servicing.

DIVIDENDS

Since 2016, we have returned Ksh 3.1 billion in dividends to shareholders. The Board of Directors has recommended the payment of a dividend equivalent to Ksh 1.20 per share (equivalent to Ksh 799 million) for the financial year ended 31 March 2020. This brings the total dividends paid in the last four years to Ksh 3.9 billion.

Our People

“Our value proposition to current and future employees is to offer a diversified experience, career growth opportunities and an attractive reward proposition to the best talent in the market who will own and partner with the business”

Our people strategy and pillars

Our people strategy is hinged on 6 pillars which underpin the organization's overall Human Resources Management approach. The pillars offer guidance to the team on the overall direction while providing a simplified platform to measure performance.

Our People

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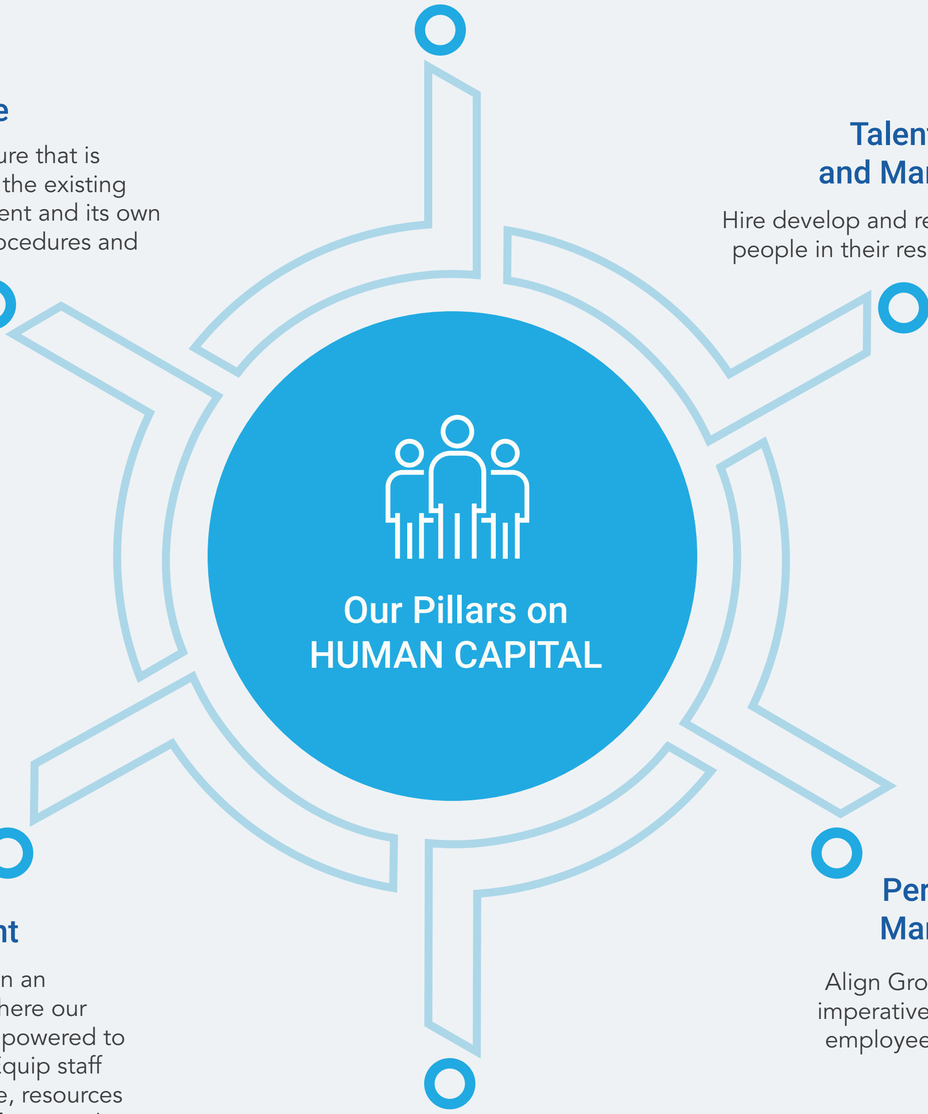


Culture

Ensure that we create a conducive climate for our people to be their best

Talent planning and Management

Hire develop and retain the best people in their respective fields

Performance Management

Align Group's strategic imperative to individual employee contribution

Reward & Recognition

Define and manage a clear reward platform that enables fair, efficient and consistent application

Employee Engagement

Create & sustain an environment where our people feel empowered to be their best; Equip staff with knowledge, resources & an enabling framework that supports and effective operating environment

Compliance

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

Key HR initiatives

As a group, we recognize that to achieve our Centum 4.0 strategy, our people continue to be our greatest asset. To maintain our position as an employer of choice, we work daily to enhance our Employee Value Proposition (EVP) with a focus on talent planning and management, performance management and engagement.

Talent acquisition	We have in the past year worked to attract candidates who have not just technical skills but fit well into the fast-paced and entrepreneurial culture at Centum. We have also worked to better communicate the Centum DNA, the values that define us and the people who succeed in our organization. Using this framework, we have put in place robust tech-enabled recruitment tools to ensure that team members are well-integrated from day one
Performance management	Performance management remains an important pillar for the achievement of the business goals. The focus across the group has been to ensure that that we provide meaningful and purposeful work for our employees. Furthermore clarity of team and personal deliverables and alignment of the same to business goals is important. This way, employees are able to measure the impact their contribution has on the business. To further strengthen our performance management systems and processes, in the past year, the group has invested in rolling out the '4DX'™ model of execution that drives a focus on key organisational goals and builds a cadence of accountability among team members. We have also resourced and realigned all employees to focus more on strategic enablement whether they work in core business areas or in support functions. We believe that this will go a long way in creating value for our stakeholders in our quest to be Africa's foremost investment channel.
Culture	To fuel business growth and performance, culture is one of the greatest sources of competitive advantage. The Group therefore maKsh continuing investment to foster an enabling environment that inspires peak performance. The roll out of the 4DX training and coaching sessions by the Group Strategy and Transformation Office in the past one year has in addition to strengthening our high performance culture enhanced team collaboration.
Staff Recognition	We have also embedded a culture of recognition where we celebrate wins, whether big or small. In addition to the typical recognition methods and practices, in the last year, we have introduced the Centum Wall of Fame, a permanent tribute displayed in the Centum Staff Lounge to recognize staff who make outstanding contributions to the business or who have demonstrated commitment to the Centum values and brand.
Staying Competitive	We take pride as a business in remaining competitive by benchmarking ourselves amongst peers and competitors. In the past year, Centum participated in the FKE Employer of the Year award, and received recognition for empowering our employees through leadership and training through the whole employee experience cycle as well as the quality of strategic leadership and direction from our management through progressive leadership and governance policies. We are proud that in the 2019 Employer of the Year awards, we achieved Top 10 status in seven categories. For the third year in a row, we retained our title of 'Leadership and Governance' Employer of the Year. In addition, we also emerged at the top in the workplace environment category, highlighting our passion to deliver conducive workspaces for our employees. As we forge forward in achieving our strategic goals, we recognise that our employees are and continue to be the driving force of the brand. It is therefore our aspiration that in the coming years, Centum will attain star commendation across all the categories
Strategic enablement by the Human Resource Team	The Human Resource function continues to be a strategic enabler to the Centum Group by enabling each business to thrive and be a benchmark in its industry. As a group, we will continue to invest in initiatives that ensure our people strategy is competitive, adaptable, and aligned to business strategy to enable the Group to achieve its vision 'to be Africa's foremost investment channel'.

Business Review

Business Review

Real Estate

Our Identity and Mission

As the region's leading real estate developer, we master develop preeminent urban nodes in East Africa, transforming them into places where people want to live, companies want to grow, and neighborhoods come alive. Our mission is to build a real estate business that generates a sustainable and recurrent cash annuity income for our shareholders. In delivering on our mission we are guided by the following values:

- We deliver to promise
- We invest responsibly
- We value our people
- We learn and innovate
- We exceed customer aspirations

Our Portfolio History

Since the incorporation of Centum Investment Company Limited, our real estate business has evolved from a passive investor to an active developer:

	Centum 1.0 (1968 - 2009)	Centum 2.0 (2009 - 2014)	Centum 3.0 (2014 - 2019)	Centum 4.0 (2020 - 2025)
Investment Strategy	Deliver market beating returns	Proactive value creation through growth and structured investments	Developer of investment grade opportunities	Developer of residential infill developments across all market segments with a focus on middle to affordable market housing
Rationale and Business Verticals	"Generalist" real estate investor, holding commercial high rise buildings for rental yield	Focus on launching the commercial impetus for mixed used developments Developed in house capabilities to execute real estate developments on behalf of the Centum Group	Focus on attracting 3rd party capital to de-risk large mixed-use developments and avail construction ready sites to investors in line with master plan	Focus on monetization of current land bank through direct sales or residential infill projects and growth through development of new affordable urban nodes

Our Current Portfolio

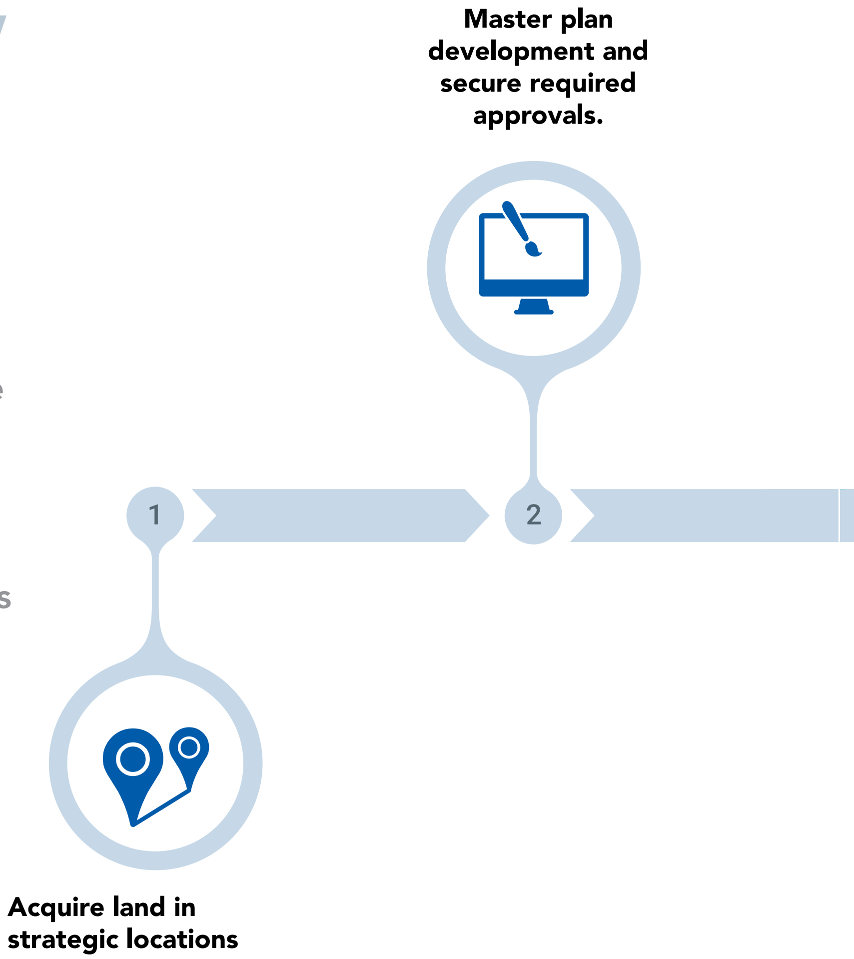
Company	Description	CICL Shareholding	Carrying Value on Centum balance sheet (millions)
CENTUM re	**Centum Development Kenya Limited** is a developer of commercial and residential urban nodes in Kenya.	100%	1,912
TWO RIVERS	**Two Rivers Development Limited (TRDL)**: Owns 102 acres master planned development in Gigiri, Nairobi, with Two Rivers Mall as the anchor investment. Two Rivers Development Limited holds a 50% stake in Two Rivers Lifestyle Centre Limited ("TRLC"), the developer of the Two Rivers Mall.	58.3%	6,461
VIPINGO DEVELOPMENT LIMITED A member of Centum Group	**Vipingo Development Limited** owns 10,254 acres of land in Kilifi County, Kenya. Infill projects within the development and land sales to date are set out below.	100%	20,142
PEARL MARINA	**Pearl Marina Development Limited** is a 389-acre mixed use development located on the Garuga Peninsula, Entebbe, Uganda. Infill projects within the development are set out below.	100%	7,848
		Total	36,363

Business Review

Real Estate

Our Business Model

Our objective within the Real Estate sector is to develop urban nodes across the East African region that represent investment grade assets of scale. Our business model seeks to master plan attractive sites across the region and provide commercial impetus for investors to establish city shifting development.



Infill Development Framework	Feasibility Business Case	Concept Business Case
Objectives	Compelling value proposition that has been approved by internal stakeholders and meets the return requirement of 30%.	Updated product brief. Third party detailed market study. Concept product designs. Concept marketing strategy. Final financial model. Final concept business case and information memorandum.
Overarching Decision Criteria	Compelling value proposition that has been approved by internal stakeholders and meets the return requirement of 30%.	Third party validation of the commercialization assumptions of the concept business case.
Timelines	1 month	2 months

Attract third party capital at development level.

3

4

5

Develop infrastructure, anchor projects and select in fill developments.

Avail construction ready sites to investors in line with master plan.

Market Validation & Fundraising	Pre-Construction	Construction
› Final market launch and collateral. › 30% presales of Gross Lettable Area (GLA), Gross Built- up Area (GBA) or acreage. › Secured financing	› Detailed design and bills of quantities. › Final negotiations and award of fixed contracts. › Detailed construction program and milestones.	› Project update/ progress reports (cost, time and quality). › Site-visits. › Project completion/ close-out report
› Securing 30% presales target. › Securing executed debt and equity term sheets aligned with concept business case.	› Securing a fixed sum contract.	› Time › Quality › Cost
6 months	1 month	24 months

Business Review

Our Five-Year Strategy

Over the next 5 years, Centum Real Estate is focusing on monetization of a significant portion of the current land bank and generate cash to pay dividends to the shareholders. Under the Centum 4.0 Strategy Period, we are pursuing a four-pronged strategy, namely:

Pillar	Objective	Achievement
1 Infill Projects on own land	To monetise our landbank through infill projects	• **999** of **1,442 units**(60%) presold, **Ksh 7.8 billion**: Revenue potential of presales. • Additional **2,073 units** under market validation, and pre-construction.
2 Sale of Development Rights	To monetise our landbank through bulk land sales and sale of development rights.	• **Ksh 2.8 billion**: value of bulk land sales to date.
3 Management of Rental Asset	To optimise current and future operational assets.	• 3% growth in mall letting and 6% on office letting.
4 Joint Venture Projects	To partner with landowners for development of affordable housing on a joint venture basis.	• **1** joint venture agreement for a 965-unit residential development under market validation. • **2** joint venture agreements under negotiation.

1. Development of infill projects

Our development model is sales-led, requiring a 30% pre-sale threshold for progression of any new project. The current pipeline under each of the stage-gates in our development model is as follows:

	Feasibility and concept business case	Market validation and fundraising	Pre-construction and construction	Total
CENTUM re	4,624	767	500	5,891
VIPINGO DEVELOPMENT LIMITED A member of Centum Group	-	893	514	1,407
PEARL MARINA	-	413	428	841
TWO RIVERS	2,000	-	-	2,000
Total pipeline	**6,624**	**2,073**	**1,442**	**10,139**

The sales performance of the units under construction is set out below:

	Units under construction	Pre-sold	% pre-sold	Revenue potential of presold units Ksh'000	Deposits collected Ksh'000	Project Debt at 31 March 2020
VIPINGO DEVELOPMENT LIMITED	500	198	39.6%	2,740,000	439,008	-
PEARL MARINA	514	457	88.9%	2,960,000	658,588	-
TWO RIVERS	428	344	80.4%	2,120,000	858,775	-
Total	**1,442**	**999**	**69.6%**	**7,820,000**	**1,956,371**	**-**

2. Sale of development rights

At 31 March 2020, the business had converted third party bulk land sales worth Ksh 2.8 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 2021

A summary of land monetization progress to date is set out below:

	Unit of measurement	Available for sale	Converted third party sales at 31 March 2020	Monetised through infill projects	Under expression of interest or negotiation
VIPINGO DEVELOPMENT LIMITED	Acres	10,254	1,379	17	250
PEARL MARINA	Acres	389	3	22	80.5
TWO RIVERS	Square meters	1,373,686	-	72,786	558,607

Business Review

Our Five-Year Strategy

3. Management of Rental Assets

The primary asset under this business line is the Two Rivers Mall and the Two Rivers Office Towers in Nairobi. Performance statistics are summarized below:

	Total GLA	Leased at 31 March 2020	% leased	Trading at 31 March 2020	% Trading
	SQM	SQM	%	SQM	
Retail Center	59,032	47,757	81%	42,720	72%
Offices	25,224	4,817	20%	4,817	20%

As part of the asset's enhancement, the mall is in the process of completing the Two Rivers Cinemas, now under fit out. The 6-screen Cinemas are expected to be launched in September 2020 and will feature 4-DX, VIP, Kids, IMAX and standard screen. This project is part of an overall asset enhancement initiative that includes mall interiors refreshing and a review of the tenant mix to onboard select sub-anchors.

At the date of this report, we were negotiating a further with 25 Tenants of 17,951 square meters of leasing space with new tenants for both the retail and offices respectively.

4. Development of Joint Venture Projects

At 31 March 2020, the Group had signed a joint venture agreement for a 965-unit development along Thika Road in Nairobi, which is now under market validation. In accordance with our business model, progression of this project is subject to attainment of our pre-sale threshold.

Pictorial Progress of Live Projects

Vipingo Development
Awali Estate
Projected handover: December 2020

Vipingo Development
Palm Ridge Project
Projected Handover: September 2020

Pearl Marina Development
Mirabella Villas
Projected Handover: August 2020

Centum Development Kenya Limited
Riverbank Apartments at Two Rivers
Projected Handover: June 2021

Centum Development Kenya Limited
Cascadia Apartments at Two Rivers
Projected Handover: June 2022

Business Review

Our Five-Year Strategy

Centum Real Estate ESG Framework

Our ESG strategy involves identifying impactful, scalable and sustainable initiatives that empower the communities within which we operate and are implemented in partnership with all key stakeholders during the development cycle of our projects. We are committed to the UN Sustainable Development Goals (SDGs) and implementation of an Environmental, Social and Governance (ESG) policy and sustainability reporting.

ESG Pillar	Sub Pillar	Development	Details and Impact
Environmental Pillar	Solar Energy	Two Rivers Development	As set out under the Sustainability section on pages 10 to 18
	Water Reticulation Plant	Two Rivers Development	
	Green spaces	All projects	
Social Pillar – Education In the communities we invest in, education has been identified as a key enabler in improving the lives of the people in the community.	Skill Gap	Vipingo Development	
	Infrastructure Pillar		
	Employment Gap	Vipingo Development & Affordable Nodes Program	Our developments have employed +500 skilled labourers throughout East Africa, majority of who, reside in the precinct of the communities where our projects are situated. Through the affordable nodes program, we intend to create more opportunities of direct employment and indirect employment through the engagement of the informal sector to supply specific components of projects. This shall be achieved through the on boarding of skilled artisans on the Ajriy App which has been developed to meet the employment gap in the informal sector.
Governance Pillar	Board Governance	All projects	All our project companies are governed by well experienced boards
	Contractor and Supplier Adherence	All Projects	All our contractors and suppliers are compliant with the required labour laws and have adhered to the zero-corruption policy of Centum RE
	Adherence of Laws	All Projects	All our projects are compliant with all the approvals, and regulations that govern the construction and real estate industry

Outlook

Immediately after the first case of COVID-19 case was reported in Kenya in mid-March 2020, we saw an average of 40% reduction in new residential unit sales in the subsequent two months. We have however seen a rebound in deposit collections and new residential unit sales to pre-COVID levels since June 2020.

The units expected to be completed and handed over in the financial year ending 31 March 2021 are largely fully sold out, with substantial cash collections.

Our developments have employed **+500 skilled labourers** throughout East Africa, majority of who, reside in the precinct of the communities where our projects are situated.

Our bias is towards affordable-to-mid market residential developments over the next four years. We believe that a significant deficit exists in the institutional supply of affordable housing at scale and linkage of the development value chain to capital markets. As we go through the feasibility cycle of projects, we are engaging with potential institutional off-takers to address the existing gaps.

We have also built a sizable deal pipeline across our land banks with institutional investors. We expect some of these transactions to close in the year ending 31 March 2021.

Private Equity

Centum Capital Partners (CCAP)

Centum Capital Partners (CCAP) – a wholly owned, independently managed subsidiary of Centum and a private equity fund manager - 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 is responsible for the management of three distinct portfolios:

a) Centum's Fund I Assets - portfolio comprising of Centum's legacy investments and mature companies - which consists of 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 legacy development investee companies namely AMU Power Limited, Akiira Geothermal Limited and Greenblade Growers Limited

c) A proposed Centum Capital Private Equity Value Fund II

Our Business Model

In 2019, Centum repositioned Centum Capital Partners (CCAP) as an institutional private equity fund manager. As a fund manager, CCAP would be able to attract and manage third-party capital alongside Centum's own Capital with the capital raised through the Fund enabling expansion in its ability to access strategic Companies across East Africa through acquisition of controlling staKsh.

The repositioning of Centum Capital under Centum 4.0 evolves from Centum's 3.0 strategic period where Centum through CCAP undertook a developer role by undertaking greenfield projects and de-risking them with the intention of attracting third party capital once the projects became cash generative. Some of the Companies set up under the previous strategy currently sit in CCAP's Development portfolio and some under the Fund I portfolio.

In the Centum 4.0 strategic period, we have a bias towards Buyout and Growth transactions. Focus will be placed on value creation and realisation on the existing assets whilst identifying market leaders through Fund II and actively driving value creation objectives to deliver market leading returns.
The investment criteria for the Fund is drawn from the lessons of 10 years covered under the Centum 2.0 and 3.0 strategic periods. CCAP will seek to invest in companies that are:

i. Within the East African region which is a region that we understand;
ii. Have some form of sustainable market leadership in their market segments;
iii. Within our sector focus areas;
iv. Attractive and have sustainable economic growth, margins, asset efficiency and risk;
v. An aligned management team; and
vi. A reasonable valuation relative to the prospects of the business.

Further, CCAP seeks to diversify its investments across both sectors and geography in a bid to not only mitigate concentration risk but also to take full advantage of East Africa's attractive macro and micro economic profile.

We believe that the strong underlying fundamentals within 7 core sector groups will translate to attractive returns informing our sectors of focus: Consumer Goods and Services, Financial Services, Healthcare, Education, Energy, Agriculture and Technology.

In terms of Geographical focus, we have identified our core markets in East Africa which are home to circa 348.2 million people and a GDP growth rate of circa 5%, projected to grow at relatively higher rates than any other region within the African continent;

- Primary Markets: Kenya, Uganda
- Secondary Markets: Rwanda, Tanzania.
- Tertiary Markets: South Sudan, Burundi, Ethiopia.

How We Create Value

Our Private Equity Portfolio's focus is to unlock the true earning potential of our underlying investee companies and in the process maximise shareholder value.
This is achieved through enabling and driving value addition in investee companies by 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.

Risk Management

To ensure that all material risks are monitored, a tiered structure approach coupled with the investment team's experience has been embedded in the development of systems and process. Our risk management framework is anchored on three key elements:

1. An extensive and thorough pre-investment due diligence inquiry (DD) process that is led by discreetly selected and prequalified DD 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. A strict adherence to Environmental, Social and Governance (ESG) best practices.

Fund I - FY 2020 Performance

In the Financial Year ended March 2020, the Private Equity Portfolio return was driven by the exits undertaken and earnings growth in the underlying portfolio companies following execution of various value creation plans and strategies.

Portfolio Return

Over the holding period 2009-2019 we managed to generate an IRR of 25.8% largely supported by capital gains on exit and dividends from portfolio companies. The cumulative dividends received over the period 2009-2019 were just over Ksh 5.6 billion representing a 4% yield, this compared to exit proceeds of Ksh 33.5 billion over the same period.

Our strategy to exit various assets was driven by our view that these are now mature businesses with significantly lower room to improve dividend yield & that the exit price represents a premium to the fair value of the business. Further supporting this rationale for the exit is the dividend yield when compared to the exit price. Dividends for Almasi & NBL totaled Ksh 400 Mn in Fy 18/19, in given the exit price of Ksh 19.2 billion, this would mean that we would take 48 years to realise this in form of dividends, pointing further to the mature nature of the businesses. With this in mind we have been able to exit at significantly higher values to that of the fair value of the businesses. On a cost basis the exits over the period represented a Ksh 27.1 billion gain. Further validating our view of these businesses. This further validates our exit thesis for these businesses.

Exits

In the year, the three transactions undertaken were;
I. Almasi Beverages Limited sale of Centum's 54% equity stake realizing proceeds of Ksh 10.7 billion and a holding period IRR (2009 -2019) of 26%
II. the Nairobi Bottlers Limited sale of Centum's 28% equity stake realizing proceeds of Ksh. 8.8 billion and a holding period IRR (2009 -2019) of 37%
III. the King Beverage Limited sale of Centum's 100% equity stake realizing proceeds of Ksh. 0.1 billion and a holding period IRR (2014 -2019) of -14.8%

On Almasi Bottlers and Nairobi Bottlers exit –both of which are licensees of The Coca Cola Company (TCCC), which was announced on June 12, 2019, we signed a Share Purchase Agreement to sell our entire holdings both assets at approximately Ksh 19.6 billion to Coca Cola Beverages Africa (CCBA). The exit value was a significant uplift to our last year's carrying value of Ksh 16.6 billion and a cost base of Ksh 3.4 billion. The exit of Centum's stake in the bottlers is the culmination of a strategy that we have executed over the last 10 years to consolidate the bottlers, enhance their value and realise the value uplift through an exit.

On King Beverage Limited exit, which was announced on August 19, 2019, it marked the culmination of a 5-year Investment in the business. Centum invested through an import model had been importing and distributing Carlsberg products through King Beverage since year 2014 with the intention to achieve trigger volumes by mid-2019 to warrant the set-up of a local production model. The business was unable to scale up volumes hence the decision to divest was undertaken.

Portfolio Performance

The performance of the PE sector is drawn from three sections of our portfolio are:

Banking Subsidiary

Sidian Bank – our banking subsidiary, recorded a profit of Ksh 112 million in the Full Year ended December 2019 from a Ksh 359 million loss the previous year. The Bank has made a remarkable improvement across all its key indicators on liability growth, liquidity, funded and non-funded income and asset growth.
In November 2019, the bank received approval for funding a Tier II capital facility of USD 10 million from the Dutch Entrepreneurial Development Bank (FMO) an international financial institution based in the Hague,

Netherlands. The funds will be used to enable the bank further its mission to empower entrepreneurs through the strategic growth of its loan book with a key focus on the SME loan book, trade finance portfolio and mobile lending.

This funding is in addition to the USD 12m funding received from the Investment Fund for Developing Countries (IFU) a Danish Development Finance Institution (IFU) in the prior year, which together with the latest funding received from FMO, puts the Banks in good stead to support its customers grow their businesses.

Other Subsidiaries

Our trading subsidiaries continued to deliver strong results during the year.

Longhorn Publishers - continues to diversify away from traditional markets as it expands regionally with a footprint in nine geographical markets and a leading market share of circa. 24.5% with the key objective in the near term being reduced reliance on Kenya government orders and implementation of the digital strategy.

In addition, the regulated subsidiaries maintained good standing with the regulators from a compliance perspective while achieving operating profitably.

Associate Companies

Sabis Runda School - situated in Runda, Nairobi, Kenya - continues to provide affordable, world class and holistic learning that incorporates cutting edge technology for students from kindergarten to Grade 12. In its slightly over one year of operation, the school has enrolled approximately 200 students to date with an expectation of increased enrolment numbers in the new school year.

Isuzu East Africa continues to seek to achieve extemporary performance year on year with a focus regional diversification into the broader East African region namely Uganda, Tanzania & Rwanda with increased leading market share at 44.5% as at December 2019 in comparison to the previous year at 39% of the Kenya's new motor vehicle market.

NAS Servair , the main airline caterer in Kenya's two largest international airports, Jomo Kenyatta International Airport and Mombasa International Airport continued to offer both hot and cold meals to over 30 international airlines and also on-site catering services for local commercial businesses and utilities in the year. In addition, the business continued its diversification strategy of its income streams by the continued focus on other business lines such as the corporate catering business and laboratory and quality assurance services.

Development Portfolio

Our development portfolio consists of assets in sectors Power and Agribusiness, namely AMU Power Limited, Akiira Geothermal Limited and Greenblade 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 near future.

Development Portfolio - FY 2020 Performance

Unlock value across the development portfolio in line with the value creation plans across the underlying assets continues to be undertaken. In the Financial Year ended March 2019;
Greenblade Growers – the business continued to increase the acreage in the Tumaini farm with product diversification and market expansion being key focus areas in the year. In addition, the business continues to engage out-growers and also offer extension services to meet demand for produce and as a way of impacting local communities.

Akiira - Additional surface studies were undertaken in the year with initial results being positive. The target is to embark on drilling in the current financial year.

On Amu Power - In the year, the EIA License was issued to Amu Power and subsequently revoked in June 26, 2019. Amu Power opted to appeal the decision before the High Court a matter which is currently outstanding. In accordance with IFRS 9, a provision is made in the view of the uncertainties surrounding the timing of closure on these matters a one-off impairment provision of Ksh. 2.29 billion was provided.

ESG Overview

In the Financial Year Ended, we continue to be intentional on Environmental, Social and Governance (ESG) a key theme on our Investee Companies through our Portfolio Management activities.

To this end, we have broadly undertaken initiative centred around three thematic areas on ESG, that is, Business Integrity, Environmental and Social Management and Corporate Governance.

Metric	Key focus areas in the Year ended March 2020
Business Integrity Alert	i. Continuous identification through gap analysis of business integrity engagement programs ii. Active monitoring and implementation of the existing business integrity principles or policies iii. Clearly articulation of business integrity roles and responsibility within our Portfolios
Environmental & Social (E&S) Management	i. Definition and documentation of policies and procedures around E&S ii. Disclosures of E&S Risks Assessment and Impacts iii. Continuous E&S Monitoring and report system iv. E&S Performance Improvements v. Active Stakeholder Consultation vi. Training programs on ESG and for E&S specific staff vii. Applicable E&S Legislation and Analysis therein
Corporate Governance	i. Approval of significant intra-group transactions in line with board mandates and in line with the regulatory requirements ii. Active engagement and considerations around minority shareholders rights and protections therein

Fund II Outlook

In the coming year, Centum - through Centum Capital Partners – continues to make significant strides with an objective to launch a Ksh 20 billion mid-market buyout fund focused on East Africa and investing across seven growth sectors under which Centum Group will make a commitment of at least 20% of the Fund or Ksh 5.5 billion with institutional investors and local partners making up the balance of the fund's target Assets Under Management. While we appraise various opportunities Centum's commitment to the fund is earning a 13% return.

In addition, the current investment environment is [*To be Updated - Covid Situation Unknown] ideal to make acquisitions on account of the tight liquidity situation, need for flexibility, speed of delivery and ability to offer tailored solutions make equity capital a more attractive form of funding for Companies.

To this end, the Investment team is actively evaluating new investment opportunities that are being considered internally and at a Board level while engaging with potential investors looking at making an investment in the Fund. Our aim is to generate a greater than 25% IRR for all new investments; this would be achieved by a 3x EBITDA (Earnings Before Interest Tax Depreciation & Amortization) expansion over a 5-year horizon. Given the current impact of this pandemic of key demand drivers in various sectors, we expect levels of EBITDA growth to be depressed in the short term. This would recover with recovery of key demand drivers and general economic expansion. We are looking at businesses that are: within our sector focus areas (1), are cash-flow positive (2), generate a minimum EBITDA of $2Mn or Ksh 200 million (3), can pay offer a dividend yield of greater than or equal to 5% on our invested capital (4) all these while offering tangible opportunities for value creation and therefore enhancing our exit opportunities (5).

Fund I Outlook

We have a positive outlook for the 2020/ 2021 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 exit 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 before transitioning them into our private equity portfolio or exiting to a strategic acquirer at an opportune time in the near future.

Marketable Securities Portfolio

Our Business Model

Nabo's mandate is to generate attractive risk-adjusted returns across the market cycle, and to ensure adequate liquidity for the group – while minimising cash drag. To achieve this, we employ an active cross-asset strategy that seeks to capitalize on investment opportunities within prevailing themes. There is a strong focus on capital preservation during periods of market decline and the team works hard to generate strong performance in bullish markets.

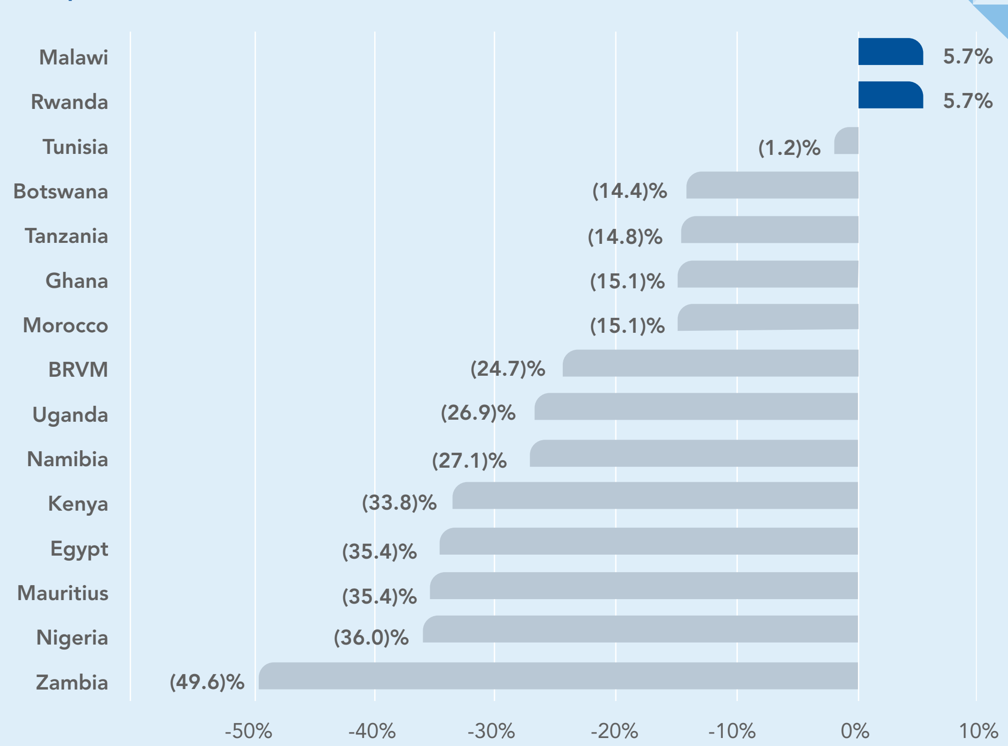
The Marketable Securities Portfolio's holdings are valued at the respective quoted prices in active markets where the securities are traded.

Features of our value creation approach

- **Dynamic Asset Allocation:** Our multi-strategy approach permits us to remain agile and flexible in ever changing markets. We have decades of experience and comprehensive cross-asset capabilities in Equities, Fixed Income and Private Markets (Credit) that we deploy to capitalize on evolving opportunity sets.
- **Research Rigor:** We take an academic approach to idea generation and rigorously debate why each opportunity presented exists, its catalysts and attendant risks, what we might be overlooking, the journey to profitability and the exit strategy.
- **Alignment of Interests:** Nabo receives compensation that is linked to the Marketable Securities Portfolio's profitability, triggered by performance above a specified hurdle rate and subject to a high watermark. This ensures a strong alignment of interests.

Our approach is codified in our investment process which allows us to opportunistically allocate capital to the most compelling ideas.

Market Performance (U$D) in countries where Centum Group had exposures as at 31 March 2020



FY 2020 Performance

The 2019/2020 financial year begun as a stable year for African financial markets. Favorable economic conditions across the continent translated into upside in equity markets with the MSCI Africa ex-South Africa index returning 8.6% in the ten months to January 2020 and most fixed income markets across the continent returning solid double-digit currency adjusted returns.

This stable trend was reversed as the COVID-19 outbreak burst onto the global stage in late February. In order to stop the spread of the pandemic, authorities across the world implemented various degrees of containment measures including lockdowns and restrictions on movement. The result has been a slow-down in economic activity across the world with the hardest hit sectors being aviation and tourism. Uncertainty about when the restrictions could be lifted have led to the World Bank projecting a -1.6% contraction in economic growth in Sub Saharan Africa.

The deterioration in the global economic outlook has affected financial markets in a significant way:

- The US Dollar has rallied relative to almost all currencies around the world. Consequently, most African currencies have depreciated. The Kenya Shilling lost 4.2% over the last twelve months.
- Equity markets across the world have lost on average -30%. Africa has not been spared with the MSCI Africa ex-South Africa index losing 23.6%.
- Yields on fixed income securities across the continent have begun to rise as falling tax revenues are forcing governments to turn to debt financing.

While the impact on economies and financial markets has been significant across the continent, commodity reliant economies have been the hardest hit. On a comparative basis, non-resource intensive economies such as Kenya have been shielded. For instance, the Kenya Shilling has only lost 3.6% of its value in the last three months whereas the Zambian Kwacha has lost 22.4%.

Aside from the COVID-19 pandemic and its impact, some risks remain albeit muted. These include uncertainty surrounding BREXIT and rising trade tensions across the world. Politics have taken a back seat across the continent as attention is focused on the pandemic. This has the potential to kick back into gear once the situation returns to normal with ongoing power dynamics key to watch, including in Kenya.

The MSP portfolio's large allocation to Kenya shilling fixed income assets has defended it against the downturn in financial markets.

Portfolio Returns (Time Weighted)

	In Kenya Shilling	In US Dollar
Centum MSP 1 (QPE)	-2.9%	-6.7%
MSP 2*	9.3%	5.4%
NSE 20 Share Index	-30.9%	-33.8%
MSCI Africa ex-ZA Index	-26.7%	-23.6%

*MSP 2 begun on 17 Oct 2019; Returns have been annualized

Outlook

The short-term picture remains very uncertain. Given this, we retain a bias towards the safety provided by cash and minimal exposure to equities and government securities. This should see us weather the storm. However, in the medium to long term, the current downturn presents an opportunity.

Higher government bond yields expected over the coming months provide an attractive entry point to earning interest income while equity markets also show significant opportunity given the low valuations and high dividend yields. The current P/E ratio on the MSCI Africa ex-ZA index was last seen in 2011.

Our Financials


April
May
April
May
June
July
August
September
35%
29%
11%
10%
8%
7%
DISTANCE (MILES)
DATE
4/3
4/10
4/12
4/14
4/16
4/18
4/21
4/23
4/25

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 2020.

BUSINESS REVIEW

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

a. Real Estate, where we are master developers of mixed use developments in East Africa;

b. Private Equity, representing our trading subsidiaries or investments that have progressed from development to a cash generating stage. Investments under this segment include the publishing, financial services and utility companies. This business unit is also responsible for managing our Development Portfolio; and

c. Marketable securities and cash - representing our investment in large and mid-capitalization equities, fixed income and cash, contributing to the Company's liquidity.
Operating cash flows are primarily from dividend and interest income, real estate sales and proceeds from exits in the private equity and marketable securities portfolios.

Perfomance

The Group reported a profit after tax of Ksh 4.6 billion, representing a 12% growth year on year. The primary driver of this performance was realised gains on disposal of Almasi Beverages Limited and Nairobi Bottlers Limited. Following this disposal, Almasi Beverages Limited was deconsolidated from the Group performance, which explains the decrease in trading revenue by 46% from Ksh 10.9 billion in 2019 to Ksh 5.9 billion in the current year.
The Group's banking subsidiary has now returned to profitability, leading to financial services profitability of Ksh 170 million, from a loss of Ksh 461 million in the prior year.

The Real Estate business has recorded a significant pre-sale level in residential units and land sales conversions. The sales and arising profitability are not reflected on these financial statements, in accordant with the revenue recognition principles of IFRS. The residential unit sales are expected to reflect on our profitability from the financial year ending 31 March 2021, as we hand over the units while land sales will also reflect upon finalisation of the legal transfers.
A detailed performance analysis is set out in the Integrated Report, under the Business Review section.

Outlook

The Group's five-year strategic plan dubbed Centum 4.0 sets out strategic pillars which are aimed towards delivering consistent and sustainable returns to our shareholders. These pillars are centred on return and dividend payout, capital structure and liquidity, operating costs, portfolio focus and organisational effectiveness.
The macro-economic impact of the COVID-19 pandemic is likely to have a short to medium term impact on our business. In our Private Equity investments, the likely impact is reduced dividends as the respective businesses switch to cash conservation. On the Real Estate business, we have adopted a sales-led development process and all units under construction are largely pre-sold. The medium-term impact is therefore likely to be a slowdown on new developments as they would have to meet our pre-sale threshold of 30%.

A detailed outlook is set out under the Business Review section of the Integrated Report.

RESULTS

For the year ended 31 March:		**Group**		**Company**
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Profit before tax	5,446,112	4,438,846	(2,595,097)	826,749
Income tax expense	(817,796)	(318,600)	(796,591)	(83,883)
Profit for the year	**4,628,316**	**4,120,246**	**(3,391,688)**	**742,866**

The results for the year are set out fully on pages 119 to 243 in the financial statements.

Directors' Report (continued)

DIVIDEND

The Board of Directors recommend a dividend of Ksh 1.20 (2019: Ksh 1.20) per share for the financial year ended 31 March 2020.

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. C Kirubi	
4.	Dr. L Macharia	
5.	Hon. W Byaruhanga	- Alternate: Mr. A. Kasirye
6.	Mrs. C Igathe	
7.	Mrs. M Ngige	
8.	Industrial Commercial and Development Corporation - Alternate: Mr. W. Haggai	
9.	Mrs. S Githuku	
10.	Dr. M Ikiara	

DISCLOSURES TO AUDITORS

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.

TERM OF APPOINTMENT OF AUDITORS

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

Mwangi J. Mbogo
Secretary
Nairobi

11 June 2020

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 Executive Directors’ remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. Executive Directors are 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. The Executive Directors do not earn 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 undertaKsh 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 of a quarterly allowance, sitting allowances for board and committee meetings and a travel allowance.

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 2020 together with the comparative figures for 2019. The aggregate Directors’ emoluments are shown on note 12.1 (iv) to the financial statements.

Year ended 31 March 2020	**Salary Ksh’000**	**Pension Ksh’000**	**Fees Ksh’000**	**Bonuses Ksh’000**	**Total Ksh’000**
Dr. Donald Kaberuka (Chairman)	-	-	2,584	-	2,584
Dr. Christopher Kirubi	-	-	2,328	-	2,328
Industrial and 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**

Directors' Remuneration Report
(continued)

Information subject to audit (continued)

Year ended 31 March 2019	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Bonuses Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,744	-	2,744
Dr. Christopher Kirubi	-	-	2,508	-	2,508
Industrial and Commercial Development Corporation	-	-	763	-	763
Mr. Kennedy Wanderi	-	-	466	-	466
Hon. William Byaruhanga	-	-	1,908	-	1,908
Dr. Laila Macharia	-	-	2,868	-	2,868
Mrs. Mary Ngige	-	-	2,668	-	2,668
Mrs. Catherine Igathe	-	-	2,868	-	2,868
Dr. Moses Ikiara	-	-	2,628	-	2,628
Mrs. Susan Wakhungu-Githuku	-	-	2,568	-	2,568
Mr. William Haggai	-	-	1,339	-	1,339
Dr. James Mworia	42,123	3,161	-	-	45,284
	42,123	**3,161**	**23,328**	**-**	**68,612**

On behalf of the Board

Dr. Laila Macharia

Chairperson, Nomination and Governance Committee

11 June 2020

Directors' Responsibilities

The Kenyan 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 Company and Group keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; 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 11 June 2020 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Auditor's Report

pwc

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

Report on the audit of 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 119 to 243, which comprise the consolidated statement of financial position at 31 March 2020, 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 2020, the Company statement of profit or loss and other comprehensive income, Company statement of changes in equity and Company statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Centum Investment Company Plc give a true and fair view of the financial position of the Group and the Company at 31 March 2020 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 Kenyan 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.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

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 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 the fair values of investments, including the oversight from those charged with governance. We assessed the appropriateness and consistency of the valuation method 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 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 discounting 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 valuation specialists. 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.

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

Report on the audit of the financial statements (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 at amortised cost 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; • 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.

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
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 determination of the recoverable amounts and therefore an increased level of audit focus 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.

Other information

The other information comprises the Corporate information, 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 which are 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 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 we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Report on the audit of the financial statements (continued)

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 Kenyan 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's 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 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.
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.

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

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

- 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.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the director

In our opinion the information given in the directors' report on pages 108 and 109 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 110 to 111 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers LLP.

Certified Public Accountants
Nairobi

11 June 2020

FCPA Michael Mugasa, Practising certificate No. 1478
Signing partner responsible for the independent audit

Financial Statements

Consolidated statement of profit or loss

	Notes	2020 Ksh'000	2019 Ksh'000
Trading business:			
Sales	2.2	5,866,052	10,864,087
Cost of sales	2.3.1	(3,838,946)	(6,861,496)
Gross profit		2,027,106	4,002,591
Operating and administrative expenses	2.3.1	(1,631,681)	(2,885,221)
Trading profit		**395,425**	**1,117,370**
Financial services:			
- Income from provision of financial services	2.2	3,796,050	3,502,548
- Interest expenses	2.4	(1,158,748)	(962,351)
- Net impairment of loans and advances	7.1	(392,219)	(736,469)
- Operating and administrative expenses	2.3.1	(2,074,153)	(2,264,965)
Operating loss from financial services		**170,930**	**(461,237)**
Investment operations:			
Investment income	2.2	14,995,461	9,549,277
Project and development management fees	2.2	301,451	303,329
Operating and administrative expenses	2.3.1	(2,464,768)	(2,128,453)
Provision for impairment of assets	2.3.1	(2,751,568)	-
Finance costs	2.4	(3,223,240)	(2,517,605)
Share of profits of associates after tax	6.2.1	100,305	279,000
Share of losses of joint ventures after tax	6.2.2	(2,077,884)	(1,702,835)
Profit before tax		**5,446,112**	**4,438,846**
Income tax expense	3.1	(817,796)	(318,600)
Profit for the year		**4,628,316**	**4,120,246**
Attributable to:			
Owners of the parent		6,819,560	5,156,590
Non controlling interests		(2,191,244)	(1,036,344)
		4,628,316	**4,120,246**
Earnings per share (Basic and diluted)	2.6	10.25	6.68

The notes on pages 130 to 243 are an integral part of these financial statements

Consolidated statement of comprehensive income

	Notes	2020 Ksh'000	2019 Ksh'000
Profit for the year		**4,628,316**	**4,120,246**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Revaluation deficit on land and buildings	8.1	(5,000)	-
Fair value gain/(loss) in unquoted investments	5.2	298,729	(402,718)
Fair value loss on quoted investments	5.3	(126,243)	(530,540)
Deferred tax on revaluation gains	3.2	451,978	73,967
Reserves released on disposal of investments	2.7	-	(187,121)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		181,893	(161,002)
Total other comprehensive profit/(loss)		801,357	(1,207,414)
Total comprehensive income for the year		**5,429,673**	**2,912,832**
Attributable to:			
Owners of the parent		7,620,917	3,949,176
Non-controlling interest		(2,191,244)	(1,036,344)
		5,429,673	**2,912,832**

Company statement of profit or loss and other comprehensive income

	Notes	2020 Ksh'000	2019 Ksh'000
Investment income	2.2	3,694,506	3,167,358
Expenses			
Operating and administrative expenses	2.3.1	(894,691)	(630,932)
Finance costs	2.4	(1,814,660)	(1,709,677)
Operating profit		985,155	826,749
Provision for impairment of assets	2.3.1	(3,580,252)	-
(Loss)/Profit before tax		**(2,595,097)**	**826,749**
Income tax expense	3.1	(796,591)	(83,883)
(Loss)/Profit for the year		**(3,391,688)**	**742,866**
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Reserves released on disposal of investments	2.7	-	(1,262,453)
Fair value (loss)/gain on subsidiaries	6.1	(2,161,160)	4,135,364
Fair value gain/(loss) on associates	6.2.1	-	1,834,168
Fair value gain/(loss) on unquoted investments	5.2	292,750	(422,579)
Fair value gain/(loss) on quoted investments	5.3	(29,992)	(45,556)
Deferred tax on fair value gains and losses	3.2	927,747	(269,192)
Total other comprehensive income		**(970,655)**	**3,969,752**
Total comprehensive income		**(4,362,343)**	**4,712,618**

Consolidated statement of financial position

Assets	Notes	2020 Ksh'000	2019 Ksh'000
Property, plant and equipment	8.1	4,098,815	11,067,734
Investment properties	5.1.2	41,181,081	40,033,745
Inventory - Residential houses under construction	5.1.1	3,015,964	380,676
Intangible assets - goodwill	8.2	361,335	1,768,281
Intangible assets - software	8.2	1,007,680	726,765
Deferred income tax assets	3.2	866,304	757,499
Right of use asset	8.3.1	1,061,882	-
Prepaid operating lease rentals	8.4	-	57,683
Investments:			
- Associates	6.2.1	1,449,966	2,920,670
- Joint ventures	6.2.2	2,889,797	7,065,230
- Unquoted equity investments	5.2	4,550,450	4,146,239
- Quoted investments	5.3	398,174	1,561,164
- Government securities and corporate bonds	7.2	8,913,428	3,469,523
Loans and advances	7.1	14,961,431	13,188,526
Finance lease receivable	8.3.2	154,393	46,817
Inventories	4.1	624,880	1,766,231
Current income tax	3.1	678,985	492,034
Receivables and prepayments	4.2	7,466,708	6,921,565
Cash and cash equivalents	4.3	8,182,331	5,393,271
Total assets		**101,863,604**	**101,763,653**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	1,900,292	1,182,443
Retained earnings		43,723,323	38,095,995
Proposed dividends	11.3	798,530	798,530
Total equity attributable to equity holders of the company		**47,344,619**	**40,999,442**
Non-controlling interest	6.1	5,278,030	10,576,373
Total equity		**52,622,649**	**51,575,815**
Liabilities			
Borrowings (excluding banking subsidiary)	9.1	18,090,076	24,403,263
Banking subsidiary:			
- Customer deposits	7.3	17,460,420	14,816,684
- Borrowings	9.1	4,106,689	2,467,698
Payables and accrued expenses	4.4	3,495,884	4,798,067
Dividends payable	11.3	275,038	211,675
Deferred income	4.5	2,300,312	578,651
Current income tax liabilities	3.1	122,479	24,117
Deferred income tax liabilities	3.2	2,119,955	2,887,683
Lease liabilities	8.3	1,270,102	-
Total liabilities		**49,240,955**	**50,187,838**
Total equity and liabilities		**101,863,604**	**101,763,653**

The financial statements on pages 119 to 243 were approved by the Board of Directors on 11 June 2020 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Company statement of financial position

	Notes	2020 Ksh'000	2019 Ksh'000
Assets			
Property and equipment	8.1	118,625	127,719
Right of use asset	8.3	23,786	-
		142,411	**127,719**
Investment portfolio carried at fair value:			
- Investment in subsidiaries	6.1	30,236,419	42,156,542
- Debt investment in subsidiaries	12.1	15,631,051	15,696,348
- Investment in associates	6.2.1	-	6,915,641
- Investment in joint ventures	6.2.2	-	2,097,549
- Unquoted investments	5.2	4,126,484	3,619,410
- Government securities and corporate bonds	7.2	3,150,557	-
- Quoted investments	5.3	22,586	52,578
Total portfolio		**53,167,097**	**70,538,068**
Receivables and prepayments	4.2	628,856	725,503
Cash and cash equivalents	4.3	2,911,960	252,752
		3,540,816	**978,255**
Total assets		**56,850,324**	**71,644,042**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	23,533,462	37,798,090
Retained earnings		22,184,830	13,081,075
Proposed dividends	11.3	798,530	798,530
Total equity		**47,439,296**	**52,600,169**
Liabilities			
Borrowings	9.1	7,485,523	16,144,795
Payables and accrued expenses	4.4	401,408	535,452
Dividends payable	11.3	275,038	211,675
Current income tax	3.1	29,108	21,549
Lease liabilities	8.3	24,112	-
Deferred income tax	3.2	1,195,839	2,130,402
Total liabilities		**9,411,028**	**19,043,873**
Total equity and liabilities		**56,850,324**	**71,644,042**

The financial statements on pages 119 to 243 were approved by the Board of Directors on 11 June 2020 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Financial Statements (continued)

Consolidated statement of changes in equity

Year ended 31 March 2020	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
At start of year		332,721	589,753	1,182,443	38,095,995	798,530	40,999,442	10,576,373	51,575,815
Changes on initial application of IFRS 16		-	-	-	107,643	-	107,643	-	107,643
		332,721	**589,753**	**1,182,443**	**38,203,638**	**798,530**	**41,107,085**	**10,576,373**	**51,683,458**
Comprehensive income									
Profit for the year		-	-	-	6,819,560	-	6,819,560	(2,191,244)	4,628,316
Other comprehensive income:									
Reserves released on disposal of investments	2.7	-	-	(83,508)	83,508	-	-	-	-
Fair value loss on unquoted investments	5.2	-	-	298,729	-	-	298,729	-	298,729
Fair value loss on quoted investments	5.3	-	-	(126,243)	-	-	(126,243)	-	(126,243)
Revaluation deficit on property	8.1	-	-	(5,000)	-	-	(5,000)	-	(5,000)
Currency translation differences		-	-	181,893	-	-	181,893	-	181,893
Deferred tax on revaluation gains	3.2	-	-	451,978	-	-	451,978	-	451,978
Total other comprehensive income		**-**	**-**	**717,849**	**83,508**	**-**	**801,357**	**-**	**801,357**
Total comprehensive income		**-**	**-**	**717,849**	**6,903,068**	**-**	**7,620,917**	**(2,191,244)**	**5,429,673**
Transactions with owners in their capacity as owners:									
First and final 2019 dividends paid	11.3	-	-	-		(798,530)	(798,530)	-	(798,530)
Proposed 2020 dividends	11.3	-	-	-	(798,530)	798,530	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	(100,874)	(100,874)
Transactions with non controlling interest		-		-	(584,853)	-	(584,853)	(3,006,225)	(3,591,078)
At end of year		**332,721**	**589,753**	**1,900,292**	**43,723,323**	**798,530**	**47,344,619**	**5,278,030**	**52,622,649**

Consolidated statement of changes in equity

Year ended 31 March 2019	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
At start of year		332,721	589,753	2,389,857	34,358,987	798,530	38,469,848	12,427,316	50,897,164
Changes on initial application of IFRS 9		-	-	-	(130,995)	-	(130,995)	-	(130,995)
		332,721	**589,753**	**2,389,857**	**34,227,993**	**798,530**	**38,338,853**	**12,427,316**	**50,766,170**
Comprehensive income									
Profit for the year -		-	-	-	5,156,590	-	5,156,590	(1,036,344)	4,120,246
Other comprehensive income:									
Reserves released on disposal of investments	2.7	-	-	(187,121)	-	-	(187,121)	-	(187,121)
Fair value loss on unquoted investments	5.2	-	-	(402,718)	-	-	(402,718)	-	(402,718)
Fair value loss on quoted investments	5.3	-	-	(530,540)	-	-	(530,540)	-	(530,540)
Currency translation differences		-	-	(161,002)	-	-	(161,002)	-	(161,002)
Deferred tax on revaluation gains	3.2	-	-	73,967	-	-	73,967	-	73,967
Total other comprehensive income		**-**	**-**	**(1,207,414)**	**-**	**-**	**(1,207,414)**	**-**	**(1,207,414)**
Total comprehensive income		**-**	**-**	**(1,207,414)**	**5,156,590**	**-**	**3,949,176**	**(1,036,344)**	**2,912,832**
Transactions with owners in their capacity as owners:									
First and final 2018 dividends paid	11.3	-	-	-	-	(798,530)	(798,530)	-	(798,530)
Proposed 2019 dividends	11.3	-	-	-	(798,530)	798,530	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	(244,916)	(244,916)
Transactions with non controlling interest		-	-	-	(490,058)	-	(490,058)	(569,683)	(1,059,741)
At end of year		**332,721**	**589,753**	**1,182,443**	**38,095,995**	**798,530**	**40,999,442**	**10,576,373**	**51,575,815**

Company statement of changes in equity

Year ended 31 March 2020	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
At start of year		332,721	589,753	37,798,090	13,081,075	798,530	52,600,169
Comprehensive income							
Loss for the year		-	-	-	(3,391,688)	-	(3,391,688)
Other comprehensive income:							
Reserves released on disposal of investments	2.7	-	-	(13,293,973)	13,293,973	-	-
Fair value loss on subsidiaries	6.1	-	-	(2,161,160)	-	-	(2,161,160)
Fair value gain in unquoted investments	5.2	-	-	292,750	-	-	292,750
Fair value loss on quoted investments	5.3	-	-	(29,992)	-	-	(29,992)
Deferred tax on revaluation gains	3.2	-	-	927,747	-	-	927,747
Total other comprehensive income		-	-	(14,264,628)	13,293,973	-	(970,655)
Total comprehensive income		**-**	**-**	**(14,264,628)**	**9,902,285**	**-**	**(4,362,343)**
Transactions with owners							
Proposed 2020 dividends	11.3	-	-	-	(798,530)	798,530	-
First and final 2019 dividends paid	11.3	-	-	-	-	(798,530)	(798,530)
At end of year		**332,721**	**589,753**	**23,533,462**	**22,184,830**	**798,530**	**47,439,296**

Company statement of changes in equity

Year ended 31 March 2019	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
At start of year		332,721	589,753	33,828,338	13,136,739	798,530	48,686,081
Comprehensive income							
Profit for the year		-	-	-	742,866	-	742,866
Other comprehensive income:							
Reserves released on disposal of investments	2.7	-	-	(1,262,453)	-	-	(1,262,453)
Fair value gain in subsidiaries	6.1	-	-	4,135,364	-	-	4,135,364
Fair value loss in associates	6.2.1	-	-	1,834,168	-	-	1,834,168
Fair value loss in unquoted investments	5.2	-	-	(422,579)	-	-	(422,579)
Fair value loss in quoted investments	5.3	-	-	(45,556)	-	-	(45,556)
Deferred tax on revaluation gains	3.2	-	-	(269,192)	-	-	(269,192)
Total other comprehensive income		-	-	3,969,752	-	-	3,969,752
Total comprehensive income		**-**	**-**	**3,969,752**	**742,866**	**-**	**4,712,618**
Transactions with owners							
First and final 2019 dividends paid	11.3	-	-	-	(798,530)	798,530	-
Proposed dividends 2019		-	-	-	-	(798,530)	(798,530)
At end of year		**332,721**	**589,753**	**37,798,090**	**13,081,075**	**798,530**	**52,600,169**

Consolidated statement of cash flows

	Notes	2020 Ksh'000	2019 Ksh'000
Cash flows from operating activities			
Cash generated from operations	2.5	3,066,553	3,928,472
Proceeds from disposal of subsidiaries	2.7	10,990,733	2,324,230
Proceeds from disposal of associate	2.7	8,579,696	-
Income tax paid	3.1	(1,079,407)	(288,046)
Net cash flows from operating activities		**21,557,575**	**5,964,656**
Cash flows from investing activities			
Purchase of investment property	5.1	(15,609)	(86,781)
Purchases of property, plant and equipment	8.1	(633,572)	(3,231,802)
Purchases of intangible assets	8.2	(469,166)	(180,457)
Purchase of shares in associates	6.2.1	(337,972)	(115,673)
Purchase of shares in joint venture	6.2.2	-	(937,885)
Purchase of unquoted equity investments	5.2	(110,482)	(185,982)
Purchase of quoted equity investments	5.3	(32,784)	(644,082)
Purchase of corporate bonds at amortised cost	7.2.3	(532,918)	(162,295)
Purchase of commercial papers at amortised cost		(162,832)	(30,000)
Purchase of government securities at fair value through profit or loss	7.2.1	(4,869,785)	(343,541)
Purchase of government securities at amortised cost	7.2.2	(5,732,119)	(979,791)
Proceeds from disposal of quoted investments	2.7	928,069	320,854
Proceeds on disposal of government securities at fair value through profit or loss	7.2.1	3,994,801	12,780
Proceeds on disposal of government securities at amortised cost	7.2.2	2,048,681	1,626,329
Dividends received from associates	6.2.1	40,960	216,844
Proceeds from disposal of corporate bonds at amortised cost	7.2.3	30,002	-
Net cash flows from investing activities		**(5,854,726)**	**(4,721,482)**
Cash flows from financing activities			
Proceeds from borrowings		11,705,704	7,277,245
Repayments of borrowings		(20,691,312)	(3,581,712)
Interest paid on borrowings		(2,626,593)	(2,989,116)
Unclaimed dividends paid	11.3	(16,881)	(17,385)
Dividends paid		(717,757)	(721,779)
Net cash flows from financing activities		**(12,346,839)**	**(32,747)**
Net increase in cash and cash equivalents		**3,356,010**	**1,210,427**
Movement in cash and cash equivalents			
At start of year		5,284,873	4,074,446
Less: Disposal of subsidiary	4.3	(1,514,614)	-
Increase/(decrease)		3,356,010	1,210,427
At end of year	**4.3**	**7,126,269**	**5,284,873**

Company statement of cash flows

	Notes	2020 Ksh'000	2019 Ksh'000
Cash flows from operating activities			
Cash generated from operations	2.5	307,795	1,486,204
Proceeds from disposal subsidiaries	2.7	10,990,733	2,324,230
Proceeds from disposal associate	2.7	8,579,696	-
Income tax paid	3.1	(795,848)	(74,845)
Net cash flows from operating activities		**19,082,376**	**3,735,589**
Cash flows from investing activities			
Purchase of property and equipment	8.1	(11,076)	(14,784)
Investment in subsidiaries	6.1	(92,878)	(931,448)
Net debt investment in subsidiaries		(1,429,048)	(1,743,017)
Purchase of shares in unquoted investments	5.2	(219,324)	(155,209)
Purchase of government securities and corporate bonds	7.2	(3,048,024)	-
Proceeds from disposal of investments in commercial papers		-	621,507
Net cash flows from investing activities		**(4,800,350)**	**(2,222,951)**
Cash flows from financing activities			
Proceeds from borrowings		2,296,251	3,525,005
Repayment of borrowings		(12,599,755)	(1,944,015)
Interest paid on borrowings		(1,513,496)	(1,340,199)
Dividends paid		(717,757)	(721,779)
Unclaimed dividends paid	11.3	(16,881)	(17,385)
Net cash flows from financing activities		**(12,551,638)**	**(498,373)**
Net increase in cash and cash equivalents		**1,730,388**	**1,014,265**
Movement in cash and cash equivalents			
At start of year		144,354	(869,911)
Increase		1,730,388	1,014,265
At end of year	**4.3**	**1,874,742**	**144,354**

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 industries. 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

(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 2019:

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and amended standards adopted by the Group (continued)

IFRS 16: Leases (continued)

The Group and Company has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 8.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.
The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The measurement principles of IFRS 16 are only applied after that date.The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied
In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group and Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on the assessment it made when applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and amended standards adopted by the Group (continued)

IFRS 16: Leases (continued)

(ii) Measurement of lease liabilities

	2020 Group	2020 Company
	Shs '000	**Shs '000**
Operating lease commitments disclosed as at 31 March 2019	57,683	-
Derecognition on disposal of a subsidiary	(57,683)	-
Add: finance lease liabilities recognised as at 31 March 2019	1,347,308	28,669
Lease liability recognised as at 1 April 2019	1,347,308	28,669
Of which are:		
Current lease liabilities	480,841	8,545
Non-current lease liabilities	866,467	20,124
	1,347,308	28,669

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

(iv) Adjustments recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the following items in the balance sheet on 1 April 2019
- Right-of-use assets - increase by Shs 1,193,532,000
- Lease liabilities - increase by Shs 1,347,308,000

(v) Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and amended standards adopted by the Group (continued)

IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017)

The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Annual improvements 2015-2017 cycle
The following improvements were finalised in December 2017:

Amendments to IFRS 9 - Prepayment Features with Negative Compensation
The narrow-scope amendments made to IFRS 9 *Financial Instruments* in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 *Financial Instruments* before applying the loss allocation and impairment requirements in IAS *28 Investments in Associates and Joint Ventures*.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and amended standards adopted by the Group (continued)

Amendments to IFRS 3 - Business Combinations
The amendments, applicable to annual periods beginning on or after 1 January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Joint arrangement
The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

Amendments to IAS 12 - Income taxes
The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Borrowing costs
The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement
The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset) in the manner specified in the amended standard.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group and Company.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(iii) New standards and interpretations not yet adopted (continued)

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures.*

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

Amendments to IFRS 3 - Definition of a Business
The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

Amendments to IAS 1 and IAS 8 - Definition of Material

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(iii) New and amended standards not yet adopted (continued)

The directors have made an assessment of the standards and determined them not to have a material effect on the current year results and performance. The standards will be adopted in accordance with their respective adoption dates as determined by the IASB.

(iv) Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group and Company use market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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.

Towards the end of 2019, initial cases of Corona Virus infection were reported in China. The infection was spreading to other regions in the world and on 11 March 2020 World Health Organization (WHO) declared the viral disease as pandemic. The first case of this infection was reported in Kenya on 13 March 2020. Since then other cases have been identified and as at the date of approval of this report, the total confirmed cases in the country stood at 3,291.

The aforementioned situation will have an effect on the Group and Company's performance for the subsequent year. The Group and Company's management have carried out an assessment on each of the portfolio companies with the metrics considered being; staff collaboration, business activity, supply chain, liquidity and financial performance. They have then put in place mitigating measures to combat the risks identified in these areas.

Management has put in place ample measures such as remote working for all employees and setting up robust IT infrastructure for the employees to be able to safely access all IT applications and conduct virtual meetings. Management is prudently increasing the Group and Company's near cash investments to avoid volatility in the market and they believe that these measures will mitigate any going concern uncertainties that may arise due to the pandemic. 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.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

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.

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.

v. 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.

vi. 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.

Notes to the financial statements (continued)

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

vii. 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.

viii. 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.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

viii. 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.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, 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.

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 functional and 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 has no qualifying cash flow hedges.

Foreign exchange gains and losses that relate to 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.

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)
- 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		**Liabilities**	
Property, plant and equipment	Historical cost less accumulated depreciation and impairment losses except for land and buildings that are carried at fair value	Borrowings	Amortised cost

Notes to the financial statements
(continued)

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			
Biological assets	Fair value less cost to sell	Quoted investments	Fair value through other comprehensive income
Investment properties	Fair value	Loans and advances	Amortised cost
Goodwill	Historical cost less impairment losses	Cash and cash equivalents	Amortised cost
Intangible assets	Historical cost less accumulated amortisation and impairment losses	Receivables and prepayments	Amortised cost
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, and fair value through other comprehensive income
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.	Investment in subsidiaries	Company: Fair value based on recent transactions or price multiples, or net asset value
Liabilities			
Customer deposits	Amortised cost	Deferred income	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 recovered from 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
		Bank overdraft	Amortised cost

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 other comprehensive income (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 terms 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 or 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 or 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 or losses and impairment expenses are presented as separate line item in the statement of profit or loss.

Notes to the financial statements
(continued)

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 or 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 or 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.

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 maKsh 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".

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.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Valuation of unquoted investments involves making use of significant unobservable inputs. The main inputs into the valuation models for these investments include:

a) Earnings before interest, taxes, depreciation and amortisation (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 staKsh;

c) Discounted cash flow methodology which reflects the specifics of the entity and its operating environment; and

d) Marketability discounts, based on guidance under International Private Equity and Venture Capital Valuation (IPEV) 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 determine 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 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 (continued)

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 2020 Description	Ownership	Fair value at 31 March 2020 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,562,598	Comparable trading multiples	EBITDA multiple	6.51x	1%	21,067
				Marketability discount	30%	5%	(54,913)
				Discounted EBITDA multiple	4.56x		
				EBITDA (Ksh 'm)	ND*	10%	210,670
				Net debt (Ksh 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	633,229	Comparable trading multiples	EBITDA multiple	4.17x	1%	6,200
				Marketability discount	30%	5%	(13,569)
				Discounted EBITDA multiple	2.92x		
				EBITDA (Ksh 'm)	ND*	10%	62,005
				Net debt (Ksh 'm)	ND*	NA	NA
Africa Crest Education (ACE) Holdings		930,657	Cost				
Total - Company		**4,126,484**					

*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 (continued)

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 2019 Description	Ownership	Fair value at 31 March Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,020,892	Comparable trading multiples	EBITDA multiple	7.15x	1%	15,917
				Marketability discount	30%	5%	(43,305)
				Discounted EBITDA multiple	5.01x		
				EBITDA (Ksh 'm)	ND*	10%	159,168
				Net debt (Ksh 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	882,185	Comparable trading multiples	EBITDA multiple	5.89x	1%	8,550
				Marketability discount	30%	5%	(18,904)
				Discounted EBITDA multiple	4.12x		
				EBITDA (Ksh 'm)	ND*	10%	85,501
				Net debt (Ksh 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		711,333	Cost				
Total - Company		**3,619,410**					
Associates: Company							
Nairobi Bottlers Limited	27.6%	6,912,212	Comparable trading multiples	EBITDA multiple	9.60x	1%	77,323
				Marketability discount**	13%	5%	(51,643)
				Discounted EBITDA multiple	8.35x		
				EBITDA (Ksh 'm)	ND*	10%	773,234
				Net debt (Ksh 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		**6,915,641**					

*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.

** An illiquidity discount of 13% has been used for Nairobi Bottlers Limited and Almasi Beverages Limited in the prior year. This illiquidity discount was reflective of marketability of these investments following their disposal. The two investments were disposed at a higher valuation in the current financial year as set out in note 13.

Notes to the financial statements (continued)

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 2020

Subdiaries: Company

	Ownership	31-Mar-20 Ksh'000	Valuation basis for the year ended 31 March 2020
Vipingo Development Limited	100%	14,060,892	This is a real estate development that holds land and residential units for sale. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in residential units and investment property is disclosed in note 5.1
Two Rivers Development Limited	58.3%	5,983,488	This is a real estate development that holds a controlling stake in the investment in Two Rivers Mall. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Two Rivers Mall is disclosed in note 6.2
Centum Development Limited	100%	2,700,793	This is an investment company that holds the investment in Pearl Marina Estates Limited and Vipingo Development Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in residential units and investment property is disclosed in note 5.1
Bakki Holdco Limited	100%	2,537,809	This is a holding company for the investment in Sidian Bank Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Sidian Bank Limited is disclosed below.
Vipingo Estates Limited	100%	2,484,343	This is a real estate development that holds land for sale.It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in investment property is disclosed in note 5.1
Longhorn Publishers Limited	60.2%	869,275	This is the investment in the controlling stake of a publishing company. The entity is listed on the Nairobi Securities Exchange. The investment valuation is based on market prices.
Rasimu Limited	100%	573,146	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 and liabilities are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Nabo Capital Limited	100%	446,712	This is an investment company involved in fund management and transaction advisory services. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
Uhuru Heights Limited	100%	239,034	This is an investment company that holds 1.05% of Two Rivers Development Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Greenblade Growers Limited	100%	43,481	This is an agricultural production company. It is measured in net asset value of which the underlying assets and liabilities are measured at cost.
Zohari Leasing Limited	100%	230,430	This is a leasing company. It is measured in net asset value of which the underlying assets and liabilities are measured at cost.
Tribus TSG Limited	100%	56,556	This is a training, security and governance consultancy services company. It is measured in net asset value of which the underlying assets and liabilities are measured at cost.
Almasi Beverages Limited	53.9%	-	This is the investment in the controlling stake of a beverage company. The investment was disposed of during the year. The details of the disposal are disclosed under note 13.
Barium Capital Limited	100%	10,460	This is an investment company involved in fundraising. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
		30,236,419	

Valuation:	Ownership	Valuation technique	Ksh'000	Unobservable	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
Sidian Bank Limited	82.2%	Market multiples	2,539,075	PB Ratio multiple NAV (Ksh '000) Control premium	0.63x 4,092,898 20%	1% 10% 10%	25,391 253,907 42,318

A complete list of the Group's subsidiaries is included under note 6.1

Notes to the financial statements (continued)

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 2019
Subdiaries: Company

	Ownership	31-Mar-19 Ksh'000	Valuation basis for the year ended 31 March 2019
Vipingo Development Limited	100%	10,753,609	This is a real estate development that holds land and residential units for sale. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in residential units and investment property is disclosed in note 5.1
Two Rivers Development Limited	58.3%	9,897,778	This is a real estate development that holds a controlling stake in the investment in Two Rivers Mall. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Two Rivers Mall is disclosed in note 6.2
Almasi Beverages Limited	53.9%	9,851,141	This is the investment in the controlling stake of a beverage company. The investment is measured at fair value. The valuation details are disclosed below.
Centum Development Limited	100%	4,165,516	This is an investment company that holds the investment in Pearl Marina Estates Limited and Vipingo Development Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in residential units and investment property is disclosed in note 5.1
Bakki Holdco Limited	100%	3,313,403	This is a holding company for the investment in Sidian Bank Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Sidian Bank Limited is disclosed below.
Vipingo Estates Limited	100%	1,549,797	This is a real estate development that holds land for sale.It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in investment property is disclosed in note 5.1
Longhorn Publishers Limited	60.2%	1,039,849	This is the investment in the controlling stake of a publishing company. The entity is listed on the Nairobi Securities Exchange. The investment valuation is based on market prices.
Rasimu Limited	100%	572,833	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 and liabilities are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Nabo Capital Limited	100%	442,633	This is an investment company involved in fund management and transaction advisory services. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
Zohari Leasing Limited	100%	253,048	This is a leasing company. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
Uhuru Heights Limited	100%	239,034	This is an investment company that holds 1.05% of Two Rivers Development Limited. It is measured at net asset value of which the underlying assets and liabilities are measured at fair value. The investment in Two Rivers Development Limited is disclosed above.
Greenblade Growers Limited	100%	60,764	This is an agricultural production company. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
Tribus TSG Limited	100%	17,137	This is a training, security and governance consultancy services company. It is measured at net asset value of which the underlying assets and liabilities are measured at cost.
		42,156,542	

Valuation:	Ownership	Valuation technique	Ksh'000	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
							96,417
						1%	(73,600)
	53.9%	Market multiples			9.60x	5%	
Almasi Beverages Limited			9,851,141	EBITDA multiple	13%		773,234
				Marketability discount*	8.35x	10%	NA
				Discounted EBITDA multiple	2,140,191	NA	
				EBITDA (Ksh '000)	(446,289)		
				Net debt (Ksh 'm)			33,147
						1%	331,467
Sidian Bank Limited	81.9%	Market multiples	3,314,669	PB Ratio multiple	0.85x	10%	55,244
				NAV (Ksh '000)	3,981,021	10%	
				Control premium	20%		

A complete list of the Group's subsidiaries is included under note 6.1 An illiquidity discount of 13% was used for Nairobi Bottlers Limited and Almasi Beverages Limited which falls between the 1% and 30% range as per the Group's policy and IPEV guideines. This illiquidity discount was reflective of developments around their disposal. The two investments were disposed off at a higher valuation in the current year as set out in note 13.

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 property

The fair value model has been applied in accounting for investment property. 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 property as at 31 March 2020 and 31 March 2019 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 2020 and 2019, 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 2020			
Investment property	-	-	41,181,081
31 March 2019			
Investment property	-	-	40,033,745

See note 5.1 for the reconciliation of investment property.

1.5.3 Impairment losses on loans and advances

The Group implemented IFRS 9 effective 1 January 2018 which requires assessment on a forward looking basis 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.

Notes to the financial statements
(continued)

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

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, goowill acquired in a business combination is allocated to cash generating units (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

1.5.5 Estimation of fair value for land and buildings and estimation of useful lives of property, plant and equipment

See note 8.1

1.5.6 Consolidation decisions and classification of joint arrangements

See note 6.2

2 Results of operations

2.1 Segment information

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, Group Chief Operating Officer, Managing Director - Private Equity and heads of the various business units.

The Group's operating structure comprises the reportable segments below:

1. Private equity - These consists of all the mature businesses, i.e. Almasi Beverages Limited up to 30 September 2019, Longhorn Publishers Limited, Sidian Bank Limited, Nairobi Bottlers Limited up to 30 September 2019 and Nabo Capital Limited and also all the Group companies whose businesses are still in the establishment and ramp up phase;

2. Real Estate - These consists of all the Group companies involved in real estate development. The details of the companies are listed under note 6.1; and

3. 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 cash value 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:

2 Results of operations (continued)

2.1 Segment information (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 difference 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 the statement of changes in equity 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 represent 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 2020 and 31 March 2019 is as overleaf.

2 Results of operations (continued)

2.1 Segment information (continued)

Group

Year ended 31 March 2020	Private Equity Ksh'000	Real Estate Ksh'000	Marketable securities Ksh'000	Total Ksh'000
Dividend income	231,931	-	74,247	306,178
Interest income	2,399,014	-	136,951	2,535,965
Lease rentals	67,818	-	-	67,818
Fund management income	94,410	-	-	94,410
Sales income	5,461,746	404,306	-	5,866,052
Other income	146,777	25,112	24,462	196,352
Realised gains/(losses)	12,567,905	-	(82,673)	12,485,232
Fee, commission and forex trading income	1,344,998	-	-	1,344,998
Project and development management fees	278,956	15,815	-	294,771
Share of profit/(loss) of associates and joint ventures	100,305	(2,077,884)	-	(1,977,579)
Unrealised value movements	927,600	1,788,438	(147,443)	2,568,595
Gross return	**23,621,460**	**155,787**	**5,544**	**23,782,792**
Finance costs	(3,178,124)	(1,203,864)	-	(4,381,988)
Impairment of assets	(2,751,568)	-	-	(2,751,568)
Portfolio costs	(9,568,262)	(840,938)	7,432	(10,401,767)
Net return	**8,123,506**	**(1,889,015)**	**12,976**	**6,247,469**
Tax	(1,096,634)	278,838	-	(817,796)
Total return	**7,026,872**	**(1,610,177)**	**12,976**	**5,429,673**
Gross Return on opening shareholder funds (%)	921%	0%	0%	58%
Return on opening shareholder funds (%)	274%	(4%)	1%	13%
Opening shareholder funds				
Total assets	45,963,703	53,265,868	2,534,082	101,763,653
Borrowings	(21,794,731)	(5,076,230)	-	(26,870,961)
Other liabilities	(17,157,526)	(6,055,636)	(103,715)	(23,316,877)
Non-controlling interest	(4,445,865)	(6,130,508)	-	(10,576,373)
Net asset value attributable to equity holders	**2,565,581**	**36,003,494**	**2,430,367**	**40,999,442**
Closing shareholder funds				
Total assets	43,228,357	56,356,682	2,278,565	101,863,604
Borrowings	(12,684,754)	(9,512,011)	-	(22,196,765)
Other liabilities	(18,939,882)	(7,800,877)	(303,431)	(27,044,190)
Non-controlling interest	(1,116,105)	(4,161,925)	-	(5,278,030)
Net asset value attributable to equity holders	**10,487,616**	**34,881,869**	**1,975,134**	**47,344,619**

Key activities under the respective segments are as follows:

Private Equity
Disposal of Almasi Bottlers Limited and Nairobi Bottlers resulted in a realised gain of Ksh12.5 billion as disclosed under Note 2.7. Almasi Bottlers Limited has been deconsolidated from the Group's financial statements following its disposal on 30 September 2019, resulting in the decline of trading sales revenues and expenses.

Impairment provisions of Ksh 2.8 billion have been recognised against various assets as disclosed under Note 2.3.1(c). Ksh 2.1 billion of this impairment relates to the investment in Amu Power Limited.

2 Results of operations (continued)

2.1 Segment information (continued)

Real Estate

Residential housing programs

During the year and as part of Centum 4.0, the Group embarked on a program of developing residential homes for sale on its existing land mark in Kenya and Uganda. We broke ground on 74 Villas and 330 affordable apartments dubbed Awali Estate and Palm Ridge respectively in Vipingo. At Two Rivers, we also commenced construction on 84 luxury apartments and 400 mid-market apartments dubbed Riverbank and Cascadia Apartments respectively. In Uganda, we are developing 22 Mirabella Villas, 360 apartments called Bella Vista.

The cumulative units sold to 31 March 2020 in all the projects were 986 units (2019: 535 units) and total deposit collections at 31 March 2020 were Ksh 1,973,299,507 (2019: Ksh 511,341,700).

Retail and offices

The Group recorded a share of loss of Ksh 2.08 billion from its joint venture, Two Rivers Lifestyle Center. The joint venture's loss for the year is mainly driven by downward fair value adjustment of Ksh 1.3 billion on investment property as well as derecognition of deferred tax asset of Ksh 2 billion.

Marketable Securities

The securities market in Kenya and Africa in general recorded depressed performance during the year resulting in both realised and unrealised value losses.

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.1 Segment information (continued)

Group

Year ended 31 March 2019	**Private Equity Ksh'000**	**Real Estate Ksh'000**	**Marketable securities Ksh'000**	**Total Ksh'000**
Dividend income	181,429	-	88,185	269,614
Interest income	2,228,062	7,899	72,753	2,308,714
Lease rentals	41,691	-	-	41,691
Fund management income	116,086	-	-	116,086
Sales income	10,530,187	333,900	-	10,864,087
Other income	66,577	98,058	-	164,635
Realised gains	1,525,878	-	27,871	1,553,749
Fee, commission and forex trading income	1,130,068	-	-	1,130,068
Project and development management fees	284,548	17,009	-	301,557
Share of profit/(loss) of associates and joint ventures	279,000	(1,702,835)	-	(1,423,835)
Unrealised value movements	(400,848)	7,300,479	(638,003)	6,261,628
Gross return	**15,982,678**	**6,054,510**	**(449,194)**	**21,587,994**
Finance costs	(2,013,117)	(1,452,609)	(14,229)	(3,479,955)
Portfolio costs	(12,343,137)	(2,498,940)	(34,529)	(14,876,606)
Net return	**1,626,424**	**2,102,961**	**(497,952)**	**3,231,433**
Tax	(287,158)	(31,443)	-	(318,601)
Total return	**1,339,266**	**2,071,518**	**(497,952)**	**2,912,832**
Gross Return on opening shareholder funds (%)	96%	25%	(24%)	56%
Return on opening shareholder funds (%)	9%	9%	(25%)	8%
Opening shareholder funds				
Total assets	46,322,666	47,294,509	2,670,909	96,288,084
Borrowings	(10,699,524)	(13,764,044)	-	(24,463,568)
Other liabilities	(18,744,475)	(2,083,837)	(99,039)	(20,927,351)
Non-controlling interest	(4,769,684)	(7,657,632)	-	(12,427,316)
Net asset value attributable to equity holders	**12,108,983**	**23,788,996**	**2,571,870**	**38,469,849**
Closing shareholder funds				
Total assets	45,963,703	53,265,868	2,534,082	101,763,653
Borrowings	(21,794,731)	(5,076,230)	-	(26,870,961)
Other liabilities	(17,157,526)	(6,055,636)	(103,715)	(23,316,877)
Non-controlling interest	(4,445,865)	(6,840,590)	-	(11,286,455)
Net asset value attributable to equity holders	**2,565,581**	**35,293,412**	**2,430,367**	**40,289,360**

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2020	**Private Equity Ksh'000**	**Real Estate Ksh'000**	**Marketable securities Ksh'000**	**Total Ksh'000**
Dividend income	454,311	-	-	454,311
Interest income	32,535	489,917	234,925	757,377
Other income	224,297	-	-	224,297
Realised gains	2,258,521	-	-	2,258,521
Unrealised value movements	196,521	(1,137,184)	(29,992)	(970,655)
Gross return	**3,166,185**	**(647,267)**	**204,933**	**2,723,852**
Finance costs	(792,895)	(909,061)	(112,703)	(1,814,660)
Impairment of assets	(3,580,252)	-	-	(3,580,252)
Portfolio costs	(357,252)	(537,439)	-	(894,691)
Net return	**(1,564,214)**	**(2,093,767)**	**92,230**	**(3,565,752)**
Tax	(796,591)	-	-	(796,591)
Total return	**(2,360,805)**	**(2,093,767)**	**92,230**	**(4,362,343)**
Gross Return on opening shareholder funds (%)	**14%**	**(3%)**	**5%**	**5%**
Return on opening shareholder funds (%)	**(10%)**	**(8%)**	**2%**	**(8%)**
Opening shareholder funds				
Total assets	31,304,057	35,890,378	4,449,607	71,644,042
Borrowings	(6,446,653)	(9,698,142)	-	(16,144,795)
Other liabilities	(1,626,035)	(1,273,038)	(5)	(2,899,078)
Net asset value attributable to equity holders	**23,231,369**	**24,919,198**	**4,449,602**	**52,600,169**
Closing 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**

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2019	**Private Equity Ksh'000**	**Real Estate Ksh'000**	**Marketable securities Ksh'000**	**Total Ksh'000**
Dividend income	699,892	-	-	699,892
Interest income	27,914	747,918	421,667	1,197,499
Other income	7,514	-	-	7,514
Realised gains	1,262,453	-	-	1,262,453
Unrealised value movements	102,055	3,891,063	(23,366)	3,969,752
Gross return	**2,099,828**	**4,638,981**	**398,301**	**7,137,110**
Finance costs	(908,901)	(786,547)	(14,229)	(1,709,677)
Portfolio costs	(286,441)	(339,773)	(4,718)	(630,932)
Net return	**904,486**	**3,512,661**	**379,354**	**4,796,501**
Tax	(81,471)	(1,732)	(680)	(83,883)
Total return	**823,015**	**3,510,929**	**378,674**	**4,712,618**
Gross Return on opening shareholder funds (%)	13%	19%	9%	15%
Return on opening shareholder funds (%)	6%	14%	9%	10%
Opening shareholder funds				
Total assets	28,581,415	31,824,902	5,680,939	66,087,256
Borrowings	(7,229,273)	(6,247,065)	(1,366,294)	(14,842,631)
Other liabilities	(1,730,738)	(827,271)	(535)	(2,558,544)
Net asset value attributable to equity holders	**19,621,404**	**24,750,566**	**4,314,111**	**48,686,081**
Closing shareholder funds				
Total assets	31,304,059	35,890,378	4,449,606	71,644,043
Borrowings	(6,446,654)	(9,698,142)	-	(16,144,796)
Other liabilities	(1,626,035)	(1,273,038)	(5)	(2,899,078)
Net asset value attributable to equity holders	**23,231,370**	**24,919,198**	**4,449,601**	**52,600,169**

2 Results of operations (continued)

2.2 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

The Group's revenue comprises of the following:

Type	Nature	Description	Recognition
Sale of goods	Beverages	Beverage sales relate to sales by Almasi Beverages Limited and King Beverage Limited who deal in soft drinks (Coca Cola drinks) and Alcoholic beverages respectively. Sales by Almasi Beverages Limited have been recognised up to 30 September 2019 while sales for King Beverage Limited have been recognised up to 30 June 2019 when these subsidiaries were disposed.	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.
	Educational materials	Sale of educational material is through Longhorn Publishers Limited.	
	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 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 Leasing 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.
Sales of services	1. Project management fees 2. Utilities	1. Project management fees relate to fees earned by Athena Properties 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 at the Two Rivers Mall.	- 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.
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.

2 Results of operations (continued)

2.2 Revenue (continued)

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Sale of goods and services:				
- Beverage business	3,861,000	8,456,951	-	-
- Publishing business	1,490,132	1,973,953	-	-
- Utilities	404,306	333,900	-	-
- Agribusiness	110,614	99,283	-	-
	5,866,052	10,864,087	-	-
Financial services:				
- Banking subsidiary:				
- Interest income	2,149,360	2,180,464	-	-
- Fees, commission and forex trading income	1,344,998	1,130,068	-	-
- Other income	120,505	19,182	-	-
- Asset management subsidiaries:				
- Fund management income	94,410	116,086	-	-
- Interest income	10,509	7,296	-	-
- Other income	6,738	-	-	-
- Leasing:				
- Interest income	-	1,412	-	-
- Lease rentals	67,818	41,691	-	-
- Other income	1,712	6,349	-	-
	3,796,050	3,502,548	-	-
Others:				
Project, development management and other fees	294,771	301,557	-	-
Other income	6,680	1,772	-	-
	301,451	303,329	-	-
	9,963,553	**14,669,964**	**-**	**-**
Investment income				
Dividend income	306,178	269,614	454,311	699,892
Interest income from investing and financing activities	376,096	119,542	757,377	1,197,499
Gain on disposal of investments (Note 2.7)	12,485,232	1,553,749	2,258,521	1,262,453
Unrealised gains on investment property (Note 5.1.2)	1,788,438	7,464,105	-	-
Unrealised (losses)/gains on government securities	(21,200)	3,163	-	-
Other income	60,717	139,104	224,297	7,514
	14,995,461	**9,549,277**	**3,694,506**	**3,167,358**
Dividend income				
Subsidiaries	-	-	181,299	301,619
Associates	-	-	40,961	216,844
Unquoted investments	231,931	181,429	231,931	181,429
Quoted investments	74,247	88,185	120	-
	306,178	**269,614**	**454,311**	**699,892**

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.3 Expenses

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
2.3.1(a) Cost of sales:				
Beverage business	2,576,909	5,734,286	-	-
Publishing business	770,517	898,861	-	-
Utilities business	381,847	144,836	-	-
Agribusiness	109,673	83,513	-	-
	3,838,946	**6,861,496**	**-**	**-**
2.3.1(b) Operating and administrative expenses				
Employee benefits expense (Note 2.3.2)	2,574,406	2,442,398	327,678	269,565
Directors' fees and expenses	126,845	120,032	22,375	23,328
Auditor's remuneration	37,923	35,771	13,240	13,487
Office rent and service charge	319,674	282,830	7,848	23,636
Depreciation and amortisation	1,257,074	1,507,184	25,053	20,171
Goodwill impairment (Note 8.2)	55,407	793,241	-	-
Write-down in investment in joint venture	-	1,965,538	-	-
AGM and annual report printing	32,299	27,670	32,299	27,202
Business development costs	124,342	109,119	15,401	24,241
Advertising and PR costs	45,313	64,348	2,976	2,627
Share registration costs	11,732	13,014	11,732	13,014
Listing expenses	4,244	6,967	3,834	5,678
Consultancy	232,595	353,465	19,109	50,261
Management fees	-	-	341,374	4,086
Expected credit losses	(4,704)	146,329	-	-
Donations	20,020	27,505	9,672	9,127
Selling and distribution	680,348	425,096	-	-
Writeback of amount due from joint venture	-	(1,648,317)	-	-
Other costs	653,084	606,449	62,100	144,509
	6,170,602	**7,278,639**	**894,691**	**630,932**
Analysed as below:				
Trading subsidiaries	1,631,681	2,885,221	-	-
Financial services subsidiaries	2,074,153	2,264,965	-	-
Other	2,464,768	2,128,453	894,691	630,932
	6,170,602	**7,278,639**	**894,691**	**630,932**

*other costs relate to software licences, legal fees, connectivity charges, printing and stationery, travel and accomodation expenses among other operating expenses.

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.3 Expenses (continued)

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
2.3.1(c) Provision for impairment of assets				
- Joint venture (Note 6.2.2)	2,097,549	-	2,097,549	-
- Shareholder loan	-	-	1,255,829	-
- Other assets	218,444	-	218,445	-
- Associates (Note 6.2.1)	430,575	-	3,429	-
- Unquoted investments (Note 5.2)	5,000	-	5,000	-
	2,751,568	-	3,580,252	-

2.3.2 Employee benefits expense

Short term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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.

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.

Performance bonus
The bonus scheme is designed to optimize the cash return on the assets managed by Centum for 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. This return does not include periodic revaluation of assets.

The determination of the bonus pool is as follows:

a. Private equity and marketable securities portfolios

The annual performance-based 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.

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2 Employee benefits expense

Performance bonus (continued)

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.

b. 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).

The bonus entitlement for a particular year is paid out 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.

The performance hurdle rates described above were met in the year ended 31 March 2020 and accordingly, 1 bonus pool has been accrued in relation to the year then ended (2019: Nil). Additionally, the above vesting conditions that are required to unlock bonus tranche for the previous year ended 31 March 2017 were met. The bonus accrual set out below for the year ended 31 March 2019 relates to the vested tranches arising from the year ended 31 March 2017. .

Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an accrued expense.

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2 Employee benefits expense (continued)

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Salaries	1,855,327	1,957,397	76,934	200,151
Provision for performance bonus	341,422	185,111	222,889	32,664
Retirement benefit scheme contributions	66,299	84,589	7,001	11,075
National Social Security Fund contributions	4,496	9,466	26	88
Accrued leave	19,846	9,281	(5,854)	1,253
	2,287,390	2,245,844	300,996	245,231
Staff medical expenses	123,016	85,704	8,953	9,495
Other staff costs	164,000	110,850	17,729	14,839
	2,574,406	**2,442,398**	**327,678**	**269,565**

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	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Financial services:				
- Interest on customer deposits	761,809	654,294	-	-
- Interest on bank and other borrowings	396,939	308,057	-	-
	1,158,748	**962,351**	**-**	**-**
Other finance costs:				
- Interest on bank and other borrowings	1,652,543	1,572,472	544,266	830,636
- Commitment and other fees	289,998	152,502	125,427	81,452
- Foreign exchange gains/(losses) on borrowings	416,781	(50,179)	292,489	(45,222)
- Interest on corporate bonds	850,484	842,810	850,484	842,811
- Interest on lease liability	13,434	-	1,994	-
	3,223,240	2,517,605	1,814,660	1,709,677
Total finance costs	**4,381,988**	**3,479,956**	**1,814,660**	**1,709,677**

Notes to the financial statements
(continued)

2 Results of operations (continued)

2.4 Finance costs (continued)

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Analysed as below:				
Financial services subsidiaries	1,158,748	962,351	-	-
Other entities*	3,223,240	2,517,606	1,814,660	1,709,677
	4,381,988	**3,479,957**	**1,814,660**	**1,709,677**

*other entities refer to trading subsidiaries and investment operations companies as detailed under note 6.1.

2.5 Cash generated from operations

	Notes	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Reconciliation of profit before income tax to cash generated from operations:					
Profit before income tax		**5,446,112**	**4,438,846**	**(2,595,097)**	**826,749**
Adjustments for:					
Finance costs	2.4	4,381,988	3,479,956	1,814,660	1,709,677
Depreciation on property, plant and equipment	8.1	805,398	1,421,255	25,053	20,170
Amortisation of intangible assets	8.2	185,733	135,461	-	205
Gains on disposal of investments	2.7	(12,485,232)	(1,553,749)	(2,258,521)	(1,262,453)
Fair value gains on investment property	5.1	(1,788,438)	(7,464,105)	-	-
Unrealised exchange gains		(60,717)	(139,102)	(224,297)	2,082
Fair value gains/(losses) on government securities through profit and loss	7.2.1	18,215	(2,494)	-	-
Net impairment in joint ventures		-	1,965,538	-	-
Share of loss from joint ventures	6.2.2	2,077,884	1,702,835	-	-
Share of profit from associates	6.2.1	(100,305)	(279,000)	-	-
Provision for impairment of assets	2.3.1	2,751,568	-	3,580,252	-
Impairment of goodwill	8.2	55,407	793,241	-	-
Changes in working capital:					
- inventories		1,141,351	(454,431)	-	-
- receivables and prepayments		(545,144)	(745,219)	96,647	185,006
- payables and accrued expenses		(1,302,183)	117,784	(130,902)	4,768
- finance lease receivable		(107,576)	(41,843)	-	-
- deferred income		1,721,661	(14,384)	-	-
- loans and advances		(1,772,905)	(1,416,405)	-	-
- customer deposits		2,643,736	1,984,288	-	-
		3,066,553	**3,928,472**	**307,795**	**1,486,204**

2 Results of operations (continued)

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.

Basic and diluted earnings per share	**2020 Ksh**	**2019 Ksh**
From continuing operations attributable to the ordinary equity holders of the company	10.25	6.68
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	**10.25**	**6.68**
Reconciliation of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basic and diluted earnings per share:		
- From continuing operations	6,819,560	5,156,590
	6,819,560	**5,156,590**
Weighted average number of ordinary shares in issue (thousands)	665,442	665,442

Notes to the financial statements (continued)

2 Results of operations (continued)

2.7 Gain on disposal of investments

		Group			Company		
	Notes	Carrying value Ksh'000	Proceeds Ksh'000	Gain on disposal Ksh'000	cost Ksh'000	Proceeds Ksh'000	Gain on disposal Ksh'000
Year ended 31 March 2020							
Quoted investments	5.3	1,010,742	928,069	(82,673)	-	-	-
Unquoted investments, including subsidiaries		5,565,078	10,990,733	5,425,655	3,884,914	10,990,733	7,105,819
Associates	6.2.1	1,437,446	8,579,696	7,142,250	133,020	8,579,696	8,446,676
		8,013,266	**20,498,498**	**12,485,232**	**4,017,934**	**19,570,429**	**15,552,495**
Reserves released on disposal:							
Subsidiaries		-	-	-	-	-	6,514,781
Associates	6.2.1	-	-	-	-	-	6,779,192
		-	-	-	-	-	13,293,973
Gains during the year		**-**	**-**	**12,485,232**	**-**	**-**	**2,258,522**
Year ended 31 March 2019							
Quoted investments		292,983	320,854	27,871	-	-	-
Unquoted investments, including subsidiaries		1,169,097	2,324,230	1,155,133	1,061,777	2,324,230	1,262,453
Investment property		74,503	445,248	370,745	-	-	-
		1,536,583	**3,090,332**	**1,553,749**	**1,061,777**	**2,324,230**	**1,262,453**
Reserves released on disposal:							
Quoted investments	5.3	-	-	187,121	-	-	-
Gains during the year		-	-	**1,740,870**	**-**	**-**	**-**

Notes to the financial statements
(continued)

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 tax
Current 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 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.

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.

Notes to the financial statements
(continued)

3 Income tax (continued)

3.1 Income tax expense (continued)

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
a) Income tax expense				
Current income tax	905,457	276,733	803,407	72,642
Deferred income tax	(87,661)	41,867	(6,816)	11,241
	817,796	**318,600**	**796,591**	**83,883**

b) Tax rate reconciliation

The table below explains the differences between the expected tax expense at the Kenyan statutory tax rate of 30% and the Group's total tax expense.

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Accounting profit before tax	5,446,112	4,438,846	(2,595,097)	826,749
Tax at the applicable rate of 30% (2019: 30%)	1,633,834	1,331,654	(778,529)	248,025
Tax effect of:				
Income not subject to tax	(199,611)	(803,060)	(136,293)	(209,968)
Income subject to capital gains tax rate*	(1,186,989)	(1,848,232)	(564,630)	(315,613)
Capital gains tax on fair value gains	-	-	675,946	-
Expenses not deducted for tax	15,480	1,221,930	1,099,813	73,362
Unrecognised deferred tax assets	555,082	389,288	500,284	288,077
Differences in overseas tax rates	-	27,020	-	-
	817,796	**318,600**	**796,591**	**83,883**

c) Tax losses

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Unused tax losses for which no deferred tax asset has been recognised	1,850,273	1,297,627	1,667,613	960,257
Potential tax benefit at 30%	**555,082**	**389,288**	**500,284**	**288,077**

*relates to capital gains tax on fair value movements on investment property and realised gains/(losses) on disposal of investments.

3 Income tax (continued)

3.1 Income tax expense (continued)

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
d) Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:				
Foreign currency translation	67,262	(114,631)	-	-
Undistributed earnings	2,655,955	2,655,955	-	-
	2,723,217	2,541,324	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	272,322	254,132	-	-

Temporary differences of Ksh 67 Million (2019 : (Ksh 114 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.

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
e) Current income tax (recoverable)/payable				
At start of year	(467,917)	(433,492)	21,549	23,752
Charge for the year - continuing operations	905,457	276,733	803,407	72,642
Payments during the year	(1,079,407)	(288,046)	(795,848)	(74,845)
Derecognition on disposal of subsidiary	86,904	-	-	-
Over-provision in prior years	(1,543)	(23,112)	-	-
At end of year	**(556,506)**	**(467,917)**	**29,108**	**21,549**
Analysed as:				
Current income tax recoverable	(678,985)	(492,034)	-	-
Current income tax payable	122,479	24,117	29,108	21,549
	(556,506)	**(467,917)**	**29,108**	**21,549**

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% (2019: 30%) and the capital gains tax rate of 5% (2019: 5%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At start of year	2,130,184	2,162,284	2,130,402	1,849,969
Charge/(credit) to income statement	(86,119)	41,867	(6,816)	11,241
(Credit)/charge to other comprehensive income	(451,978)	(73,967)	(927,747)	269,192
Derecognition on disposal of subsidiary	(338,436)	-	-	-
At end of year	**1,253,651**	**2,130,184**	**1,195,839**	**2,130,402**

Deferred income tax assets and liabilities are analysed as follows:

Deferred income tax assets	(866,304)	(757,499)	-	-
Deferred income tax liabilities	2,119,955	2,887,683	1,195,839	2,130,402
	1,253,651	**2,130,184**	**1,195,839**	**2,130,402**

Group	At start of year Ksh'000	On acquisition/ disposal of subsidiary Ksh'000	Charged/ (credited) to P/L Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2020					
Property, plant and equipment:					
- on historical cost basis	183,306	-	3,547	-	186,853
- on fair value basis	386,733	(386,733)	-	386,733	386,733
Tax losses carried forward	(1,335,681)	15,508	(255,555)	-	(1,575,728)
Other deductible differences	(100,361)	32,789	(173,871)	-	(241,443)
Exchange differences	7,253	-	41,458	-	48,711
Fair value gains on investment property	3,717,972	-	(210,909)	-	3,507,063
Fair value gains on investments	(729,038)	-	509,211	(838,711)	(1,058,538)
	2,130,184	**(338,436)**	**(86,119)**	**(451,978)**	**1,253,651**
Year ended 31 March 2019					
Property, plant and equipment:					
- on historical cost basis	894,318	-	(711,012)	-	183,306
- on fair value basis	105,413	-	-	281,320	386,733
Tax losses carried forward	(1,658,585)	-	322,904	-	(1,335,682)
Other deductible differences	(393,348)	-	292,987	-	(100,361)
Exchange differences	(63,693)	-	70,946	-	7,253
Fair value gains on investment property	3,648,351	-	69,621	-	3,717,972
Fair value gains on investments	(370,171)	-	(3,580)	(355,287)	(729,038)
	2,162,285	**-**	**41,866**	**(73,967)**	**2,130,184**

3 Income tax (continued)

3.2 Deferred Income tax (continued)

Company	At start of year Ksh'000	Charged/ (credited) to P/L Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2020				
Property and equipment	1,430	903	-	2,333
Other deductible differences	(25,428)	(12,818)	-	(38,246)
Fair value gains on investments	2,159,499	-	(927,747)	1,231,752
Tax losses carried forward	(5,099)	5,099	-	-
	2,130,402	**(6,816)**	**(927,747)**	**1,195,839**
Year ended 31 March 2019				
Property and equipment	224	1,206	-	1,430
Other deductible differences	(32,425)	6,997	-	(25,428)
Fair value gains on investments	1,890,307	-	269,192	2,159,499
Tax losses carried forward	(8,137)	3,038	-	(5,099)
	1,849,969	**11,241**	**269,192**	**2,130,402**

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.

Notes to the financial statements
(continued)

4 Working capital

4.1 Inventories

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	
	2020 Ksh'000	**2019 Ksh'000**
Beverage business:		
- Raw material	-	708,008
- Finished products	-	315,730
- Bottles, crates and crowns	-	51,387
- Spare parts and other inventories	-	235,999
- Provision for obsolescence	-	(308)
Publishing business:		
- Educational materials	679,874	516,556
- Provision for obsolescence	(61,252)	(65,672)
Agribusiness:		
- Consumables	6,258	4,531
	624,880	**1,766,231**

Inventories are held in Longhorn Publishers Limited and Greenblade Growers Limited. Inventories in 2019 also included Almasi Beverages Limited and King Beverage Limited before their disposal in the current year. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Ksh. 3,379,324,000 (2019:Ksh 6,381,223,000).

Inventories are also held at Vipingo Development Limited, Uhuru Heights Limited, Athena Properties Limited, Centum Development Kenya Limited and Pearl Marina Estates Limited. These relate to land and construction work in progress of residential units under construction for sale.

No amounts of inventory have been pledged as security for any borrowings.

4 Working capital

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	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
Trade receivables	1,804,232	2,915,393	-	-
Less: expected credit losses allowance	(298,812)	(601,149)	-	-
Net trade receivables	1,505,420	2,314,244	-	-
VAT recoverable	1,405,052	1,146,404	-	-
Other receivables	1,635,405	1,443,790	499,780	330,814
Prepayments	955,076	156,181	32,055	32,056
Dividend receivable	97,021	113,586	97,021	362,633
	5,597,974	**5,174,205**	**628,856**	**725,503**
Amounts due from joint ventures	2,427,856	2,306,482	-	-
Less: Provision for impairment	(559,122)	(559,122)	-	-
	1,868,734	1,747,360	-	-
	7,466,708	**6,921,565**	**628,856**	**725,503**

Notes to the financial statements
(continued)

4 Working capital (continued)

4.2 Receivables and prepayments (continued)

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Movement in provision for expected credit losses				
At start of year	601,149	549,599	-	-
Charge in the year	135,122	146,329	-	-
Write back of provisions	(437,459)	(94,779)	-	-
At end of year	**298,812**	**601,149**	**-**	**-**

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.

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Banking subsidiary:				
- Bank balances	4,295,369	1,757,338	-	-
Others:				
- Call deposits (maturing within 90 days)	2,742,671	1,752,703	2,366,694	204,950
- Bank balances	1,144,291	1,883,230	545,266	47,802
	8,182,331	**5,393,271**	**2,911,960**	**252,752**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash and bank balances	8,182,331	5,393,271	2,911,960	252,752
Bank overdrafts	(1,056,062)	(108,398)	(1,037,218)	(108,398)
	7,126,269	**5,284,873**	**1,874,742**	**144,354**

At 31 March 2020 the Company had undrawn committed borrowing facilities amounting to Ksh 3,046,126,000 (2019: Ksh 1,891,151,000). The effective interest rate for the bank overdraft is 10% (2019: 11%). The overdraft facility is secured by a floating debenture over marketable securities.

Included in Group cash and cash equivalents for the year 2019, is Ksh 1,514,614,000 held by Almasi Bottlers Limited. Accordingly, this has been adjusted in the opening cash balances following deconsolidation of Almasi Bottlers Limited in the current financial period.

Notes to the financial statements
(continued)

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.

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Trade payables	712,301	801,302	-	-
Payable to property contractors	231,388	1,164,053	-	-
Accrued expenses	1,544,009	1,350,583	366,025	164,867
Other payables	965,501	1,431,455	35,383	19,507
Dividends payable	-	11,309	-	-
Client deposits	41,240	-	-	-
Due to related parties	1,445	39,365	-	351,078
	3,495,884	**4,798,067**	**401,408**	**535,452**

The carrying amounts of the payables approximate to their fair values.

4.5 Deferred income

Deferred income	75,819	75,855
Deferred income on residential units advances and progress billings	2,224,493	502,796
	2,300,312	**578,651**
The deferred income will be amortised as follows:		
Within 1 year	75,819	33,416
Within 2 to 5 years	2,224,493	544,808
After 5 years	-	427
	2,300,312	**578,651**
Residential units advances and progress billings		
- Pearl Marina Estates Limited	929,756	284,858
- Uhuru Heights Limited	323,094	33,256
- Centum Development Kenya Limited	126,755	-
- Vipingo Development Limited	844,889	184,683
Almasi Bottlers Limited	-	61,674
Tribus Security Group	74,513	-
Zohari Leasing Limited	1,305	14,181
	2,300,312	**578,651**

Notes to the financial statements
(continued)

4 Working capital (continued)

4.5 Deferred income (continued)

Almasi Beverages Limited
Deferred income in 2019 represents unamortised portion of funds received by Almasi Beverages Limited from Coca-Cola Central East & West Africa Limited (CEWA) towards the purchase of marketing equipment (coolers). The amortisation is equivalent to the depreciation rate for marketing equipment.

Zohari Leasing Limited
Deferred income relates to income billed and received in advance relating to the period after year end.

Tribus Security Group
Deferred income relates to income from MasterCard Foundation program delivery received in advance relating to the period after year end.

Residential units advances and progress billings
Advances and progress billings (contract liabilities) arise when the Company receives payments from customers in advance of recognizing revenue.

Advances and progress billings are normal and customary for off-plan sales and not considered a significant financing component as they are intended to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

Certain buyers of the residential houses are experiencing liquidity issues given the current prevailing Covid-19 situation. Should these customers fail to address their liquidity issues, we would have to remove contracts related to these customers and remarket the units.

The movement in this balance is set out below:

	Group	
	2020	**2019**
	Ksh'000	**Ksh'000**
At start of year	502,796	-
Collections during the year	1,721,697	502,796
At end of year	**2,224,493**	**502,796**

5 Investments

5.1.1 Residential houses under construction (inventory)

Inventoried costs on the residential houses program include land, construction 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.

Inventoried costs are broken down below:

	Group	
	2020	**2019**
	Ksh'000	**Ksh'000**
At start of year	380,676	-
Additions	1,980,759	255,137
Transfer from investment property	654,529	125,539
At end of year	**3,015,964**	**380,676**

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 property and are non-current assets. Investment property is 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 included in investment income in the income statement.

Borrowing costs directly attributable to the acquisition and construction of investment properties are capitalised.

Investment properties are broken down below:

	Group	
	2020	**2019**
	Ksh'000	**Ksh'000**
At start of year	40,033,745	32,718,667
Additions	16,554	118,381
Capitalised borrowing costs	-	(64,878)
Transfers to inventory/other assets	(654,529)	(125,539)
Gain from fair value adjustments	1,788,438	7,464,105
Disposals	-	(74,503)
Translation differences	(3,127)	(2,488)
	41,181,081	**40,033,745**

Notes to the financial statements
(continued)

5 Investments (continued)

5.1 Investment properties (continued)

Capitalised borrowing costs
Capitalised borrowing costs relate to interest costs incurred during the development phase of Pearl Marina Estates Limited.

Transfers to inventory/other assets
These relate to transfers of investment property in Vipingo Development Limited and Pearl Marina Estates 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:

	Group	
	2020	**2019**
	Ksh'000	**Ksh'000**
Actual cash payments	15,609	86,781
Accrued expenses	945	31,599
	16,554	**118,380**

Valuers
The fair value of the investment property is based on the valuation carried out by Regent Valuers International (K) Limited, Standard Valuers International (K) Limited, and Arc 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.

Pledges as security for borrowings
Investment property valued at Ksh 15bn (2019: Ksh 15bn) has been pledged as security for borrowings in the Group.

	Group	
	2020	**2019**
Amounts in profit and loss:	**Ksh'000**	**Ksh'000**
Gain from fair value adjustments	1,788,438	7,464,105
Translation differences	(3,127)	(2,488)
	1,785,311	**7,461,617**

5 Investments (continued)

5.2 Unquoted equity investments

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	4,146,239	4,362,975	3,619,410	3,886,780
Movements in the year:				
Additions	110,482	185,982	219,324	155,209
Impairment on assets	(5,000)	-	(5,000)	-
Fair value gains/(losses)	298,729	(402,718)	292,750	(422,579)
	404,211	(216,736)	507,074	(267,370)
At end of year	**4,550,450**	**4,146,239**	**4,126,484**	**3,619,410**

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	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	1,561,164	1,738,828	52,578	98,134
Movements in the year:				
Additions	32,784	644,082	-	-
Disposals	(1,010,742)	(104,617)	-	-
Reserves released on disposal (Note 2.7)	(83,508)	(187,121)	-	-
Derecognition on disposal of a subsidiary	(1,161)	-	-	-
Translation differences	25,880	532	-	-
Fair value (losses)/gains	(126,243)	(530,540)	(29,992)	(45,556)
	(1,162,990)	(177,664)	(29,992)	(45,556)
At end of year	**398,174**	**1,561,164**	**22,586**	**52,578**

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.

6 Group composition

6.1 Interest in subsidiaries

The company's interest in subsidiaries is as set out below:

		Cost				Cummulative fair value gains				Fair value	
	Ownership %	01-Apr-19 Ksh'000	Aditions Ksh'000	Disposals Ksh'000	31-Mar-20 Ksh'000	01-Apr-19 Ksh'000	In the year Ksh'000	Released on disposal Ksh'000	31-Mar-20 Ksh'000	31-Mar-20 Ksh'000	31-Mar-19 Ksh'000
Athena Properties Limited	100%	114,735	-	-	114,735	(114,735)	-	-	(114,735)	-	-
Rasimu Limited	100%	100	-	-	100	572,733	313	-	573,046	573,146	572,833
Centum BVI Limited	100%	8	-	-	8	(8)	-	-	(8)	-	-
Two Rivers Development Limited	58.30%	1,216,458	-	-	1,216,458	8,681,320	(3,914,290)	-	4,767,030	5,983,488	9,897,778
Uhuru Heights Limited	100%	100	-	-	100	238,934	-	-	238,934	239,034	239,034
eTransact Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Exotics Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Development Limited	100%	91	-	-	91	4,165,425	(1,464,723)	-	2,700,702	2,700,793	4,165,516
Nabo Capital Limited	100%	438,000	-	-	438,000	4,633	4,079	-	8,712	446,712	442,633
Investpool Holdings Limited	100%	68	-	-	68	(68)	-	-	(68)	-	-
Mvuke Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	-	100	(100)	-	-	(100)	-	-
King Beverage Limited	100%	68,000	-	(68,000)	-	(68,000)	-	68,000	-	-	-
Almasi Beverages Limited	53.85%	3,268,573	700	(3,269,273)	-	6,582,568	-	(6,582,568)	-	-	9,851,141
Bakki Holdco Limited	100%	4,585,207	-	-	4,585,207	(1,271,804)	(775,594)	-	(2,047,398)	2,537,809	3,313,403
Vipingo Development Limited	100%	364	-	-	364	10,753,245	3,307,283	-	14,060,528	14,060,892	10,753,609
Vipingo Estates Limited	100%	386,209	-	-	386,209	1,163,588	934,546	-	2,098,134	2,484,343	1,549,797
Greenblade Growers Limited	100%	320,228	92,178	-	412,405	(259,464)	(109,460)	-	(368,924)	43,481	60,764
Mwaya Investments Company Limited	100%	1,000	-	-	1,000	(1,000)	-	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	-	749,866	289,983	(170,575)	-	119,408	869,275	1,039,849
Zohari Leasing Limited	100%	214,428	-	-	214,428	38,620	(22,618)	-	16,002	230,430	253,048
Tribus TSG Limited	100%	100	-	-	100	17,037	39,419	-	56,456	56,556	17,137
Barium Capital Limited	100%	5,000	-	-	5,000	(5,000)	10,460	-	5,460	10,460	-
		11,368,935	**92,878**	**(3,337,273)**	**8,124,539**	**30,787,608**	**(2,161,160)**	**(6,514,568)**	**22,111,880**	**30,236,419**	**42,156,542**

6 Group composition

6.1 Interest in subsidiaries

The company's interest in subsidiaries is as set out below:

	Ownership	Cost			Cumulative fair value gains			Fair value	
		01-Apr-18	Aditions	31-Mar-19	01-Apr-18	In the year	31-Mar-19	31-Mar-19	31-Mar-18
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited	100%	114,735	-	114,735	(114,735)	-	(114,735)	-	-
Rasimu Limited	100%	100	-	100	710,082	(137,349)	572,733	572,833	710,182
Centum BVI Limited	100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited	58.30%	1,216,458	-	1,216,458	11,140,948	(2,459,628)	8,681,320	9,897,778	12,357,406
Uhuru Heights Limited	100%	100	-	100	281,451	(42,517)	238,934	239,034	281,553
eTransact Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited	100%	100	-	100	23,266	(23,366)	(100)	-	23,366
Centum Development Limited	100%	91	-	91	3,537,265	628,160	4,165,425	4,165,516	3,537,356
Nabo Capital Limited	100%	438,000	-	438,000	(34,201)	38,834	4,633	442,633	403,799
Investpool Holdings Limited	100%	68	-	68	(68)	-	(68)	-	-
GenAfrica Investment Management Limited	73.35%	1,061,777	(1,061,777)	-	1,262,453	(1,262,453)	-	-	2,324,230
Mvuke Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	100	(100)	-	(100)	-	-
King Beverage Limited	100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited	53.85%	3,261,043	7,530	3,268,573	5,435,782	1,146,786	6,582,568	9,851,141	8,696,825
Bakki Holdco Limited	100%	3,728,036	857,172	4,585,207	161,789	(1,433,593)	(1,271,804)	3,313,403	3,889,825
Vipingo Development Limited	100%	364	-	364	5,145,829	5,607,416	10,753,245	10,753,609	5,146,193
Vipingo Estates Limited	100%	386,209	-	386,209	620,957	542,631	1,163,588	1,549,797	1,007,166
Greenblade Growers Limited	100%	258,482	61,746	320,228	(198,160)	(61,304)	(259,464)	60,764	60,322
Mwaya Investments Company Limited	100%	1,000	-	1,000	(1,000)	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	749,866	12,799	277,184	289,983	1,039,849	762,665
Zohari Leasing Limited	100%	214,428	-	214,428	(1,453)	40,073	38,620	253,048	212,975
Tribus TSG Limited	100%	100	-	100	-	17,037	17,037	17,137	100
Barium Capital Limited	100%	-	5,000	5,000	-	(5,000)	(5,000)	-	-
		11,499,264	**(130,329)**	**11,368,935**	**27,914,697**	**2,872,911**	**30,787,608**	**42,156,542**	**39,413,962**
Disposal of subsidiary									
GenAfrica Investment Management Limited		(1,061,777)	1,061,777	-	(1,262,453)	1,262,453	-	-	(2,324,230)
		10,437,487	**931,448**	**11,368,935**	**26,652,244**	**4,135,364**	**30,787,608**	**42,156,542**	**37,089,732**

Notes to the financial statements
(continued)

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Operating segment	Principal activity
Athena Properties Limited	Kenya	Investment operations	Real estate	End-to-end project and development management services for real estate projects and real estate development
Rasimu Limited	Kenya	Investment operations	Real estate	Investment holding company. At 31 March 2020, the company's sole holding was a 3.65% stake in Two Rivers Development Limited
Pearl Marina Estates Limited	Uganda	Investment operations	Real estate	Real estate development in Uganda
Two Rivers Development Limited	Kenya	Investment operations	Real estate	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, Two Rivers Development Phase 2 Limited and Two Rivers Theme Park Limited.
Uhuru Heights Limited	Kenya	Investment operations	Real estate	The company is an investment holding company . At 31 March 2020, the company's holdings included a 1.05% stake in Two Rivers Development Limited, investment in Cascadia Apartments and investment property.
Centum Development Kenya Limited	Kenya	Investment operations	Real estate	The company is an investment holding company . At 31 March 2020, the company's holdings included investment in Riverbank Apartments and investment property.
Centum Exotics Limited	Mauritius	Investment operations	Marketable securities	The company is engaged in investment in marketable securities. At 31 March 2020, the company held 100% stake in Oleibon Investments Limited.
Centum Development Limited	Mauritius	Investment operations	Real estate	The company is an investment holding company for real estate development. At 31 March 2020, the company's sole holding was in Pearl Marina Estates Limited
Nabo Capital Limited	Kenya	Financial services	Private equity	The company is involved in fund management and transaction advisory services.
Investpool Holdings Limited	Mauritius	Investment operations	Private equity	Investment holding company. At 31 March 2020, the company held 100% of Kilele Holdings Limited that is a private equity holding company and Mvuke Limited that is a special purpose vehicle to explore Geothermal opportunities in Africa.
Centum Business Solutions Limited	Kenya	Investment operations	Private equity	Provision of shared services to Centum Investment Company Plc and its subsidiaries.
King Beverage Limited	Kenya	Trading	Private equity	Importation, distribution and sale of alcoholic beverages upto 30 June 2019.
Almasi Beverages Limited	Kenya	Trading	Private equity	Investment holding company for Mount Kenya Bottlers, Kisii Bottlers and Rift Valley Bottlers Limited. The principal activity of these subsidiaries is to bottle and market soft drinks under a franchise from the Coca-Cola Company. This company was disposed on 30 September 2019.
Bakki Holdco Limited	Kenya	Financial services	Private equity	Holding company for the Group's investment in Sidian Bank Limited.
Vipingo Development Limited	Kenya	Investment operations	Real estate	Real estate development
Vipingo Estates Limited	Kenya	Investment operations	Real estate	Real estate development
Greenblade Growers Limited	Kenya	Trading	Private equity	Agricultural production
Shefa Holdings Limited	Mauritius	Investment operations	Private equity	Private equity investments
Zohari Leasing Limited	Kenya	Financial services	Private equity	Leasing services
Mvuke Limited	Kenya	Investment operations	Private equity	Investment holding company for Akiira Geothermal Limited.
Mwaya Investment Company Limited	Mauritius	Investment operations	Private equity	Dormant entity
Longhorn Publishers Limited	Kenya	Trading	Private equity	Public limited liability company involved in publishing and distribution of learning materials in Kenya and East Africa.
Tribus TSG Limited	Kenya	Investment operations	Private equity	Training, security and governance consultancy services.

6 Group composition

6.1 Interest in subsidiaries (contined)

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		Almasi Beverages Limited		Two Rivers Development Limited		Longhorn Publishers Limited		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	13,568,957	10,761,179	-	3,461,113	6,676,836	6,200,317	1,551,850	1,372,949	21,797,643	21,795,558
Current liabilities	(19,062,808)	(17,520,782)	-	(1,334,814)	(1,507,414)	(1,807,386)	(619,580)	(559,941)	(21,189,802)	(21,222,923)
Net current assets	(5,493,851)	(6,759,603)	-	2,126,299	5,169,422	4,392,931	932,270	813,008	607,841	572,635
Non current assets	13,896,202	12,521,705	-	7,220,379	17,535,613	20,230,758	1,016,660	667,611	32,448,475	40,640,453
Non current liabilities	(4,309,453)	(1,781,081)	-	(1,438,490)	(12,724,400)	(10,621,411)	(975,138)	(560,934)	(18,008,991)	(14,401,915)
Net non current assets	9,586,749	10,740,624	-	5,781,889	4,811,213	9,609,347	41,522	106,677	14,439,484	26,238,538
Net assets	4,092,898	3,981,021	-	7,908,188	9,980,635	14,002,278	973,792	919,685	15,047,325	26,811,173
Accumulated NCI	**728,536**	**721,759**	**-**	**3,649,629**	**4,161,925**	**5,838,950**	**387,569**	**366,035**	**5,278,030**	**10,576,373**
Summarised income statement										
Income	3,622,353	3,329,713	3,770,126	8,077,713	(1,895,722)	481,143	1,490,132	1,973,953	6,986,889	13,862,522
Profit/(loss) for the year	60,571	(274,227)	144,481	593,671	(5,690,687)	(3,486,897)	69,687	247,281	(5,415,948)	(2,920,172)
Other comprehensive income	-	-	-	(325)	98,024	163,298	-	-	98,024	162,973
Total comprehensive income	60,571	(274,227)	144,481	593,346	(5,592,663)	(3,323,599)	69,687	247,281	(5,317,924)	(2,757,199)
Profit/(loss) allocated to NCI	10,782	(49,717)	66,678	273,829	(2,332,140)	(1,385,941)	27,735	98,418	(2,226,945)	(1,063,411)
Dividends paid to NCI	**-**	**-**	**44,140**	**199,100**	**-**	**-**	**56,734**	**45,816**	**100,874**	**244,916**

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 as at 31 March 2020. 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	
		2020	2019
Nairobi Bottlers Limited	Kenya	0.00%	27.62%
UAP Financial Services Limited	Uganda	29.00%	29.00%
Akiira Geothermal Limited	Kenya	37.50%	37.50%

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Movements in investments in associates is as follows:

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	2,920,670	2,745,989	6,915,641	5,081,473
Share of profits after income tax	100,305	279,000	-	-
Fair value (loss)/gain	-	(3,148)	-	1,834,168
Dividends received	(40,960)	(216,844)	-	-
Additions during the year	337,972	115,673	-	-
Impairment of associate	(430,575)	-	(3,429)	-
Disposal	(1,437,446)	-	(6,912,212)	-
	1,449,966	**2,920,670**	**-**	**6,915,641**

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 and other comprehensive income less any impairment in the value of individual investments.

Associates are held at fair value in the Company's financial statements. See note 1.5.1

Disposal of associates

Year ended 31 March 2020

On 30 September 2019, the Company sold its entire 27.63% equity investment in Nairobi Bottlers Limited for cash. The gain on disposal is as shown below:

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Cash proceeds from disposal	8,579,696	-	8,579,696	-
Carrying amount at date of disposal	(1,437,446)	-	(6,912,212)	-
Gain on disposal	**7,142,250**	**-**	**1,667,484**	**-**

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of the associates that are material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy. There were no modifications for differences in accounting policy in 2020 and 2019.

	Fast moving consumer goods		Financial services		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised statement of financial position								
Cash and cash equivalent	656	364,874	-	-	-	-	656	364,874
Other current assets	4,042,339	4,961,454	-	-	-	-	4,042,339	4,961,454
Total current assets	**4,042,995**	**5,326,328**	**-**	**-**	**-**	**-**	**4,042,995**	**5,326,328**
Non current assets	10,907,963	11,118,471	-	-	-	-	10,907,963	11,118,471
Financial liabilities (excluding trade payables)	(88,966)	(1,682,458)	-	-	-	-	(88,966)	(1,682,458)
Other current liabilities	(4,573,988)	(6,333,671)	-	-	-	-	(4,573,988)	(6,333,671)
Total currrent liabilities	(4,662,954)	(8,016,129)	-	-	-	-	(4,662,954)	(8,016,129)
Financial liabilities	(2,722,418)	(1,117,544)	-	-	-	-	(2,722,418)	(1,117,544)
Other non current liabilities	(2,010,082)	(2,056,616)	-	-	-	-	(2,010,082)	(2,056,616)
Total non current liabilities	**(4,732,500)**	**(3,174,160)**	**-**	**-**	**-**	**-**	**(4,732,500)**	**(3,174,160)**
Net assets	5,555,504	5,254,510	-	-	-	-	5,555,504	5,254,510
Reconciliation to carrying amounts:								
Opening net assets at 1 April:	5,254,510	4,814,984	-	-	-	-	5,254,510	4,814,984
Profit for the year	363,423	1,010,139	-	-	-	-	363,423	1,010,139
Other comprehensive income	-	-	-	-	-	-	-	-
Dividends paid	(62,429)	(570,613)	-	-	-	-	(62,429)	(570,613)
Closing net assets	5,555,504	5,254,510	-	-	-	-	5,555,504	5,254,510
Summarised statement of comprehensive income								
Revenue	9,657,133	17,957,688	-	-	-	-	9,657,133	17,957,688
Interest income	-	67,429	-	-	-	-	-	67,429
Interest expense	(267,131)	(507,749)	-	-	-	-	(267,131)	(507,749)
Income tax expense	(382,633)	(460,715)	-	-	-	-	(382,633)	(460,715)
Profit/(loss) for the period	363,423	1,010,139	-	-	-	-	363,423	1,010,139
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**363,423**	**1,010,139**	**-**	**-**	**-**	**-**	**363,423**	**1,010,139**
Dividends received from associates	40,961	216,844	-	-	-	-	40,961	216,844

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures

Set out below are the joint ventures of the Group at 31 March 2020. 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 2020	2019
Two Rivers Lifestyle Centre Limited	Mauritius	50%	50%
Amu Power Company Limited	Kenya	51%	51%

Movements in joint ventures are as follows:

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	7,065,230	9,797,800	2,097,549	2,099,631
Additions during the year	-	937,885	-	-
Share of (loss)/profits after income tax	(2,077,884)	(1,702,835)	-	-
Foreign exchange loss	-	(2,082)	-	(2,082)
Provision for impairment	(2,097,549)	(1,965,538)	(2,097,549)	-
	2,889,797	**7,065,230**	**-**	**2,097,549**
Analysed as follows:				
- Joint ventures (equity)	2,889,797	4,967,681	-	-
- Joint ventures (debt)	-	2,097,549	-	2,097,549
	2,889,797	**7,065,230**	**-**	**2,097,549**

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 standalone statements of financial position at cost plus share of subsequent profits 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 for the year ended 31 March 2020 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 has been recorded against the carrying value of the investment in Amu Power Company Limited. At 31 March 2020, 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.

The Company had however not yet secured a Partial Risk Guarantee, which is a requirement for financial close of funding with lenders. In addition, while the company had obtained the relevant environmental approvals, the same is currently under litigation before the High Court of Kenya following an appeal from the National Environment Tribunal.

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 those 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.

Notes to the financial statements
(continued)

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures (continued)

i) Summarised financial information for joint ventures (continued)

Summarised balance sheet	Two Rivers Lifestyle Centre Limited 2020	2019
	Ksh'000	Ksh'000
Current assets:		
- Cash and cash equivalents	17,696	70,002
- Other current assets	2,460,355	2,431,964
Total current assets	**2,478,051**	**2,501,966**
Non current assets	16,965,566	19,911,911
Current liabilities:		
- Financial liabilities (excluding trade payables)	(603,954)	(576,220)
- Other current liabilities	(1,421,697)	(1,957,056)
Total current liabilities	(2,025,651)	(2,533,276)
Non current liabilities		
- Financial liabilities (excluding trade payables)	(8,584,951)	(8,223,826)
- Other non current liabilities	(2,696,108)	(1,721,654)
Total non current liabilities	**(11,281,059)**	**(9,945,480)**
Net assets	**6,136,907**	**9,935,121**
Reconciliation to carrying amounts:		
Opening net assets 1 April	9,935,121	12,402,904
Loss for the year	(4,155,767)	(3,405,670)
Capital contribution	357,553	937,887
Closing net assets	**6,136,907**	**9,935,121**
Group's share in %	50%	50%
Group's share in Ksh	3,068,454	4,967,561
Goodwill	-	-
Carrying amount	**3,068,454**	**4,967,561**
Summary statement of comprehensive income		
Income	874,966	889,806
Depreciation and amortisation	(55,536)	(51,487)
Operating profit	**245,199**	**135,611**
Interest expense	(1,269,875)	(836,722)
Fair value losses on revaluation	(1,097,348)	(4,413,631)
Income tax (expense)/credit	(2,033,743)	1,709,072
Profit for the year	**(4,155,767)**	**(3,405,670)**
Other comprehensive income	-	-
Total comprehensive income	**(4,155,767)**	**(3,405,670)**

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.

There were no commitments and contingent liabilities with respect to associates and joint ventures that have a material impact on the Group.

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.

	Group	
	2020 **Ksh'000**	**2019** **Ksh'000**
Term loans	15,080,970	13,239,376
Overdrafts	1,153,315	1,509,344
Credit cards	25,554	5,181
Interest in suspense	(382,528)	(299,886)
Gross loans and advances	15,877,311	14,454,015
Expected credit loss allowance	(915,880)	(1,265,489)
	14,961,431	**13,188,526**
Analysis of gross loans and advances by maturity		
Maturing within one year	3,293,936	3,149,398
Between two and three years	7,754,437	5,112,319
Over 3 years	4,828,938	6,192,298
	15,877,311	**14,454,015**
The movement in the expected credit loss allowance:		
Statement of financial position		
At start of year	1,265,489	1,067,455
Charged through profit or loss in the year (loans and advances)	392,219	736,469
Charged to opening retained earnings	-	187,135
Recoveries of amounts previously written off	(14,267)	(21,895)
Write-offs in the year	(727,561)	(703,675)
At end of year	**915,880**	**1,265,489**
Profit and loss		
Provision in the year	406,486	758,364
Recoveries of amounts previously provided for	(14,267)	(21,895)
	392,219	**736,469**

Loans and advances are held by Sidian Bank Limited.

The aggregate amount of non-performing advances was Ksh 3,236,091,000 (2019:Ksh 2,781,920,000) against which specific provisions of Ksh 1,169,293,000 (2019: Ksh 1,064,718,000) have been made leaving a net balance of Ksh 2,066,798,000 (2019: Ksh 1,717,202,000) 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 2020 was 12.5% (2019:11.2%)

The collateral held against these loans includes mortgages, motor vehicles, land and building, chattels, share certificates among other assets.

	Group	
	2020 **Ksh'000**	**2019** **Ksh'000**
Fair value of collateral held	40,566,164	36,587,473

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (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.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Impairment of loans and advances (continued)

The following are additional considerations for other types of portfolio held by the Group:

(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).
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;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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.

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)	100.4	96.7	104
Nominal Gross domestic product (GDP)	5.90%	5.70%	6.10%
Interest rates (lending rates)	13.30%	13.10%	13.50%
Inflation	6.50%	6.30%	6.70%

The weightings assigned to each economic scenario at 1 April 2018, 31 March 2019 and 31 March 2020 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 on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

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	Stage 1 12 month ECL Ksh' 000	Stage 2 Ksh' 000	2020 Stage 3 Lifetime ECL Ksh' 000	Total Ksh' 000	2019 Ksh' 000
Individually impaired / non performing facilities					
Grade 3: Substandard	-	-	382,608	382,608	488,470
Grade 4: Doubtful	-	-	2,412,859	2,412,859	1,744,374
Grade 5: Loss	-	-	158,097	158,097	249,190
Gross amount	**-**	**-**	**2,953,564**	**2,953,564**	**2,482,034**
Credit impairment losses	-	-	506,401	506,401	908,591
Carrying amount	**-**	**-**	**2,447,163**	**2,447,163**	**1,573,443**
Collectively impaired					
Grade 1: Normal	12,033,600	-	-	12,033,600	11,170,158
Grade 2: Watch	-	890,147	-	890,147	801,823
Gross amount	**12,033,600**	**890,147**	**-**	**12,923,747**	**11,971,981**
Credit impairment losses	296,126	113,353	-	409,479	356,898
Carrying amount	**11,737,474**	**776,794**	**-**	**12,514,268**	**11,615,083**
Total carrying amount	**11,737,474**	**776,794**	**2,447,163**	**14,961,431**	**13,188,526**

(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

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Bank'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 Bank'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.

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.

Notes to the financial statements
(continued)

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 12 month ECL Ksh' 000	Stage 2 Lifetime ECL Ksh' 000	Stage 3 Lifetime ECL Ksh' 000	Total Ksh' 000
Year ended 31 March 2020				
Loss allowance at 1 April 2019	598,848	66,783	899,743	1,565,375
Net staging transfers	20,492	15,596	26,305	62,393
New financial assets originated or purchased	99,810	55,599	174,417	329,826
Net charge to profit or loss in the year	120,302	71,195	200,722	392,290
Other movements with no P&L impact:				
		-		
Financial assets derecognised	(112,535)	(18,075)	(319,922)	(450,532)
Write-offs	-	-	(591,181)	(591,181)
Loss allowance at 31 March 2020	**606,615**	**119,903**	**189,362**	**915,880**
Year ended 31 March 2019				
Loss allowance at 31 March 2018	87,416	24,631	955,408	1,067,455
Changes on application of IFRS 9	83,620	104,499	(984)	187,135
Loss allowance at 1 April 2019	171,036	129,130	954,424	1,254,590
Net staging transfers	225,167	(76,464)	(148,703)	-
New financial assets originated or purchased	207,899	21,876	298,717	528,492
Net charge to profit or loss in the year	604,102	74,542	1,104,438	1,783,082
Other movements with no P&L impact:				-
Financial assets derecognised	(5,254)	(7,759)	(27,098)	(40,111)
Write-offs	-	-	(177,596)	(177,596)
Loss allowance at 31 March 2019	**598,848**	**66,783**	**899,743**	**1,565,375**

The 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	Total
Year ended 31 March 2020				
Gross carrying amount at 1 April 2019	11,534,513	330,059	2,889,329	14,753,901
Net staging transfers	458,198	264,772	490,735	1,213,705
Financial assets derecognised	(7,357,539)	(205,292)	(225,790)	(7,788,621)
New financial assets originated	7,087,612	600,608	423,842	8,112,062
Write-offs	-	-	(413,736)	(413,736)
At year end	**11,722,784**	**990,147**	**3,164,380**	**15,877,311**
Year ended 31 March 2019				
Gross carrying amount at 1 April 2019	9,403,653	821,040	2,614,883	12,839,576
Net staging transfers	259,887	(541,658)	281,771	-
Financial assets derecognised	(3,814,667)	(78,479)	(161,016)	(4,054,162)
New financial assets originated	5,685,640	129,156	579,375	6,394,171
Write-offs	-	-	(425,684)	(425,684)
At year end	**11,534,513**	**330,059**	**2,889,329**	**14,753,901**

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds:

	Notes	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Government securities at fair value through profit or loss	7.2.1	1,639,048	735,319	-	-
Government securities at amortised cost	7.2.2	6,463,945	2,598,122	2,621,439	-
Corporate bonds at amortised cost	7.2.3	634,940	106,082	529,118	-
Commercial papers at amortised cost	7.2.4	175,495	30,000	-	-
		8,913,428	**3,469,523**	**3,150,557**	**-**

7.2.1 Government securities at fair value through profit or loss

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
At start of year	735,319	401,555	-	-
Movements in the year:				
Additions	4,869,785	343,541	-	-
Disposals	(3,994,801)	(12,780)	-	-
Accrued interest	46,960	509	-	-
Fair value gains/(losses)	(18,215)	2,494	-	-
	903,729	333,764	-	-
At end of year	**1,639,048**	**735,319**	**-**	**-**

Changes in fair values of government securities at fair value through profit and loss are recorded in 'investment income' in the income statement.

7.2.2 Government securities at amortised cost	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
At start of year	2,598,122	3,151,296	-	-
Movements in the year:				
Additions	5,732,119	979,791	2,538,620	-
Disposals	(2,048,681)	(1,626,329)	-	-
Accrued interest	182,385	93,364	82,819	-
	3,865,823	**(553,174)**	**2,621,439**	**-**
At end of year	**6,463,945**	**2,598,122**	**2,621,439**	**-**

7.2.3 Corporate bonds at amortised cost

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
At start of year	**106,082**	**143,695**	**-**	**-**
Movements in the year:				
Additions	532,918	162,295	509,404	-
Impairment of corporate bonds	-	(200,000)	-	-
Accrued interest	25,942	92	19,714	-
Maturities	(30,002)	-	-	-
	528,858	**(37,613)**	**529,118**	-
At end of year	**634,940**	**106,082**	**529,118**	**-**

7 Other financial assets and liabilities (continued)

7.2.4 Commercial papers at amortised cost

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	30,000	359,881	297,786	-
Movements in the year:				
Additions	162,832	30,000	-	287,442
Accrued interest	6,161	-	-	10,344
Interest receipts	(5,430)	-	-	-
Disposals	(18,068)	(359,881)	(297,786)	-
	145,495	(329,881)	(297,786)	297,786
At end of year	**175,495**	**30,000**	**-**	**297,786**

The maturity profile of government securities and corporate bonds is set out below:

Group
Year ended 31 March 2020

	0 - 180 days Ksh'000	181 days - 1 year Ksh'000	1 - 5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Government securities at fair value through profit and loss	1,639,048	-	-	-	1,639,048
Government securities at amortised cost	-	-	-	6,463,945	6,463,945
Corporate bonds at amortised cost	-	-	634,940	-	634,940
Commercial papers at amortised cost	-	175,495	-	-	175,495
	1,639,048	**175,495**	**634,940**	**6,463,945**	**8,913,428**

Year ended 31 March 2019

	0 - 180 days Ksh'000	181 days - 1 year Ksh'000	1 - 5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Government securities at fair value through profit and loss	735,319	-	-	-	735,319
Government securities at amortised cost	810,958	-	-	1,787,164	2,598,122
Corporate bonds at amortised cost	-	-	106,082	-	106,082
Commercial papers at amortised cost	-	30,000	-	-	30,000
	1,546,277	**30,000**	**106,082**	**1,787,164**	**3,469,523**

Company
Year ended 31 March 2020

	0 - 180 days Ksh'000	181 days - 1 year Ksh'000	1 - 5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Government securities at amortised cost	-	-	-	2,621,439	2,621,439
Corporate bonds at amortised cost	-	-	529,118	-	529,118
	-	**-**	**529,118**	**2,621,439**	**3,150,557**

7.3 Customer deposits

	Group	
	2020 Ksh'000	2019 Ksh'000
Call and fixed deposits	9,004,700	6,843,332
Current and demand accounts	5,762,764	5,235,567
Savings accounts	2,692,956	2,737,785
	17,460,420	**14,816,684**
Analysis of customer deposits by maturity:		
Payable within one year	17,345,486	14,781,282
Between one year and three years	114,934	35,402
	17,460,420	**14,816,684**

Customer deposits are held by Sidian Bank Limited.

Notes to the financial statements
(continued)

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.

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Group	Land and buildings Ksh'000	Factory, plant and equipment Ksh'000	Office furniture and fittings Ksh'000	Motor vehicles Ksh'000	Computers Ksh'000	Bottle coolers Ksh'000	Work in progress Ksh'000	Total Ksh'000
At 1 April 2019								
Cost or valuation	1,819,559	8,872,251	1,452,879	868,162	520,410	1,989,191	408,569	15,931,021
Accumulated depreciation	(71,038)	(1,866,025)	(582,440)	(326,522)	(328,762)	(1,688,500)	-	(3,491,564)
Net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,640**	**191,648**	**300,691**	**408,569**	**11,067,734**
Year ended 31 March 2020								
Opening net book amount	1,748,521	7,006,226	870,439	541,640	191,648	300,691	408,569	11,067,734
Additions	127,354	436,830	35,160	12,958	21,270	-	-	633,572
Transfers*	-	(29,741)	-	-	-	-	29,741	-
Disposals	(5,659)	(29,649)	(4,684)	(3,111)	(252)	(10,734)	-	(54,089)
Derecognition on disposal of a subsidiary	(1,474,483)	(3,848,648)	(501,252)	(283,260)	(68,839)	(176,988)	(408,067)	(6,761,537)
Revaluation deficit	(5,000)	-	-	-	-	-	-	(5,000)
Depreciation released on disposal	-	22,194	1,339	-	-	-	-	23,533
Depreciation charge for the year	(33,214)	(502,651)	(36,433)	(92,032)	(28,099)	(112,969)	-	(805,398)
Closing net book amount	**357,519**	**3,054,561**	**364,569**	**176,195**	**115,728**	**-**	**30,243**	**4,098,815**
At 31 March 2020								
Cost or valuation	461,771	5,401,043	982,103	594,749	472,589	1,801,469	30,243	9,743,967
Accumulated depreciation	(104,252)	(2,346,482)	(617,534)	(418,554)	(356,861)	(1,801,469)	-	(5,645,152)
Net book amount	**357,519**	**3,054,561**	**364,569**	**176,195**	**115,728**	**-**	**30,243**	**4,098,815**

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Group	Land and buildings Ksh'000	Factory, plant and equipment Ksh'000	Office furniture and fittings Ksh'000	Motor vehicles Ksh'000	Computers Ksh'000	Bottle coolers Ksh'000	Work in progress Ksh'000	Total Ksh'000
At 1 April 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	**1,725,441**	**5,513,562**	**847,200**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**
Year ended 31 March 2019								
Opening net book amount	1,725,441	5,513,562	847,200	415,910	231,533	408,697	523,118	9,665,461
Additions	365,098	2,078,640	110,965	262,142	25,177	43,300	346,480	3,231,802
Transfers*	-	349,637	-	-	-	1,881	(351,518)	-
Disposals	(284,996)	(69,623)	(6,326)	(14,892)	-	27,542	(109,511)	(457,807)
Depreciation released on disposal	-	-	-	6,551	1,167	41,814	-	49,532
Depreciation charge for the year	(57,022)	(865,990)	(81,400)	(128,070)	(66,230)	(222,543)	-	(1,421,255)
Closing net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,641**	**191,647**	**300,691**	**408,569**	**11,067,734**
At 31 March 2019								
Cost or valuation	1,819,559	8,872,251	1,452,879	868,162	520,410	1,989,191	408,569	15,931,021
Accumulated depreciation	(71,038)	(1,866,025)	(582,440)	(326,522)	(328,762)	(1,688,500)	-	(4,863,287)
Net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,641**	**191,647**	**300,691**	**408,569**	**11,067,734**

*Relates to capitalisation of costs for assets that are ready for use from work in progress to the various classes

Notes to the financial statements
(continued)

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:

	2020 Ksh'000	2019 Ksh'000
Land and buildings:		
Cost	-	1,757,516
Accumulated depreciation	-	(94,897)
Net book amount	**-**	**1,662,619**

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 2020 are as follows. An explanation of each level is provided in Note 10.1(d)

31 March 2020	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
Land and buildings	-	-	357,519	357,519
31 March 2019				
Land and buildings	-	-	1,748,521	1,748,521

The following table presents the changes in level 3 items for the year ended 31 March 2020 and 31 March 2019 for recurring fair value measurements:

	2020 Ksh'000	2019 Ksh'000
At start of year	1,748,521	1,725,441
Additions	127,354	365,098
Disposals	(5,659)	(284,996)
Revaluation deficit	(5,000)	-
Derecognition on disposal of a subsidiary	(1,474,483)	-
Depreciation charge	(33,214)	(57,022)
At end of year	**357,519**	**1,748,521**

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 2019				
Cost	27,536	18,101	112,742	158,379
Accumulated depreciation	(15,957)	(4,674)	(10,029)	(30,660)
Net book amount	**11,579**	**13,427**	**102,713**	**127,719**
Year ended 31 March 2020				
Opening net book amount	11,579	13,427	102,713	127,719
Additions	-	79	10,997	11,076
Depreciation charge	(5,633)	(4,508)	(10,029)	(20,170)
Closing net book amount	**5,946**	**8,998**	**103,681**	**118,625**
At 31 March 2020				
Cost	27,536	18,180	123,739	169,455
Accumulated depreciation	(21,590)	(9,182)	(20,058)	(50,830)
Net book amount	5,946	8,998	103,681	118,625
At 1 April 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated depreciation	(10,324)	(166)	-	(10,490)
Net book amount	**17,212**	**3,556**	**112,338**	**133,106**
Year ended 31 March 2019				
Opening net book amount	17,212	3,556	112,338	133,106
Additions	-	14,379	404	14,784
Depreciation charge	(5,633)	(4,508)	(10,029)	(20,171)
Closing net book amount	**11,579**	**13,427**	**102,713**	**127,719**
At 31 March 2019				
Cost	27,536	18,101	112,742	158,380
Accumulated depreciation	(15,957)	(4,674)	(10,029)	(30,661)
Net book amount	**11,579**	**13,427**	**102,713**	**127,719**

Notes to the financial statements
(continued)

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 for impairment 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 2019				
Cost	2,561,522	1,302,962	3,864,484	2,327
Impairment	(793,241)	-	(793,241)	-
Accumulated amortisation	-	(576,197)	(576,197)	(2,327)
Net book amount	**1,768,281**	**726,765**	**2,495,046**	**-**
Year ended 31 March 2020				
Opening net book amount	1,768,281	726,765	2,495,046	-
Additions	-	469,166	469,166	-
Derecognition on disposal of a subsidiary	(1,351,539)	(2,518)	(1,354,057)	
Amortisation charge & impairment	(55,407)	(185,733)	(241,140)	-
Closing net book amount	**361,335**	**1,007,680**	**1,369,015**	**-**
At 31 March 2020				
Cost	1,209,983	1,769,610	2,979,593	2,327
Accumulated amortisation	-	(761,930)	(761,930)	(2,327)
Accumulated impairment	(848,648)	-	(848,648)	-
Net book amount	**361,335**	**1,007,680**	**1,369,015**	**-**

8 Non financial assets (continued)

8.2 Intangible assets (continued)

	Goodwill Ksh'000	Group Computer software Ksh'000	Total Ksh'000	Company Computer software Ksh'000
At 1 April 2018				
Cost	2,561,522	1,125,993	3,687,515	2,327
Accumulated amortisation	-	(440,736)	(440,736)	(2,122)
Net book amount	**2,561,522**	**685,257**	**3,246,779**	**205**
Year ended 31 March 2019				
Opening net book amount	2,561,522	685,257	3,246,779	205
Additions	-	180,457	180,457	-
Disposals	-	(3,488)	(3,488)	-
Amortisation charge & impairment	(793,241)	(135,461)	(928,702)	-
Closing net book amount	**1,768,281**	**726,765**	**2,495,046**	**205**
At 31 March 2019				
Cost	2,561,522	1,302,962	3,864,484	2,327
Accumulated amortisation	-	(576,197)	(576,197)	(2,327)
Accumulated impairment	(793,241)	-	(793,241)	-
Net book amount	**1,768,281**	**726,765**	**2,495,046**	**-**

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 is 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:

	2020 Ksh'000	2019 Ksh'000
Almasi Beverages Limited	-	1,351,539
Sidian Bank Limited	-	55,407
Longhorn Publishers Limited	361,335	361,335
	361,335	**1,768,281**

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 assumptions used in assessing the impairment of goodwill for each CGU is as follows:

8 Non financial assets (continued)

8.2 Intangible assets (continued)

<table>
<tr><th>Cash generating unit</th><th>Method used and assumptions</th></tr>
<tr><td>Sidian Bank Limited</td><td>Method used to determine recoverable amount:

Fair value less cost to sell

The fair value of the entiy was determined using price-to-book multiples adjusted for control premium as described in note 1.5.2

Assumptions:
1. Comparative multiples
2. Control premium

The annual impairment review indicated that the carrying amount exceeded the recoverable amount. Accordingly, the directors have recorded impairment relating to the subsidiary's goodwill of Ksh 55,407,000.

Significant estimate: Impact of possible changes in key assumptions:

1. Comparative multiples
If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above remain unchanged, the headroom would be Ksh 126 million lower.

If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above remain unchanged, the headroom would be Ksh 126 million higher.

2. Control premium
A control premium of 20% has been used for purposes of determining the fair value. If the premium used was 1000 basis points lower, the headroom would have been Ksh 42 million higher.</td></tr>
<tr><td>Longhorn Publishers Limited</td><td>Method used to determine recoverable amount:

Fair value less cost to sell

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 49 million lower.

If the share price had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 49 million higher</td></tr>
</table>

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of all the CGUs as analysed below:

At 31 March 2020 Cash generating unit	Carrying amount goodwill + Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Sidian Bank Limited	3,419,770	2,539,075	2,539,075	(880,695)
Longhorn Publishers Limited	947,558	980,804	869,275	33,246
	4,367,328	**3,519,879**	**3,408,350**	**(847,449)**

At 31 March 2019 Cash generating unit	Carrying amount goodwill + Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Almasi Beverages Limited	5,610,098	9,851,141	9,851,141	4,241,043
Sidian Bank Limited	4,107,910	3,314,669	3,314,669	(793,241)
Longhorn Publishers Limited	914,985	1,039,849	1,039,849	124,864
	10,632,994	**14,205,659**	**14,205,659**	**3,572,666**

The directors are satisfied that there is no impairment of goodwill for Longhorn Publishers Limited 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 investment.

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 Limited.

The directors have determined that the carrying amount for Sidian Bank Limited exceeds its recoverable amount. Accordingly, they have recorded an impairment of goodwill relating to the subsidiary of Ksh 55,407,000. Goodwill impairment has been disclosed under operating expenses (Note 2.3.1(b)). The bank recorded a lower valuation in the current period due to a tough operating environment characterized by interest rate capping regulation that led to subdued interest income and depressed comparative market multiples.

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 statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Group 2020 Ksh'000	Company 2020 Ksh'000
Right of use assets		
Buildings	1,043,809	23,786
Vehicles	18,073	-
	1,061,882	**23,786**
Lease liabilities		
Current	199,187	4,094
Non - current	1,070,915	20,018
	1,270,102	**24,112**

The movement in right of use assets is broken down below:

	Group 2020 Ksh'000	Company 2020 Ksh'000
At start of year	1,193,532	28,669
Additions	155,308	-
Amotisation	(286,958)	(4,883)
At end of year	**1,061,882**	**23,786**

The movement in lease liabilities is broken down below:

	Group 2020 Ksh'000	Company 2020 Ksh'000
At start of year	1,347,308	28,669
Additions	140,551	-
Accretion of interest	131,542	1,994
Interest repayment	(349,299)	(6,551)
At end of year	**1,270,102**	**24,112**

(ii) Amounts recognised in the statement of profit or loss

	Group 2020 Ksh'000	Company 2020 Ksh'000
Depreciation charge of right of use assets		
Buildings	262,861	4,883
Vehicles	24,097	-
	286,958	**4,883**
Interest expense (included in finance cost)	**131,542**	**1,994**

8 Non financial assets (continued)

8.3 Leases (continued)

(iii) The Group and the Company's leasing activities and how these are accounted for

As explained in note 1, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in note 1

Until 31 March 2019, leases of property, plant and equipment where the Group and Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Lease income from operating leases where the group is a lessor is recognised in income on a straightline basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 (v) 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.

8 Non financial assets (continued)

8.3 Leases (continued)

(iii) The Group and the Company's leasing activities and how these are accounted for (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
- maKsh 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.

8 Non financial assets (continued)

8.3 Leases (continued)

8.3.2 Leases

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	
	2020 Ksh'000	**2019 Ksh'000**
Finance lease receivable	**154,393**	**46,817**

The finance lease receivables relate to Zohari Leasing Limited which is the lessor.

The maturity of the lease receivable is as below:

	2020 Ksh'000	2019 Ksh'000
Non current:		
Gross finance lease receivable	154,393	59,964
Unearned finance income	-	(16,625)
	154,393	**43,339**
Current:		
Gross finance lease receivable	-	4,438
Unearned finance income	-	(960)
	-	3,478
	154,393	**46,817**
Gross receivable from finance lease:		
- No later than 1 year	-	4,438
- Later than 1 year no later than 5 years	154,393	59,964
- Later than 5 years	-	-
	154,393	64,402
Unearned future finance income on finance lease	-	(17,585)
	154,393	**46,817**

8.4 Prepaid operating lease rentals

Payments to acquire leasehold interests in land used by Almasi Beverages Limited are treated as prepaid operating lease rentals and amortised over the period of the lease.

	Group	
	2020 Ksh'000	**2019 Ksh'000**
Cost:		
At start of year	60,843	47,118
Additions	-	13,725
Derecognition on disposal of a subsidiary	(60,843)	-
At end of year	-	60,843
Amortisation:		
At start of year	(3,160)	(2,637)
Charge for the year	-	(523)
Derecognition on disposal of a subsidiary	3,160	-
At end of year	**-**	**(3,160)**
Net book amount	**-**	**57,683**

Notes to the financial statements
(continued)

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.

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	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
Unsecured:				
Term loans	3,068,627	1,745,679	-	-
Commercial Papers and Loan Notes	3,004,928	2,804,982	-	-
Corporate bonds	6,448,305	6,367,318	6,448,305	6,367,318
	12,521,860	**10,917,979**	**6,448,305**	**6,367,318**
Secured:				
Bank borrowings	8,519,439	15,226,397	1,037,218	9,777,477
Short term borrowings	1,155,466	726,585	-	-
	9,674,905	**15,952,982**	**1,037,218**	**9,777,477**
Total borrowings	**22,196,765**	**26,870,961**	**7,485,523**	**16,144,795**
Analysed as follows:				
Banking subsidiary	4,106,689	2,467,698	-	-
Other	18,090,076	24,403,263	7,485,523	16,144,795
	22,196,765	**26,870,961**	**7,485,523**	**16,144,795**
The classification of the Group's borrowings is as follows:				
Current	10,222,212	5,674,090	7,485,523	2,142,523
Non current	11,974,553	21,196,871	-	14,002,272
	22,196,765	**26,870,961**	**7,485,523**	**16,144,795**
Kenya Shillings	11,609,058	15,898,600	6,961,056	8,624,709
United States dollar	10,387,951	10,756,330	524,467	7,520,086
Euro	199,756	216,031	-	-
	22,196,765	**26,870,961**	**7,485,523**	**16,144,795**

The Group had the following undrawn committed facilities at year end:

Oiko Credit	-	300,000	-	-
Kenya Commercial Bank Limited	-	57,043	-	-
Standard Chartered Bank	84,854	-	-	-
Stanbic Bank Kenya Limited	2,989,509	1,857,477	2,989,509	1,857,477
	3,074,363	**2,214,520**	**2,989,509**	**1,857,477**

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

a) Term loans	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Oiko Credit	387,981	154,307	-	-
Pamiga Finance SA	-	209,550	-	-
East Africa Development Bank	319,331	170,847	-	-
Investment Fund for Developing Countries (IFU)	1,299,991	1,210,975	-	-
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)	1,061,324	-	-	-
Total term loans	**3,068,627**	**1,745,679**	**-**	**-**

The Term Loans above are held by Sidian Bank Limited. The movement in the Term Loans is as follows

	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
At start of year	1,745,679	445,060	-	-
Received during the year	1,413,420	1,419,485	-	-
Revaluation gain	7,766	(3,100)	-	-
Accrued interest	140,535	13,918	-	-
Repayments during the year	(238,773)	(129,684)	-	-
At end of year	**3,068,627**	**1,745,679**	**-**	**-**

Oiko Credit

The Oiko Credit facility was received in two tranches of Ksh 75 million and Ksh 300 million respectively in December 2016 and September 2019 respectively.

The first tranche has a tenor of 4 years and accrues interest based on the 182 day Treasury Bill plus a margin of 1.25% subject to a minimum rate of 10% per annum. Interest is payable semi-annually with four equal annual instalments of the principal of Ksh 75 million. The loan is unsecured.

The second tranche has a tenor of 4 years and accrues interest based on the 182 day Treasury Bill plus a margin of 1.60%. The first principal instalment is payable in December 2020. Interest is repayable semi annually. The facility is unsecured.

Pamiga Finance SA

The Pamiga Finance SA facility matured and was settled in June 2019. The loan was a USD 2 million facility that was received on 30 July 2017 and accrued interest at a rate of 4.25% per annum. The loan was 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.

Investment Fund for Developing Countries

The IFU loan of USD 12 million was received in March 2019. The loan has a tenor of 6 years and a conversion option within the first three years. Under the conversion option, IFU have the option to convert the loan into ordinary shares. If IFU do not convert the loan into ordinary shares within the first 3 years, then the loan principal and outstanding interest is repayable at the end of year six plus 25% of the the higher of (i) the Bank's profit before tax in the sixth year; or :(ii) the Bank's average profit before tax in the fifth and sixth year. The Group treats this as a compound instrument. The equity instrument in the loan is considered insignificant. The loan is unsecured.

Notes to the financial statements
(continued)

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)

The FMO loan of USD 20 million has a tenor of 5 years and is being drawn down in two tranches of USD 10 million each. The first tranche was received on 1 December 2019 at an interest rate of six-month LIBOR plus a margin of 4.25%. The first principal is payable in November 2020 after a grace period of one year. Interest is payable semi annually. The facility is unsecured.

b) Commercial Papers and Loan Notes

Commercial Papers and Loan Notes are issued by the following entities to private investors:

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Two Rivers Development Limited	2,517,398	2,565,813	-	-
Longhorn Publishers Limited	487,530	239,169	-	
Total commercial papers and loan notes	**3,004,928**	**2,804,982**	**-**	**-**
The movement in commercial papers was as follows:				
At start of year	2,804,982	1,861,764	-	-
Received during the year	2,147,149	1,697,086	-	-
Accrued interest	509,115	328,872	-	
Repayments during the year	(2,436,318)	(1,082,740)	-	-
At end of year	**3,024,928**	**2,804,982**	**-**	**-**

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 17% while the Longhorn Publishers Limited Commercial Papers earn interest at a rate of 16%.

b) Bank borrowings

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Kenya Commercial Bank Limited	6,152	226,883	-	-
FirstRand Bank Limited (through its Rand Merchant Bank Division)	-	7,635,619	-	7,635,618
Coca Cola Export Corporation	-	851,072	-	-
Stanbic Bank Kenya Limited	1,037,218	5,639,322	1,037,218	2,141,859
Nedbank Group	6,794,857	-	-	-
SBM Bank (Kenya) Limited	40,824	387,140	-	-
Commercial Bank of Africa Limited	199,756	216,031	-	-
Standard Chartered Bank Kenya Limited	440,632	270,330	-	-
	8,519,439	**15,226,397**	**1,037,218**	**9,777,477**

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

b) Bank borrowings (continued) Movement in bank borrowings is as follows:	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
At start of year	15,226,397	13,707,255	9,777,477	8,437,345
Received during the year	9,558,555	4,217,921	2,96,251	3,522,948
Revaluation gain/(loss)	83,362	(47,482)	20,843	(45,951)
Accrued interest	825,124	509,215	287,401	202,311
Derecognition on disposal of a subsidiary	(818,771)	-	-	-
Repayments during the year	(16,355,228)	(3,160,512)	(11,344,755)	(2,339,176)
At end of year	**8,519,439**	**15,226,397**	**1,037,217**	**9,777,477**

Kenya Commercial Bank Limited The loan is analysed as follows:	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Almasi Bottlers Limited	-	344,208	-	-
Longhorn Publishers Limited	6,152	42,932	-	-
	6,152	**387,140**	**-**	**-**

i) Almasi Beverages Limited
Ksh 218.3 million of the Kenya Commercial Bank Limited loan was advanced to Almasi Beverages Limited to acquire machinery and was fully secured by a fixed and floating debenture over all the Company's assets. The loan was attracting interest at the 12 months rolling average rate of the Bank's base rate less 3% per annum. Almasi Beverages Limited was disposed in September 2019 and the loan was therefore deconsolidated.

ii)Longhorn Publishers LImited
Ksh 8.5 million of the Kenya Commercial Bank Limited loan was advanced to Law Africa Limited, a subsidiary of Longhorn Publishers Limited to finance working capital requirements. It attracts interest at Central Bank Reference Rate (CBRR) plus 4%. The carrying amount on the balance sheet represents the amortised value of the facility.

Coca Cola Export Corporation
The loan from Coca Cola Export Corporation was availed to Almasi Beverages Limited to buy crates and bottles. The total loan availed was USD 2.3 million. The loan was unsecured and interest was determined based on LIBOR plus 3% per annum. Almasi Beverages Limited was disposed in September 2019 and the loan was therefore deconsolidated.

SBM Bank (Kenya) Limited

The loan is analysed as follows:	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Two Rivers Development Limited	-	344,208	-	-
Longhorn Publishers Limited	40,824	42,932	-	-
	40,824	**387,140**	**-**	**-**

1. Two Rivers Development Limited
The loan was advanced for infrastructure development. The US Dollar denominated loan was attracting interest at 8.5%. The loan was refinanced in July 2019 by a facility from Nedbank Limited.

2. Longhorn Publishers Limited
The Company has an asset financing facility with the bank for acquisition of vehicles. The loan is secured by the Company vehicles and attracts interest at 14%. The loan tenor is 60 months.

First Rand Bank Limited
On 30 September 2019, Centum Investment Company Plc fully repaid the USD 75 million term loan facility with FirstRand Bank Limited through its Rand Merchant Bank Division. The facility was priced at an interest rate of 5.7% plus 3 months US LIBOR per annum and had been secured by a charge over the Company's shares in Nairobi Bottlers Limited, Almasi Beverages Limited and Zohari Leasing Limited.

Standard Chartered Bank Kenya Limited
The facility was advanced to Longhorn Publishers Limited for working capital financing and is secured by the Company's buildings. The loan attacts interest at Central Bank Reference Rate (CBRR) 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.

Notes to the financial statements
(continued)

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

b) Bank borrowings (continued)

Stanbic Bank Kenya Limited
Centum Investment Company Plc
The Company maintains an overdraft 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 Reference Rate (CBRR) 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 Limited 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 and has corporate guarantees from Centum Investment Company Plc and Centum Development Company Limited.

c) Corporate bonds

	Group and Company	
	2020	**2019**
	Ksh'000	**Ksh'000**
At start of year	6,367,318	6,353,733
Accrued interest	775,821	773,713
Amortisation of bond issue costs	32,647	(32,647)
Additional accrued interest on Equity linked note	42,015	42,015
Repayments during the year	(769,496)	(769,496)
At end of year	**6,448,305**	**6,367,318**

The outstanding bond of Ksh 6 billion was issued in 2015 and matures in June 2020. It comprises of 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 and an additional amount payable at redemption date based on the movement in the Company's Net Asset Value. The maximum upside is 10% of the face value of the bond.

The carrying amounts of borrowings approximate to their fair value.

9 Financing structure and commitments (continued)

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	
	2020	2019
	Ksh'000	Ksh'000
Residential housing projects	6,082,107	6,961,226
Property and equipment	166,389	395,717
	6,248,496	**7,356,943**

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

Under the terms of the respective Share Purchase Agreements (SPAs) between Centum Investment Company Plc. (CICP) and Coca- Cola Beverages Africa (CCBA) in relation to the disposal of CICP's staKsh in Almasi Beverages Limited and Nairobi Bottlers Limited (Note 13), CICP is required to provide a guarantee of USD 34.4 Million to CCBA against general and contingent liabilities (including tax liabilities) that were unresolved as at the transaction date.

Those liabilities largely relate to an ongoing court case in relation to a contested historical Kenya Revenue Authority (KRA) demand for tax arrears, penalties and interest for the period 2006 to 2009 relating to excise tax on returnable containers. In June 2019, the bottling companies won a constitutional reference appeal at the Court of Appeal against a previous ruling dated October 2012 by the High Court. KRA has appealed this ruling at the Supreme Court of Kenya.

CICP obtained a bank guarantee of USD 34.4 Million from Stanbic Bank Kenya Limited to secure these general and contingent liabilities. This bank guarantee is in turn secured by an equivalent charge on its Marketable Securities Portfolio of Ksh 3.5 billion.

The Directors' assessment is that the matter will be resolved with minimal impact to the business of disposed bottling companies and consequently the likelihood of the liabilities crystallising is remote.

b) Letters of credit and performance bonds

In the ordinary course of business, Sidian Bank 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	
	2020	2019
	Ksh'000	Ksh'000
Letters of credit and performance bonds	**11,898,896**	**17,112,220**

Notes to the financial statements
(continued)

10 Financial risk (continued)

10.1 Financial risk management and financial instruments

Financial instruments

Initial recognition
Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

Classification
The Company classifies its financial instruments into the following categories:
i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income

iii) All other financial assets are classified and measured at fair value through profit or loss

iv) Notwithstanding the above, the Company may:
a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured at

v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

vi) All other financial liabilities are classified and measured at amortised cost

Initial measurement On initial recognition
i Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
ii) Trade receivables are measured at their transaction price.
iii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement
Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification. Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.
Fair value is determined as set out in Note 10.1 (d), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

10 Financial risk

10.1 Financial risk management and financial instruments

Financial instruments by category	Group			Company		
a) Financial assets	**At fair value through profit or loss Ksh'000**	**At fair value through other comprehensive income Ksh'000**	**At amortised cost Ksh'000**	**At fair value through profit or loss Ksh'000**	**At fair value through other comprehensive income Ksh'000**	**At amortised cost Ksh'000**
At 31 March 2020						
Government securities	1,639,048	-	6,463,945	-	-	3,150,557
Corporate bonds and commercial papers	-	-	634,940	-	-	-
Loans and advances	-	-	15,877,311	-	-	-
Finance lease receivables	-	-	154,393	-	-	-
Call deposits	-	-	2,742,671	-	-	2,366,694
Bank balances	-	-	5,439,660	-	-	545,266
Trade and other receivables	-	-	7,466,708	-	-	628,856
Shareholder loans advanced to subsidiaries	-	-	-	-	-	15,631,051
Quoted investments	-	398,174	-	-	22,586	-
Unquoted investments	-	4,550,450	-	-	4,126,484	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	30,236,419	-
Investment in associates	-	-	-	-	-	-
Investment in joint ventures	-	-	-	-	-	-
	1,639,048	**4,948,624**	**38,779,628**	**-**	**34,385,489**	**22,322,424**
At 31 March 2019						
Government securities	735,319	-	2,598,122	-	-	-
Corporate bonds and commercial papers	-	-	106,082	-	-	-
Loans and advances	-	-	14,961,431	-	-	-
Finance lease receivables	-	-	46,817	-	-	-
Call deposits	-	-	1,752,703	-	-	204,950
Bank balances	-	-	3,640,568	-	-	47,802
Trade and other receivables	-	-	6,921,565	-	-	725,503
Shareholder loans advanced to subsidiaries	-	-	-	-	-	15,696,348
Quoted investments	-	1,561,164	-	-	52,578	-
Unquoted investments	-	4,146,239	-	-	3,619,410	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	42,156,542	-
Investment in associates	-	-	-	-	6,915,641	-
Investment in joint ventures	-	-	-	-	2,097,549	-
	735,319	**5,707,403**	**30,027,288**	**-**	**54,841,720**	**16,674,603**

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 2020 and 2019 are shown under respective notes.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

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 an 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 effectiveness of its internal accounting and operational controls.

10 Financial risk (continued)

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 2020, Group and Company held deposits of Ksh 1,742,671,000 and Ksh 2,366,694,000 respectively (2019: Ksh 1,752,703,000 and Ksh 204,950,000 respectively) and the Company had unutilised bank credit facilities of Ksh 3,046,126,000 (2019: Ksh 1,891,151,000).

As at 31 March 2020, a 5% increase or decrease of the annual interest rate would have resulted in an increase or decrease in pre-tax profit and equity of Ksh 219 million (2019: Ksh 174 million) for Group and Ksh 91 million (2019: Ksh 85 million) for the 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, 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 share prices of similar or 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.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk

ii) Price risk (continued)

At 31 March 2020, if the prices at the Nairobi Securities Exchange and other exchanges had appreciated or depreciated by 5% with all other variables held constant, the impact on the Group and Company comprehensive income and equity would have been Ksh 20,026,000 (2019: Ksh 77,991,000) and Ksh 1,129,000 (2019: Ksh 2,629,000) higher or lower respectively.

iii) Investment holding period risk

89% and 98% (2019: 88% 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 and Company mitigates this risk by seeking influence in the investee company's operations through large shareholding or board representation. The Group and 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 and Company has no fixed time horizon for its investments, and does not enforce exit options on investments as it believes current practice maKsh it easier to acquire attractive investments.

iv) Concentration risk

82% (2019: 82%) of the Group's assets are located in Kenya with 17% (2019: 16%) in the wider East African Region and 1% (2019: 1%) outside East Africa.

Investment portfolio sectoral allocation

The allocation of Centum's investments to the different sectors is disclosed in note 2.

Each investment asset is considered independently by the Board's 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 financial, beverages and industrial and allied 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.

10 Financial risk (continued)

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 2020 and 31 March 2019 were:

	2020 Ksh'000	2019 Ksh'000
1 US dollar (USD)	102.30	100.75
1 Euro (Eur)	113.69	113.04
1 British pound (GBP)	130.00	131.85
1 Ugandan shilling (UGX)	0.03	0.03
1 Tanzania shilling (Tshs)	0.04	0.04
1 Ghana cedi (Ghc)	18.79	19.07

Notes to the financial statements
(continued)

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk (continued)

Below is a summary of the financial assets and liabilities denominated in foreign currencies at their carrying amounts:

	Group		Company	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Financial assets				
Quoted investment (EGP)	41,636	-	-	-
Balances due from banks (USD)	1,439,836	255,651	-	-
Balances due from banks (EUR)	234,313	71,610	-	-
Balances due from banks (GBP)	2,599	-	-	-
Cash and equivalents (USD)	1,744,043	54,680	11,310	6,872
Cash and equivalents (EUR)	73,689	33,395	-	-
Cash and equivalents (GBP)	12,246	9,801	-	-
Loans and advances (USD)	1,414,133	1,099,071	5,931,506	5,817,005
Loans and advances (EUR)	23,736	28,010	-	-
	4,986,231	**1,552,218**	**5,942,816**	**5,823,877**
Financial liabilities				
Customer deposits (USD)	813,411	1,000,224	-	-
Customer deposits (EUR)	98,543	141,199	-	-
Customer deposits (GBP)	-	1,152	-	-
Borrowings (USD)	10,387,951	19,032,040	524,467	8,275,711
	11,299,905	**20,174,615**	**524,467**	**8,275,711**

Notes to the financial statements
(continued)

10 Financial risk (continued)

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 2020 and 31 March 2019, 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	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
1 US dollar (USD)	400,874	(572,311)	270,917	(122,592)
1 Euro (EUR)	10,473	(1,810)	-	-
1 British pound (GBP)	742	432	-	-
1 Eqyptian pound (EGP)	2,082	-	-	-
1 Ghana cedi (GHC)	-	-	-	-
	414,171	**(573,689)**	**270,917**	**(122,592)**

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 available for sale quoted investments 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 2020, over 8% (2019: over 6%) of the Group's assets were held in quoted securities which are quickly convertible to cash. The Group also had Ksh 3,074,363,000 (2019: Ksh 2,214,520,000) unutilised credit facility (Note 9.1).

Notes to the financial statements
(continued)

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Group At 31 March 2020	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	-	-	-	-	1,449,966	-	1,449,966
Investment in joint ventures	-	-	-	-	2,889,797	-	2,889,797
Unquoted equity investments	-	-	-	-	4,550,450	-	4,550,450
Quoted investments	-	-	-	398,174	-	-	398,174
Loans and advances	2,782,861	652,781	1,317,952	6,177,636	2,960,832	2,651,808	16,543,870
Finance lease receivable	-	-	-	154,393	-	-	154,393
Government securities at fair value through profit and loss	-	(1,219)	200,000	-	-	945,890	1,144,671
Government securities at amortised cost	250,001	2,621,439	2,074,461	23,932	-	1,785,828	6,755,661
Corporate bonds at amortised cost	-	529,118	-	-	105,822	-	634,940
Receivables and prepayments	650,431	527,814	1,901,118	857,142	35,801	2,427,856	6,400,162
Cash and cash equivalent	5,388,305	2,742,671	280,500	-	-	-	8,411,476
	9,071,598	**7,072,604**	**5,774,031**	**7,611,277**	**11,992,668**	**7,811,382**	**49,333,559**
Financial liabilities							
Customer deposits	6,215,326	9,567,135	1,664,955	12,545	-	459	17,744,042
Borrowings	777,202	7,485,523	4,840,738	7,571,375	2,039,747	-	22,714,585
Other liabilities and accrued expenses	713,746	1,544,009	1,196,889	41,240	-	-	3,495,884
Unclaimed dividends	-	275,038	-	-	-	-	275,038
	7,019,734	15,497,785	11,002,027	8,670,256	2,039,747	-	44,229,549
Net liquidity	2,051,864	(8,425,181)	(5,227,996)	(1,058,979)	9,952,921	7,811,382	5,104,011
Financial guarantees	**1,213,135**	**1,522,860**	**6,075,239**	**2,535,520**	**167,222**	**60,140**	**11,574,116**
At 31 March 2019							
Financial assets							
Investment in associates	-	-	-	-	3,429	2,917,241	2,920,670
Investment in joint ventures	-	-	-	-	7,065,230	-	7,065,230
Unquoted equity investments	-	-	-	-	4,146,239	-	4,146,239
Quoted investments	-	-	-	1,561,164	-	-	1,561,164
Loans and advances	1,650,232	588,496	802,486	5,112,319	3,061,063	1,973,930	13,188,526
Finance lease receivable	-	-	4,438	42,379	-	-	46,817
Government securities at fair value through profit and loss	608,842	-	-	-	-	126,477	735,319
Government securities at amortised cost	449,115	148,615	213,228	-	-	1,817,164	2,628,122
Corporate bonds at amortised cost	-	-	-	-	106,082	-	106,082
Receivables and prepayments	-	19,500,000	3,913,008	702,076	-	2,306,482	26,421,566
Cash and cash equivalent	3,343,817	1,752,703	286,666	10,085	-	-	5,393,271
	6,052,006	**21,989,814**	**5,219,826**	**7,428,023**	**14,382,043**	**9,141,294ß**	**64,213,006**
Financial liabilities							
Customer deposits	6,314,770	7,488,209	1,419,661	-	-	-	15,222,640
Borrowings	899,974	14,851,568	209,550	5,063,320	1,653,793	4,708,438	27,386,643
Other liabilities and accrued expenses	840,667	924,132	3,536,064	-	-	-	5,300,863
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	8,055,411	23,475,584	5,165,275	5,063,320	1,653,793	4,708,438	48,121,821
Net liquidity	(2,003,405)	(1,485,770)	54,551	2,364,703	12,728,250	4,432,856	16,091,185
Financial guarantees	**-**	**4,452,857**	**7,626,298**	**5,023,066**	**10,000**	**-**	**17,112,221**

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Company **At 31 March 2020**	**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 subsidiaries	1,017	3,579,405	520,501	9,519,753	26,263,306	5,983,488	45,867,470
Investment in associates	-	-	-	-	-	-	-
Investment in joint ventures	-	-	-	-	-	-	-
Unquoted equity investments	-	-	-	-	4,126,484	-	4,126,484
Quoted investments	-	-	22,586	-	-	-	22,586
Receivables and prepayments	129,076	-	499,780	-	-	-	628,856
Cash and cash equivalent	545,266	5,436,694	-	-	-	-	5,981,960
	675,359	**9,016,099**	**1,042,867**	**9,519,753**	**30,389,790**	**5,983,488**	**56,627,356**
Financial liabilities							
Payables and accruals	50,479	10,022	-	340,907	-	-	401,408
Due to subsidiary companies	-	-	-	-	-	-	-
Borrowings	-	6,594,825	1,123,566	3,070,000	-	-	10,788,391
Unclaimed dividends	-	213,940	-	61,098	-	-	275,038
	50,479	6,818,787	1,123,566	3,472,005	-	-	11,464,837
Net liquidity	**624,880**	**2,197,312**	**(80,699)**	**6,047,748**	**30,389,790**	**5,983,488**	**45,162,519**

Company **At 31 March 2020**	**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 subsidiaries	-	-	23,092,583	4,196,348	22,407,623	9,897,778	59,594,332
Investment in associates	-	-	7,907,417	-	3,429	-	7,910,846
Investment in joint ventures	-	-	-	-	2,097,549	-	2,097,549
Unquoted equity investments	-	-	-	-	3,619,410	-	3,619,410
Quoted investments	-	-	-	52,578	-	-	52,578
Receivables and prepayments	394,689	-	330,815	-	-	-	725,504
Cash and cash equivalent	47,802	204,950	-	-	-	-	252,752
	442,491	**204,950**	**31,330,815**	**4,248,926**	**28,128,011**	**9,897,778**	**74,252,971**
Financial liabilities							
Payables and accruals	50,480	15,876	-	118,018	-	-	184,374
Due to subsidiary companies	-	351,078	-	-	-	-	351,078
Borrowings	-	-	2,142,523	14,002,272	-	-	16,144,795
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	50,480	578,629	2,142,523	14,120,290	-	-	16,891,922
Net liquidity	**392,011**	**(373,679)**	**29,188,292**	**(9,871,364)**	**28,128,011**	**9,897,778**	**57,361,049**

Notes to the financial statements
(continued)

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

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.

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 groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

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

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

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 2020					
Government securities	8,102,993	-	-	-	8,102,993
Corporate bonds and commercial papers	810,435	-	-	-	810,435
Loans and advances	12,033,600	890,147	2,953,564	-	15,877,311
Finance lease receivables	154,393	-	-	-	154,393
Call deposits	2,742,671	-	-	-	2,742,671
Bank balances	5,439,660	-	-	-	5,439,660
Trade and other receivables	-	-	-	7,369,566	7,369,566
Gross carrying amount	29,283,752	890,147	2,953,564	7,369,566	40,497,029
Loss allowance	(915,880)	-	-	(857,934)	(1,773,814)
Exposure to credit risk	**28,367,872**	**890,147**	**2,953,564**	**6,511,632**	**38,723,215**

At 31 March 2019					
Government securities	3,333,441	-	-	-	3,333,441
Corporate bonds and commercial papers	136,082	-	-	-	136,082
Loans and advances	11,170,158	801,823	2,482,034	-	14,454,015
Finance lease receivables	46,817	-	-	-	46,817
Call deposits	1,752,703	-	-	-	1,752,703
Bank balances	1,883,230	-	-	-	1,883,230
Trade and other receivables	-	-	-	5,619,173	5,619,173
Gross carrying amount	18,322,431	801,823	2,482,034	5,619,173	27,225,461
Loss allowance	(1,265,489)	-	-	(601,149)	(1,866,638)
Exposure to credit risk	**17,056,942**	**801,823**	**2,482,034**	**5,018,024**	**25,358,823**

Notes to the financial statements
(continued)

10 Financing risk (continued)

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 2020					
Call deposits	2,366,694	-	-	-	2,366,694
Bank balances	545,266	-	-	-	545,266
Trade and other receivables	-	-	-	596,801	596,801
Shareholder loans advanced to subsidiaries	15,631,051	-	-	-	15,631,051
Gross carrying amount	18,543,011	-	-	596,801	19,139,812
Loss allowance	-	-	-	-	-
Exposure to credit risk	**18,543,011**	**-**	**-**	**596,801**	**19,139,812**
At 31 March 2019					
Call deposits	204,950	-	-	-	204,950
Bank balances	47,802	-	-	-	47,802
Trade and other receivables	-	-	-	693,447	693,447
Shareholder loans advanced to subsidiaries	15,696,348	-	-	-	15,696,348
Gross carrying amount	15,949,100	-	-	693,447	16,642,547
Loss allowance	-	-	-	-	-
Exposure to credit risk	**15,949,100**	**-**	**-**	**693,447**	**16,642,547**

10 Financing risk (continued)

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 Ksh'000	Lifetime expected credit losses (see note below) (a) Ksh'000	(b) Ksh'000	(c) Ksh'000	Total Ksh'000
At 31 March 2020					
Loans and advances	12,033,600	890,147	2,953,564	-	15,877,311
Trade and other receivables	-	-	-	7,369,566	7,369,566
	12,033,600	**890,147**	**2,953,564**	**7,369,566**	**23,246,877**
At 31 March 2019					
Loans and advances	11,170,158	801,823	2,482,034	-	14,454,015
Trade and other receivables	-	-	-	5,619,173	5,619,173
Total	**11,170,158**	**801,823**	**2,482,034**	**5,619,173**	**20,073,188**

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;
(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.

Notes to the financial statements
(continued)

10 Financing risk (continued)

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.

Group

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
At 31 March 2020				
Financial assets:				
Unquoted equity instruments	-	-	4,550,450	4,550,450
Quoted equity instruments	398,174	-	-	398,174
Government securities at fair value through profit and loss	-	1,639,048	-	1,639,048
	398,174	**1,639,048**	**4,550,450**	**6,587,672**
Non financial assets:				
Investment property	-	-	41,181,081	41,181,081
Property, Plant and equipment	-	-	357,519	357,519
	-	**-**	**41,538,600**	**41,538,600**
31 March 2019				
Financial assets:				
Unquoted equity instruments	-	-	4,146,239	4,146,239
Quoted equity instruments	1,561,164	-	-	1,561,164
Government securities at fair value through profit and loss	-	735,319	-	735,319
	1,561,164	**735,319**	**4,146,239**	**6,442,722**
Non financial assets:				
Investment property	-	-	40,033,745	40,033,745
Property, Plant and equipment	-	-	1,748,521	1,748,521
	-	**-**	**41,782,266**	**41,782,266**

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

The following summarises the carrying amount of those assets and liabilities not held at fair value. 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.

At 31 March 2020	Carrying amount Ksh'000	Fair value Ksh'000	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
Financial assets:					
Loans and advances	14,961,431	14,961,431	-	-	14,961,431
Finance lease receivable	154,393	154,393	-	-	154,393
Cash and cash equivalents	8,182,331	8,182,331	-	-	8,182,331
Other assets	8,145,693	8,145,693	-	-	8,145,693
	31,443,848	**31,443,848**	**-**	**-**	**31,443,848**
Financial liabilities					
Customer deposits	17,460,420	17,460,420	-	-	17,460,420
Borrowings	22,196,765	22,196,765	-	-	22,196,765
Dividend payable	275,038	275,038	-	-	275,038
Other liabilities	5,918,675	5,918,675	-	-	5,918,675
	45,850,898	**45,850,898**	**-**	**-**	**45,850,898**
31 March 2019					
Financial assets					
Loans and advances	13,188,526	13,188,526	-	-	13,188,526
Finance lease receivable	46,817	46,817	-	-	46,817
Cash and cash equivalents	5,393,271	5,393,271	-	-	5,393,271
Other assets	7,413,599	7,413,599	-	-	7,413,599
	26,042,213	**26,042,213**	**-**	**-**	**26,042,213**
Financial liabilities					
Customer deposits	14,816,684	14,816,684	-	-	14,816,684
Borrowings	26,870,961	26,870,961	-	-	26,870,961
Dividend payable	211,675	211,675	-	-	211,675
Other liabilities	5,400,835	5,400,835	-	-	5,400,835
	47,300,155	**47,300,155**	**-**	**-**	**47,300,155**

Reconciliation of level 3

	Note
Loans and advances	7.1
Finance lease receivable	8.3
Cash and cash equivalents	4.3

Notes to the financial statements
(continued)

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy

Company	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
At 31 March 2020				
Financial assets:				
Investment in subsidiaries	869,275	-	29,367,144	30,236,419
Debt investment in subsidiaries	-	-	15,631,051	15,631,051
Government securities and corporate bonds	3,150,557	-	-	3,150,557
Unquoted equity instruments	-	-	4,126,484	4,126,484
Quoted equity instruments	22,586	-	-	22,586
	4,042,418	**-**	**49,124,679**	**53,167,097**
31 March 2019				
Financial assets:				
Investment in subsidiaries	1,039,849	-	41,116,693	42,156,542
Debt investment in subsidiaries	-	-	15,696,348	15,696,348
Investment in associates	-	-	6,915,641	6,915,641
Investment in joint ventures	-	-	2,097,549	2,097,549
Unquoted equity instruments	-	-	3,619,410	3,619,410
Quoted equity instruments	52,578	-	-	52,578
	1,092,427	**-**	**69,445,641**	**70,538,068**

There were no transfers into or out of level 3 in 2020 and 2019. The following is a movement of financial assets classified under level 3.

	Group		Company	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
At start of year	3,807,376	4,024,112	69,445,641	48,075,590
Additions	110,482	185,982	246,205	(130,329)
Disposals	-	-	(16,763,353)	-
Impairments	-	-	(2,105,978)	-
Reclassification	-	-	-	17,217,962
Translation differences	-	-	-	(2,082)
Fair value (losses)/gains	298,729	(402,718)	(1,697,835)	4,284,500
At end of year	**4,216,587**	**3,807,376**	**49,124,680**	**69,445,641**
Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	**298,729**	**(402,718)**	**(1,697,835)**	**4,284,500**

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 or depreciated by 5%, the fair values of the financial assets under level 3 would change by the following:

	Group		Company	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
5% change in market value	6,200	8,550	31,591	215,437

10 Financing risk (continued)

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.

The Group's strategy is to maintain a gearing ratio within 20% to 50%. The gearing ratios at 31 March 2020 and 31 March 2019 were as follows:

	Group		Company	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 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	1,900,292	1,182,443	23,533,462	37,798,090
Retained earnings	43,723,323	38,095,995	22,184,830	13,081,075
Dividends proposed	798,530	798,530	798,530	798,530
Non controlling interest	5,278,030	10,576,373	-	-
Equity	**52,622,649**	**51,575,815**	**47,439,296**	**52,600,169**
Total borrowings	22,196,765	26,870,961	7,485,523	16,144,795
Less: cash and bank balances	(8,182,331)	(5,393,271)	(2,911,960)	(252,752)
Net borrowings	**14,014,434**	**21,477,690**	**4,573,563**	**15,892,043**
Gearing (%)	**26.63%**	**41.64%**	**9.64%**	**30.21%**

Notes to the financial statements
(continued)

10 Financing risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

e) Capital management (continued)

Loan covenants

Group

Sidian Bank Limited

The loans financial covenants relating to the non-performing loans, cost to income ratio and operational self-sufficiency ratios were not met at 31 March 2020. The three lenders, Oiko Credit, FMO and IFU have not recalled the loans.

Two Rivers Development Limited
The loan's financial covenants relating to net assets value and loan to value ratio were not met at 31 March 2020. The lender, Nedbank Limited, has not recalled the loan.

All the other subsidiaries have complied with their debt covenants.

Company

Under the terms of the major borrowing facilities, the company is required to comply with the following financial covenants:

a) interest cover: the ratio of internally generated funds to finance charges is equal to or more than 1.5:1; and
b) Net debt to equity cover: the ratio of consolidated total net debt to equity shall not exceed 1:2.

The Company was in compliance with the debt covenants.

Notes to the financial statements
(continued)

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 2018, 31 March 2019 and 31 March 2020	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 2020 and 2019.

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 2018	2,343,486	46,371	2,389,857	33,828,338
Reserves released on disposal	(187,121)	-	(187,121)	(1,262,453)
Fair value losses in associates	-	-	-	1,834,168
Fair value gains in subsidiaries	-	-	-	4,135,364
Fair value losses in unquoted investments	(402,718)	-	(402,718)	(422,579)
Fair value gains in quoted investments	(530,540)	-	(530,540)	(45,556)
Currency translation differences	-	(161,002)	(161,002)	-
Deferred tax on revaluation gains	73,967	-	73,967	(269,192)
At 31 March 2019	**1,297,074**	**(114,631)**	**1,182,443**	**37,798,090**
Reserves released on disposal	(83,508)	-	(83,508)	-
Realised gains on disposal of investments	-	-	-	(13,293,973)
Fair value gains in subsidiaries	-	-	-	(2,161,160)
Revaluation deficit on property	(5,000)	-	(5,000)	-
Fair value losses in unquoted investments	298,729	-	298,729	292,750
Fair value gains in quoted investments	(126,243)	-	(126,243)	(29,992)
Currency translation differences	-	181,893	181,893	-
Deferred tax on revaluation gains	451,978	-	451,978	927,747
At 31 March 2020	**1,833,030**	**67,262**	**1,900,292**	**23,533,462**

Investment revaluation reserve
The investment revaluation reserve arises on the revaluation of financial assets held at fair value through other comprehensive income 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 retained earnings. 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 Equity structure (continued)

11.3 Ordinary share capital and share premium

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.

i) Dividends paid	**2020 Ksh'000**	**2019 Ksh'000**
Final dividend in respect of the prior year	717,757	721,779

ii) Dividends proposed

The Board of Directors has recommended the payment of a dividend equivalent to Ksh 1.20 per share for the financial year ended 31 March 2020 (2019: Ksh 1.20 per share). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 March 2019, but not recognised as a liability at year end, is 798,530,000 (2019: Ksh 798,530,000)

iii) Unclaimed dividend	**Group**		**Company**	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
At start of year	211,675	154,139	211,675	154,139
Dividend - 2019	104,849	74,921	80,244	74,921
On disposal of subsidiary	(24,605)	-	-	-
Dividend paid	(16,881)	(17,385)	(16,881)	(17,385)
	275,038	**211,675**	**275,038**	**211,675**

Notes to the financial statements
(continued)

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	
	2020	**2019**	**2020**	**2019**
i) Purchase of goods and services	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Office rent paid to a subsidiary	45,264	21,397	7,848	23,636
Management fees paid to a subsidiary	3,851	24,851	341,374	4,251
At end of year	**49,115**	**46,248**	**349,222**	**27,887**

	Company	
	2020	**2019**
ii) Interest and dividend income	**Ksh'000**	**Ksh'000**
Interest income earned on advances and deposits placed with subsidiaries	1,202,892	1,190,457
Dividend income earned from subsidiaries and associate	222,260	518,464

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	
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Salaries	222,843	251,706	44,257	77,723
Performance bonus	53,428	56,643	-	25,659
Retirement benefit scheme contribution	14,681	13,581	3,322	5,259
	290,952	**321,930**	**47,579**	**108,640**

The analysis of performance bonus is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Group Chief Executive Officer	-	-	-	-
Others - Subsidiaries	53,428	56,643	-	25,659
Total performance bonus	**53,428**	**56,643**	**-**	**25,659**

Notes to the financial statements
(continued)

12 Related parties

12.1 Related party transactions

	Group		Company	
	2020	2019	2020	2019
iv) Directors remuneration	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Fees and expenses for services as a non-executive director	118,986	105,506	22,375	23,328
Other included in key management compensation above	45,428	45,284	45,428	45,284
	164,414	**150,790**	**67,803**	**68,612**
v) Outstanding related party balances				
Amounts due to related parties	1,445	39,365	-	351,078
Amounts due from related parties	**1,868,734**	**1,747,360**	**15,631,051**	**15,696,348**
vi) Shareholder loans advanced to related parties				
Two Rivers Development Limited	-	-	477,186	-
Two Rivers Lifestyle Centre Limited	1,868,734	1,747,360	-	-
Uhuru Heights Limited	-	-	580,377	580,377
E-Tranzact Limited	-	-	-	7,157
Centum Exotics Limited	-	-	2,879,650	3,781,644
Centum Development Limited (Mauritius)	-	-	5,147,109	4,544,663
Centum Development Kenya Limited			488,707	-
Nabo Capital Limited	-	-	30,131	79,847
Centum Business Solutions Limited	-	-	303,503	854,993
Mvuke Limited	-	-	1,449,966	1,542,124
King Beverage Limited	-	-	-	533,985
Vipingo Development Limited	-	-	3,579,405	3,111,937
Rasimu Limited	-	-	31,253	31,566
Investpool Holdings Limited	-	-	3,600	1,637
Shefa Holdings Limited	-	-	-	8,692
Mwaya Investments Company Limited	-	-	4,237	4,153
Greenblade Growers Limited	-	-	84,406	187,828
Bakki Holdco Limited	-	-	1,266	1,266
Vipingo Estates Limited	-	-	17,270	17,270
Athena Properties Limited	-	-	502,394	351,644
Zohari Leasing Limited	-	-	43,315	13,305
Tribus (TSG) Limited	-	-	(8,150)	4,340
Barium Capital Limited			12	-
Centum Capital Partners	-	-	1,017	-
Two Rivers Luxury Apartments Limited	-	-	14,397	37,920
	1,868,734	**1,747,360**	**15,631,051**	**15,696,348**

13 Disposal of investments

On 30 September 2019, Centum Investment Company Plc completed the sale of its 53.9% shareholding in Almasi Beverages Limited and 27.6% shareholding in Nairobi Bottlers Limited to Coca-Cola Sabco East Africa Limited ("CCSEA"), a wholly owned subsidiary of Coca-Cola Beverages Africa Limited ("CCBA").

On 19 August 2019, Centum Investment Company Plc completed the sale of its 100% shareholding in King Beverage Limited to Danish Brewing Company EA Limited, a subsidiary of Bounty Global Management DWC LLC.

The arising gains on the disposals are set out below:

	Group			Company		
	Carrying value Ksh'000	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**	**Carrying value Ksh'000**	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**
Period ended 31 March 2020						
Investment in subsidiaries						
- Almasi Beverages Limited	5,565,078	10,843,201	5,278,123	3,268,573	10,843,201	7,574,628
- King Beverage Limited	-	147,532	147,532	616,341	147,532	(468,809)
	5,565,078	**10,990,733**	**5,425,655**	**3,884,914**	**10,990,733**	**7,105,819**
Investment in associates						
- Nairobi Bottlers Limited	1,437,446	8,579,696	7,142,250	133,020	8,579,696	8,446,676
	7,002,524	**19,570,429**	**12,567,905**	**4,017,934**	**19,570,429**	**15,552,495**
Reserves released on disposal						
Subsidiaries	-	-	-	-	-	6,514,781
Associates	-	-	-	-	-	6,779,192
	-	-	-	-	-	13,293,973
Gains during the year	**-**	**-**	**12,567,905**	**-**	**-**	**2,258,522**
Period ended 31 March 2019						
Investment in subsidiaries	1,169,097	2,324,230	1,155,133	1,061,777	2,324,230	1,262,453
	1,169,097	**2,324,230**	**1,155,133**	**1,061,777**	**2,324,230**	**1,262,453**

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