

CENTUM REAL ESTATE LIMITED
(Formerly, ATHENA PROPERTIES LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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BOARD OF DIRECTORS

Mr. James Ruitha – Chairman
Mr. Samuel Kariuki – Managing Director
Dr. James Mworira – Centum Plc Group Managing Director and CEO
Mr. Frank Ileri
Mrs. Mary Ngige
Dr. Laila Macharia
Dr. Moses Ikiara
Mr. William Haggai
Dr. Christopher Kirubi

REGISTERED OFFICE

Two Rivers Office Towers
South Tower, 7th Floor
P.O. Box 10518 – 00100
Nairobi

COMPANY SECRETARY

Mr. Mwangi J. Mbogo
Certified Public Secretary (Kenya)
Two Rivers Office Towers
South Tower, 9th Floor
P.O. Box 10518 – 00100
Nairobi

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P.O. Box 43963 – 00100
Nairobi

BANKERS

Stanbic Bank Kenya Limited
Stanbic Centre, Chiromo Road, Westlands
P.O. Box 72833 – 00200
Nairobi

Sidian Bank Limited
K-Rep Centre, Kilimani, Wood Avenue
P.O. Box 25363 – 00603
Nairobi

Cooperative Bank of Kenya Limited
Co-operative Bank House
Hailie Selassie Avenue
P.O. Box 48231 – 00100
Nairobi

The Directors submit their report together with the audited financial statements of Centum Real Estate Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2021.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Principal activities

The Group's principal activities are:

1. Development and sale of residential houses. The residential houses are developed on the existing land banks in Kenya and Uganda and through joint ventures with third party landowners; and
2. Monetisation of the land bank in Kenya and Uganda through outright sales.

Group reorganisation

In September 2020, Centum Investment Company Plc (CICP), the immediate parent and ultimate holding company sought to reorganise and consolidate its real estate investments under one holding company, Centum Real Estate Limited (formerly, Athena Properties Limited). Prior to the reorganisation, the real estate assets were held directly by Centum investment Company Plc.

A detailed review of the reorganisation is set out under Note 1 of the financial statements.

Performance

The Group reported a profit after tax of Shs 650,404,000 (2020: Shs 2,296,852,000). During the year, the Group sold 1,369 acres of land held by Vipingo Development Plc and Vipingo Estates Limited valued at a selling price of Shs 2,466,301,450. Following this sale, the Group monetised the previously recognised revaluation gains of Shs 2,201,203,345. Following the annual valuation of the properties by an independent professional valuer, the Group has recognised revaluation gains of Shs 1,638,662,000 (2020: Shs 3,921,836,000) relating to the unsold property.

The Group's also recognised revenue and corresponding profit from sale of some of the residential units that were completed and handed over to the buyers during the year in Kenya and Uganda.

The Group has recorded a significant pre-sale level in residential units and land sales conversions. As at 31 March 2021, Shs 1,804,121,000 had been collected during the year compared to Shs 1,527,555,000 in the year ended 31 March 2020. This growth was on the backdrop of the ravaging effects of Covid 19 on the economy. The sales and arising profitability are only reflected in these financial statements, in accordance with the IFRS 15 revenue recognition principles.

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 pay-out, 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. 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% before commencement of actual development.

RESULTS

For the year ended 31 March 2021:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss) before income tax	272,806	2,950,403	(182,810)	(229,998)
Income tax credit/(expense)	377,598	(653,551)	62,298	65,639
Profit/(loss) for the year	650,404	2,296,852	(120,512)	(164,359)

DIVIDEND

The Directors do not recommend the payment of dividends (2020: Nil).

STATEMENT AS TO DISCLOSURE TO COMPANY'S AUDITOR

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

- 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
- 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
 Company Secretary
 Nairobi

1 July 2021

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 Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then applying them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on 1 July 2021 and signed on its behalf by:


Samuel Kariuki
Director


Frank Ireri
Director



Independent auditor's report to the shareholders of Centum Real Estate Limited

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Centum Real Estate Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 10 to 72, which comprise the consolidated statement of financial position at 31 March 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2021, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Centum Real Estate Limited give a true and fair view of the financial position of the Group and the Company at 31 March 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Independent auditor's report to the shareholders of Centum Real Estate Limited (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of investment properties As described in Note 2 (g) and Note 13 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 the market approach. 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 properties. The fair values of the investment properties are highly sensitive to any changes in the underlying estimates and assumptions which makes this a key audit matter.	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 and consistency of the valuation methodology used for each investment property, including the reasonableness and consistency of the applicable assumptions depending on the type of property. We agreed the carrying amounts and the related changes in fair value of the investment properties in the financial statements to the independent valuers' reports. We assessed the adequacy of the disclosures in the financial statements.

Other information

The other information comprises Corporate information, Directors report and Statement of directors responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report and Financial Statements which 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, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

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

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

When we read the rest of the other information in the Integrated Report and Financial Statements 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 Real Estate Limited (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 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 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 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 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 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 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.



Independent auditor's report to the shareholders of Centum Real Estate Limited (continued)

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

- 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 actions taken to eliminate threats or safeguards applied.

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 Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' on pages 3 to 4 is consistent with the financial statements.

FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

2021

Consolidated statement of profit or loss and other comprehensive income

	Notes	2021 Shs'000	2020 Shs'000
Revenue	6	457,794	-
Cost of sales		(333,376)	-
Gross profit		124,418	-
Change in fair value of investment properties	7	1,400,756	3,921,836
Other income	6	102,442	21,223
Operating and administrative expenses	8	(400,967)	(496,692)
Operating profit		1,226,649	3,446,367
Finance costs	10	(953,843)	(495,964)
Profit before income tax		272,806	2,950,403
Income tax credit/(expense)	11	377,598	(653,551)
Profit for the year		650,404	2,296,852
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Change in fair value of unquoted equity investments	17	(18,933)	(55,645)
Deferred income tax thereon	12	946	(5,807)
<i>Items that may subsequently be reclassified to profit or</i>			
Currency translation differences		533,045	517,582
Total other comprehensive income		515,058	456,130
Total comprehensive income for the year		1,165,462	2,752,982

Company statement of profit or loss and other comprehensive income

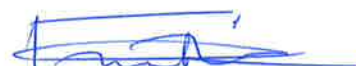
	Notes	2021 Shs'000	2020 Shs'000
Revenue	6	96,956	36,074
Operating and administrative expenses	8	(266,168)	(262,383)
Operating loss		(169,212)	(226,309)
Finance costs	10	(13,598)	(3,689)
Loss before income tax		(182,810)	(229,998)
Income tax credit	11	62,298	65,639
Loss for the year		(120,512)	(164,359)
Other comprehensive income:			
Changes in fair value of investments in subsidiaries	14	1,136,277	2,244,586
Deferred income tax thereon	12	(56,814)	(112,582)
Total other comprehensive income		1,079,463	2,132,004
Total comprehensive income for the year		958,951	1,967,645

Consolidated statement of financial position

	Notes	2021 Shs'000	2020 Shs'000
ASSETS			
Non-current assets			
Investment properties	13	28,481,271	28,974,815
Property, plant and equipment	15	533,930	371,104
Intangible assets	16	3,213	3,622
Unquoted equity investments	17	98,042	116,975
Right-of-use asset	18	23,252	49,071
		<u>29,139,708</u>	<u>29,515,587</u>
Current assets			
Trade and other receivables	19	2,114,228	736,253
Current income tax	11	84,500	79,350
Inventories	20	6,606,044	3,281,415
Cash and bank balances	21	1,637,944	493,666
		<u>10,442,716</u>	<u>4,590,684</u>
Total assets		<u>39,582,424</u>	<u>34,106,271</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	25	1,934,633	31,300
Other reserves	26	971,978	456,920
Retained earnings		13,651,345	14,904,274
Total equity		<u>16,557,956</u>	<u>15,392,494</u>
Liabilities			
Non-current liabilities			
Shareholder loans	28	6,821,289	10,320,159
Deferred income tax liabilities	12	4,688,188	5,315,441
Borrowings	24	6,462,002	-
Lease liabilities	18	20,389	30,242
		<u>17,991,868</u>	<u>15,665,842</u>
Current liabilities			
Borrowings	24	211,400	-
Trade and other payables	22	975,913	649,475
Current income tax	11	249,200	5,218
Contract liabilities	23	3,590,750	2,365,517
Lease liabilities	18	5,337	27,725
		<u>5,032,600</u>	<u>3,047,935</u>
Total liabilities		<u>23,024,468</u>	<u>18,713,777</u>
Total equity and liabilities		<u>39,582,424</u>	<u>34,106,271</u>

The financial statements on pages 10 to 72 were approved for issue by the Board of Directors on 1 July 2021 and signed on its behalf by:


Samuel Kariuki
Director

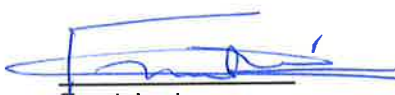

Frank Ireri
Director

Company statement of financial position

	Notes	2021 Shs'000	2020 Shs'000
ASSETS			
Non-current assets			
Investment in subsidiaries	14	16,688,588	15,552,311
Property, plant and equipment	15	40,388	42,796
Intangible assets	16	-	13
Right-of-use asset	18	23,252	28,589
		<u>16,752,228</u>	<u>15,623,709</u>
Current assets			
Trade and other receivables	19	815,381	129,165
Current income tax	11	83,192	77,640
Inventories	20	1,667,074	-
Cash and bank balances	21	7,072	1,011
		<u>2,572,719</u>	<u>207,816</u>
Total assets		<u>19,324,947</u>	<u>15,831,525</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	25	1,934,633	31,300
Investment reserve	26	13,950,824	14,774,694
Accumulated losses		(454,712)	(334,200)
Total equity		<u>15,430,745</u>	<u>14,471,794</u>
Liabilities			
Non-current liabilities			
Shareholder loans	28	379,300	502,137
Borrowings	24	2,069,028	-
Deferred income tax	12	603,730	609,214
Lease liabilities	18	20,389	22,123
		<u>3,072,447</u>	<u>1,133,474</u>
Current liabilities			
Payables and accrued expenses	22	513,411	219,014
Contract liabilities	23	303,007	-
Lease liabilities	18	5,337	7,243
		<u>821,755</u>	<u>226,257</u>
Total liabilities		<u>3,894,202</u>	<u>1,359,731</u>
Total equity and liabilities		<u>19,324,947</u>	<u>15,831,525</u>

The financial statements on pages 10 to 72 were approved for issue by the Board of Directors on _____ 2021 and signed on its behalf by:


Samuel Kariuki
Director


Frank Ireri
Director

Consolidated statement of changes in equity

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 31 March 2021					
At start of year		31,300	456,920	14,904,274	15,392,494
Transaction with owners					
Issue of shares	25	1,903,333	-	(1,903,333)	-
Comprehensive income					
Profit for the year		-	-	650,404	650,404
Other comprehensive income					
Change in fair value of unquoted equity investment	17	-	(18,933)	-	(18,933)
Deferred income tax thereon		-	946	-	946
Currency translation differences		-	533,045	-	533,045
Total other comprehensive income		-	515,058	-	515,058
Total comprehensive income		-	515,058	650,404	1,165,462
At end of year		1,934,633	971,978	13,651,345	16,557,956
Year ended 31 March 2020					
At start of year		31,300	790	12,607,422	12,639,512
Comprehensive income					
Profit for the year		-	-	2,296,852	2,296,852
Other comprehensive income					
Change in fair value of unquoted equity investment	17	-	(55,645)	-	(55,645)
Deferred income tax thereon		-	(5,807)	-	(5,807)
Currency translation differences		-	517,582	-	517,582
Total other comprehensive income		-	456,130	-	456,130
Total comprehensive income		-	456,130	2,296,852	2,752,982
At end of year		31,300	456,920	14,904,274	15,392,494

Company statement of changes in equity

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 31 March 2021					
At start of year		31,300	14,774,694	(334,200)	14,471,794
Transaction with owners					
Issue of shares	25	1,903,333	(1,903,333)	-	-
Comprehensive income					
Loss for the year		-	-	(120,512)	(120,512)
Other comprehensive income					
Change in fair value of investments in subsidiaries	14	-	1,136,277	-	1,136,277
Deferred income tax thereon		-	(56,614)	-	(56,614)
Total other comprehensive income		-	1,079,463	-	1,079,463
Total comprehensive income		-	1,079,463	(120,512)	958,951
At end of year		1,934,633	13,950,824	(454,712)	15,430,745
Year ended 31 March 2020					
At start of year		31,300	12,642,690	(169,841)	12,504,149
Comprehensive income					
Loss for the year		-	-	(164,359)	(164,359)
Other comprehensive income					
Change in fair value of investment in subsidiaries	17	-	2,244,586	-	2,244,586
Deferred income tax thereon		-	(112,582)	-	(112,582)
Total other comprehensive income		-	2,132,004	-	2,132,004
Total comprehensive income		-	2,132,004	(164,359)	1,967,645
At end of year		31,300	14,774,694	(334,200)	14,471,794

Consolidated statement of cash flows

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Cash used in operations	27	(2,910,892)	(612,775)
Proceeds from disposal of investment properties	13	2,347,157	319,066
Income tax paid	11	(9,877)	(6,576)
Net cash flows from operating activities		(573,612)	(300,460)
Cash flows from investing activities			
Additions to investment properties	13	(62,570)	(24,125)
Proceeds from disposal of property, plant and equipment		-	13,493
Purchases of property, plant and equipment	15	(182,743)	(340,187)
Net cash flows from investing activities		(245,313)	(350,819)
Cash flows from financing activities			
Proceeds from shareholder loans		-	956,596
Repayment of shareholder loans and other advances		(4,907,957)	-
Proceeds from bank borrowings	24	4,856,160	-
Proceeds from issue of corporate bond	24	1,992,433	-
Repayment of bank borrowings	24	(325,408)	-
Repayment of principal portion of lease liabilities	18	(37,729)	(43,789)
Interest paid on bank borrowings		(395,861)	-
Net cash flows from financing activities		1,181,639	912,807
Net increase in cash and cash equivalents		362,714	261,528
Movement in cash and cash equivalents			
At start of year		493,666	232,138
Increase in the year		362,714	261,528
At end of year	21	856,380	493,666

Company statement of cash flows

	Note	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Cash generated from operations	27	(1,837,347)	25,284
Income tax paid	11	(5,552)	(5,555)
Net cash flows from operating activities		(1,852,899)	19,729
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	13,493
Purchases of property, plant and equipment	15	(3,392)	(27,092)
Net cash flows used in investing activities		(3,392)	(13,599)
Cash flows from financing activities			
Repayment of shareholders' loans	28	(122,837)	-
Proceeds from corporate bond	24	1,992,433	-
Repayment of principal portion of lease liabilities	18	(7,244)	(8,069)
Net cash flows from financing activities		1,862,352	(8,069)
Net increase/(decrease) in cash and cash equivalents		6,061	(1,939)
Movement in cash and cash equivalents			
At start of year		1,011	2,950
Increase/(decrease) in the year		6,061	(1,939)
At end of year	21	7,072	1,011

Notes

1 General information

Centum Real Estate Limited (formerly, Athena Properties Limited) (the "Group") is incorporated in Kenya as a private limited Company and is domiciled in Kenya. The address of its registered office is.

P O Box 10518-00100
 Two Rivers Office Towers
 South Tower, 9th floor
 Nairobi

The Company's immediate parent and ultimate holding Company is Centum Investment Company Plc (CICP), a company incorporated and domiciled in Kenya.

In September 2020, in order to optimise the corporate structure, Centum Investments Company Plc, sought to re-organise and consolidate its real estate assets under one holding Company, Centum Real Estate Limited (previously, Athena Properties Limited).

Prior to the real estate re-organisation, the Centum real estate business was structured as follows:

Real Estate entity	Immediate parent company	Ultimate parent company
Centum Real Estate Limited	Centum Investment Company Plc	Centum Investment Company Plc
Uhuru Heights Limited (UHL)	Centum Investment Company Plc	Centum Investment Company Plc
Centum Development Company Limited (Mauritius) (CDCL)	Centum Investment Company Plc	Centum Investment Company Plc
Centum Development Kenya Limited (CDKL)	Centum Development Company Limited	Centum Investment Company Plc
Pearl Marina Estates Limited (PMEL)	Centum Development Company Limited (Mauritius)	Centum Investment Company Plc
Vipingo Development Plc (VDL)	Centum Development Company Limited	Centum Investment Company Plc
Vipingo Estates Plc	Vipingo Development Plc (VDL)	Centum Investment Company Plc

The re-organisation of the Real Estate business was done in two phases:

- (i) Centum Investment Company Plc transferred its shareholding in Centum Development Company Limited and Uhuru Heights Limited to Centum Real Estate Limited, resulting in both Centum Development Company Limited and Uhuru Heights Limited becoming subsidiaries of Centum Real Estate Limited.
- (ii) Centum Development Company Limited transferred shares held in both Centum Development Kenya Limited and Vipingo Development Plc to Centum Real Estate Limited (its parent), resulting in the two entities becoming direct subsidiaries of Centum Real Estate Limited.

Notes (continued)

1 General information (continued)

The post re-organisation structure is as follows:

Real Estate entity	Immediate parent company	Ultimate parent company
Centum Real Estate Limited	Centum Investment Company Plc	Centum Investment Company Plc
Uhuru Heights Limited (UHL)	Centum Real Estate Limited	Centum Investment Company Plc
Centum Development Company Limited (Mauritius) (CDCL)	Centum Real Estate Limited	Centum Investment Company Plc
Pearl Marina Estates Limited	Centum Development Company Limited (Mauritius)	Centum Investment Company Plc
Centum Development Kenya Limited (CDKL)	Centum Real Estate Limited	Centum Investment Company Plc
Vipingo Development Plc (VDL)	Centum Real Estate Limited	Centum Investment Company Plc
Vipingo Estates Plc	Vipingo Development Plc (VDL)	Centum Investment Company Plc

The Group is involved in the development of residential houses for sales. The status of current projects is as below:

Name of property under development	Type of project	Location/Node	Developer	Category	Status	Expected completion date
Cascadia	Apartments	Two Rivers	Uhuru Heights Limited	Mid-market	Under construction	30 June 2022
Riverbank	Apartments	Two Rivers	Centum Real Estate Limited	High end	Under construction	30 November 2021
Loft	Duplexes	Two Rivers		High end	Under market validation	30 November 2022
Elmer One	Apartments	Kasarani	Centum Development Kenya Limited	Affordable	Under market validation	To be determined
365 Pavilion place	Apartments	USIU		Mid-market	Under market validation	To be determined
Awali Estate	Maisonettes/Bungalows	Vipingo, Kilifi	Vipingo Development Plc	Mid-market	Completed	
1255 Palmridge	Apartments	Vipingo, Kilifi		Affordable	Under construction	30 June 2021
Bella vista	Apartments	Entebbe	Pearl Marina Estates Limited	Affordable	Under construction	30 November 2022
Mirabella	Villas	Entebbe		High end	Completed	
Riviera	Villas	Entebbe		Mid-market	Under construction	31 March 2022
La Perla	Bungalows	Entebbe		Mid-market	Under market validation	31 March 2022

Notes (continued)

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

The real estate re-organisation has been accounted for as a re-organisation under common control. This is because Centum Investment Company Plc is the controlling party both before and after the re-organisation.

The Company has therefore applied predecessor accounting for the re-organisation and in the preparation of the consolidated financial statements. Under predecessor accounting, the assets and liabilities of the acquired entities are consolidated at the predecessor carrying amounts and fair value measurement is not applied.

Further, predecessor accounting allows an entity to either use the retrospective presentation method or the prospective presentation method. The Company has elected to use the retrospective presentation method. In this method, the Company has incorporated the results and balances of the subsidiaries as if the Group was always in existence. The Company has presented the consolidated financial information for the year ended 31 March 2021 and 31 March 2020 on this basis.

As part of the re-organisation, the Company issued shares to Centum Investment Company Plc as consideration for transfer of ownership in the subsidiaries. The details for this are disclosed under note 25.

i) Compliance with IFRS

The consolidated financial statements of Centum Real Estate Limited (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).

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 2020:

Amendment to IAS 1, 'presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' on the definition of material

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Amendment to IAS 1, 'presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' on the definition of material (continued)

- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Effective date

Annual periods beginning on or after 1 January 2020

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Effective date

Annual periods beginning on or after 1 January 2020 (early adoption is permitted)

ii) New and amended standards issued but not yet effective

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Effective date

Annual periods beginning on or after 1 January 2021

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

ii) New and amended standards issued but not effective (continued)

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Effective date

Annual periods beginning on or after 1 January 2022

Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Effective date

Annual periods beginning on or after 1 January 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Effective date

Annual periods beginning on or after 1 January 2022

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

ii) New and amended standards issued but not effective (continued)

Annual improvements cycle 2018 -2020 (continued)

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

(b) Principles of consolidation and equity accounting

i. Subsidiaries

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

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

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

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

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

For purposes of the company financial statements, the fair value of the subsidiaries is determined based on the net asset value of the subsidiaries. The Directors have made an irrevocable election to account for the fair value movements in the subsidiaries through other comprehensive income in the company's statement of comprehensive income. Determination of the fair value movements is not considered an area of significant judgement. The subsidiaries' main assets are investment properties which are fair valued based on market approach, which considers comparable recent transactions of similar properties. The net asset value is therefore deemed to be reflective of fair value.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) 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 Real Estate Limited.

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. 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.

v. 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 (continued)

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

vi. 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.

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 noncontrolling 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 IAS 39 Financial Instruments: Recognition and Measurement, 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

viii. Business combinations (continued)

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.

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.

(c) Functional currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income' or 'other expenses'.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Functional currency translation (continued)

(iii) 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 Group's presentation currency are translated into the Group's presentation currency as follows:

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

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

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

(d) Measurement principles

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

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets			
Property, plant and equipment	Historical cost less accumulated depreciation and impairment losses.	Unquoted investments	Fair value based on the net asset value of the investee company
Investment property	Fair value	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.	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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets			
Inventory	Lower of cost and net realisable value	Investment in subsidiaries	Company: Fair value based on 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.
Borrowings	Amortised cost	Provisions	Present value of the best estimate of the settlement amount
Payables and accruals	Amortised cost	Shareholder loans	Amortised cost

(e) Income tax

(i) Current income tax

The tax expense for the period 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.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 asset is realised, or the 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Income tax (continued)

(ii) Deferred income tax (continued)

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.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(g) Investment property

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 under 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 considering current market conditions. Changes in fair values are included in the statement of profit or loss.

(h) Property, plant and equipment

All categories of property, plant and equipment excluding land are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes expenditure directly attributable to the acquisition of the assets.

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.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives. The annual rates in use are:

Buildings	2%
Motor vehicles	25%
Furniture and fittings	10%
Computer equipment	10%
Office equipment	10%

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Freehold land is not depreciated.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

(i) Inventory

Inventoried costs on the residential houses under development include land, construction costs and professional fees not more than the estimated net realisable value. To the extent a material amount of such costs is 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.

(j) Provisions

Provisions are recognised when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(k) Share capital

Ordinary shares are recognised at par value and 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Employment benefits

(i) Retirement benefit obligations

The Group operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance Group. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Group's contributions are charged to the profit and loss account in the year to which they relate.

The Group and all its employees also contribute to the appropriate National Social Security Fund, which is a defined contribution scheme. Contributions are determined by local statute and the Group's contributions are charged to the profit and loss account in the year to which they relate.

(ii) Bonus

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Other entitlements

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

(m) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

(n) Leases

The Group has leased office space and equipment. The contracts are typically made for fixed periods but may have an extension option.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

Initial recognition

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.

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, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

Right-of-use

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.

Payments associated with short-term leases of equipment 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.

Variable lease payments

Variable payment terms are used for a variety of reasons, including minimising the fixed costs bases. Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in several property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group takes into consideration the extension and termination options in determining the right of use asset and lease liability.

(o) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Classification

The Group classifies its financial instruments at amortised cost and fair value through other comprehensive income.

Financial assets classified and measured at amortised cost 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.

All the Group's financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Cash and bank balances with banking institutions, trade and other receivables were classified at amortised cost;
- Unquoted equity investments were classified at fair value through other comprehensive income; and
- Borrowings and trade and other payables were classified at amortised cost.

Initial measurement

On initial recognition:

- Trade and other receivables are measured at their transaction price.
- 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 or at fair value through other comprehensive income according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Impairment of financial assets

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.

Presentation

All financial assets are classified as non-current except 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 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.

Derecognition/write off

Financial assets are derecognized 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 de-recognized 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

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.

(p) 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 is recognised at a point in time and comprises of the following:

1. Sale of residential houses and land - Revenues from the residential houses and land is recognised in the period in which the company has delivered the house/land to the customer, the customer has full discretion over the channel and price to sell the house/land, and there is no unfulfilled obligation that could affect the customers' acceptance of the house/land. Delivery does not occur until the products have been accepted by the customer.
2. Project management fees - 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.

(q) Contract liabilities

The Group collects partial payments from the buyers of the residential units that are currently under construction. The Group also collects partial payments from land sales. The advance deposits are accumulated in the statement of financial position as contract liabilities until the requirements of revenue recognition are met.

(r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Notes (continued)

2 Summary of significant accounting policies (continued)

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) 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.

The Company has applied predecessor accounting for the re-organisation and in the preparation of the consolidated financial statements.

The Company elected to use the retrospective presentation method. In this method, the Company has incorporated the results and balances of the subsidiaries as if the Group was always in existence. The Company has presented the comparative financial information for the year ended 31 March 2020 on this basis.

Notes (continued)

3 Critical accounting estimates and judgements

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates and assumptions

(i) Impairment losses

Critical estimates are made by directors in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward-looking information, and of losses given default.

(ii) Fair valuation of investment properties

Critical estimates are made by the directors in determining the value of investment property. The fair value model has been applied in accounting for investment property. In the year, management engaged the services of an independent valuer to perform a valuation of the investment property. The valuation is based on several assumptions and relies on current sales of comparable properties in areas that may be similar or comparable to the property. The fair value gains have been credited to 'income' in the income statement as disclosed under Note 7.

(b) Critical judgements in applying the entity's accounting policies

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest;
- whether credit risk on financial assets has increased significantly since initial recognition; and
- how to determine the incremental borrowing rate used in the discounting of lease liabilities.

Notes (continued)

4 Financial risk management

Risk management framework

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 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;
- raised awareness of and integrated risk management into its management policies. Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities; and
- established risk management roles and responsibilities for its board of directors, audit risk committee and the risk department.

The 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.

Notes (continued)

4 Financial risk management (continued)

Risk management framework (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange 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 foreign exchange risk arising from various currency exposures. Refer to the table below for the Group's exposure to foreign currency risk based on notional amounts. Foreign exchange 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 2021 and 31 March 2020 were:

	2021	2020
1 US Dollar (USD)	108.4448	102.3041
1 Uganda shilling (UGX)	34.1973	36.2515

Below is a summary of the financial assets and liabilities denominated in foreign currencies at their carrying amounts:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets:				
Cash and equivalents (USD)	101,899	252,728	2,268	307
Financial liabilities:				
Borrowings (USD)	889,334	-	-	-

Notes (continued)

4 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

If all other variables were held constant, at 31 March 2021 and 31 March 2020, 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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
1 US Dollar	45,980	12,636	-	-

(ii) Price risk

The Group does not hold marketable investments that would be subject to price risk.

(iii) Cash flow and 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.

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 2021, Group and Company held deposits of Shs 1,638,808,000 and Shs 8,537,000 respectively (2020: Shs 493,666,000 and Shs 1,011,000 respectively) and the Company had unutilised bank credit facilities of Shs 1,860,957,000 (2020: Nil).

As at 31 March 2021, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Shs14 million (2020: Nil) for Group as a result of exposures to floating rate borrowings.

Notes (continued)

4 Financial risk management (continued)

(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; and
- continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 table below analyses the maximum exposure to credit risk.

Group

At 31 March 2021

	Up to 1 month Shs'000	1 – 3 months Shs'000	4 – 12 months Shs'000	1 – 3 years Shs'000	4 – 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Trade and other payables (Note 22)	-	109,351	866,562	-	-	-	975,913
Lease liabilities (Note 18)	608	1,886	5,111	7,986	25,916	-	41,508
Shareholder loan (Note 28)	-	-	-	-	959,677	5,861,612	6,821,289
Borrowings (Note 24)	-	332,763	364,089	5,554,859	2,476,546	-	8,728,257
	608	444,000	1,235,762	5,562,845	3,462,139	5,861,612	16,566,967

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

At 31 March 2020

	Up to 1 month Shs'000	1 – 3 months Shs'000	4 – 12 months Shs'000	1 – 3 years Shs'000	4 – 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Trade and other payables (Note 22)	-	88,055	561,420	-	-	-	649,475
Lease liabilities (Note 18)	2,364	7,151	28,214	23,273	10,249	-	71,251
Shareholder loan (Note 28)	-	-	-	3,597,044	1,068,984	5,654,131	10,320,159
	2,364	95,206	589,634	3,620,317	1,079,233	5,654,131	11,040,885

Company

At 31 March 2021

	Up to 1 month Shs'000	1 – 3 months Shs'000	4 – 12 months Shs'000	1 – 3 years Shs'000	4 – 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Trade and other payables (Note 22)	-	51,341	462,070	-	-	-	513,411
Lease liabilities (Note 18)	608	1,886	5,111	7,986	25,916	-	41,508
Shareholder loan (Note 28)	-	-	-	-	379,300	-	379,300
Borrowings (Note 24)	-	-	-	2,957,900	-	-	2,957,900
	608	53,227	467,181	2,965,886	405,216	-	3,892,119

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

At 31 March 2020

	Up to 1 month Kshs'000	1 – 3 months Kshs'000	4 – 12 months Kshs'000	1 – 3 years Kshs'000	4 – 5 years Kshs'000	Over 5 years Kshs'000	Total Kshs'000
Trade and other payables (Note 22)	-	-	219,014	-	-	-	219,014
Lease liabilities (Note 18)	579	1,796	4,868	23,273	10,249	-	40,766
Shareholder loan (Note 28)	-	-	-	-	-	502,137	502,137
	579	1,796	223,882	23,273	10,249	502,137	761,917

Notes (continued)

4 Financial risk management (continued)

(c) Credit risk

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.

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 considering the financial position, 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 monthly.

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 this 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

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Notes (continued)

4 Financial risk management (continued)

(c) Credit risk (continued)

Group

	Gross carrying amounts Shs'000	Expected credit losses Shs'000	Net amounts Shs'000
At 31 March 2021			
Cash and bank balances	1,637,944	-	1,637,944
Trade receivables	65,446	-	65,446
Due from related parties	1,433,117	-	1,433,117
Exposure to credit risk	3,136,507	-	3,136,507

At 31 March 2020

Cash and bank balances	493,666	-	493,666
Trade and other receivables	70,121	-	70,121
Due from related parties	39,199	-	39,199
Exposure to credit risk	602,986	-	602,986

Company

	Gross carrying amounts Shs'000	Expected credit losses Shs'000	Net amounts Shs'000
At 31 March 2021			
Cash and bank balances	7,072	-	7,072
Trade receivables	12,041	-	12,041
Due from related parties	698,076	-	698,076
Exposure to credit risk	717,189	-	717,189

	Gross carrying amounts Shs'000	Expected credit losses Shs'000	Net amounts Shs'000
At 31 March 2020			
Cash and bank balances	1,011	-	1,011
Trade receivables	9,113	-	9,113
Due from related parties	88,915	-	88,915
Exposure to credit risk	99,039	-	99,039

Notes (continued)

4 Financial risk management (continued)

(c) Credit risk (continued)

The Group has used the simplified approach for measuring the loss allowance for trade receivables using a lifetime ECL model which is based on provision matrices. The calculated loss allowance was not significant and has not been included in the financial statements.

The loss allowance for cash and bank balances was determined using the 12 months expected credit loss model which is based on external ratings for the financial institutions. The calculated loss allowance was not significant and has not been included in the financial statements.

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:

- financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired.
- financial assets that are credit impaired at the balance sheet date.
- trade 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.

The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

(d) Capital risk 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.

Notes (continued)

4 Financial risk management (continued)

(d) Capital risk management (continued)

The constitution of capital managed by the Group is as shown below:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Share capital	1,934,633	31,300	1,934,633	31,300
Investment and other reserve	971,978	456,920	13,950,824	14,774,694
Retained earnings	13,660,905	14,904,274	(445,152)	(334,200)
Total equity	16,567,516	15,392,494	15,440,305	14,471,794
Shareholder loans (Note 28)	6,821,289	10,320,159	379,300	502,137
Borrowings (Note 24)	6,673,402	-	2,069,028	-
Cash and cash equivalents (Note 21)	(1,637,944)	(493,666)	(7,072)	(1,011)
Net borrowings	11,856,747	9,826,493	2,441,256	501,126
Gearing ratio	71.57%	63.84%	15.81%	3.46%

Loan covenants

Group

Vipingo Development Plc

Under the terms of the borrowing facility, Vipingo Development Plc is required to comply with the following financial covenants:

1. Loan to value ratio;
2. Net asset value (measured at Centum Investment Company Plc level);
3. Leverage ratio (measured at Centum Investment Company Plc level); and
4. Marketable securities cover ratio (measured at Centum Investment Company Plc level)

Vipingo Development Plc was compliant with the debt covenants during the year.

Company

Under the terms of the corporate bond, the company was compliant with the requirements of the facility.

Notes (continued)

4 Financial risk management (continued)

(e) 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 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Group

At 31 March 2021	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Non-financial assets				
Investment properties	-	-	28,481,271	28,481,271
Financial assets				
Unquoted equity investments	-	-	98,042	98,042
At 31 March 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Non-financial assets				
Investment properties	-	-	28,974,815	28,974,815
Financial assets				
Unquoted equity investments	-	-	116,975	116,975

There were no transfers into or out of level 3 in 2021 (2020: Nil). Movements of financial and non-financial assets classified under level 3 are disclosed under Note 17 and Note 13 respectively.

Notes (continued)

5 Segment information

IFRS 8 requires operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group determines its reportable segments having regard to permitted aggregation criteria with the principal condition being that the operating segments should have similar economic characteristics.

The Group is predominantly engaged in residential led, mixed use property development, comprising residential revenue and revenue from land sales.

For the purposes of determining its operating segments, the chief operating decision maker has been identified as the Executive Committee of the Board. This Committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

The Group has determined that its operating segments are the management teams that report into the Executive Committee of the Board. These management teams are all engaged in residential-led, mixed use developments in Kenya and Uganda. Having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

For the purpose of monitoring segment performance and allocating resources between segments, all assets are considered to be attributable to residential-led mixed use property development.

Notes (continued)

6 Revenue

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from sale of residential house units	459,744	-	-	-
Sales commissions	(1,950)	-	-	-
Net revenue	457,794	-	-	-
Others:				
Project and development management fees	67,023	14,091	96,956	34,350
Interest income	26,519	1,202	-	-
Other income	8,900	5,930	-	1,724
	102,442	21,223	96,956	36,074

Details of liabilities related to contracts with customers are disclosed in note 23. There are no assets arising from contracts with customers

7 Fair value gains on investment properties

Unrealised gains on investment property	1,638,662	3,921,836	-	-
Loss on disposal of investment property	(237,906)	-	-	-
	1,400,756	3,921,836	-	-

8 Operating and administrative expenses

The following items have been charged in arriving at the operating profit/(loss) before income tax expense:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Employee benefits expense (Note 9)	131,793	147,447	217,136	230,052
Directors' fees and expenses	15,363	6,475	3,216	-
Auditor's remuneration	6,216	4,738	1,835	1,187
Office rent and service charge	6,891	7,645	1,777	3,412
Depreciation and amortisation	12,029	5,355	5,812	2,811
Depreciation on right of use assets	25,820	32,365	5,337	5,155
Business development costs	-	662	-	-
Advertising and marketing costs	43,651	126,163	2,064	-
Consultancy and legal fees	60,120	62,439	10,592	2,167
Management fees	-	7,307	-	3,665
Donations	5,981	15,100	-	-
Other costs	93,103	80,996	18,399	13,934
	400,967	496,692	266,168	262,383

Notes (continued)

9 Employee benefits expense

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries	88,206	88,075	187,007	177,812
Performance bonus	13,656	30,895	13,656	30,895
Accrued leave	5,227	8,162	956	6,815
	<u>107,089</u>	<u>127,132</u>	<u>201,619</u>	<u>215,522</u>
Staff medical expenses	16,353	12,016	9,505	7,407
Other staff costs	8,351	8,299	6,012	7,123
	<u>131,793</u>	<u>147,447</u>	<u>217,136</u>	<u>230,052</u>
Average number of staff	62	62	38	37

10 Finance costs

Interest on shareholder loans	551,241	486,236	9,995	-
Interest on bank borrowings	348,708	-	-	-
Foreign exchange losses	28,607	8	-	-
Amortised borrowing costs	19,799	-	-	-
Interest on lease liabilities	5,488	9,720	3,603	3,689
	<u>953,843</u>	<u>495,964</u>	<u>13,598</u>	<u>3,689</u>

11 Income tax expense

Current income tax	248,709	6,217	-	-
Deferred income tax (Note 12)	(626,307)	647,333	(62,298)	(65,639)
	<u>(377,598)</u>	<u>653,550</u>	<u>(62,298)</u>	<u>(65,639)</u>

Notes (continued)

11 Income tax expense (continued)

Tax rate reconciliation

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
(Loss)/profit before tax	272,806	2,950,403	(169,154)	(229,998)
Tax at the applicable rate of 30% (2020: 30%)	81,842	885,121	(54,843)	(68,999)
Tax effect of:				
Income subject to capital gains tax rate	-	(303,038)	-	-
Expenses not deducted for tax	42,447	27,779	6,251	3,360
Deferred tax assets not recognised	(318,510)	49,304	-	-
Adjustment in respect of prior periods	(183,377)	(5,616)	(13,706)	-
	<u>(377,598)</u>	<u>653,550</u>	<u>(62,298)</u>	<u>(65,640)</u>
Current income tax (recoverable)/payable				
At start of year	(74,132)	(73,947)	(77,640)	(72,085)
Charge for the year	248,709	6,216	-	-
Payments during the year	(9,877)	(6,751)	(5,552)	(5,555)
Over-provision in prior years	-	349	-	-
	<u>164,700</u>	<u>(74,133)</u>	<u>(83,192)</u>	<u>(77,640)</u>
Analysed as:				
Current income tax recoverable	(84,500)	(79,351)	(83,192)	(77,640)
Current income tax payable	<u>249,200</u>	<u>5,218</u>	<u>-</u>	<u>-</u>
	<u>164,700</u>	<u>(74,133)</u>	<u>(83,192)</u>	<u>(77,640)</u>

During the year, the Government of Kenya as part of the Covid 19 economic incentives reduced the income tax rate to 25% from 30% for the year 2020. This rate was applicable for purposes of this financial statements from April 2020 to December 2020. The rate reverted to 30% for the last quarter of the financial year ending on 31 March 2021. The income tax expense for the year ending 31 March 2021 has been calculated using both rates for the applicable periods when they were effective.

Notes (continued)

12 Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%) and 5% (2020: 5%) for capital gains. The movement on the deferred income tax account is as follows:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	5,315,441	4,662,301	609,214	562,271
Charge to profit or loss (Note 11)	(626,307)	647,333	(62,298)	(65,639)
Charge to other comprehensive income	(946)	5,807	56,814	112,582
At end of year	4,688,188	5,315,441	603,730	609,214
Deferred income tax assets and liabilities are analysed as follows:				
Deferred income tax assets	-	-	-	-
Deferred income tax liabilities	4,688,188	5,315,441	603,730	609,214
	4,688,188	5,315,441	603,730	609,214

Deferred income tax assets and liabilities and deferred income tax charge in the income statement are attributable to the following items:

Group

Year ended 31 March 2021

	At 1 April 2020	(Charged)/ credited to profit & loss	(Charged)/ credited to other comprehensive income	At 31 March 2021
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment	(1,596)	7,959	-	6,363
Tax losses carried forward	(711,919)	(280,384)	-	(992,303)
Other deductible differences	(21,677)	(24,015)	-	(45,692)
Unrecognised deferred tax assets	15,804	(15,804)	-	-
Investment property	6,028,980	(314,063)	-	5,714,917
Unquoted equity investments	5,849	-	(946)	4,903
	5,315,441	(626,307)	(946)	4,688,188

Notes (continued)

12 Deferred tax (continued)

Group (continued)

Year ended 31 March 2020

	At 1 April 2019 Shs'000	(Charged)/ credited to profit & loss Shs'000	(Charged)/ credited to other comprehensive income Shs'000	At 31 March 2020 Shs'000
Property, plant and equipment	399	(1,995)	-	(1,596)
Tax losses carried forward	(283,079)	(428,840)	-	(711,919)
Other deductible differences	(17,676)	(4,001)	-	(21,677)
Unrecognised deferred tax assets	732	15,072	-	15,804
Investment property	4,961,883	1,067,097	-	6,028,980
Unquoted equity investments	42	-	5,807	5,849
	4,662,301	647,333	5,807	5,315,441

Company

Year ended 31 March 2021

	At 1 April 2020 Shs'000	(Charged)/ credited to profit & loss Shs'000	(Charged)/ credited to other comprehensive income Shs'000	At 31 March 2021 Shs'000
Property, plant and equipment	(3,127)	73	-	(3,054)
Tax losses carried forward	(141,987)	(52,020)	-	(194,007)
Fair value gains on investments in subsidiaries	777,616	-	56,814	834,430
Other deductible differences	(23,288)	(10,351)	-	(33,639)
	609,214	(62,298)	56,814	603,730

Year ended 31 March 2020

	At 1 April 2019 Shs'000	(Charged)/ credited to profit & loss Shs'000	(Charged)/ credited to other comprehensive income Shs'000	At 31 March 2020 Shs'000
Property, plant and equipment	(111)	(3,016)	-	(3,127)
Tax losses carried forward	(87,064)	(54,923)	-	(141,987)
Fair value gains on investments in subsidiaries	665,033	-	112,583	777,616
Other deductible differences	(15,588)	(7,700)	-	(23,288)
	562,270	(65,639)	112,583	609,214

Notes (continued)

13 Investment properties

	Group	
	2021	2020
	Shs'000	Shs'000
At start of year	28,974,815	25,057,064
Additions	62,570	24,125
Transfers to inventory	(256,633)	(183,459)
Transfers to property and equipment	(7,877)	(7,560)
Change in fair value in the year	1,638,662	3,921,836
Disposals	(2,704,208)	-
Currency translation differences	773,942	162,809
	28,481,271	28,974,815

Valuers

The fair value model has been applied for the investment property. The Group commissioned an independent qualified valuer, Regent Valuers International (K) Limited, to determine the fair value of the investment properties as at 31 March 2021 based on open market value. The open market value of the properties was determined using recent market prices of comparable properties. The valuer is a registered valuer and has recent experience in the location and the category of the investment property being valued.

Transfers to inventory and property and equipment

These relate to transfers of investment property in Vipingo Development Limited, Pearl Marina Estates Limited and Uhuru Heights Limited to inventory and property and equipment following a change of use of those investment properties.

Pledge as security for borrowings

Investment property valued at Shs 18,450,000,000 (2020: Shs 19,649,000,000) has been pledged as security for borrowings obtained by the Group.

Notes (continued)

14 Investment in subsidiary

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

Year ended 31 March 2021

	Stake	Cost		Cumulative fair value gains			Fair value	
		31 Mar 20 Shs'000	Additions Shs'000	31 Mar 21 Shs'000	In the year Shs'000	31 Mar 21 Shs'000	31 Mar 21 Shs'000	30 Mar 20 Shs'000
Uhuru Heights Limited	100%	100	-	100	(26,584)	100,360	100,460	127,044
Centum Development Company Limited	100%	109	-	109	317,527	3,281,024	3,281,133	2,963,606
Vipingo Development Plc	100%	6,750	-	6,750	845,334	13,300,145	13,306,895	12,461,561
Centum Development Kenya Limited	100%	100	-	100	-	-	100	100
		7,059	-	7,059	1,136,277	16,681,529	16,688,588	15,552,311

Year ended 31 March 2020

	Stake	Cost		Cumulative fair value gains			Fair value	
		31 Mar 19 Shs'000	Additions Shs'000	31 Mar 20 Shs'000	In the year Shs'000	31 Mar 20 Shs'000	31 Mar 20 Shs'000	30 Mar 19 Shs'000
Uhuru Heights Limited	100%	100	-	100	(111,390)	126,944	127,044	238,434
Centum Development Company Limited	100%	109	-	109	(408,807)	2,963,497	2,963,606	3,372,413
Vipingo Development Plc	100%	6,750	-	6,750	2,764,783	12,454,811	12,461,561	9,696,778
Centum Development Kenya Limited	100%	-	100	100	-	-	100	-
		6,958	100	7,059	2,244,586	15,545,252	15,552,311	13,307,625

Notes (continued)

15 Property, plant and equipment

Group

	Land and buildings Shs'000	Furniture & fittings Shs'000	Equipment Shs'000	Work in progress Shs'000	Motor vehicles Shs'000	Computer equipment Shs'000	Total Shs'000
At 1 April 2020							
Cost	-	20,699	5,991	340,664	4,647	7,047	379,048
Accumulated depreciation	-	(2,596)	(915)	-	(1,011)	(3,422)	(7,944)
Net book amount	-	18,103	5,076	340,664	3,636	3,625	371,104
Year ended 31 March 2021							
Opening net book amount	-	18,103	5,076	340,664	3,636	3,625	371,104
Additions	12,716	5,865	15,250	146,643	-	2,269	182,743
Transfers	-	37,071	(2,745)	(37,071)	-	-	(2,745)
Disposals	-	(5,811)	-	-	-	-	(5,811)
Depreciation released on disposal	-	406	-	-	-	-	406
Depreciation charge for the year	(163)	(6,388)	(2,182)	-	(926)	(2,108)	(11,767)
Closing net book amount	12,553	49,244	15,400	450,236	2,710	3,786	533,930
At 31 March 2021							
Cost	12,716	57,824	18,496	450,236	4,647	9,316	553,235
Accumulated depreciation	(163)	(8,578)	(3,097)	-	(1,937)	(5,530)	(19,305)
Net book amount	12,553	49,246	15,399	450,236	2,710	3,786	533,930

*Work in progress relate to costs incurred in the construction and set up of a water desalination plant in Vipingo Development Plc.

Notes (continued)

15 Property, plant and equipment (continued)

Group (continued)

	Furniture & fittings Shs'000	Equipment Shs'000	Work in progress Shs'000	Motor vehicles Shs'000	Computer equipment Shs'000	Total Shs'000
At 1 April 2019						
Cost	28,695	5,004	14,850	6,793	4,268	59,610
Accumulated depreciation	(6,261)	(319)	-	(4,458)	(1,853)	(12,891)
Net book amount	22,434	4,685	14,850	2,335	2,415	46,719
Year ended 31 March 2020						
Opening net book amount	22,434	4,685	14,850	2,335	2,415	46,719
Additions	6,883	987	327,538	2,000	2,779	340,187
Transfers	1,724	-	(1,724)	-	-	-
Disposals	(16,603)	-	-	(4,146)	-	(20,749)
Depreciation released on disposal	5,985	-	-	4,146	-	10,131
Depreciation charge for the year	(2,320)	(596)	-	(699)	(1,569)	(5,184)
Closing net book amount	18,103	5,076	340,664	3,636	3,625	371,104
At 31 March 2020						
Cost	20,699	5,991	340,664	4,647	7,047	379,048
Accumulated depreciation	(2,596)	(915)	-	(1,011)	(3,422)	(7,944)
Net book amount	18,103	5,076	340,664	3,636	3,625	371,104

Notes (continued)

15 Property, plant and equipment (continued)

Company

	Furniture & fittings Shs'000	Work in progress Shs'000	Computer equipment Shs'000	Total Shs'000	
At 1 April 2020					
Cost	4,843	37,071	5,275	47,189	
Accumulated depreciation	(1,339)	-	(3,054)	(4,393)	
Net book amount	3,504	37,071	2,221	42,796	
Year ended 31 March 2021					
Opening net book amount	3,504	37,071	2,241	42,796	
Additions	2,187	-	1,205	3,392	
Transfers	37,071	(37,071)	-	-	
Depreciation charge for the year	(4,408)	-	(1,392)	(5,800)	
Closing net book amount	38,354	-	2,034	40,388	
At 31 March 2021					
Cost	44,101	-	6,480	50,581	
Accumulated depreciation	(5,747)	-	(4,446)	(10,193)	
Net book amount	38,354	-	2,034	40,388	
	Motor vehicles Shs'000	Furniture & fittings Shs'000	Work in progress Shs'000	Computer equipment Shs'000	Total Shs'000
At 1 April 2019					
Cost	4,146	18,170	14,851	3,373	40,540
Accumulated depreciation	(3,951)	(6,052)	-	(1,763)	(11,766)
Net book amount	195	12,118	14,851	1,610	28,774
Year ended 31 March 2020					
Opening net book amount	195	12,118	14,851	1,610	28,774
Additions	-	1,246	23,944	1,902	27,092
Transfers	-	1,724	(1,724)	-	-
Disposals	(4,146)	(16,297)	-	-	(20,443)
Depreciation released on disposal	4,146	5,985	-	-	10,131
Depreciation charge for the year	(195)	(1,272)	-	(1,291)	(2,758)
Closing net book amount	-	3,504	37,071	2,221	42,796
At 31 March 2020					
Cost	-	4,843	37,071	5,275	47,189
Accumulated depreciation	-	(1,339)	-	(3,054)	(4,393)
Net book amount	-	3,504	37,071	2,221	42,796

Notes (continued)

16 Intangible assets

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year				
Cost	11,071	7,423	7,173	7,173
Accumulated amortisation	(7,449)	(7,353)	(7,160)	(7,108)
Net book amount	3,622	70	13	65
Year ended 31 March:				
Opening net book amount	3,622	70	13	65
Additions	-	3,648	-	-
Amortisation charge for the year	(409)	(96)	(13)	(52)
Closing net book amount	3,213	3,622	-	13
At end of year				
Cost	11,071	11,071	7,173	7,173
Accumulated amortisation	(7,858)	(7,449)	(7,173)	(7,160)
Net book amount	3,213	3,622	-	13

17 Unquoted equity investments

	Group	
	2021	2020
	Shs'000	Shs'000
At start of year	116,975	172,620
Change in fair value in the year	(18,933)	(55,645)
At end of year	98,042	116,975

The Group's unquoted investments relate to an equity investment in Two Rivers Development Limited (TRDL), a fellow subsidiary of Centum Investment Company Plc. The carrying amount of the unquoted equity investments is determined in reference to TRDL's net asset value (NAV). TRDL's main assets are investment properties which are fair valued based on market approach which considers comparable recent transactions of similar properties. The NAV is therefore deemed to be reflective of fair value.

Notes (continued)

18 Leases

i) Amounts recognised in the statement of financial position

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Right of use assets:				
Buildings	23,252	28,589	23,252	28,589
Vehicles	-	20,482	-	-
	<u>23,252</u>	<u>49,071</u>	<u>23,252</u>	<u>28,589</u>
Lease liabilities:				
Current	5,337	27,725	5,337	7,243
Non-current	<u>20,389</u>	<u>30,242</u>	<u>20,389</u>	<u>22,123</u>
	<u>25,726</u>	<u>57,967</u>	<u>25,726</u>	<u>29,366</u>

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

At start of year	49,072	-	28,589	-
Additions	-	81,537	-	33,744
Amortisation	<u>(25,820)</u>	<u>(32,465)</u>	<u>(5,337)</u>	<u>(5,155)</u>
At end of year	<u>23,252</u>	<u>49,072</u>	<u>23,252</u>	<u>28,589</u>

The movement in lease liabilities is broken down below:

At start of year	57,967	-	29,366	-
Additions	-	92,034	-	33,744
Interest expense	5,488	9,722	3,603	3,691
Lease payments	<u>(37,729)</u>	<u>(43,789)</u>	<u>(7,244)</u>	<u>(8,069)</u>
At end of year	<u>25,726</u>	<u>57,967</u>	<u>25,725</u>	<u>29,366</u>

ii) Amounts recognised in the statement of profit or loss and other comprehensive income

Depreciation charge on right of use assets

Buildings	5,337	5,155	5,337	5,155
Vehicles	<u>20,483</u>	<u>27,310</u>	<u>-</u>	<u>-</u>
	<u>25,820</u>	<u>32,465</u>	<u>5,337</u>	<u>5,155</u>
Interest expense (included in finance costs)	<u>5,488</u>	<u>9,722</u>	<u>3,603</u>	<u>3,691</u>

Notes (continued)

19 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	65,446	70,121	12,041	9,113
VAT recoverable	38,214	226,045	2,123	9,384
Other receivables and prepayments	77,533	79,725	11,474	21,753
Sales commissions on sale of houses	30,895	17,511	3,738	-
Advance payments to contractors	469,023	303,652	87,929	-
Due from related parties (Note 28)	<u>1,433,117</u>	<u>39,199</u>	<u>698,076</u>	<u>88,915</u>
	<u>2,114,228</u>	<u>736,253</u>	<u>815,381</u>	<u>129,165</u>

Sales commissions on sale of houses relate to amounts payable to sales agents on signing of sales contracts with customers for residential units. The costs are recognised in the income statement on completion of the sale i.e. on recognition of the revenue from the respective unit(s) sold. Costs

20 Inventories

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	3,281,415	630,438	-	-
Additions	3,171,936	2,116,571	873,940	-
Capitalised borrowing costs	143,057	-	45,696	-
Expensed to cost of sales	(333,376)	-	-	-
Transfer from investment property	256,633	838,000	-	-
Transfer to property and equipment	-	(303,594)	-	-
Transfers due to change in developers*	-	-	747,438	-
Translation differences	<u>86,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,606,044</u>	<u>3,281,415</u>	<u>1,667,074</u>	<u>-</u>

*During the year, the developer of the Riverbank Apartments changed from Centum Development Kenya Limited to Centum Real Estate Limited.

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Analysed as below:				
- Completed units	874,434	-	-	-
- Units still under construction	<u>5,731,610</u>	<u>3,281,415</u>	<u>1,667,074</u>	<u>-</u>
	<u>6,606,044</u>	<u>3,281,415</u>	<u>1,667,074</u>	<u>-</u>

Notes (continued)

21 Cash and bank balances

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Call deposits (maturing within 90 days)	-	150,000	-	-
Bank balances	856,380	343,666	7,072	1,011
Debt service reserve accounts	781,564	-	-	-
	<u>1,637,944</u>	<u>493,666</u>	<u>7,072</u>	<u>1,011</u>

For the purpose of the statement of cash flows, cash and cash equivalent comprise the following:

Bank balances	856,380	493,666	7,072	1,011
Restricted cash balances	781,564	-	-	-
	<u>1,637,944</u>	<u>493,666</u>	<u>7,072</u>	<u>1,011</u>

The restricted cash balances relate to funds set aside for debt service of the Group's debt obligations.

22 Trade and other payables

Trade payables	39,314	57,940	30,998	15,428
Contractor liabilities	640,229	317,777	262,106	-
Other payables and accrued expenses	180,008	157,759	124,222	104,948
Due to related parties (Note 28)	116,362	116,000	96,085	98,638
	<u>975,913</u>	<u>649,476</u>	<u>513,411</u>	<u>219,014</u>

Notes (continued)

23 Contract liabilities

Contract liabilities relate to advance deposits from customers for purchase of land and housing units in the ongoing development projects. These contract liabilities can only become income when the Company meets its performance obligations.

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits on residential units	3,390,828	2,046,451	303,007	-
Deposits on land sales	199,922	319,066	-	-
	<u>3,590,750</u>	<u>2,365,517</u>	<u>303,007</u>	<u>-</u>
<i>Residential units</i>				
At start of year	2,046,452	518,897	-	-
Received in the year	1,804,121	1,527,555	120,435	-
Transfer due to change of developers	-	-	182,572	-
Recognised as revenue in the year	<u>(459,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>3,390,829</u>	<u>2,046,452</u>	<u>303,007</u>	<u>-</u>
<i>Land sales</i>				
At start of year	319,066	-	-	-
Received in the year	2,347,157	319,066	-	-
Recognised as revenue in the year	<u>(2,466,301)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>199,922</u>	<u>319,066</u>	<u>-</u>	<u>-</u>

The deposits are non-interest bearing and are only refundable in accordance with the provisions of the respective sales agreements.

Notes (continued)

24 Borrowings

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Bank borrowings	4,604,374	-	-	-
Corporate bond	2,069,028	-	2,069,028	-
	<u>6,673,402</u>	<u>-</u>	<u>2,069,028</u>	<u>-</u>

The classification of the Group's borrowings is as follows:

Current	211,400	-	-	-
Non-current	<u>6,462,002</u>	<u>-</u>	<u>2,069,028</u>	<u>-</u>
	<u>6,673,402</u>	<u>-</u>	<u>2,069,028</u>	<u>-</u>

The carrying amount of the Group's borrowings are denominated in the following currencies:

Kenya Shilling	5,784,068	-	2,069,028	-
United States Dollar	<u>889,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,673,402</u>	<u>-</u>	<u>2,069,028</u>	<u>-</u>

The Group has the following undrawn committed facilities:

Cooperative Bank of Kenya Limited	<u>1,860,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
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a) Bank Borrowings

Standard Bank of South Africa	4,465,331	-	-	-
Cooperative Bank of Kenya Limited	<u>139,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,604,374</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in bank borrowings was as follows

At start of year	-	-	-	-
Net proceeds received during the year	4,856,160	-	-	-
Accrued interest	45,014	-	-	-
Foreign exchange losses	28,607	-	-	-
Repayments during the year	<u>(325,407)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,604,374</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

24 Borrowings (continued)

Standard Bank of South Africa

Standard Bank of South Africa advanced a USD 45 million facility to Vipingo Development Plc. The facility is split into two components: USD 9 million and Shs equivalent of USD 36 million. The USD component is priced at 3 months Libor plus 5.75% per annum while the Shs component is priced at Central Bank Rate plus 4% per annum. The effective interest rates were 12.72% and 5.97% on the Shs and USD facilities respectively. The facility is secured by a charge over Vipingo's land and is guaranteed by Centum Investment Company Plc. The facility has a tenor of 48 months from June 2020.

Cooperative Bank of Kenya Limited

Cooperative Bank of Kenya approved a Shs 2 billion project finance facility during the year. The facility is earmarked for the completion of the Cascadia Apartments being developed by Uhuru Heights Limited. The facility has a tenor 36 months and is priced at the Central Bank Rate (CBR) plus 4% (effective interest rate, 13%). At 31 March 2021, Shs 137,173,000 had been utilised towards the project.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD Libor has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition the existing contracts and agreements that reference the USD Libor to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

b) Corporate bond

	Group and Company	
	2021	2020
	Shs'000	Shs'000
At start of year	-	-
Net received during the year	1,992,433	-
Net accrued interest	76,595	-
At end of year	2,069,028	-

On 16 December 2020, Centum Real Estate Limited issued a 3-year Zero Coupon Bond of Shs 2,957,900,000. This represented 75% of the target bond of Shs 4,000,000,000. The bond comprises of fixed rate notes of Shs 2,603,300,000 at an interest rate of 12.5% and equity linked notes of Shs 354,600,000 at an interest rate of 12%. The investors in the equity linked notes will be paid an additional 2% increasing the total return to 14% if Centum Real Estate Limited achieves a 20% internal rate of return on at least two of its projects funded using the bond proceeds.

Notes (continued)

24 Borrowings (continued)

The bond is secured by a floating charge over the projects funded by the bond and a fixed charge over a sinking fund set up for the purposes of funding the redemption of the bond upon maturity.

The carrying amounts of the borrowings approximate to their fair value, since the interest rates on the borrowings represent the current market rates.

c) Net debt reconciliation

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and cash equivalent	1,637,944	493,666	7,072	1,011
Lease liabilities	(25,726)	(57,967)	(25,726)	(29,366)
Borrowings-repayable within one year	(211,400)	-	-	-
Borrowings-repayable after one year	(6,462,002)	-	(2,069,028)	-
Net debt	(5,061,184)	435,699	(2,087,682)	(28,355)

Group	Cash and cash equivalent	Lease liabilities	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Net debt at 1 April 2020	493,666	(57,967)	-	-	435,699
Cash flows	1,144,278	32,241	(211,400)	(6,311,786)	(5,346,667)
Currency translation differences	-	-	-	(28,607)	(28,607)
Other non-cash movements	-	-	-	(121,609)	(121,609)
Net debt at 31 March 2021	1,637,944	(25,726)	(211,400)	(6,462,002)	(5,061,184)

Company	Cash and cash equivalent	Lease liabilities	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Net debt at 1 April 2020	1,011	(29,366)	-	-	(28,355)
Cash flows	6,061	3,640	-	(1,992,433)	(1,982,732)
Other non-cash movements	-	-	-	(76,595)	(76,595)
Net debt at 31 March 2020	7,072	(25,726)	-	(2,069,028)	(2,087,682)

Notes (continued)

25 Ordinary share capital

	Number of shares	Ordinary shares Ksh'000
At 1 April 2018, 31 March 2019 and 31 March 2020	1,565,000	31,300
Issue of shares	<u>95,166,640</u>	<u>1,903,333</u>
At 31 March 2021	<u>96,731,640</u>	<u>1,934,633</u>

During the year, Centum Investment Company Plc reorganised its real estate holdings under Centum Real Estate Limited. As part of the reorganisation, Centum Real Estate Limited issued 95,166,640 shares to Centum Investments Company Plc as consideration for the transfer of ownership of the shares in Uhuru Heights Limited and Centum Development Company Limited (Mauritius).

The authorised and issued share capital of Centum Real Estate Limited is 96,731,640 (2020: 1,565,000).

26 Other reserves

	Investment fair value reserve Shs'000	Group Other reserves Shs'000	Total other reserves Shs'000	Company Investment revaluation reserve Shs'000
Year ended 31 March 2020				
At 31 March 2019	-	790	790	12,642,690
Change in fair value of investments in subsidiaries	-	-	-	2,244,586
Change in fair value of unquoted investments	(55,645)	-	(55,645)	-
Currency translation differences	-	517,582	517,582	-
Deferred income tax thereon	<u>(5,807)</u>	<u>-</u>	<u>(5,807)</u>	<u>(112,582)</u>
At 31 March 2020	<u>(61,452)</u>	<u>518,372</u>	<u>456,920</u>	<u>14,774,694</u>
Year ended 31 March 2021				
At 1 April 2020	(61,452)	518,372	456,920	14,774,694
Change in fair value of subsidiaries	-	-	-	1,136,277
Transfers to share capital	-	-	-	(1,903,333)
Change in fair value of unquoted investments	(18,933)	-	(18,933)	-
Currency translation differences	-	533,045	533,045	-
Deferred income tax thereon	<u>946</u>	<u>-</u>	<u>946</u>	<u>(56,814)</u>
At 31 March 2021	<u>(79,439)</u>	<u>1,051,417</u>	<u>971,978</u>	<u>13,950,824</u>

Notes (continued)

26 Other reserves (continued)

Investment fair value reserve

The investment fair value reserve arises on the revaluation at fair value through other comprehensive income financial assets and are distributable upon realisation. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, which is effectively realised, is reduced from the investment revaluation reserve and is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in retained earnings.

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of foreign operations and are distributable upon realisation.

27 Cash generated from operations

	Notes	Group		Company	
		2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
(Loss)/profit before income tax		272,806	2,950,403	(182,810)	(229,998)
Adjustments for:					
Finance costs	10	953,843	495,964	13,598	3,689
Depreciation on equipment	8	12,029	5,184	5,812	2,811
Depreciation on right-of-use assets	8	25,820	32,365	5,338	5,155
Gain on disposal of property and equipment		-	(1,724)	-	(1,724)
Loss on disposal of investment property	7	237,906	-	-	-
Change in fair value of investment properties	13	(1,638,662)	(3,921,836)	-	-
Changes in working capital:					
- Receivables and prepayments		(220,112)	(267,660)	(686,216)	50,773
- Payables and accrued expenses		326,438	1,217,777	294,397	194,578
- Advance deposits from customers		1,225,233	1,527,555	120,435	-
- Inventories		(3,324,629)	(2,650,977)	(1,417,901)	-
		(2,129,328)	(612,950)	(1,847,347)	25,284

28 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 carried out at commercial terms and conditions.

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 by virtue of common directorships.

The following transactions were carried out with related parties:

Notes (continued)

28 Related party transactions (continued)

i) Purchase of goods and services	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Office rent paid to a related party	5,381	7,101	5,381	7,101

ii) 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	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Salaries	68,029	71,394	27,200	30,800
Retirement benefit scheme contribution	5,886	5,095	2,559	1,802
	73,915	76,489	29,759	32,602

iii) Directors remuneration

Fees and expenses for services as a non-executive director	15,363	6,475	3,216	-
Other included in key management compensation above	-	-	-	-
	15,363	6,475	3,216	-

iv) Due from related parties

Centum Investment Company Plc	1,157,863	-	-	-
Two Rivers Development Limited	231,072	637	194,184	9
Two Rivers Lifestyle Centre Limited	20,869	21,907	20,869	21,279
Nabo Capital Limited	1,198	1,198	1,198	1,198
Pearl Marina Estates Limited	-	-	43,845	39,310
Uhuru Heights Limited	-	-	106,673	-
Centum Development Kenya Limited	-	-	298,305	5,837
Vipingo Development Plc	-	-	11,894	6,831
Centum Business Solutions Limited	1,006	1,006	-	-
Two Rivers Property Owners Limited	-	5,837	-	5,837
Greenblade Growers Limited	731	731	731	731
Tier data Limited	19,337	6,842	19,336	6,842
Tribus (TSG) Limited	1,041	1,041	1,041	1,041
	1,433,117	39,199	698,076	88,915

Notes (continued)

28 Related party transactions (continued)

v) Due to related parties	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Centum Business Solutions Limited	114,718	113,937	96,085	96,342
Centum Exotics Limited	1,391	1,330	-	-
Investpool Holdings Limited	230	730	-	-
Two Rivers Lifestyle Centre Limited	23	-	-	-
Uhuru Heights Limited	-	-	-	2,293
Two Rivers Power Company Limited	-	3	-	3
	<u>116,362</u>	<u>116,000</u>	<u>96,085</u>	<u>96,638</u>

vi) Shareholder loans

The shareholder loans relate to advances by Centum Investment Company Plc to the various subsidiaries.

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	10,320,159	8,899,551	502,137	502,137
Advances during the year	-	956,596	-	-
Repayments during the year	(3,990,330)	-	(122,837)	-
Accrued interest	<u>491,460</u>	<u>464,012</u>	<u>-</u>	<u>-</u>
	<u>6,821,289</u>	<u>10,320,159</u>	<u>379,300</u>	<u>502,137</u>

The shareholder loans are not repayable within 12 months in line with the loan agreements and are non-interest bearing except for the loans advanced to Centum Development Company Limited. In 2016, Centum Investment Company Plc entered into an agreement with Centum Development Company Limited for an unsecured loan in the maximum aggregate of Shs 10,000,000,000 which attracts interest at a rate of 14% (2020:14%) per annum and has no fixed terms of repayment.

