

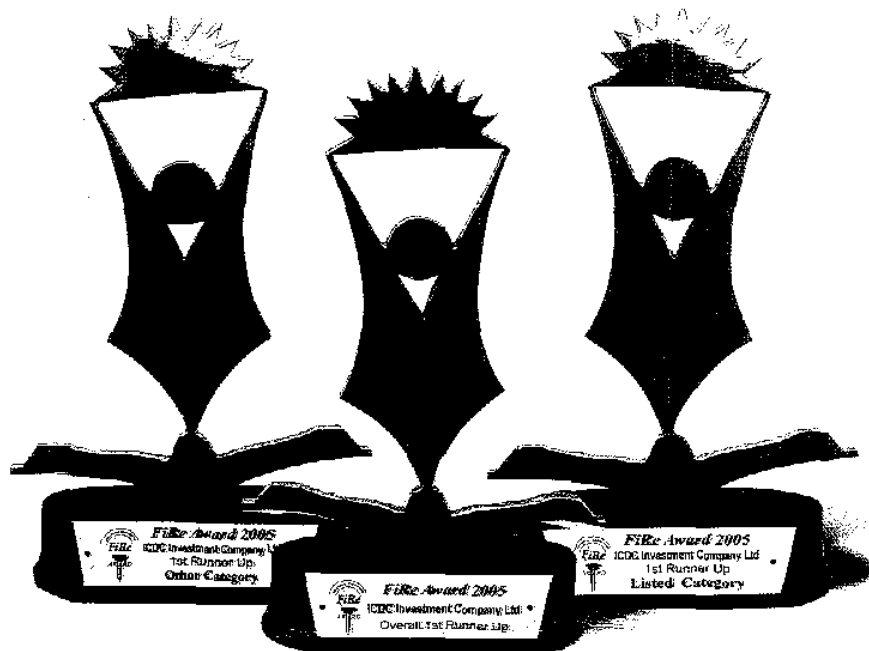
ICDC
Investment
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Limited



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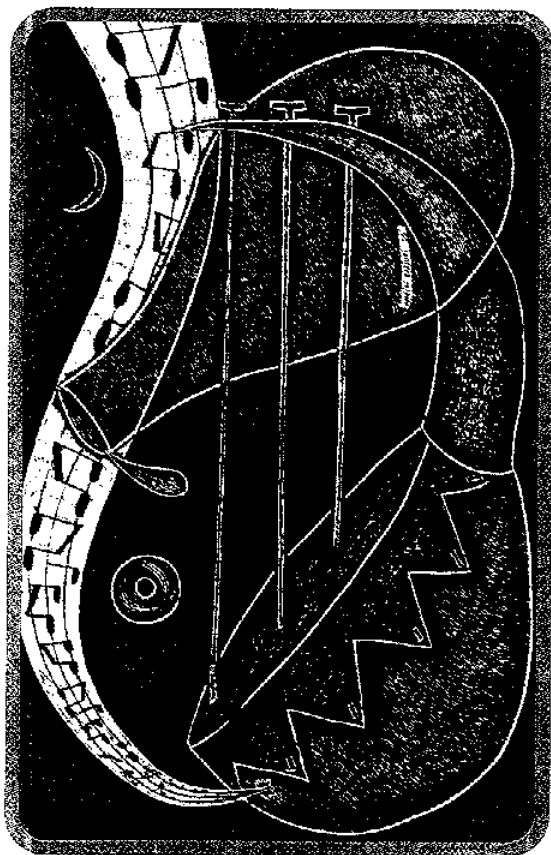
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1st Runner Up - Other Category***

Title: 'zaxphone'
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Artist: KAHIGA James



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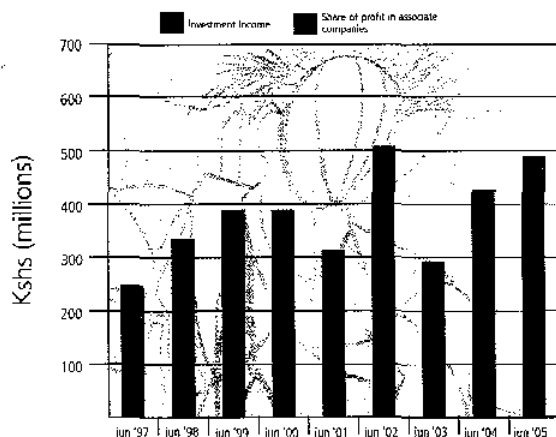


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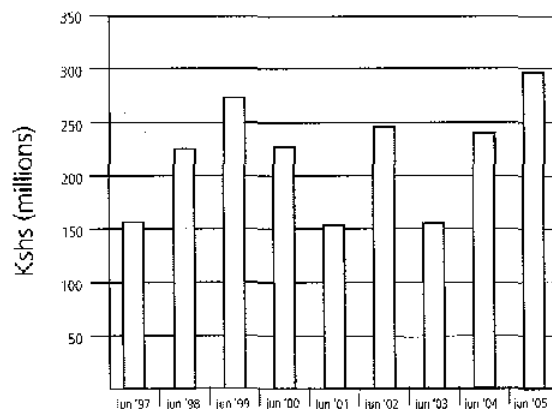
ICDC Investment Company Limited -- periodicals
2. Mutual funds -- Kenya -- periodicals

financial highlights

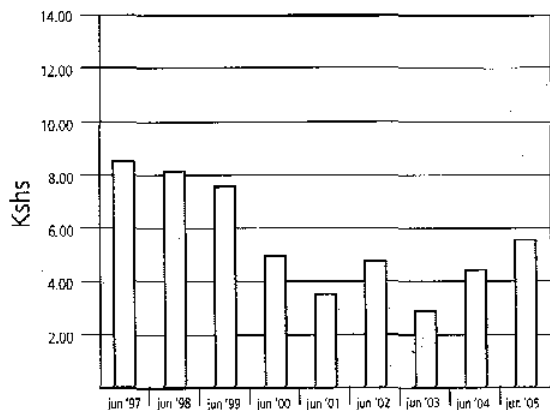
Group Income



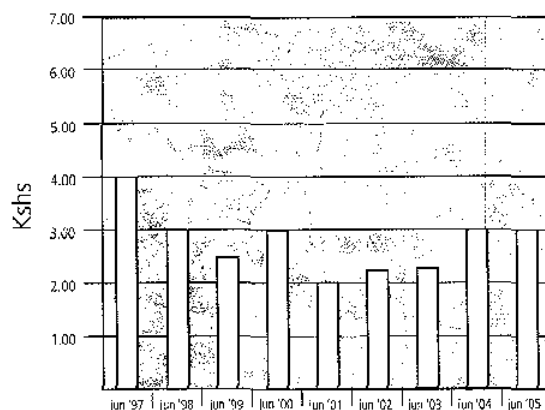
Profit After Tax



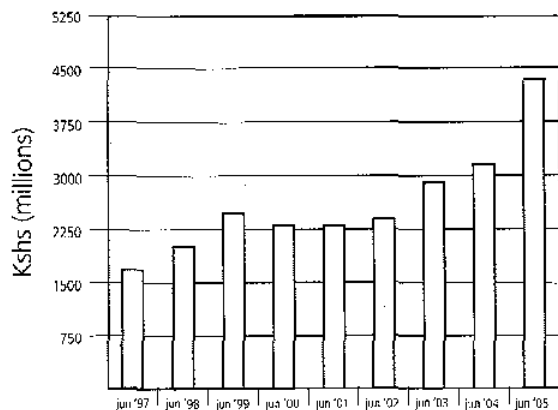
Earnings per Share



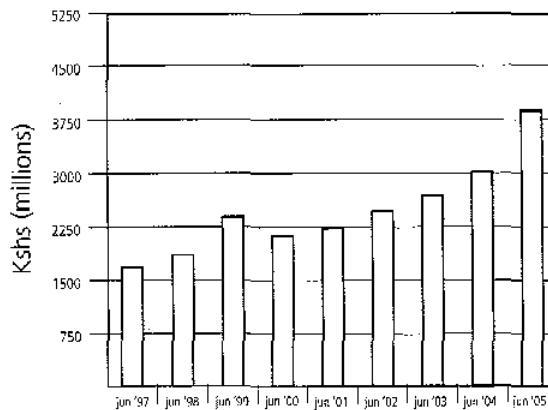
Dividend per Share



Total Assets Employed



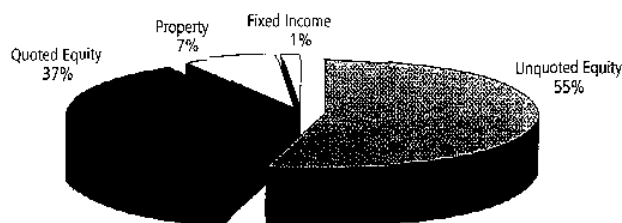
Shareholders' Funds



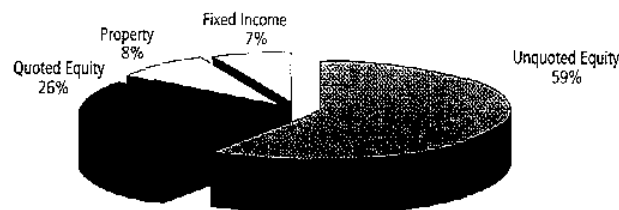
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financial highlights

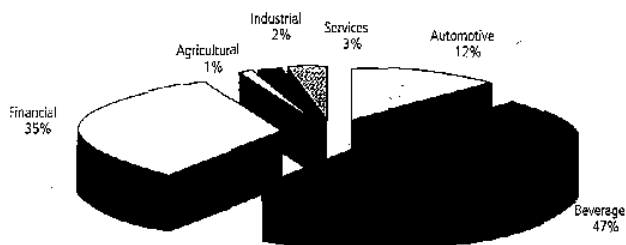
ASSET ALLOCATION - JUNE 2005



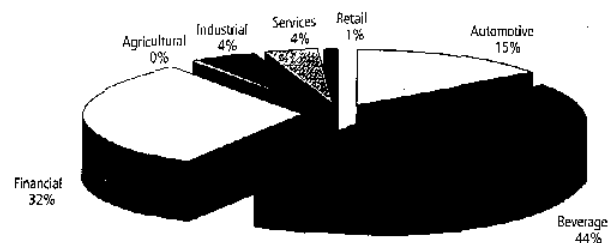
ASSET ALLOCATION - JUNE 2004



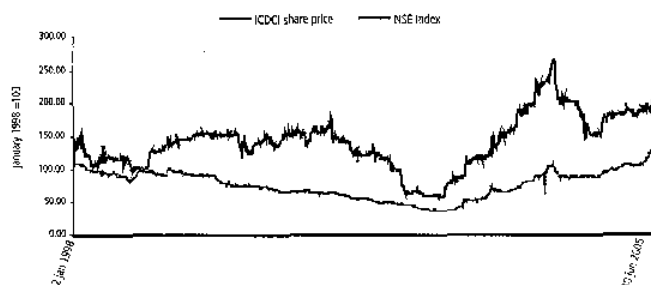
EQUITY PORTFOLIO SECTORAL ALLOCATION - JUNE 2005



EQUITY PORTFOLIO SECTORAL ALLOCATION - JUNE 2004



ICDCI Share Price Versus NSE 20-Share Index



Nairobi Stock Exchange - ICDCI Share Statistics

	2004/05	2003/04
Share price		
High for the year	67.00	90.00
Low for the year	59.00	45.00
30th June	66.50	67.00
Shares traded		
Number of shares	1,399,853	3,338,260
Value of shares (Kshs Millions)	82	220
Turnover in shares traded as a percentage of Issued share capital	3%	6%
Number of shares in issue	54,995,183	54,995,183
End of Period	54,995,183	54,995,183
Weighted average	54,995,183	54,995,183

GROUP INCOME STATEMENTS

Kshs '000	2005	2004	2003	2002	2001	2000	1999	1998	1997
Investment income	239,786	354,570	221,028	153,975	124,375	178,650	173,541	173,116	111,304
Expenses	(80,165)	(80,303)	(80,434)	(64,478)	(73,398)	(41,387)	(25,424)	(27,189)	(27,442)
Operating Profit	159,621	274,267	140,594	89,497	50,977	137,263	148,117	145,927	83,862
Finance costs	(21,241)	(6,281)	(8,172)	(10,263)	(12,269)	-	(6,906)	(9,859)	(152)
Share of profits of associated companies	245,145	71,527	70,526	228,294	188,452	205,367	215,572	158,499	126,804
Profit Before Tax	373,999	348,451	202,948	307,528	227,160	321,767	356,783	294,567	210,514
Profit After Tax	295,234	241,350	159,149	247,439	154,334	227,147	271,982	230,509	161,542
Earnings Per Share (Kshs)	5.37	4.39	2.89	4.85	3.35	4.93	7.67	8.16	8.58
Dividend Per Share (Kshs)	3.00	3.00	2.20	2.00	2.00	3.00	2.50	2.50	4.00

SUMMARY GROUP BALANCE SHEETS

Investment properties	250,000	250,000	239,356	159,975	325,000	380,000	380,000	380,000	380,000
Unquoted investments	2,139,041	1,879,984	1,637,011	1,491,011	1,466,149	1,311,861	1,257,246	975,373	765,491
Quoted investments	1,442,340	824,710	792,462	477,635	502,621	376,602	604,179	579,406	625,723
Fixed income securities	51,530	129,982	151,713	131,688	4,500	11,634	53,423	-	3,950
Others	53,988	55,771	47,296	58,496	8,362	8,212	-	-	-
Total Assets	4,093,206	3,254,176	2,921,476	2,414,780	2,387,723	2,203,853	2,458,358	1,999,570	1,852,057
Receivables & prepayments	143,056	24,131	52,732	41,844	54,386	92,451	118,734	28,455	41,844
Cash and cash equivalents	13,251	90,123	906	15,572	26,705	23,093	44,776	36,336	35,049
Total Assets	4,093,206	3,254,176	2,921,476	2,414,780	2,387,723	2,203,853	2,458,358	1,999,570	1,852,057
Share capital	274,976	274,976	274,976	274,976	230,156	191,820	188,389	141,292	94,186
Share premium & reserves	3,477,234	2,721,562	2,427,574	2,028,155	1,919,648	1,879,069	2,132,927	1,690,623	1,645,560
Shareholders' Funds	3,752,210	2,996,538	2,702,550	2,303,131	2,149,804	2,070,889	2,321,316	1,831,915	1,739,746
Non-current liabilities	182,198	60,496	56,926	37,791	69,901	84,268	86,344	126,872	73,371
Current liabilities	158,798	197,142	162,000	73,858	168,018	48,696	50,698	40,783	38,940
Total Equity and Liabilities	4,093,206	3,254,176	2,921,476	2,414,780	2,387,723	2,203,853	2,458,358	1,999,570	1,852,057

KEY PERFORMANCE RATIOS

Return on assets	7%	7%	5%	11%	6%	10%	11%	12%	9%
Return on equity	8%	8%	6%	11%	7%	11%	12%	13%	9%
Cost-to-income ratio	23%	24%	40%	49%	69%	23%	19%	21%	25%
Basic earning power ratio	10%	11%	7%	14%	10%	15%	15%	15%	11%
Current ratio	0.98	0.58	0.33	1.30	0.48	2.37	3.23	1.59	1.97

INVESTOR RATIOS

Market price as at 30th June (Kshs)	66.50	67.00	51.00	19.00	47.75	49.50	48.00	39.25	52.00
Market capitalisation (Kshs '000)	3,657,168	3,684,665	2,804,745	969,342	2,197,980	2,278,535	1,702,272	1,109,127	979,524
Net asset value per share (Kshs)	68.23	54.50	49.14	45.14	46.70	44.99	65.46	64.83	92.36
Price-to-book ratio	0.97	1.23	1.04	0.42	1.02	1.10	0.73	0.61	0.56
P/E ratio	12.39	15.27	17.64	3.92	14.24	10.03	6.26	4.81	6.06
Dividend yield	4.51%	4.48%	4.31%	11.34%	4.19%	5.02%	5.53%	7.64%	9.62%

corporate information maelezo juu ya kampuni

BOARD OF DIRECTORS	J N Muguiyi	Chairman
	P K Mwangi	Managing Director
	C J Kirubi	
	Industrial & Commercial Development Corporation (ICDC)	
	J M Munene	Alternate to ICDC
	I O Awuondo	
	K W Getao	
	P M Muriuki	(Appointed 18 October 2005)
	H N Njoroge	(Appointed 18 October 2005)
	The Permanent Secretary, Ministry of Trade and Industry	
	M C Rotich	Alternate to Permanent Secretary, Ministry of Trade and Industry
COMPANY SECRETARY	I B Mogaka	
	P O Box 45519	
	00200 - Nairobi	
REGISTERED OFFICE	International House	
	Mama Ngina Street	
	P O Box 10518	
	00100 - Nairobi	
AUDITORS	Deloitte & Touche	
	"Kirungii" Ring Road, Westlands	
	P O Box 40092	
	00100 - Nairobi	
BANKERS	Commercial Bank of Africa Limited	
	P O Box 30437	
	00100 - Nairobi	
	Standard Chartered Bank Kenya Limited	
	P O Box 40310	
	00100 - Nairobi	
LAWYERS	Simba & Simba Advocates	
	P O Box 10312	
	00100 - Nairobi	
	Mboya and Wangong'u Advocates	
	P O Box 74041	
	00200 - Nairobi	

board of directors halmashauri ya wakurugenzi



James N Muguiyi
Chairman / Mwenyekiti

Mr. Muguiyi joined the board in December 2003 as a non-executive director and was elected Chairman of the board in the same month. He is the Managing Director of UAP Provincial Insurance Company a leading financial institution in Kenya. He has vast experience in the financial industry having worked previously with Nairobi City Council and Industrial Development Bank (IDB). Mr. Muguiyi is a fellow of the Institute of Certified Public Accountants of Kenya (ICPAK) and a former Chairman of the Institute. He is also an associate member of the Institute of Chartered Management Accountants (ACMA) and Chartered Institute of Public Finance and Accountancy (CIPFA).

Peter K Mwangi
Managing Director / Mkurugenzi Mkuu

Mr. Mwangi was appointed the Managing Director in December 2004. Prior to his appointment he served in the company as the Investment Manager and Company Secretary between 2000 and 2004. Before joining ICDCI he worked at Economic Intelligence Limited as a Financial Analyst and served as a Technical Officer with the Kenya Air Force. Mr. Mwangi holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as of the Institute of Certified Public Secretaries of Kenya (ICPSK).



Dr. Katherine W Getao
Director / Mkurugenzi

Dr. Getao joined the board in August 2001 as a non-executive director. She is a well-known authority in the field of Information Technology and Systems Development in Kenya and is the Director of the Institute of Computer Science at the University of Nairobi. She has a wealth of experience in teaching, training and research. Dr. Getao has also worked as a systems analyst / programmer for various multinational companies. She has many publications to her name and has compiled reports for international organisations such as UNESCO. She holds a Doctorate in Computer Science from the University of Lancaster (UK). She is Commonwealth Research Fellow and Vice Chair of the Institute of Electrical and Electronic Engineers, Kenya Section.



Isaac O Awuondo
Director / Mkurugenzi

Mr. Awuondo joined the board in December 1998 as a non-executive director. He is the Chief Executive Officer of Commercial Bank of Africa Limited (CBA). Prior to joining CBA, he worked at Standard Chartered Bank (Kenya) Limited as Finance Director, and at Nation Printers Limited as the Group Financial Controller. He is the Chairman of Kenya Conservatoire of Music, and of the Fundraising Committee of the African Alliance of YMCAs and a past Chairman of the Kenya Bankers Association. Mr. Awuondo holds a Bachelor of Commerce degree from the University of Nairobi and is a member of the Institute of Chartered Accountants of England and Wales (ACA), the Institute of Certified Public Accountants of Kenya (ICPAK) and the Kenya Institute of Management (KIM).

Christopher J. Kirubi
Director / Mkurugenzi

Mr. Kirubi, a well-known Kenyan investor, joined the board in December 1997. He is the Chairman of DHL World Wide Express Limited, Haco Industries Limited, Kiruma International Limited, International House Limited, Nairobi Bottlers Limited, SandvikEast Africa Limited and Capital FM. He also sits on the boards of Bayer East Africa Limited, UAP Provincial Insurance Company Limited, Beverage Services of Kenya (BSK) Limited, Export Promotion Council and Kenya Industrial Research and Development Institute (KIRDI) and is a former Chairman of the Kenya Association of Manufacturers. Mr. Kirubi has attended various Business Management courses at Insead and Harvard Business Schools.



board of directors halmashauri ya wakurugenzi



Eng. Joseph M. Munene
Alt. Director/Mkurugenzi
(Representing ICDC)

Eng. Munene joined the board in June 2003 as the alternate to the Industrial and Commercial Development Corporation (ICDC). He is the Chief Executive Officer of ICDC. Eng. Munene has wide experience in senior management at various organizations including East African Breweries Limited where he worked in the Technical and Management Services Division for twenty years, eleven of which he headed the Division. He also sits on the boards of Development Bank of Kenya Limited, Industrial Development Bank Limited among others. Eng. Munene is a Chemical Engineering graduate of the Manchester University Institute of Science and Technology, U.K. and holds certificates in Strategic Management and Finance from Cranfield University School of Management (UK).

Margaret C. Rotich
Alt. Director/Mkurugenzi
(Representing PS, Ministry of
Trade & Industry)

Mrs. Rotich joined the board in August 2004 as the alternate to Permanent Secretary, Ministry of Trade and Industry. She is the Director of Industry and Head of the Department in the Ministry of Trade and Industry. Prior to her appointment at the Ministry, she worked as the Managing Director of the Kenya Bureau of Standards (KEBS). She has been the Liaison Officer for the African Region (excluding the Arab North) representing the International Standards Organization (ISO) Geneva. She has extensive experience in the areas of Management and Quality Assurance. Mrs. Rotich holds a Bachelor of Science degree from the University of Nairobi and a Master of Science Degree in Food Science from Reading University.



Henry N. Njoroge
Director/Mkurugenzi

Mr. Henry Njoroge joined the board in October 2005. He is the head of UUNET Kenya, the leading business communications and internet solutions provider in the region. He previously worked in Telcorp (where he was responsible for the merger between the company and African Lakes Technologies) and Fintech Kenya. Mr. Njoroge is a director in a number of IT and non-IT based organizations in Kenya including OpenView and Iespok (The Telecommunications Service Providers Association of Kenya). He holds a Bachelor of Technology degree in Electronics and Communications from Moi University and an MBA in Finance from the University of Nairobi and is a Yale University World Fellow.



Pauline M. Muriuki
Director/Mkurugenzi

Mrs. Pauline Muriuki joined the board in October 2005. She is the Chief Executive Officer of Smart Applications International (K) Limited, an ICT company with the exclusive rights to initiate implementation of the first biometrically controlled smart card technology in the management of fraud in various sectors of the economy. She previously worked as the Marketing Director at Unilever Kenya and has extensive international business exposure. Mrs. Muriuki graduated in 1984 with a Bachelor of Arts degree in Economics from the University of Nairobi.

Isaac B. R. Mogaka
Company Secretary/
Katibu wa Kampuni

Mr. Isaac B. R. Mogaka was appointed Company Secretary in May 2005. Mr. Mogaka holds a Bachelor of Laws degree from the University of Nairobi, Diploma in Legal Studies from the Kenya School of Law and a Certificate in International Arbitration and Alternative Dispute Resolution from Georgetown University (USA). He is an advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries of Kenya and an Associate Member of the Chartered Institute of Arbitrators. Mr. Mogaka has over 20 years experience in both Legal and Company Secretarial Affairs.



management team timu ya wasimamizi



Peter Mwangi
Managing Director

Mr. Mwangi was appointed the Managing Director in December 2004. Prior to his appointment he served in the company as the Investment Manager and Company Secretary between 2000 and 2004. Before joining ICDCI he worked at Economic Intelligence Limited as a Financial Analyst and served as a Technical Officer with the Kenya Air Force. Mr. Mwangi holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as of the Institute of Certified Public Secretaries of Kenya (ICPSK).



David Owino
Finance Manager

Mr. Owino is the Finance Manager. He is responsible for overall management of the company's finance department. Prior to his appointment as Finance Manager he worked as the Research Analyst in the Investment Department and as an Assistant Accountant with Total Kenya Limited. Mr. Owino holds a Bachelor of Science degree in Business Administration (Finance and Accounting) from the United States International University-Africa (USIU-A). He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).



Michael Sumba
Risk Manager

Mr. Sumba is the Risk Manager. He is responsible for overall management of all aspects of risk research on new and existing investments. He previously worked with Citibank N.A. (Kenya) as Market Risk Manager. Mr. Sumba holds a Bachelor of Science degree in Actuarial Science from City University, London and a Masters degree in Mathematical Finance from the University of Cambridge (UK).



James Mworio
Investment Manager

Mr. Mworio is the Investment Manager. He is responsible for managing the entire ICDCI investment portfolio. Prior to his appointment as Investment Manager he worked as the company's Management Accountant. He has earned the CFA Charter and is an Advocate of the High Court of Kenya. Mr. Mworio holds a Bachelor of Laws degree from the University of Nairobi and a Diploma from the Kenya School of Law. He is a member of the Chartered Institute of Management Accountants (CIMA), Institute of Certified Public Accountants of Kenya (ICPAK), the Law Society of Kenya (LSK) and the CFA Institute.



Risper Alaro
Financial Accountant

Ms. Alaro is the Financial Accountant. She is responsible for the company's financial reporting and management accounting function. Prior to joining ICDCI she worked as an accountant with Spellman & Walker Company Limited. Ms. Alaro holds a Bachelor of Arts degree in Business Management from Moi University, and a Masters degree in Finance from the United States International University - Africa (USIU-A). She is a member of the Association of Chartered Certified Accountants (ACCA).



Andrew Muriithi
Business Development Manager

Mr. Muriithi is the Business Development Manager. He is responsible for the overall management of specific projects related to new and existing investment opportunities and to initiate business development for the company. Prior to his appointment, Mr. Muriithi worked at Standard Chartered Bank as a Graduate Associate and at Alexander Forbes as an Actuarial Consultant. He holds a Bachelor of Science degree from Wharton Business School (USA) and an MBA from Cass Business School (UK).

notice of the annual general meeting ilani ya mkutano mkuu

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of the Company will be held on Monday, 19 December 2005 at the Safari Park Hotel, Nairobi at 11.00a.m. for the following purposes: -

ORDINARY BUSINESS

1. The Secretary to read the notice convening the meeting.
2. To confirm the minutes of the 37th Annual General Meeting held on Wednesday, 8 December 2004.
3. To receive and consider the Audited Financial statements for the financial year ended 30 June 2005 together with the Directors' and Auditors' reports thereon.
4. To declare a First and Final Dividend of Kshs 3.00 per share in respect of the year ended 30 June 2005.
5. To approve the Directors' remuneration for the year ended 30 June 2005.
6. (a) To re-elect Dr. K W Getao, a director retiring by rotation, who being eligible, offers herself for re-election.

(b) To re-elect the Industrial and Commercial Development Corporation, a director retiring by rotation, which being eligible, offers itself for re-election.

(c) To elect Mrs. P M Muriuki, a director retiring in accordance with article 92 of the Articles of Association and who being eligible, offers herself for re-election.

(d) To elect Mr. H N Njoroge, a director retiring in accordance with article 92 of the Articles of Association and who being eligible, offers himself for re-election.
7. To note that Deloitte & Touché, having expressed their willingness, continue in office in accordance with the provisions of section 159(2) of the Companies Act (Cap 486) and to authorize the Directors to fix their remuneration.

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA MWAKA wa thelathini na nane wa kampuni utafanyika siku ya Jumatatu Disemba 19 mwaka 2005 katika hoteli ya Safari Park, Nairobi kuanzia saa Tano asubuhi kutekeleza shughuli zifuatazo:

SHUGHULI ZA KAWAIDA

1. Katibu kusoma ilani ya mkutano.
2. Kuthibitisha kumbukumbu za mkutano mkuu wa thelathini na saba uliofanyika siku ya Jumatano tarehe 8 Disemba mwaka 2004.
3. Kupokea na kutathamini Hesabu zilizokaguliwa kwa mwaka uliomalizika tarehe 30 Juni mwaka 2005 pamoja na Taarifa ya Wakurugenzi na Ripoti ya Wakaguzi wa hesabu.
4. Kuamua na kulipa Mgao wa kwanza na wai mwisho wa shilingi 3.00 (tatu) kwa kila hisa ya mwaka uliomalizika tarehe 30 Juni, 2005.
5. Kuthibitisha na kuamua malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 30 Juni mwaka huu 2005.
6. (a) Kumchagua tena Dkt. K W Getao, ambaye ni Mkurugenzi na anastaafu kwa zamu, na ambaye kwa vile anaweza kuchaguliwa anajitolea kuchaguliwa tena.

(b) Kuchagua tena Shirika la Industrial Commercial Development Corporation, ambayo ni Mkurugenzi na



Title: 'midnight'
Medium: oil on canvas
Artist: MARUBU reuben

notice of the annual general meeting ilani ya mkutano mkuu

SPECIAL BUSINESS

8. To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That the nominal share capital of the company be and hereby increased from Kenya Shillings Three Hundred Million (Kshs 300,000,000.00) divided into Sixty Million (60,000,000) ordinary shares of Kenya Shillings Five (Kshs 5.00) each to Kenya Shillings Four Hundred Million (Kshs 400,000,000.00) divided into Eighty Million (80,000,000) ordinary shares of Kenya Shillings Five (Kshs 5.00) by the creation of Twenty Million (20,000,000) new ordinary shares ranking pari passu in all respects with the existing ordinary shares in the capital of the company."

ANY OTHER BUSINESS

9. To transact any other business, which may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD



Isaac B. R. Mogaka
Company Secretary
NAIROBI.

28 October 2005

PLEASE NOTE:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member of the company.

inastaafu kwa zamu, na kwa vile yaweza kuchaguliwa yajitolea kuchaguliwa tena.

(c) Kumchagua Bi. P M Muriuki, ambaye ni Mkurugenzi na anastaafu kulingana na kifungu nambari 92 ya Kanuni za Kampuni na ambaye kwa vile anaweza kuchaguliwa anajitolea kuchaguliwa.

(d) Kumchagua Bw. H N Njoroge, ambaye ni Mkurugenzi na anastaafu na kifungu nambari 92 ya Kanuni za Kampuni na ambaye kwa vile anaweza kuchaguliwa anajitolea kuchaguliwa.

7. Kufahamishwa kwamba Deloitte & Touché, Wakaguzi wa Hesabu walidhihirisha hiari yao, wataendelea na kazi hiyo kulingana na kifungu 159(2) cha sheria za makampuni kifungu (486) pia kuidhinisha Wakurugenzi waweke kiwango cha ada kwa wakaguzi wa hesabu.

SHUGHULI MAALUM

8. Kuthibitisha na ikionekana kuwa inafaa, kupitisha azimio lifuatalo kama azimio la kawaida:

"Kwamba rasilimali za hisa zilizokubaliwa za kampuni ziongezwe kutoka Shilingi Milioni Mia Tatu (Kshs 300,000,000) zilizogawanywa katika hisa Milioni Sitini (60,000,000) za Shilingi Tano kila moja hadi Shilingi Milioni Mia Nne (Kshs 400,000,000) zilizogawanywa katika hisa Milioni Themanini (80,000,000) za kawaida za Shilingi Tano kila moja kwa kubuni hisa Milioni Ishirini (20,000,000) zitakazo kuwa sawa kwa hali zote na hisa za kawaida zilizoko za kampuni."

SHUGHULI NYINGINE

9. Kutekeleza shughuli nyengine yoyote ambayo inaweza kutekelezwa kwenye Mkutano Mkuu wa Mwaka wa wenyekisa.

KWA AMRI YA HALMASHAURI YA WAKURUGENZI



Isaac B. R. Mogaka
Katibu wa Kampuni
NAIROBI.

28 Oktoba 2005

KUMBUSHO:

Mwanachama anayestahili kuhudhuria na kupiga kura kwenye mkutano huu mkuu ana haki ya kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi huyo siyo lazima awe mwenyekisa wa kampuni.

chairman's statement taarifa ya mwenyekiti

Dear Shareholders,

This year, I will give you a somewhat different address from what I have given in the past. As your Chairman, it is my role to see that we remain faithful to the philosophy that has brought us together in this business. This time around, I would like, with your permission, to reiterate some of the principles by which we work as a company, and evaluate broadly how we are measuring up. We all know that ours is an investment company. Our business is to mobilize capital and invest it profitably.

We source and deploy capital to earn the greatest possible return for you. Our key strength, therefore, lies in identifying enterprises that have sound business models and are run by experienced and trustworthy managers. When those businesses realize their profits, we share in their success through their dividends and capital gains. When we distribute our share of their profits to you, we share their success with you.

Every business has risks, and that includes our business as investors. In order to manage this risk we do our homework – we call it due diligence – on every prospect we consider. Your Board has employed some of the best talent in the industry to help us mine deep into every company to find out everything we can before we invest.

Economic Commentary

The Board and Management keep their pulse on the general direction of the economy as a way to identify growth opportunities in various sectors. According to the Central Bureau of Statistics, the growth in the country's GDP accelerated from 2.3% in 2003 to 4.3% in 2004. This is a substantial improvement, but better performance is expected in 2005. Regional economies fared better, with Uganda, Tanzania and Rwanda all recording better growth rates.

Though agriculture and forestry remain dominant, the Central Bureau of Statistics estimates that services such as transport and communications, financial intermediation, real estate, renting and other commercial services combined now account for over a fifth of the GDP. Manufacturing remained stagnant at 11%, being heavily reliant on poor road and power infrastructure. Hotels and restaurants were at 1% share of GDP, but given tourism's recovery this is going to be a more important sector of the economy. Unemployment was at around 40%, but slightly improving while interest rates and inflation remained stable.

It is therefore clear that your company needs to shift its investments towards service industries, take advantage of regional opportunities and encourage the Government to maintain predictable fiscal and monetary policies that safeguard your return as an investor.

Results for the Year Ended 30 June 2005

Your company recorded an improvement in performance, with an after-tax profit of KShs. 295 million as at 30 June 2005, 22% above the KShs. 241 million made the previous year. Investment income fell 32% from KShs. 355 million last year to KShs. 240 million. This decline was attributable to the extraordinary capital gains made last year through the sale of non-core investments.

Wapendwa Wenyehisa,

Mwaka huu, nitawapatia hotuba ambayo ni tofauti kutoka ile niliyowapatia mwaka uliopita. Nikiwa Mwenyekiti wenu, ni jukumu langu kuona kwamba tunazingatia filosofia yetu ambayo ndiyo imetuweka pamoja katika biashara hii. Mara hii, kwa kuomba ruhusa yenu, ningependa kuisisitiza kwamba baadhi ya kanuni ambazo tunatekelezea kazi zetu tukiwa shirika, na kutathamini kwa upana wapi tunakokwenda.

Sote tunajua kwamba shirika letu ni la uwekezaji. Biashara yetu ni kuandaa fedha na kuziwekeza kwa faida. Tunatafuta na kuwekeza fedha zako ili ziweze kuzaa faida kwako. Uwezo wetu mkubwa, kwa hivyo unatokana na kutambua biashara zenye kusimamiwa vizuri-kuendeshwa na mameneja wenye ujuzi na wanaoaminika-na zinazohitaji fedha ili ziweze kupata faida katika malengo yao. Wakati biashara kana hizo zinapopata faida, hata sisi tunafurahia mafanikio yao kupitia migao yao na faida. Wakati tunapowapa mgao zetu za faida tunashirikiana kusherehekea mafanikio yao pamoja nanyi.

Kwa hakika kila biashara ina hatari zake, na hata sisi tunakabiliwa na hatari hizo tukiwa wawekezaji. Ili tuweze kujiepusha na Changamoto za kibashara, huwa tunajaribu kujitayarisha ipasavyo kwa kila tunachofikiria kufanya. Halmashauri yenu ya wakurugenzi imeajiri wafanyakazi bora wenye vipawa vya kutosha ili kusaidia katika kujua kila kilichopo kwenye kampuni yoyote kabla ya kuwekeza.

Hali ya Mazingara ya Uchumi

Halmashauri yenu na timu ya wasimamizi wametilia makini mwelekeo

wa uchumi kama njia ya kugundua sekta za kibashara ambazo zinauwezo wa kuimarika zaidi katika viwanda mbali mbali. Kulingana Shirika la

Hesabu la humu ndini, uchumi wa ndi ulikua kutoka asilimia 2.3 mwaka wa 2003 hadi asilimia 4.3 mwaka wa 2004. Ukuaji huu ni mzuri na tunataraji ukuaji zaidi mwaka wa 2005. Uchumi za nchi jirani zilifanya vema kutuliko ikiwemo Uganda Tanzania na Rwanda.

Ingawaje sekta za ukulima na misitu ndizo kubwa zaidi, Shirika la Hesabu imeangazia kuwa sekta kama vile ya mawasiliano, fedha na majumba ya kumiliki vikiwekwa pamoja zina simamia karibu asilimia 20 ya kipimo cha ukuaji cha GDP. Sekta ya viwanda ilibaki kwa asilimia 11 ikiwa imetegemea barabara duni na stima. Sekta ya utalii ilikuwa asilimia 1 lakini hivi karibuni itakuwa sekta ya maana sana katika uchumi wa ndi.

Kwa hivyo ni wazi kwamba kampuni yako itahitaji kuangazia uwekezaji wake katika sekta hizo ambazo zina matumaini ya ukuaji, kuchukua nafasi nzuri katika ndi jirani.

Matokeo ya Kifedha wa Mwaka Uliotisha Juni 30 2005

Kampuni yenu iliweza kuimarika katika utendaji kazi wake, na kupata faida ya shilingi milioni 295 baada ya kutozwa ushuru kufikia Juni 30 mwaka 2005, ikiwa ni faida asilimia 22% zaidi ya shilingi milioni 241 mwaka uliopita. Mapato ya uwekezaji yalipungua kwa asilimia 32% kutoka shilingi milioni 355 mwaka jana hadi shilingi milioni 240. Upungufu huu ulitokana na upungufu wa mapato kutoka kwa mauzo ya rasilimali ambayo



James N Muguiyi
Chairman / Mwenyekiti

chairman's statement taarifa ya mwenyekiti

However, it was offset by the improved performance of our insurance and beverage associate companies, which increased our share of associate profits by 243% from KShs. 72 million last year to KShs. 245 million. Our operating expenses were held at KShs. 80 million. These were good results, and there certainly is room to improve this performance.

Quoted Investments

Your company retains a significant investment in the shares of other listed companies. This year, the shares that we owned performed very well. The NSE 20-Share Index climbed considerably, and the prices of most listed shares went up because of increased investor demand. The overall market value of our quoted portfolio grew from KShs. 824 million to KShs. 1.4 billion, an increase of 75%. By comparison, the NSE 20-Share Index went up from 2,639.75 on 30 June 2004 to 3,972.45 on 30 June 2005, a 50% jump. So, we beat the market. In addition, we earned dividends of KShs. 49 million compared to KShs. 33 million last year.

Over the long term, we believe that shares of well-run companies will outperform all other shares in the market, and our strategy will be to direct our capital to such companies. Our objective for next year is to improve the performance above the market index and to place more emphasis on expected dividends.

Unquoted Investments

Your company also uses its financial strength as an institution to invest in large private companies that are not listed on the Stock Exchange. Since the shares of these companies are not tradable, we realize value from them through the dividends they pay. Some of our best-performing investments are private companies, and we find it in our interest most of the time to continue owning them for their rich dividends.

yalikuwa ya kupita kiasi katika mwaka uliotangulia. Hata hivyo, upungufu huo ulifidiwa na kuimarika kwa utendakazi wa kampuni zetu shirika ya bima na ya vinywaji, ambayo yaliongeza Sehemu ya faida ya makampuni shirika kwa asilimia 243% kutoka shilingi milioni 72 mwaka jana hadi shilingi milioni 245. Gharama zetu za uendeshaji biashara zilithibiti shilingi milioni 80. Haya ni matokeo mazuri na bila shaka kuna nafasi ya kuongeza bidii zaidi.

Rasilmali yaliyoorodheshwa katika soko la hisa

Kampuni yenu iko na rasilmali kubwa katika makampuni yaliyoorodheshwa katika soko la hisa la Nairobi. Kwa mwaka huu, hisa ambazo tulikuwa nazo zilifanya vizuri sana. Kipimo cha utendaji wa soko la hisa (NSE -20share Index) kiliendelea kua zaidi na bei ya hisa za kampuni nyingi pia zilipanda kwa sababu ya wawekezaji wengi kutaka kununua hisa, hata hivyo ukuaji wa baadhi ya hisa zilididi nyengine. ICDCI ilifanya uamuzi mzuri na kuongeza uwekezaji katika baadhi ya kampuni zilizo orodheshwa na rasilmali yetu katika hisa hizo zilikuwa kutoka shilingi milioni 824 hadi shilingi bilioni 1.4, ambapo ni ongezeko la asilimia 75%. Kwa makadirio, kipimo cha utendaji cha soko hilo kiliongezeka kutoka hisa 2,639.75 kufikia Juni 30 mwaka 2004 hadi hisa 3,972.45 kufikia Juni mwaka huu, ongezeko la asilimia 50%. Kwa hivyo, tulifaidika zaidi kushinda soko kwa jumla. Kadhalika tulipata mgao wa shilingi milioni 49 ikilinganishwa na shilingi milioni 33 mwaka uliopita.

Katika kipindi cha muda mrefu, tunaamini kwamba hisa za makampuni zinazoendeshwa vizuri zitaendelea kufanya vyema kwenye soko la hisa na mikakati yetu itakuwa ni kuelekeza fedha zetu kwenye kampuni kama hizo. Lengo letu kubwa kwa mwaka ujao ni kuimarisha utendakazi katika rasilmali yetu kwa hisa zilizo orodheshwa katika soko la hisa kwa kununua hisa zaidi za kampuni zenye utendaji bora na ambazo zinatilia mkazo utoaji mgao.

Rasilmali kwenye mashirika ya kibinafsi

Kampuni yenu ya ICDCI pia inatumia uwezo wake wa kifedha kuwekeza kwenye kampuni nyengine kubwa za kibinafsi ambazo hazijaorodheshwa kwenye soko la hisa. Kwa kuwa hisa za kampuni hizi hazina soko maalum, huwa tunapata thamani ya fedha zetu kutokana na mgao wanaolipa.

Tukipata nafasi ya kuuza hisa hizo kwa yeyote ambaye angependa kuanunua huwa tunauza hisa zetu, au kwenye soko la hisa ikiwa kampuni hizo zitaorodheshwa, lakini jambo hili halitokei mara kwa mara. Mojawapo ya rasilmali zetu zenye kufanya vizuri zaidi ni kampuni za kibinafsi na tumegundua kwamba mara nyingi tunaendelea kuwekeza fedha zetu huko kutokana na mgao wao mzuri.

Mwaka huu, thamani ya mahesabu ya mashirika ya kibinafsi imeongezeka kutoka shilingi bilioni 1.9 hadi shilingi bilioni 2.1 ambalo ni ongezeko la asilimia 11%. Kwa thamani ya soko, ongezeko hili linaweza kuwa kubwa zaidi lakini kiwango chetu cha kuhesabu kinatufunga kwenye thamani ya mahesabu. Tulipata mgao wa shilingi milioni 164 kutoka kwenye mashirika yasiyo na hisa ikilinganishwa na shilingi milioni 100 mwaka jana. Baadhi ya miradi hii imekuwa kwenye rasilmali zetu kwa zaidi ya miaka 20 na ni mashirika yaliyokomaa.



Title: 'tukachote maji'
Medium: oil on canvas
Artist: MAKONDE

chairman's statement taarifa ya mwenyekiti

This year, the book value of our unquoted portfolio grew from KShs. 1.9 billion to KShs. 2.1 billion, an increase of 11%. We earned KShs. 164 million as dividends from both our associate and non-associate unquoted investments compared to KShs. 100 million last year. Some of these investments have been in our portfolio for more than 20 years and are mature companies. We do not expect their dividends to increase significantly in future. At some point in the future, we will have to sell old investments and replace them with new ones.

With this in mind, our objective for next year is to continually look for new private companies that have demonstrated a good track record of operations and are posting healthy profit margins and strong cash flows. We believe this strategy will safeguard and increase dividend earnings from our unquoted portfolio.

Property

This year, the book value of our property interests remained at KShs. 250 million and earned us KShs. 22 million in rents compared to KShs. 21 million last year. The properties we own have been in our portfolio for a long period, during which time demographic trends in different locations around the city have changed dramatically. Many tenants have opted to move their operations from the Central Business District to the city outskirts as a result of traffic congestion and increased crime. The low occupancy levels have led to stagnant rents within the CBD, the effect of which has impacted some of our properties.

We consider property to be one of the growth asset classes for the future and we have some plans to take advantage of this trend. Our strategy for the coming year is to sell off the properties we have in less profitable locations and use that money to buy or build in more vibrant upmarket sites. In the coming months, you are likely to see new developments in our property portfolio.

Fixed Income & Cash

Last year, we held KShs. 133 million in fixed income securities from which we earned KShs. 17 million. This year KShs. 82 million of those securities matured and the cash was reinvested in other opportunities. This left a balance of KShs. 51 million, from which we earned KShs. 14 million. We also made a shareholder loan to our associate Uchumi Supermarkets Limited of KShs 80 million, from which we earned KShs. 7 million. We have converted an amount of KShs. 32 million to equity in the company through the recently concluded Rights Issue. The balance of the loan will be repaid by Uchumi over the coming months.

Raising New Capital

In the past, we have approached you, the shareholder, and the general investing public on several occasions to purchase issues of additional shares whenever we have needed to raise new capital. In the near future, we will need to raise new funds in order to take advantage of attractive investment opportunities quickly and profitably. This requires us to increase our authorized share capital, so I ask for your support by voting in favour of the resolution which will be presented at the Annual General Meeting.

Hata hivyo hatutegemei mgao wao Kuongezeka kwa kiwango kikubwa katika siku za usoni. Kwa wakati fulani siku za usoni, itatubidi kuuza baadhi ya miradi hizi zetu za zamani ili kuibadilisha na kuwekeza rasilmali katika miradi mipya.

Tukifuatilia haya kwa makini, lengo letu kwa mwaka ujao ni kuendelea kutafuta kampuni mpya za kibinafsi ambazo zimeonyesha usimamizi mzuri na kupata faida bora na zinahitaji fedha kupanua biashara zao. Tunaamini kwamba mikakati hii itaweza kuzuia changamoto na kuongeza mapato ya mgao kwenye mashirika yetu ya kibinafsi.

Rasilmali katika Majumba ya Kudumu

Mwaka huu, thamani ya mahesabu ya rasilmali ya majumba ya kudumu tulizonazo umebakia kuwa shilingi milioni 250 ambazo zilituzalishia shilingi milioni 22 kutokana na kodi ikilinganishwa na shilingi milioni 21 mwaka jana. Rasilmali tulizonazo tumekuwa nazo kwa muda mrefu, ambapo miundo msingi ya jiji imebadilika kwa kiasi kikubwa. Kampuni nyingi zimelazimika kuhamisha shughuli zao kutoka katikati mwa jiji hadi viungani mwa jiji kutokana na msongamano wa magari na ongezeko la uhalifu. Idadi ndogo ya wapangaji imesababisha kuzorota kwa kodi katikati mwa jiji na matokeo yake yametuaathiri katika baadhi ya rasilmali zetu.

Tunadhania kwamba rasilmali katika majumba ya kudumu ni mojawapo ya mali ambayo tutategemea katika siku za usoni na tuna mipango ya kutumia fursa hiyo. Kuzinduliwa hivi karibuni kwa kipimo cha Kenya Real Estate Index kunatupatia moyo kwa upande huu. Mikakati yetu kwa mwaka ujao ni kuuza baadhi ya majumba tuliyonayo katika sehemu ambazo hazivutii wapangaji



Title: 'party time again'
Medium: water colour on paper
Artist: M K

chairman's statement taarifa ya mwenyekiti

Board of Directors

This year two of our distinguished directors, Hon. Francis Thuo and Mrs. Margaret Mwangola have retired from the board. Hon. Thuo, as you know, is a pioneer in the capital markets in this country and was instrumental in the founding and listing of our company. He has served on the board from 1968. Mrs. Mwangola is a stalwart in community development and corporate social responsibility who has served the company with dedication and distinction for over two decades. The Board and I thank them both most sincerely for their valuable service. Both of them will be sorely missed and we wish them well in all their other undertakings.

The directors have appointed two other exceptional individuals to join the Board. Mr. Henry Njoroge and Mrs. Pauline Muriuki both head very successful businesses and we expect to benefit greatly from their youth and expertise, particularly with our new emphasis on the ICT sector. We welcome Henry and Pauline on board and wish them every success.

Management

We revised our management structure this year, building it around functional roles that reflect the daily operations of your company. We now have four departments, namely Investment, Finance, Risk and a newly created Business Development department. Two of our existing staff, James Mworio and David Owino were promoted to the positions of Investment Manager and Finance Manager respectively. Michael Sumba continues in his role as Risk Manager. We also added Andrew Muriithi to our management team as Business Development Manager. Andrew will be responsible for managing all projects relating to our existing investments and exploring and developing new business opportunities for the company.

Corporate Social Responsibility

We continually remind ourselves at ICDCI of our responsibility to the community in which we operate. This year, we sponsored an art exhibition by Mukuru: Art & Craft, a social group that helps disadvantaged youth to develop their artistic talents. This year, their beautiful art graces the pages of our Annual Report. As you can see, it is really impressive to see what great potential lies untapped in our young people. We want to give the group as much exposure as possible on the art market, so that they can make a living by selling their creations to art lovers and collectors both locally and overseas. We welcome your ideas on other deserving charities that would help uplift the living standards of people in similar ways around the country.

Dividend

This year, the directors have proposed a first and final dividend of KShs. 3.00 per share, against earnings of KShs. 5.37 per share (a 56% payout). This is similar to last year's payment of KShs. KShs. 3.00 per share out of earnings per share of KShs. 4.39 (a 68% payout).

The Board will continue to balance the need for competitive payouts to the shareholders against the need for the company to retain a share of profits to take advantage of investment opportunities that arise in future and grow the portfolio.

wengi na kutumia fedha hizo kununua au kujenga upya katika sehemu zenye kuvutia wateja wengi. Katika miezi jayo, utaweza kuona mipango mipya ya maendeleo katika shughuli zetu.

Rasilimali katika Mapato ya hakika na Fedha

Mwaka jana, tulikuwa na kiasi cha shilingi milioni 133 kwenye rasilimali ya mapato hakika ambapo tulipata shilingi milioni 17 kama riba. Mwaka huu, kati ya shilingi milioni 82 ya rasilimali hiyo ya mapato hakika zilikuwa na ziada iliyopatikana iliwekezwa kwa faida. Tumebakia na kiasi kidogo cha shilingi milioni 51, ambapo tulipata riba ya shilingi milioni 14. Pia tulikopesha maduka ya Uchumi kiasi cha shilingi milioni 80; ambapo tulipata shilingi milioni 7 kama riba. Tulitumia shilingi milioni 32 ya deni hiyo kwa kununua hisa za Uchumi katika mchango wa kampuni uliofanyika hivi majuzi. Deni iliyosalia italipwa na Uchumi katika miezi zijazo.

Kuchangisha fedha

Hapo awali kwa mara kadha tumekwisha wahi kuja kwenu kama wenyehisa, na umma kwa jumla kuwauzia hisa kila tunapohitaji kuchangisha fedha. Hivi karibuni tutahitajika kuchangisha fedha kujiweka tayari ili kuchukua fursa yoyote ya uwekezaji itakayojitokeza kwa haraka na ambayo inayo faida. Hali hii inahitaji tuongeze kipimo cha rasilimali za hisa zilizokubaliwa za kampuni, na hivyo basi nitawauliza kutuunga mkono tutakapo wasilisha swala hili katika mkutano mkuu wa mwaka.

Shirika la Wakurugenzi

Mwakani, wakurugenzi wawili, Mheshimiwa Francis Thuo na Bi Margaret Mwangola walistaafu baada ya kutumikia kampuni yenu kwa miaka 37 na 21 kila mmoja. Mhe. Thuo kama mnavyojua ni mkugenzi wa masoko ya hisa humu nchini na ni mojawapo wa waanzilishi wa kampuni hii. Alijiunga na halmashauri mnamo mwaka wa 1968. Bi Mwangola anajulikana sana kama mwanzilishi wa miradi ya maendeleo na alitumikia kampuni yenu kwa miaka 20 kwa uwakfu ifaayo. Sisi katika halmashauri tunawashukuru kwa kazi yao nzuri na iliyofana, tutawakosa sana.

Wakurugenzi wengine wawili waliteuliwa kuchukua nafasi zao. Bw. Henry Njoroge na Bi Pauline Muriuki ni wasimamizi wa makampuni ambazo zimefana sana katika sekta ya teknolojia. Tunataraji kwamba watatuongeze wosia katika mikakati yetu inayoangazia sekta hiyo ya teknolojia ya mawasiliano. Tunawakaribisha na kuwataki kila la heri.

Wasimamizi

Tulizindua usimamizi wa kampuni mwaka huu tukilenga kuiambatanisha na shughuli za kampuni. Kwa sasa tuko na idara nne, idara ya Uwekezaji, idara ya Fedha, idara ya Kupunguza Changamoto za kibiashara na idara ya Kuendeleza Biashara. Wasimamizi wetu wawili, Bw. James Mworio na Bw. David Owino walipandizwa vyeo na kuwa Meneja wa Uwekezaji na Meneja wa Fedha. Bw. Michael Sumba anaendelea kuwa Meneja wa Kupunguza Changamoto za kibiashara. Tuliagiri Bw. Andrew Muriithi kama Meneja wa Kuendeleza Biashara. Bw. Muriithi atasimamia mambo yote ya kuendeleza biashara zetu. Tunaamini kwamba usimamizi wa kampuni wenu sasa umekamilika vilivyo.

chairman's statement taarifa ya mwenyekiti

Conclusion

I will end by calling upon you to continue supporting your company. My Board and I need your support in the next few years to make our business even more successful and overcome the challenges that may come our way. You are out there in the marketplace. Call us or write to us and let us know if you come across the types of investments you believe will profit our company.

I wish you the very best in the coming year. God bless you all.



James N Muguiyi
Chairman

Majukumu ya shirika kwa jamii

Hapa ICDCI tunaendelea kujikumbusha majukumu yetu kwa jamii. Katika mwaka tunaoangazia tulidhamini maonyesho ya sanaa yaliyoandaliwa na Mukuru Art & Craft, kundi la kijamii ambalo linasaidia watu wasiobahatika katika jamii kutambua vipawa vyao vya sanaa. Mwaka huu, sanaa yao ya kupendeza inapamba kurasa za taarifa hii ya mwaka. Kama unavyoona, ni jambo la kuvutia kugundua kiwango kikubwa cha vipawa ambavyo havijatambuliwa miongoni mwa vijana. Tunataka kuwapatia nafasi ya kujulikana kadri iwezekanavyo, ndiyo waweze kujikimu kimaisha kwa kuuza vifaa walivyobuni wao wenyewe jinsi wasanii wengine wanavyofaidika katika mataifa yaliyoendelea. Tunakaribisha mawazo yenu kwenye miradi mingine ya hisani ambayo itaweza kuinua maisha ya watu wanaoishi katika hali kama hii kote nchini.

Mgao

Mwaka huu, wakurugenzi wamependekeza mgao wa kwanza na wa mwisho wa shilingi tatu (3.00) kwa kila hisa, dhidi ya mapato ya shilingi 5.37 kwa kila hisa. (Ikiwa ni asilimia 56 ya mapato). Mwaka jana tuliwalipa shilingi 3.00 kati ya shilingi 4.39 (asilimia 68 ya mapato).

Halmashauri itaendelea kuhakikisha kwamba inatilia maanani hoja la kulipa mgao mzuri dhidi ya kubakiza fedha zingine za akiba ambazo zitatumwa katika shughuli za uwekezaji katika siku zijazo na kuongeza ukuaji wa kampuni.

Tamati

Nitamalizia kwa kuwauliza mzidi kutuunga mkono. Halmashauri yangu na mimi mwenyewe tunahitaji usaidizi wenu kwa miaka michache ijayo ili tuweze kuwa na mafanikio na kushinda vikwazo na matatizo yaliyopo. Tupigieni simu au tuandikieni na mtujulishe iwapo kunayo aina yoyote ya miradi ambayo mnajua inaweza kutuletea faida katika kampuni yetu.

Nawatakia kila la kheri kwa mwaka ujao. Mungu awabariki nyote.



James N Muguiyi
Mwenyekiti



Title: 'drum'
Medium: relief sculpture
Artist: GITAU antony

managing director's report ripoti ya mkurugenzi mkuu

Dear Shareholders,

It gives me great pleasure to present this report to you in my new role as Managing Director of your company.

This financial year, the management team focused on meeting our objectives as spelt out in the corporate plan. The key objectives relate to growing the asset base, earning superior returns, managing risk and enhancing internal capacity. I will go over these elements in detail, but before that, I would like to briefly review our financial performance.

Review of Performance

This is a summary of how the company performed over the past financial year compared to the previous period:

- Investment income down 32% to KShs. 240 million from KShs. 355 million
- Operating expenses contained at KShs. 80 million the same level as the previous year
- Operating profits down 42% to KShs. 160 million from KShs. 274 million
- Share of associate company profits up 243% to KShs. 245 million from KShs. 72 million
- Profit before tax up 7% to KShs. 374 million from KShs. 348 million
- Profit after tax up 22% to KShs. 295 million from KShs. 241 million

The decline in investment income is largely attributable to a reduction in the level of capital gains. Capital gains realized from disposal of investments were down 76% to KShs. 55 million from KShs. 232 million the previous year. However, the gains made last year were of an exceptional nature, having been realized from one-time disposal of some non-core quoted equities. Apart from this, all our other operating income elements including dividends (up 65%), interest (up 20%) and rentals (up 9%) improved.

Our interest income increased despite some of our investments in treasury instruments maturing during the period. The yield was boosted by the shareholder loan of KShs. 80 million advanced to Uchumi Supermarkets Limited. Our property portfolio generated improved rentals and strict cost controls ensured that our overheads were contained at the same level as last year.

The main contributor to our improved share of associate company profits as well as our bottom line was the first-time inclusion of UAP Provincial Insurance Company Limited. The strong performance by this and some of our Coca Cola bottling associates more than compensated for the poor performance by Uchumi Supermarkets Limited and KWA Holdings (E.A.) Limited.

Overall, the company performed well in the face of several challenges but there are significant opportunities to improve in the coming year.

Hamjambo Wenye-hisa,

Ni furaha kubwa kwangu kwa kupata fursa hii ya kuwahutubia nikiwa Mkurugenzi Mkuu mpya wa kampuni hii, na kuwapa matokeo ya mwaka uliomalizika wa kifedha.

Mwaka huu wa kifedha, wasimamizi walijishughulisha hasa na mbinu za kufanikisha malengo ya mpango maalum wa kukuza kampuni yetu, katika masuala kama vile kuimarisha ukuaji wa rasilimali, kudhibiti mikakati ya kibiashara, changamoto za usimamizi wa kampuni, kuinua uwezo na ushirikiano wa wafanyakazi mbali na kupanua nyanja za kibiashara. Nitaangazia masuala haya yote kwa mapana na marefu baadaye, lakini kwanza hii hapa ripoti ya kifedha kuhusu kampuni yetu.



Peter K. Mwangi
Managing Director / Mkurugenzi Mkuu

Uchambuzi wa Matokeo

Ifuatayo ni muhtasari wa matokeo wa utendaji wa kampuni ikilinganishwa na mwaka uliopita:

- Mapato ya uwekezaji yalishuka kwa asilimia 32%; hadi shilingi milioni 240 mwaka 04/05 kutoka shilingi milioni 355 mwaka uliotangulia wa 2003/04.
- Gharama za matumizi zilibalia shilingi milioni 80 mwaka 2004/05, sawa na mwaka uliotangulia wa 2003/04.
- Faida ya uendeshaji wa kibiashara ilishuka kwa asilimia 42%; hadi shilingi milioni 160 mwaka 2004/05 kutoka shilingi milioni 274 mwaka uliotangulia wa 2003/04.
- Sehemu ya Faida ya makampuni shirika ilipanda kwa asilimia 238; hadi shilingi milioni 245 mwaka wa 2004/05, kutoka shilingi milioni 72 mwaka wa 2003/04.
- Faida kabla ya kutozwa ushuru ilipanda kwa asilimia 6%, hadi shilingi milioni 374, mwaka uliopita, kutoka shilingi milioni 348 mwaka uliotangulia wa 2003/04.
- Faida baada ya kutozwa ushuru pia ilipanda kwa asilimia 22% hadi shilingi milioni 295, mwaka wa 2004/05, kutoka shilingi milioni 241 mwaka wa 2003/04.

Kupunguka kwa mapato ya uwekezaji ulitokana na kushuka kwa mapato ya mauzo ya rasilimali. Mapato kutokana na mauzo ya rasilimali kilishuka kwa asilimia 76%; hadi shilingi milioni 55 kutoka shilingi milioni 232 mwaka uliotangulia. Mapato ya mauzo ya rasilimali katika mwaka uliotangulia yalikuwa siyo ya kawaida kwani wakati huo tulipata nafasi nzuri ya kuuza rasilimali katika hisa zilizoorodheshwa ambazo siyo muhimu kwetu. Hata hivyo, nyenzo nyinginezo za kimapato, ziliimarika. Mgao ulipanda kwa asilimia 65%; riba ilipanda kwa asilimia 2%, viwango vya kodi vilimarika kwa asilimia 9%.

Mapato kutoka kwa rasilimali zenye mapato hakika yaliongezeka licha ya kushuka kwa vitega uchumi vyetu ambavyo vilikua. Mapato ya riba yalinuliwa na mkopo tuliotoa kwa maduka ya Uchumi kama mwanahisa wa shilingi milioni 80. Kwa jumla mapato ya kodi yalizidi kuongezeka. Pia mikakati thabiti ya kudhibiti gharama ilichangiwa pakubwa ikilinganishwa na mwaka uliopita.

managing director's report ripoti ya mkurugenzi mkuu

Asset Growth

During the year, our quoted portfolio beat the market appreciating by 75% in market value from KShs. 824 million to KShs. 1.4 billion (compared with the 50% gain in the NSE 20-Share Index). Our major investments in East African Breweries and Kenya Commercial Bank recorded gains of nearly 500% and 100% above their historical acquisition cost respectively. Other tactical allocations in East African Cables, Sasini Tea and Coffee, Nation Media Group, Mumias Sugar and Carbacid Investments also recorded very strong share price performance. Going forward, we aim to increase our holdings in the best-performing tactical holdings and to liquidate those that have not performed as well. We expect that this portfolio rationalisation will raise the overall price performance of our listed investments.

The unquoted portfolio grew by 11% from KShs. 1.9 billion to KShs. 2.1 billion as measured by book value. This segment of the portfolio is best grown through additional acquisitions and the maximization of dividend. Over the coming year, we will be looking for opportunities to add new private equity investments, maximize dividend earnings from our unquoted investments and to realize capital gains through stock exchange listings.

We view property as still a largely untapped investment class in our portfolio. This is significant given the tremendous activity we have witnessed in the property industry, especially in the residential segment. We believe that there are opportunities to increase rental earnings and capital appreciation through investment channels such as managed developments. In the coming year, we are looking to liquidate low-yielding property investments and deploy the funds to roll out new developments in areas with greater return potential.

Superior Returns

Our objective is to give you the shareholder a competitive return on your investment.

Last year, our accounting return on equity (ROE) remained unchanged from the previous year at 8% while our return on assets (ROA) was also unchanged at 7%. Strictly speaking, this accounting ROE does not fully reflect the unrealized capital appreciation of the underlying assets. Adjusting the reported income for the capital appreciation of our investments would give you a better measure of the total return for the period.

Our share price has remained stable closing at around KShs. 67 both at the end of the last financial year and the previous one. Our market price stability is reflective of high investor confidence and presents a good platform to raise additional capital for investment in future. Generally though, we would prefer a situation where the share price appreciated in tandem with our improving profitability so that you the shareholder can benefit from capital gains as the value of your investment grows.

Risk Management

Your company faces numerous challenges and risks that could impact the financial and overall corporate performance. We have continued to focus on enhancing our capacity to identify and manage all the risks confronting our business. Over the year we have refined early warning systems for all our portfolio investments. In particular we took mitigating action in respect of two of our investments - Uchumi Supermarkets Limited and Wildlife Works Incorporated (USA).

Following the successful conclusion of the Rights Issue for Uchumi our percentage shareholding in that company reduced from 24.99% to 10.10%. We participated in the Rights Issue only to the extent of converting a portion of our shareholder

Mchango mkubwa wa mafanikio ya mwaka huu, ni kutokana na kujumuishwa kwa mara ya kwanza, sehemu ya faida ya kampuni ya bima ya UAP iliyoishirikiwa mwakani. Matokeo hayo, pamoja na mapato bora kutoka kwa makampuni shirika zinazotengeza soda ya Coca Cola, yaliweza kufidia hasara iliyoipata kampuni ya maduka ya Uchumi na ile ya KWA Holdings (EA) Limited.

Kwa jumla ni kwamba kampuni yetu ilifanya vizuri sana kibiashara mwaka huu wa kifedha, ikizingatiwa kwamba kulikuwa na changamoto nyingi, na ni matumaini kwamba mambo yatazidi kuimarika.

Kuimarika Kwa Kiwango cha Rasilmali

Mwaka huu, rasilmali katika makampuni yaliyoajiliishwa katika soko la hisa la Nairobi zilipita viwango vya soko, na kupanda kwa asilimia 75% hadi shilingi bilioni 1.4 kutoka shilingi milioni 824, ikilinganishwa na thamani katika soko (hii inalinganishwa na kuimarika kwa soko la hisa la Nairobi kwa asilimia 50%, miongoni kwa kampuni 20 bora).

Hisa tulizonunua katika kampuni ya East African Breweries na benki ya Kenya Commercial, zilirekodi takriban Ukuaji wa asilimia 500% na 100% zaidi ya gharama ya kuzinunua. Hisa nyingine tulizolenga katika makampuni ya East African Cables, Sasini Tea, Nation Media Group, Mumias Sugar, na Carbacid Investments zilikuwa na ukuaji nzuri sana. Mwaka ujao tunalenga kuongeza hisa zetu katika biashara zinazopata na kudumisha matokeo bora, na kupunguza zile zinazozorota. Tunataraji kwamba tukizidi kujishughulisha katika kuwekeza faida ya rasilmali zetu katika sekta hizo, tunanua kuwa viwango vya bei za hisa za makampuni hayo yataimarisha na kuongeza Ukuaji wa rasilmali yetu kwa jumla.

Rasilmali katika makampuni ambayo hayajasajiliishwa katika soko la hisa, ilikua kwa asilimia 11% kutoka shilingi bilioni 1.9 hadi shilingi bilioni 2.1. Rasilmali hii inaimarishwa zaidi kwa kuongeza hisa zetu katika makampuni haya ya kibinafsi na kuimarisha mgao kutoka kwa makampuni hayo ipasavyo. Mwaka ujao lengo letu litakua kuongeza uwekezaji wa rasilmali katika makampuni ya kibinafsi mapya ilikuongeza mapato ya uwekezaji na pia kuweza kupata mapato ya mauzo kwa kuyaorodhesha makampuni haya katika soko la hisa.

Tunatumai kwamba uwekezaji wa kumiliki rasilmali katika majengo ni muhimu sana tukizingatia kwamba uwekezaji wa kumiliki mali kwa majengo umekuwa ukimarika sana hasa katika ujenzi wa wakaazi. Tuna imani kwamba sekta hii yaweza kufanya vyema sana na kuongeza mapato ya kodi kutokana na amana za umiliki wa rasilmali za kudumu. Kwa mwaka ujao, tuna mpango wa kuuza sehemu ya umiliki wa rasilmali katika majumba yasiyozalisha faida na kutumia fedha hizo kununulia mali katika sekta zinazoonekana kustawi.

Mapato Bora ya Uwekezaji

Lengo letu ni kuwapa wenyehisa kiwango imara cha mapato.

Kwa mwaka huu mapato yaliyotokana na uwekezaji (ROE) yalisalia katika kiwango cha asilimia 8% sawa na mwaka jana, ilhali kilichotokana na umiliki wa mali (ROA) pia kilisalia imara katika asilimia 7%. Hata hivyo ni vema kuwadokezea kwamba hesabu hii ya ROE sio kigezo tosha cha kuonyesha ongezeko la mtaji wa mali tunazomiliki. Kushirikisha mtaji huo katika mapato tuliyowasomea, kungeonyesha kiwango kamili cha mapato yetu kutokana na uwekezaji Mwakani.

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managing director's report ripoti ya mkurugenzi mkuu

loan as part of a pseudo-underwriting arrangement. Uchumi therefore ceased to be an associate company of ICDCI. Your company's accounting exposure to this investment has therefore been reduced. In the case of Wildlife Works, a provision of KShs.9.5 million has been made. This represents about half of the amount invested in that company. We have considered it prudent to allow for a possible diminution in the value of this investment as the performance of the business has so far not matched our expectations.

Our involvement at Board level in companies where we have a substantial stake enables us to access real-time information that may negatively impact the value of our investment. We are therefore able to influence their decisions in a manner that safeguards our interests. Going forward, we will endeavor to minimize the need for crisis intervention by strengthening our investment criteria to include a track record of consistent performance, commitment to good corporate governance and high management standards for potential investee companies.

Internal Capacity & Partnerships

Future success will largely depend on our ability to identify suitable new investment opportunities. Over the year, we focused on building our management capability in information systems and business development. As promising investment opportunities appear on the back of the anticipated economic expansion, we must position ourselves as the investor of choice to give us an edge in prospecting, researching and closing the transactions that we generate for our deal pipeline.

We also spent considerable time approaching other like-minded investment institutions to partner with us on future deals. Through networks created in this way, we were able to examine specific investment opportunities in various sectors both locally

Bei ya hisa zetu imesalia thabiti katika takriban shilingi 67 mwaka huu na hata mwaka jana. Uthabiti wa bei hiyo, unatupa hakikisho kwamba wenyehisa wanayo imani sana na kampuni hii, na inatupa fursa ya changisha fedha za uwekezaji kwa siku za usoni. Lakini tungependa zaidi kuongeza mtaji katika sekta ambazo zilikuwa na matokeo mazuri na kupandisha kiwango cha faida yetu, ili wewe ukiwa mwenyehisa unufaike kwa mtaji imara.

Changamoto za Kibiashara

Kampuni yetu inakabiliwa na changamoto kadhaa katika rasilimali na utendaji wake. Tunaendelea kutilia maanani mbinu za kupunguza changamoto za kibiashara ambazo zaweza kutukumba. Mwakani tulitilia mkazo mifumo ya kuashiria tahadhari za mapema katika rasilimali yetu. Tulitambua na tukachukua hatua za kuzuia hasara katika haki tuliyowezeza dhidi ya rasilimali katika kampuni ya maduka ya Uchumi na ile ya Wildlife Works Inc. (ya Marekani).

Kufuatia kukamilika wa mchango wa fedha katika kampuni ya maduka ya Uchumi, rasilimali yetu kwenye kampuni hiyo ilipunguka kutoka asilimia 24.99 hadi asilimia 10.10. Tulishiriki katika mchango huo kulingana na makubaliano kati yetu ya kuibadilisha deni letu kwa hisa ambazo hazikununuliwa peke. Kwa sasa Uchumi siyo kampuni shirika tena. Hali hii imepunguza changamoto ya utendaji kutoka kwa kampuni hiyo. Kwa upande wa Wildlife Works, tiluandikisha hasara ya shilingi milioni 9.5. Tuliona kwamba kufanya hivyo ni vyema kwani rasilimali hiyo haijaweza kuafikia matarajio yetu.

Ni kupitia uanachama wetu katika halmashauri ya makampuni tulikowezeza kwa wingi, huwa tunapata taarifa na habari muhimu kuhusu mwelekeo unaoweza kuangusha thamani ya hisa tunazomiliki. Kwa njia hiyo, huwa tunashinikiza hatua madhubuti za kulinda uwekezaji wetu. Mwaka ujao, tunanua kupunguza mahitaji ya kushughulikia changamoto mbalimbali, na kuimarisha mbinu za uwekezaji wetu, kwa kuchangia masharti ya viwango vya utawala wakishirika na usimamizi wa makampuni tunamolenga kuwekeza fedha.

Uwezo wetu na Ushirikiano wa Kibiashara

Mafanikio yetu kibiashara yatategemea sana uwezo wetu katika kutambua mbinu za uwekezaji mpya. Mwaka huu tuliamua kuzingatia sana hatua za kuimarisha mifumo ya mawasiliano na maendeleo ya kibiashara. Huku nyanja nyengine za uwekezaji zikijitokeza kutokana na kupanuka kwa uchumi, tunataka kuwatangulia washindani wetu kibiashara katika kuzitambua haraka, kuzichambua, na kutenga fedha kwa miradi yanayoonyesha uwezo wa kuzalisha matokeo bora. Kupanuka kwa idara yetu ya usimamizi, kutatuwezesha kuwatangulia washindani wetu katika kutafuta na kuchunguza ipasavyo, kila fursa ya kibiashara inayojitokeza. Katika siku zijazo, tutazidi kuwaajiri watu wenye kipawa hiki, ili kufanikisha lengo hili.

Vile vile tulichukua fursa hiyo kushauriana na taasisi nyingine za uwekezaji ili ishikamane nasi katika mikataba ya siku zijazo. Kupitia njia hii, tuliweza kuchambua nyanja maalum za uwekezaji katika sekta kama vile teknolojia ya habari na mawasiliano ICT, huduma za kifedha na umiliki wa rasilimali katika majengo ya kudumu humu nchini na ng'ambo. Tunaimani kwamba sekta hizi zina uwezo wa kuimarika sana katika uchumi wa Kenya kwani unazidi kukua, na hivyo zitatoa nafasi ya manafaniko ya uwekezaji.

Mwaka ujao, tutazidi kuboresha uwezo wetu katika mfumo wa mawasiliano, na kuifanya ya kisasa zaidi, mbali na kufanya kazi na taasisi za fedha za humu nchini na za kimataifa katika malengo hayo.



Title: 'mother and baby'
Medium: pastel p
Artist: KAHIZA James

managing director's report ripoti ya mkurugenzi mkuu

and in the region. Next year, we will continue to build on our internal strengths by upgrading our business systems and working to broaden our alliances with local and international institutional investors.

Diversification

During the year under review we undertook a fair amount of portfolio consolidation by primarily reducing our exposure to both non-core and under-performing investments. This drive will continue into the coming year under a program of rational diversification. Rational diversification will avoid spreading our portfolio too thin and instead maintain fair allocations across key growth sectors by determining the optimal asset allocations in our portfolio.

In the short to medium-term we will maintain our focus on the ICT, microfinance, utilities, property and infrastructure sectors. These sectors are in our view likely to grow faster than the overall economy over the next few years and present excellent investment prospects in the near future.

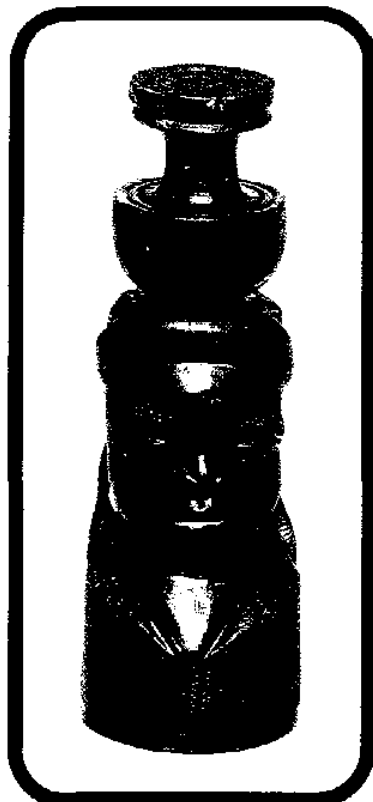
Conclusion

I want to express my sincere gratitude to the Board of Directors for appointing me as Managing Director. In my first year in this capacity, they have offered me their wisdom and support in all my activities. I would also like to extend my thanks to the members of the management team and support staff. They have demonstrated exemplary motivation and passion for success and I have no doubt that our company will enjoy a bright year ahead.

Finally, I would like to thank you the shareholders for remaining faithful owners of our company. Your support inspires us to continually work hard for success. I wish you all prosperity and good fortune in the coming year



Peter K. Mwangi
Managing Director



Usambazaji wa Rasilmali

Mwaka huu tulishughulika sana katika kuimarisha rasilmali zilizowekwa, ambapo hasa tulilenga kujiondoa kutoka uwekezaji mdogo mdogo na uwekezaji unaokumbwa na hasara. Mpango huu utaendelea katika mwaka ujao kupitia mpango maalum wa upanuzi wa biashara. Upanuzi huo maalum utatuwezesha kuzuia kutawanyika kwa rasilmali tulizoweka kwenye sekta ndogo ndogo, na badala yake kuimarisha uwekezaji katika sekta zinazokua.

Katika miaka zijazo tutashughulikia hasa uwekezaji wa rasilmali katika mashirika ya kibinafsi zilizo katika sekta za teknolojia ya habari na mawasiliano ICT, utengenezaji bidhaa, vyakula, utalii, umilki wa rasilmali za majengo za kudumu na kawii. Kwa maono yetu, sekta hizi zitanawiri na kukua haraka kuliko nyingine katika miaka michache ijayo, na zitatoa nyanja kabambe za uwekezaji hivi karibuni.

Hitimisho

Nataka kutoa shukrani za dhati kwa halmashauri yangu ya wakurugenzi kwa kunitoa kuwa Mkurugenzi Mkuu. Katika mwaka mmoja niliosimamia kampuni hii, wamenipa mwongozo wa busara na kunisaidia ipasavyo katika kila shughuli niliyofanya. Sitawasahau wasimamizi na wafanyakazi wasaidizi kwa mchango wao. Wamedhihirisha moyo wa kujitolea kazini na kulenga kufaulu katika kazi zao, na hivyo sina shaka kwamba kampuni hii itapata mafanikio makubwa katika mwaka utaofuata.

Hatimaye, ninachukua fursa hii kuwashukuru ninyi wenye hasa kwa kuendelea kuwa na imani na kuithamini kampuni hii. Ushirikiano wenu unatupa moyo wa kuendelea kutenda kazi kwa bidii. Nawatakia nyote mafanikio na mavuno mema katika mwaka ujao wa kifedha.



Peter K. Mwangi
Mkurugenzi Mkuu

Title: 'Masalai lady'
Medium: relief sculpture
Artist: GHAU antony

statement on corporate governance

The board of directors of ICDCI recognises that, as the core of the corporate governance system, it is ultimately accountable and responsible for the performance and affairs of the company. The board accepts that the Managing Director and the Management are responsible for the management of the day to day affairs of the company and that delegating authority to management and/or does not in any way mitigate or dissipate the discharge by the board and individual directors of their responsibilities.

The board embraces the principles of good governance as spelt out in the guidelines issued by the Capital Markets Authority (CMA). A good corporate governance structure is a working system for principled goal setting, effective decision-making and appropriate monitoring of compliance and performance. Through such a vibrant and responsive system the Managing Director, the management team and the board of directors can interact effectively and respond quickly to changing circumstances within a framework of solid corporate values, to provide enduring value to shareholders who invest in ICDCI whilst maintaining a balance between shareholder needs and the needs of other stakeholders.

The board continuously strives to find the correct balance for its businesses between being entrepreneurial and providing strategic leadership and maintaining good governance.

The board is satisfied that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times. The board relies on the external group auditors and the Audit Committee to raise any issues of financial concern.

Compliance with CMA Regulations and NSE Listing Requirements

The board is confident that the group is fully compliant with all the regulations of the Capital Markets Authority (CMA) and the listing requirements of the Nairobi Stock Exchange (NSE).

THE BOARD AND ITS FUNCTIONING

Structure

The group has a unitary board structure, which forms the focal point of the system of corporate governance of the organization. The composition of the board is compliant with good corporate governance practises. The role of the Chairman and Managing Director are segregated and a non-executive director acts as Chairman of the board. The board is of the opinion that there is an appropriate balance between executive and non-executive directors.

Composition of the Board

The current group board of directors includes one executive director and 8 non-executive directors. The board as a whole has considered the classification of directors as independent non-executive, non-executive and executive. This classification will be reviewed on an annual basis or more frequently if necessary.

Skills and Experience of the Board

In determining the size of the board, the directors considered the nature, size and complexity of the group as well as its stage of development. The board believes that having directors with relevant business and industry experience is beneficial to the board as a whole as directors with such background can provide a useful perspective on significant risks and competitive advantages and an understanding of the challenges facing the business. The board, through the Nominations and Governance Committee, monitors the mix of skills and experience of

directors in order to assess whether the board has the necessary tools to perform its oversight function effectively. Our directors have among them the following skills, experience and attributes:

- Working knowledge of the Companies Act, CMA Regulations and NSE Listing Requirements
- Risk management
- Corporate governance
- Financial management
- General business acumen
- Diverse age profiles
- Cultural and gender diversity

The board is thus appropriately comprised of competent, committed individuals with diverse and complementary skills to ensure that there is sufficient breadth of experience at board level with directors who have the relevant skills and experience to fully discharge their duties.

Selection Appointment and Rotation of Directors

A Nomination and Governance Committee considers all director appointments. The charter of the committee makes provision for formalising procedures for assisting the board with director selection and appointment of directors. Should the committee be satisfied that the appointment would add value to the board as a whole a recommendation is made to the board as per its approved charter. This is regarded as a formal and transparent procedure. All director appointments are subject to confirmation by shareholders at the annual general meeting.

Directors are appointed with an intimate knowledge of those issues pertinent to the committed strategic direction and defined strategy of the group as well as the qualities expected of all directors and those specific to executive and non-executive directors. A third of directors retire by rotation annually, and if eligible their names are submitted for re-election to the annual general meeting.

Induction and Training

There is a formal procedure for the induction and training of directors. In addition to the induction programme for new directors. The directors of the group also subscribe to the following guidelines as contained in the board charter.

Every director shall:

- At all times conduct him/her in a professional manner, having due regards to his/ her fiduciary duties and responsibilities to the group;
- Uphold the core values of integrity and enterprise in all dealings on behalf of the group;
- Ensure that he/she has sufficient time available to devote to his/her duties as a director;
- Be diligent in discharging his/her duties to the group and seek to acquire a broad knowledge of the business of the group so as to be able to provide meaningful direction to it;
- Regularly attend meetings of the board and any board committees on which he/she serves; and
- Endeavour to keep abreast of changes and trends in the business environment and markets, including changes and trends in the economic, political, social and legal climate generally, which may impact the business of the group.

Information Requirements of Directors

The board has received the information requirements of directors to enable them to effectively fulfil their duties and responsibilities. Directors are informed of matters that will be discussed at board meetings and provided with information relating thereto. A procedure further allows for directors to

statement on corporate governance

suggest additional items for discussion at meetings and to call for additional information or a briefing on any topic prior to the meeting.

Delegation of Authority

The board has approved and disseminated the delegation, both internally and externally, of certain authorities to the board sub-committees where applicable and to management.

Chairman and Chief Executive

There is a clear division between the roles of Chairman and Chief Executive and the roles remain separate and distinct. The Chairman of the board is an independent non-executive director.

Board Meetings

At a minimum, board meetings are held every quarter and the board is of the opinion that this is sufficient. Special board meetings to discuss specific issues such as strategy and risk management were also held during the year. The board is constantly reviewing the amount of time spent on corporate performance, strategic issues and the content and quality of non-financial information. In the last financial year a total of 5 board meetings were held. The annual general meeting was also well attended by the directors.

Interaction with Management

The members of the ICDCI board contribute a wide range of experience relevant to the particular business of ICDCI and the group as a whole. The ICDCI board has a high level of regular interaction with the management thereby enabling the directors to infuse their considerable experience, professional knowledge of the target market into its strategic direction. There is a policy of open communication between the board and management and this ensures that the board is fully informed of major matters concerning ICDCI and its businesses.

GROUP GOVERNANCE STRUCTURE

A mix of board and management are members of the various committees (operating within the ICDCI group) with certain members of management attending the meetings.

This committee structure permits the board to address key areas in more depth than may be possible in a full board meeting. Decisions about committee membership are made by the full board, based on recommendations from the committee responsible for corporate governance issues. The board designates the Chairpersons of the various committees. All committees apprise the full board of their activities on a regular basis through oral and/or written reports.

COMMITTEES OF THE BOARD

The board has three standing committees all of which are guided by clear terms of reference. The committees are instrumental in monitoring company operations, systems and internal controls. The memberships of the committees is as follows:

Audit Committee –

Eng. Joseph Munene (Chairman), Isaac Awuondo, Christopher Kirubi, Pauline Muriuki, Henry Njoroge and Margaret Rotich

Investment Committee –

Christopher Kirubi (Chairman), Peter Mwangi, James Muguiyi, Isaac Awuondo, Eng. Joseph Munene, Pauline Muriuki and Henry Njoroge

Nomination and Governance Committee –

Isaac Awuondo (Chairman), Eng. Joseph Munene, Dr. Kate Getao and James Muguiyi

Audit Committee Composition

The members of this committee are all non-executive directors, the majority of whom qualify as independent non-executive directors as per the applicable listings requirements. All members meet minimum financial literacy standards and have accounting or financial management expertise. The committee is chaired by Eng. J M Munene.

The Managing Director, the Finance Manager and the lead audit Partner in charge of the external audit are in attendance at most meetings. In addition the external auditors have unrestricted access to the Managing Director and Chairman of the Audit Committee, which ensures that their independence is in no way impaired.

Role of Committee

As part of its duty to assist the board in fulfilling its responsibilities, the committee's primary role is to instil financial discipline in order to minimise possibilities of fraud and misconduct. It also plays a key role in protecting the interests of investors and monitoring the component parts of the audit and compliance processes.

- *External audit* - supervises the relationship, including recommendation to the full board, the audit firm to be appointed, evaluating the performance of the auditors, considers independence to perform non-audit services, and approval of the audit fees;



Title: 'Kisumu woman'
Medium: A/C
Artist: JMK

statement on corporate governance

- *Internal controls* - understands and is familiar with the system of internal controls and on a periodic basis reviews with both internal and external auditors the adequacy of the system of internal controls;
- *Compliance* - reviews the organisational procedures that address compliance with the statutes;
- *Financial statements* - reviews and discusses with management and external auditors, and based on these discussions, recommends that the board approve the financial statements for publication;

Meetings

The committee meets at least three times a year (and more frequently if necessary) which is regarded as sufficient to allow the committee to appropriately monitor and discharge its functions. Three meetings were held during the year under review.

Nomination and Governance Committee Composition

The committee comprises solely non-executive directors. The committee is chaired by Mr. I O Awuondo.

Role of Committee

The role of the committee is to recommend to the board strategic directions and set priorities in human resources, including policy and the implementation of the policy, and to advise the board on staffing issues including but not limited to recruitment and selection, orientation and induction and performance management. It also looks more broadly at remuneration issues to determine that it establishes appropriate incentives for management and employees at all levels. The salient points that form the approved charter of the remuneration and governance committee are the following.

The committee is required:

- To identify and recommend to the board the appointment of suitable candidates for appointment to the board of non-executive directors;
- To periodically assess the skills required to competently discharge the board's duties, keeping in consideration the strategic direction of the company, and report the outcome of the assessment to the board;
- To make recommendations to the Chairman of the board on the means by which the skills of existing non-executive directors can be enhanced;
- To recommend to the board, the recruitment, termination, promotion and other significant issues related to executive directors and senior managers;
- To review existing management resources and plans to ensure that qualified personnel will be available for succession to executive position and other key senior management positions in the company; and
- To advise the board, in fulfilling their responsibilities to shareholders in ensuring that the boards are comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance.

Meetings

During the year under review the committee ensured that a successful and seamless change in management of the company took place by guiding the board in appointing a new managing director. A total of 5 committee meetings were held.

Investment Committee Composition

The committee comprises of non-executive directors and the Managing Director with the Investment Manager and Risk Manager in attendance. The committee is chaired by Mr. C J Kirubi.

Role of Committee

The role of the committee is to provide leadership in the achievement of attractive returns on the company's capital by investing in local and regional opportunities that are undervalued, and where the company is in a position to add significant value at board level and by the creation of synergies with other investments in its portfolio.

The committee is required:

- To provide clear guidelines on investment policies, procedures and objectives for enabling a consistent and structured, research-based and risk sensitive approach to value investing;
- To review the company's risk-management approach for appropriateness on an ongoing basis in the light of developments in the financial markets and the general business and economic environment and to bring to the attention of the board any matters deemed necessary;
- To review the company's detailed strategic investment plans, including short-term priorities and recommending these to the board for approval;
- To monitor and critically review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures/ actions are taken; and
- To provide advice to board on proposals for the investment of the company's financial resources in new or privatising enterprises, which are of strategic interest to the company's development.

Meetings

Four meetings were held during the period under review.

DIRECTORS REMUNERATION

The remuneration for non-executive directors consists of fees for their services in connection with board and committee meetings. They are not eligible for pension scheme membership and do not participate in any of the company's bonus or other incentive schemes. There were no loans advanced to directors at any time during the year.

Information and disclosures relating to the aggregate amount of emoluments and compensation received by the directors for their in the financial year to 30 June 2005 are contained in note 4 to the financial statements on page 40 in this Annual Report.

COMMUNICATION

The company places a great deal of importance on communication with its shareholders and the financial markets in general and issues notices in the press of its half yearly and yearly financial results. There are also investor and press briefing sessions after the release of the results. The group publishes a full Annual Report and Accounts. The full Report and Accounts are distributed to all shareholders and on request to other parties who have an interest in the group's performance. Shareholders also have direct access to the company and management responds on an on-going basis to numerous letters from shareholders and interested parties on a wide range of issues. Regular communication with shareholders also takes place via the company's website.

INTERNAL CONTROLS

The board has a collective responsibility for the establishment and maintenance of a system of internal controls that provides reasonable assurance of effective and efficient operations.

statement on corporate governance

However, it recognizes that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board attaches great importance to maintaining a strong control environment and the company's system of internal control includes the assessment of non-financial risks and control. The board has reviewed the company's internal control policies and procedures and is satisfied that appropriate procedures are in place.

RISK MANAGEMENT

The company ensures that there are written policies and procedures to identify and manage risk including operational risk, balance sheet management, market and credit risk on an ongoing basis. Appropriate focus is given to the risks facing the various economic sectors, individual companies and financial instruments in the portfolio.

BUSINESS CONDUCT

The company's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. The board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

PERFORMANCE REPORTING

The business performance of the company is reported regularly to its management and the board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also include segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

GOING CONCERN

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis when preparing the financial statements.

ETHICAL STANDARDS

ICDC believes in integrity and strong ethical values as a way of doing business. Matters relating to the conduct and core values are currently incorporated in the company's personnel policies and procedures. Employees must refrain from taking part in or exerting influence in any transaction in which their own interest may conflict with the best interest of the group.

COMPANY SECRETARY

All directors have access to the services of the company secretary who is responsible for ensuring that board procedures are followed and plays an active role in the facilitation of the induction of new directors and the improvement and monitoring of corporate governance processes. All directors are entitled to seek independent professional legal advice with respect to any affairs at ICDC's expense.

The appointment, removal and appraisal of the performance of the company secretary is the responsibility of the board of directors.

GROUP STRUCTURE, COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The holding of company of the group is ICDC Investment Company Limited, which has a primary listing on the Nairobi Stock Exchange (NSE). The main subsidiary is Kenya National Properties Limited which is a registered company. The establishment of subsidiaries within the group is carefully managed to ensure compliance with both domestic and international regulatory requirements. Details of shareholder information can be found on page 24.

The group values its relationship with shareholders and has an open door policy on addressing shareholder and investor concerns at its registered office.



Title: 'Beautiful lady'
Medium: A/C
Artist: MAINA Joseph

shareholding information

Top Ten Shareholders as at 30 June

No.	Name	FY2004/05		FY2003/04	
		Number of Shares	% holding	Number of Shares	% holding
1	ICDC	12,930,413	23.51%	12,930,413	23.51%
2	Mr. Christopher J. Kirubi	9,415,872	17.12%	9,415,872	17.12%
3	UAP Provincial Insurance Company Limited	5,038,305	9.16%	5,038,305	9.16%
4	Kiruma International Company Limited	3,056,130	5.56%	3,021,213	5.49%
5	International House Limited	3,007,560	5.47%	3,007,560	5.47%
6	Old Mutual Life Assurance Limited	593,513	1.08%	593,513	1.08%
7	Barclays (Kenya) Nominees A/c 1853	588,048	1.07%	588,048	1.07%
8	Barclays (Kenya) Nominees A/c 1257	489,981	0.89%	440,755	0.80%
9	Kenya Commercial Bank Nominees A/c 769G	309,404	0.56%	262,097	0.48%
10	Stanbic Nominees Kenya Ltd A/c R16901	280,448	0.51%	280,448	0.51%
	TOTAL	35,709,674	64.93%	35,578,224	64.69%

Directors' Shareholding as at 30 June 2005

	Name	Number of Shares
1	INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION (ICDC)	12,930,413
2	JAMES N MUGUIYI	16,563
3	CHRISTOPHER J KIRUBI	12,472,002
4	PETER K MWANGI	NIL
5	FRANCIS M THUO	11,194
6	ISAAC O AWUONDO	16,068
7	MARGARET MWANGOLA	6,348
8	KATHERINE W GETAO	3,600
9	PS, MINISTRY OF TRADE & INDUSTRY	NIL
10	PAULINE M MURIUKI	NIL
11	HENRY N NJORGE	NIL

Spread of Shareholders as at 30 June

Shareholding	2004/05			2003/04		
	Number of Shareholders	Number of Shares held	Percentage Holding	Number of Shareholders	Number of Shares held	Percentage Holding
Less than 1,000	13,640	4,438,508	8%	14,524	4,800,247	9%
1,001-5,000	2,294	4,530,945	8%	2,613	5,274,431	10%
5,001-10,000	249	1,752,627	3%	318	2,254,355	4%
10,001-50,000	123	2,201,837	4%	194	3,838,129	7%
50,001-100,000	9	616,536	1%	28	1,997,055	4%
More than 100,000	15	41,454,730	75%	22	36,830,966	67%
TOTAL	16,330	54,995,183	100%	17,699	54,995,183	100%

ICDCI remains committed to being a model corporate citizen that takes its obligations to all its stakeholders and the wider community very seriously. As the leading quoted investment company in East Africa our goal is to be viewed by the community as not just a company to invest in, but also one to believe in.

In our endeavours to make a difference in our community, we have for the past two years been involved in working with the youth of Mukuru kwa Njenga slums. In the previous financial year the company donated sporting uniforms and equipment to Rekejisho FC. This is a football club that brings together the youth of the area. The idea behind the football team was to provide an avenue for the youth to channel their energy in a constructive activity.

In the year under review we continued our involvement with the community by sponsoring the Mukuru Art and Craft centre. On 5th July 2004 Hon. Najib Balala, the Minister of State for National Heritage, launched "Hidden Treasures – An Expression of the Kenyan Youth" a 3 week art exhibition at the Rahimtulla Museum of Modern Art (RaMoMa) in Upper Hill, Nairobi. The exhibition provided a forum for rehabilitated street children and those from the slum area to showcase their talent.



Title: 'camouflage'
Medium: A/C
Artist: KAHIGA James

Mukuru Art and Craft Centre

Who they are:

In response to the increasing level of unemployment among the youth in the slums of Nairobi the Mukuru Art and Craft (MAC) project was initiated early last year. Its goal is to encourage children in the slum area to focus on art and product design as a means to achieving financial empowerment and poverty alleviation. Apart from providing formal training and encouraging creativity and innovation, the project also facilitates the marketing and sale of the artwork. The project is situated in a slum village called Lunga Lunga in Nairobi's Industrial Area.

What their objective is:

The key objective of MAC is to help individuals and small groups generate income through their talents to improve their livelihoods and those of their families.

This objective is achieved by:

- i) teaching product design that meets national and international standards;
- ii) establishing links with local and overseas buyers and facilitating the sale of artworks to these markets; and
- iii) providing low cost workshops on specific artistic skills.

Our involvement:

ICDCI views its involvement in MAC as an innovative solution to the complex problem of alleviating poverty and developing the earning capacity of the less fortunate youth in our society. There is an incredible pool of talent that continues to go unrealized, simply because several young Kenyans, particularly the less privileged are never given the chance to showcase their talents before the right audience.

ICDCI believes that it can play a significant role in bridging this gap, and give young, talented but under-privileged Kenyans a chance to transform their lives.

Benefits of the Exhibition to the Project

The exhibition provided a platform for about 30 young artists between the ages of 14 and 30 from Mukuru to showcase their works to the general public, boosted their morale and led to the discovery of previously unexposed talent among the youth.

The youth were also able to sell their works and establish contacts with experienced artists and investors who have agreed to train them further through the project and help them market their works. The project workshop has now expanded to train more youth with the number rising from the original 25 to about 45 currently.

report of the directors ripoti ya wakurugenzi

The directors present their report together with the audited financial statements for the year ended 30 June 2005.

ACTIVITIES

The group's principal activity remains that of engagement in investment activities.

RESULTS

	Shs'000
Profit before taxation	373,999
Taxation	(78,765)
Net profit after taxation	295,234
Dividends	164,986
Retained profit for the year	130,248

DIVIDEND

The directors recommend the payment of a first and final dividend of Shs 3.00 per share (2004 – Shs 3.00 per share). The retained profit for the year of Kshs 130,248,000 is carried to the Group Revenue Reserves.

DIRECTORS

The current members of the board are as shown on page 5.

M Mwangola and F M Thuo retired as directors of the company on 17 October 2005.

P M Muriuki and H N Njoroge were appointed directors of the company on 18 October 2005.

In accordance with article 86 of the Articles of Association, K W Getao and the Industrial and Commercial Development Corporation retire by rotation and being eligible, offer themselves for re-election.

In accordance with article 92 of the Articles of Association, P M Muriuki and H N Njoroge retire and being eligible, offer themselves for election.

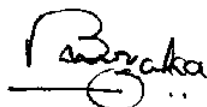
SECRETARY

P K Mwangi ceased being the company secretary on 30 April 2005. I B Mogaka was appointed on 1 May 2005.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap 486).

BY ORDER OF THE BOARD



Isaac B R Mogaka
Secretary

Nairobi
28 October 2005

Wakurugenzi wanatoa ripoti yao na maelezo ya hesabu zilizokaguliwa ya mwaka ulioisha tarehe 30 Juni 2005.

SHUGHULI

Shughuli muhimu ya kampuni zimeendelea kuwa ni shughuli za uwekezaji rasilimali na uzalishaji wa pesa.

MATOKEO

	Shs'000
Faida kabla ya ushuru	373,999
Kodi iliotozwa	(78,765)
Faida baada ya kutoa fungu la ushuru	295,234
Mgao	164,986
Mapato yaliyobakizwa	130,248

MGAO

Wakurugenzi wamependekeza malipo ya mgao wa kwanza na wa mwisho wa mwaka kuwa Shilingi 3.00 kwa kila hisa (Mwaka wa 2004 – ulilipwa Shilingi 3.00 kila hisa). Mapato yaliyobakizwa ya Shilingi 130,248,000 yatapelekwa kwa akiba ya mapato ya kampuni.

WAKURUGENZI

Halmashauri ya Wakurugenzi wameonyeshwa kwenye ukurasa wa 5.

M. Mwangola na F M Thuo walistaafu kuwa wakurugenzi mnamo tarehe 17 Oktoba 2005.

P M Muriuki na H. N. Njoroge waliteuliwa kuwa wakurugenzi mnamo tarehe 18 Oktoba 2005.

Kufuatia sharti 86 la kanuni za kampuni, Dkt. K W. Getao na Industrial and Commercial Development Corporation wanastaafu kwa zamu, na kwa vile wanaweza kuchaguliwa tena, wamejitolea kuchaguliwa.

Kufuatia sharti 92 la kanuni za kampuni, P M Muriuki na H N Njoroge wanastaafu na kwa vile wanaweza kuchaguliwa tena, wamejitolea kuchaguliwa.

KATIBU

P K Mwangi alijiuzulu kama katibu tarehe 30 Aprili 2005. I B Mogaka alichaguliwa tarehe 1 Mai 2005.

WAKAGUZI

Deloitte & Touche, baada ya kudhihirisha hii yao, watendelea na kazi ya uhasibu kufuatia kifungu nambari 159 (2) cha Sheria za Kampuni (Sehemu 486).

KWA AMRI YA HALMASHAURI



Isaac B R Mogaka
Katibu

Nairobi
28 Oktoba, 2005

statement of directors' responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group and company for that year. It also requires the directors to ensure that the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for at least the next twelve months from the date of this statement.



James N Muguiyi
Chairman
11 October 2005



Peter K Mwangi
Managing Director

independent auditors' report

to the members of ICUC Investment Company Limited

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii"
Ring Road, Westlands
P. O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel : + (254-20) 444 1344/05-12
Fax : + (254-20) 444 8966
Dropping Zone No. 92
E-mail : admin@deloitte.co.ke

We have audited the financial statements on pages 29 to 54 for the year ended 30 June 2005 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 27, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

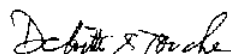
Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2005 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.



28 October 2005

Audit. Tax. Consulting. Financial Advisory.

A member firm of
Deloitte Touche Tohmatsu

Partners: D.M. Ndonye H. Gadhoke* D. C. Hodges* J.M. Kiarie M.M. Kisuu S.O. Onyango J.W. Wangai

*British

consolidated income statement

for the year ended 30 June 2005

	Notes	2005 Shs'000	2004 Shs'000
INCOME	3	239,786	354,570
EXPENSES			
Administrative expenses		(61,432)	(52,713)
Other operating expenses		(18,733)	(27,590)
		(80,165)	(80,303)
OPERATING PROFIT	4	159,621	274,267
FINANCE COSTS	5	(21,241)	(6,281)
MARKET GAIN ON INVESTMENT PROPERTIES	11	-	8,938
PROVISION FOR DIMINUTION IN VALUE OF UNQUOTED INVESTMENT	17	(9,526)	-
SHARE OF PROFITS OF ASSOCIATED COMPANIES	16	245,145	71,527
PROFIT BEFORE TAXATION		373,999	348,451
TAXATION	7	(78,765)	(107,101)
NET PROFIT FOR THE YEAR	8	295,234	241,350
EARNINGS PER SHARE – Basic & Diluted	9	Sh 5.37	Shs 4.39
DIVIDENDS PER SHARE	10	Sh 3.00	Shs 3.00

CMA-LIBRARY

consolidated balance sheet

as at 30 June 2005

	Notes	2005 Shs'000	2004 Shs'000
ASSETS			
Non current assets			
Investment properties	11	250,000	250,000
Motor vehicle and equipment	12(a)	15,064	15,911
Prepaid operating lease rentals	13	38,884	39,503
Intangible assets	14	40	357
Investment in associates	16	1,596,805	1,381,319
Unquoted investments	17	542,236	525,940
Quoted investments	18	1,442,340	796,910
Government securities	19	51,530	129,982
		3,936,899	3,139,922
Current assets			
Due from related parties	20(a)	94,796	3,498
Receivables and prepayments	21	46,920	16,929
Taxation recoverable		1,340	3,704
Short term deposits	22	-	84,017
Bank balances		13,251	6,106
		156,307	114,254
Total assets		4,093,206	3,254,176
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	274,976	274,976
Share premium		589,753	589,753
Investment revaluation reserve		1,331,353	705,929
Revenue reserve		1,391,142	1,260,894
Proposed dividend	10	164,986	164,986
Shareholders equity		3,752,210	2,996,538
Non current liabilities			
Deferred tax liability	24	59,976	60,496
Borrowings	26	122,222	-
		182,198	60,496
Current liabilities			
Payables and accruals	25	14,550	12,365
Due to related parties	20(b)	3,068	1,841
Borrowings	26	110,597	160,000
Unclaimed dividends		29,091	22,747
Tax payable		1,492	189
		158,798	197,142
Total equity and liabilities		4,093,206	3,254,176

The financial statements on pages 29 to 54 were approved by the board of directors on 11 October 2005 and were signed on its behalf by:



James N Muguiyi
Chairman



Peter K Mwangi
Managing Director

company balance sheet

as at 30 june 2005

	Notes	2005 Shs'000	2004 Shs'000
ASSETS			
Non current assets			
Investment properties	11	20,000	20,000
Motor vehicle and equipment	12(b)	9,756	10,013
Prepaid operating lease rentals	13	38,884	39,503
Intangible assets	14	40	357
Investment in subsidiary	15	183,292	180,629
Investment in associates	16	1,596,805	1,381,319
Unquoted investments	17	542,236	525,940
Quoted investments	18	1,442,340	796,910
Government securities	19	51,530	129,982
		3,884,883	3,084,653
Current assets			
Due from related parties	20(a)	89,625	5,677
Receivables and prepayments	21	37,705	5,844
Taxation recoverable		1,340	3,704
Short term deposits	22	-	84,017
Bank balances		12,662	6,065
		141,332	105,307
Total assets		4,026,215	3,189,960
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	274,976	274,976
Share premium		589,753	589,753
Investment revaluation reserve		1,308,069	682,645
Revenue reserve		1,414,426	1,284,178
Proposed dividend	10	164,986	164,986
Shareholders equity		3,752,210	2,996,538
Non current liabilities			
Deferred tax liability	24	4,559	5,477
Borrowings	26	122,222	-
		126,781	5,477
Current liabilities			
Payables and accruals	25	5,886	5,085
Due to a related party	20(b)	1,650	113
Borrowings	26	110,597	160,000
Unclaimed dividends		29,091	22,747
		147,224	187,945
Total equity and liabilities		4,026,215	3,189,960

The financial statements on pages 29 to 54 were approved by the board of directors on 11 October 2005 and were signed on its behalf by:



James N Muguiyi
Chairman



Peter K Mwangi
Managing Director

consolidated statement of changes in equity

for the year ended 30 June 2005

	Share capital Shs'000	Share premium Shs'000	Fair value reserve Shs'000	Revenue Reserve Shs'000	Proposed dividend Shs'000	Total Shs'000
At 1 July 2003	274,976	589,753	532,302	1,184,530	120,989	2,702,550
Revaluation surplus for the year	-	-	406,946	-	-	406,946
Share of movement in equity reserves of associates	-	-	(157,601)	-	-	(157,601)
Realised on disposal	-	-	(75,718)	-	-	(75,718)
Dividends - 2003 declared	-	-	-	-	(120,989)	(120,989)
Net profit for the year	-	-	-	241,350	-	241,350
Proposed dividend - 2004	-	-	-	(164,986)	164,986	-
At 30 June 2004	274,976	589,753	705,929	1,260,894	164,986	2,996,538
At 1 July 2004	274,976	589,753	705,929	1,260,894	164,986	2,996,538
Revaluation surplus for the year	-	-	570,608	-	-	570,608
Share of movement in equity reserves of associates	-	-	104,581	-	-	104,581
Realised on disposal	-	-	(49,765)	-	-	(49,765)
Dividends - 2004 declared	-	-	-	-	(164,986)	(164,986)
Net profit for the year	-	-	-	295,234	-	295,234
Proposed dividend-2005	-	-	-	(164,986)	164,986	-
At 30 June 2005	274,976	589,753	1,331,353	1,391,142	164,986	3,752,210

company statement of changes in equity

for the year ended 30 June 2005

	Share capital Shs'000	Share premium Shs'000	Fair value reserve Shs'000	Revenue Reserve Shs'000	Proposed dividend Shs'000	Total Shs'000
At 1 July 2003	274,976	589,753	509,018	1,207,814	120,989	2,702,550
Revaluation surplus for the year	-	-	406,946	-	-	406,946
Share of movement in equity reserves of associates	-	-	(157,601)	-	-	(157,601)
Realised on disposal	-	-	(75,718)	-	-	(75,718)
Dividends - 2003 declared	-	-	-	-	(120,989)	(120,989)
Net profit for the year	-	-	-	241,350	-	241,350
Proposed dividend - 2004	-	-	-	(164,986)	164,986	-
At 30 June 2004	274,976	589,753	682,645	1,284,178	164,986	2,996,538
At 1 July 2004	274,976	589,753	682,645	1,284,178	164,986	2,996,538
Revaluation surplus for the year	-	-	570,608	-	-	570,608
Share of movement in equity reserves of associates	-	-	104,581	-	-	104,581
Realised on disposal	-	-	(49,765)	-	-	(49,765)
Dividends - 2004 declared	-	-	-	-	(164,986)	(164,986)
Net profit for the year	-	-	-	295,234	-	295,234
Proposed dividend-2005	-	-	-	(164,986)	164,986	-
At 30 June 2005	274,976	589,753	1,308,069	1,414,426	164,986	3,752,210

consolidated cash flow statement

for the year ended 30 june 2005

	Notes	2005 Shs'000	2004 Shs'000
OPERATING ACTIVITIES			
Cash generated from operations	27(a)	69,243	96,910
Interest paid		(21,241)	(6,281)
Taxation paid		(6,558)	(6,962)
Dividends received from associated companies		100,313	50,412
Net cash generated from operating activities		141,757	134,079
INVESTING ACTIVITIES			
Purchase of shares in associates		(3,478)	(62,967)
Purchase of other equity investments		(208,662)	(156,550)
Proceeds on disposal of investments		81,390	272,731
Additions to investment property		-	(1,706)
Purchase of equipment		(2,126)	(12,207)
Proceeds on disposal of equipment		70	1,441
Purchase of intangible assets		-	(174)
Net cash (used in)/ generated from investing activities		(132,806)	40,568
FINANCING ACTIVITIES			
Dividends paid		(158,642)	(116,636)
Loan received		220,000	-
Loan repaid		(24,445)	-
Net cash generated from/(used in) financing activities		36,913	(116,636)
INCREASE IN CASH AND CASH EQUIVALENTS		45,864	58,011
CASH AND CASH EQUIVALENTS AT 1 JULY		(69,877)	(127,888)
CASH AND CASH EQUIVALENTS AT 30 JUNE	27(b)	(24,013)	(69,877)

notes to the financial statements

for the year ended 30 June 2005

1 ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies used remain the same as the previous year.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of equity investments and investment properties.

(b) Revenue recognition

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

(c) Consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All intercompany transactions balances and unrealised surpluses and deficits on transactions with the subsidiary company have been eliminated.

The group financial statements reflect the result of the consolidation of the financial statements of the company and its wholly owned subsidiary, and include the group's share of the results of the associated companies.

(d) Investment properties

Investment properties are treated as long-term investments and are carried at market value determined, on a periodic basis, by external independent valuers. Changes in their carrying amounts are dealt with in the income statement. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(e) Motor vehicle and equipment

Motor vehicle and equipment are stated at cost less depreciation.

Depreciation is calculated to write off the cost of the motor vehicle and equipment in equal annual instalments over their estimated useful lives.

The annual rates in use are:

Motor vehicle and motor cycle	20%
Furniture, fittings and office equipment	10%
Computers	33.3%

(f) Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and are amortised over the period of the lease.

(g) Investment in subsidiary

Investment in the subsidiary is accounted for in the books of the company using the equity method of accounting.

(h) Investments in associated companies

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the group has between 20% and 50% of the voting rights and over which the group exercises significant influence but which it does not control.

notes to the financial statements continued

for the year ended 30 June 2005

Equity accounting involves recognising in the income statement the group's share of the results of the associates for the year. The group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates. Provisions are recorded for long-term impairment in value. A listing of the group's associated undertakings is shown in note 16.

(i) Investments

Quoted investments are stated at the middle market value as at 30 June. The unquoted investments are stated at the directors' estimate of their fair value using, in most cases, the share of the net assets of the companies, based on the latest available financial statements. The difference between valuation and cost is transferred to the investment revaluation reserve. Where valuation is below cost, the difference between valuation and cost is charged to the income statement if, in the opinion of the directors, the reduction in value is not considered temporary. On disposal of an investment, the difference between the net disposal proceeds and the cost is charged or credited to the income statement.

(j) Government securities

Government securities comprise treasury bonds, which are debt securities issued by the Government of Kenya. Treasury bonds are held to maturity and are stated at amortised cost.

(k) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation and gazetted tax concessions given to the group.

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable benefits will be available against which the unused tax credits can be utilised.

(l) Employee entitlements

Employee entitlement to annual leave are recognised when they accrue to employees. An accrual is made for the liability for annual leave accrual but not taken at the balance sheet date.

(m) Retirement benefit obligations

The group operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. The scheme is administered by independent fund managers and is funded from contributions from both the employer and the employees.

The group also contributes to the statutory National Social Security Fund. This is a defined contribution pension scheme registered under the National Social Security Act. The group's obligations under the scheme are limited to specific obligations legislated from time to time and are currently limited to a maximum of Shs 200 per month per employee.

The group contributions in respect of retirement benefit schemes are charged to the income statement in the year to which they relate.

(n) Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the company and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

notes to the financial statements continued

for the year ended 30 June 2005

Computer software development costs recognized as assets are stated at cost less amortisation. Amortisation is calculated on a straight-line basis over the estimated useful lives not exceeding a period of 3 years.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

(p) Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to the contractual provisions of the instrument.

Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the group has the positive intent and ability to hold to maturity are measured at amortised cost.

Financial assets held for trading

Financial assets acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are measured at their fair values.

Available-for-sale financial assets

Financial assets available for sale are measured at their fair values.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Impairment and uncollectability of financial assets

At each balance sheet date, all financial assets are subject to review for impairment.

If it is probable that the group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is dealt with in the income statement for the year.

notes to the financial statements continued

for the year ended 30 June 2005

(q) Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling on the transaction dates. Differences on exchange are dealt with in the income statement.

(r) Cash and cash equivalents

For the purposes of the cashflow statement, cash and cash equivalents comprise of bank balances and deposits at call with the banks net of bank overdrafts.

(s) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared

(t) Segmental reporting

Segment income includes revenue directly attributable to a segment.

Segment investments comprise those investments that are directly attributable to the segment and can be allocated to the segment on a reasonable basis.

2 SEGMENT INFORMATION

Primary reporting format- Business segments

	Automotive Shs ' 000	Beverage Shs ' 000	Financial Shs ' 000	Agricultural Shs ' 000	Industrial & Allied Shs ' 000	Services Shs ' 000	Retail Shs ' 000	Property Shs ' 000	Government Securities Shs ' 000	2005 Total Shs ' 000	2004 Total Shs'000
INCOME											
Dividend income											
- unquoted investments	43,444	4,889	-	-	19,813	22,829	-	-	-	90,975	48,337
- quoted investments	-	17,142	22,091	501	1,407	554	-	-	-	41,695	32,641
	43,444	22,031	22,091	501	21,220	23,383	-	-	-	132,670	80,978
Rent income	-	-	-	-	-	-	-	22,446	-	22,446	20,640
Interest income	-	-	-	-	-	-	7,135	-	14,027	21,162	17,565
Gain on disposal of investment	-	876	17,784	2,552	6,336	27,245	-	-	-	54,793	232,350
Other investment income	-	270	2,111	-	559	-	-	5,775	-	8,715	3,037
	43,444	23,177	41,986	3,053	28,115	50,628	7,135	28,221	14,027	239,786	354,570
Share of results of associated companies											
Share of profit	-	107,544	165,125	-	276	-	(27,800)	-	-	245,145	71,527
Share of tax	-	(45,540)	(23,381)	-	(139)	-	-	-	-	(69,060)	(96,990)
		62,004	141,744	-	137	-	(27,800)	-	-	176,085	(25,463)
INVESTMENTS											
Associates											
Share of net assets	-	1,076,396	512,734	-	7,675	-	-	-	-	1,596,805	1,381,319
Unquoted investments											
Directors' valuation (net assets)	423,201	32,658	5,000	-	24,839	56,538	-	-	-	542,236	525,940
Quoted investments											
Market value	-	589,152	727,636	33,381	40,177	51,994	-	-	-	1,442,340	796,910

Secondary reporting format- Geographical segments

The major part of the revenues of the company are derived from Kenya with income from other markets representing less than 5% of total income. Secondary segmental reporting is, therefore, not considered to be of any useful value.

notes to the financial
statements continued

For the year ended 30 June 2005

notes to the financial statements continued

for the year ended 30 june 2005

	2005 Shs'000	2004 Shs'000
3 INCOME		
Dividends receivable	132,670	80,978
Interest receivable	21,162	17,565
Rent receivable	22,446	20,640
Gain on disposal of investments	54,793	232,350
Other income	8,715	3,037
	239,786	354,570
4 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Directors' emoluments:		
Non-executive - fees	1,380	1,380
- other	2,160	2,160
Executive remuneration	8,716	11,660
Auditors' remuneration (including VAT)	1,558	1,485
Depreciation	2,963	2,006
Amortisation of leasehold land	619	623
Amortisation of intangible assets	318	871
Provision for bad and doubtful debts	2,299	3,047
Staff costs (Note 6)	13,767	19,225
and after crediting:		
Dividend income (gross) - quoted investments	(41,695)	(32,641)
- unquoted investments	(90,975)	(48,337)
Rent receivable	(22,446)	(20,640)
5 FINANCE COSTS		
Interest on borrowings	21,241	6,281
6 STAFF COSTS		
Salaries	10,993	17,447
National Social Security Fund contributions (NSSF)	24	24
Retirement benefit scheme contributions	1,674	2,037
Leave pay provision	1,076	(283)
	13,767	19,225

The average number of staff employed by the group was 9 (2004 – 10).

notes to the financial statements continued

for the year ended 30 june 2005

	2005 Shs'000	2004 Shs'000
7 TAX EXPENSE		
(a) Current taxation based on adjusted profit for the year @ 30%	8,506	4,635
Prior year underprovision	1,719	1,906
	10,225	6,541
Deferred tax (credit) /charge (note 24)	(520)	3,570
	9,705	10,111
Share of associated companies' taxation:		
Current taxation based on adjusted profit for the year	48,589	96,668
Prior year overprovision	(104)	(1,205)
	48,485	95,463
Deferred tax charge/(credit)	20,794	1,527
Prior year over provision	(219)	-
	20,575	1,527
Share of tax of associates (note 16)	69,060	96,990
	78,765	107,101
(b) Reconciliation of taxation expense to expected tax based on accounting profit:		
Accounting profit before taxation	373,999	348,451
Tax at the applicable rate of 30%	112,200	104,535
Tax effect of dividend income not taxable	(65,761)	(41,750)
Tax effect of income not taxable	(44,901)	(81,460)
Tax effect of expenses not deductible for tax purposes	75,831	89,127
Adjustment in respect of prior year (net)	1,396	701
	78,765	107,101

8 NET PROFIT FOR THE YEAR

A profit after taxation of Shs 295,234,000 (2004-Shs 241,350,000) has been dealt with in the books of ICDC Investment Company Limited.

notes to the financial statements continued

for the year ended 30 June 2005

9 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year. They were no potentially diluted shares at 30 June 2005 (2004 - nil).

	2005	2004
Earnings (\$hs)	295,234,000	241,350,000
Number of shares in issue	54,995,183	54,995,183
Earnings per share (\$hs)		
- Basic	5.37	4.39
- Diluted	5.37	4.39

10 PROPOSED DIVIDEND

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the annual general meeting to be held on 14 December 2005, a dividend in respect of 2005 of Shs 3.00 per share (2004 - Shs 3.00 per share) amounting to a total of Shs 164,986,000 (2004 - Shs 164,986,000) will be proposed.

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders and 5% for resident shareholders.

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
11 INVESTMENT PROPERTIES				
At 1 July and 30 June	250,000	239,356	20,000	25,000
Revaluation surplus/(deficit)	-	8,938	-	(5,000)
Additions	-	1,706	-	-
At 30 June	250,000	250,000	20,000	20,000

The group's investment properties were revalued on an open market valuation basis as at 30 June 2004 by Lloyd Masika Limited, Registered Valuers and Estate Agents.

Investment property with a carrying value of Shs 230,000,000 (2004 - Shs 230,000,000) has been charged to secure banking facilities granted to the group (see note 26).

notes to the financial statements continued

for the year ended 30 June 2005

12 MOTOR VEHICLE AND EQUIPMENT

(a) GROUP

	Motor vehicle and motor cycle Shs'000	Furniture and fittings Shs'000	Computers Shs'000	Equipment Shs'000	Total Shs'000
COST					
At 1 July 2004	5,881	4,688	2,951	7,429	20,949
Additions	-	1,337	542	247	2,126
Disposals	-	(20)	(1,040)	-	(1,060)
At 30 June 2005	5,881	6,005	2,453	7,676	22,015
DEPRECIATION					
At 1 July 2004	490	1,747	2,302	499	5,038
Charge for the year	1,176	543	495	749	2,963
Eliminated on disposals	-	(10)	(1,040)	-	(1,050)
At 30 June 2005	1,666	2,280	1,757	1,248	6,951
NET BOOK VALUE					
At 30 June 2005	4,215	3,725	696	6,428	15,064
At 30 June 2004	5,391	2,941	649	6,930	15,911

(b) COMPANY

COST					
At 1 July 2004	5,881	4,688	2,951	1,531	15,051
Additions	-	1,337	542	247	2,126
Disposals	-	(20)	(1,040)	-	(1,060)
At 30 June 2005	5,881	6,005	2,453	1,778	16,117
DEPRECIATION					
At 1 July 2004	490	1,747	2,302	499	5,038
Charge for the year	1,176	543	495	159	2,373
Eliminated on disposals	-	(10)	(1,040)	-	(1,050)
At 30 June 2005	1,666	2,280	1,757	658	6,361
NET BOOK VALUE					
At 30 June 2005	4,215	3,725	696	1,120	9,756
At 30 June 2004	5,391	2,941	649	1,032	10,013

CMA-LIBRARY

notes to the financial statements continued

for the year ended 30 June 2005

13 PREPAID OPERATING LEASE RENTALS

GROUP AND COMPANY

COST	2005 Sh '000'	2004 Sh '000'
At 1 July and 30 June	59,487	59,487
AMORTISATION		
At 1 July	19,984	19,361
Charge for the year	619	623
At 30 June	20,603	19,984
CARRYING VALUE		
At 30 June	38,884	39,503

14 INTANGIBLE ASSETS

Computer
software
2005
Shs'000

Computer
software
2004
Shs'000

GROUP AND COMPANY

COST		
At 1 July and 30 June	2,631	2,631
AMORTISATION		
At 1 July	2,273	1,402
Charge for the year	318	871
At 30 June	2,591	2,273
NET BOOK VALUE		
At 30 June	40	357

15 INVESTMENT IN SUBSIDIARY (UNQUOTED)

COMPANY

	2005 Shs'000	2004 Shs'000
Kenya National Properties Limited 100% owned (Cost Shs 114,735,000)	183,292	180,629

notes to the financial statements continued

for the year ended 30 June 2005

16 INVESTMENT IN ASSOCIATES	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
At 1 July	1,381,319	1,205,133	1,381,319	1,205,133
Share of results before tax	245,145	71,527	245,145	71,527
Share of tax (note 7)	(69,060)	(96,990)	(69,060)	(96,990)
	176,085	(25,463)	176,085	(25,463)
Share of movements in equity reserves	104,581	(157,601)	104,581	(157,601)
Dividends receivable	(71,000)	(40,260)	(71,000)	(40,260)
Acquisitions during the year	5,820	-	5,820	-
	1,596,805	981,809	1,596,805	981,809
Share of net assets of UAP Provincial Insurance Company Limited	-	399,510	-	399,510
At 30 June	1,596,805	1,381,319	1,596,805	1,381,319

16 INVESTMENT IN ASSOCIATES (Continued)

Details of investment in associates

	Number of shares at		% owned 30.6.05	% owned 30.6.04	Cost at 30.6.05 Shs'000	Cost at 30.6.04 Shs'000	Share of net assets	
	30.6.05	30.6.04					30.6.05 Shs'000	30.6.04 Shs'000
UNQUOTED								
Aon Minet Insurance Brokers Ltd*	332,330	332,330	21.50	21.50	12,298	12,298	87,252	80,660
Flamingo Bottlers Ltd	-	20,737	-	27.65	-	201,103	-	76,125
KWA Holdings Ltd**	25,373,936	25,373,936	26.43	26.43	17,235	17,235	225,321	79,531
Mather & Platt (Kenya) Ltd**	220,278	220,278	35.40	35.40	7,118	7,118	7,675	7,539
Mt Kenya Bottlers Ltd**	1,250,695	1,250,695	28.51	28.51	10,006	10,006	165,644	160,867
Nairobi Bottlers Ltd*	981,971	878,286	27.62	27.62	133,020	56,895	498,997	408,042
Rift Valley Bottlers Ltd**	2,695,820	2,695,820	46.79	46.79	63,815	63,815	186,434	141,245
UAP Provincial Insurance Co Ltd *	12,018,011	11,845,851	24.04	23.70	157,921	154,443	425,482	399,510
					401,413	522,913	1,596,805	1,353,519
QUOTED								
Uchumi Supermarkets Ltd***	14,993,317	14,993,317	24.99	24.99	322,987	322,987	-	27,800
							1,596,805	1,381,319

The market value of Uchumi Supermarkets Limited as quoted on the Nairobi Stock Exchange as at 30 June 2005 was Shs 299,866,340 (2004 – Shs 262,383,000). Due to accumulated losses, the value of the investment Uchumi Supermarkets Limited has been written down to nil. The share of losses not recognised as at 30 June 2005 was Sh 190,779,000.

The share of the results and net assets of the associates to 30 June 2005 were based on signed accounts to 31 December 2004 (*) and draft accounts to 30 June 2005 (**). Signed financial statements to 31 March 2005 (***) have been used to account for the investment in Uchumi Supermarkets Limited.

During the year Flamingo Bottlers Limited was closed down and its operations merged with those of Nairobi Bottlers Limited. Previously Flamingo Bottlers was partly owned by Nairobi Bottlers Limited (72.35%) and ICDC Investments Company Limited (27.65%). With the closure of Flamingo Bottlers Limited, Nairobi Bottlers Limited increased its share capital with an amount equal to the net assets of Flamingo Bottlers Limited before the closure, and issued ICDC Investments Company Limited with additional shares equivalent to the 27.65% share of the net assets in Flamingo Bottlers Limited.

For the year ended 30 June 2005

notes to the financial
statements continued

17 UNQUOTED INVESTMENTS

GROUP AND COMPANY

	Number of shares at 01.7.04	Additions/ (disposal) in the year	Number of shares at 30.6.05	% owned	Cost at 1.7.04 Shs'000	Additions/ (disposals) in the year Shs'000	Cost at 30.6.04 Shs'000	Directors' valuation 30.6.05 Shs'000	Directors' Valuation 30.6.04 Shs'000
Capital Market Challenge Fund	50,000	-	50,000	10.00	5,000	-	5,000	5,000	5,000
Dawa Pharmaceuticals Ltd	250,000	-	250,000	12.72	5,000	-	5,000	-	-
Eveready Batteries (Kenya) Ltd	21,259	-	21,259	10.12	4,030	-	4,030	24,839	24,414
General Motors Kenya Ltd	279,300	-	279,300	17.82	184,536	-	184,536	423,201	398,137
Heritage Woollen Mills (K) Ltd	72,249	-	72,249	9.56	6,387	-	6,387	-	-
Kisii Bottlers Ltd	777,774	-	777,774	16.34	9,222	-	9,222	32,658	29,453
NAS Airport Services Ltd	73,056	-	73,056	9.13	7,397	-	7,397	47,012	50,919
Total					221,572	-	221,572	532,710	507,923
OFFSHORE INVESTMENTS									
Wildlife Works Inc (USA)* preferred stock - net	52,632	-	52,632		19,713	-	19,713	9,526	18,017
Total					241,285	-	241,285	542,236	525,940

* A provision of 50% for impairment amounting to Sh 9,526,000 has been recognised with respect to the investment in Wildlife Works Inc (USA).

for the year ended 30 June 2005

notes to the financial
statements continued

18 QUOTED INVESTMENTS

GROUP AND COMPANY

	Number of shares at 1.7.04	Additions/ (disposals) in the year	Number of Shares at 30.6.05	Cost at 1.7.04 Shs'000	Additions in the year Shs'000	Disposals in the year Shs'000	Cost at 30.6.05 Shs'000	Market value at 30.6.05 Shs'000	Market Value at 30.6.04 Shs'000
Athi River Mining Ltd	6,500	-	6,500	130	-	-	130	156	123
Barclays Bank of Kenya Ltd	15,805	-	15,805	1,580	-	-	1,580	3,983	3,161
Bamburi Cement Ltd	100,000	(65,000)	35,000	4,553	-	(2,959)	1,594	4,200	7,950
BOC Kenya Ltd	18,000	(18,000)	-	272	-	(272)	-	-	2,466
Carbacid Investment Company Ltd	305,059	(213,000)	92,059	10,906	-	(7,615)	3,291	11,507	35,387
Crown Berger Kenya Ltd	-	500	500	-	14	-	14	15	-
East African Cables Ltd	45,000	-	45,000	155	-	-	155	6,525	1,440
East African Breweries Ltd.	654,271	3,299,761*	3,954,032	47,031	2,818	-	49,849	589,151	291,151
East African Portland Cement Company Ltd	10,000	-	10,000	587	-	-	587	970	475
Sameer Africa Limited	420,000	-	420,000	5,446	-	-	5,446	7,560	4,221
Housing Finance Co. of Kenya Ltd	122,291	-	122,291	1,625	-	-	1,625	1,553	1,211
The Kenya Power and Lighting Co. Ltd	137,126	-	137,126	11,367	-	-	11,367	15,221	12,547
Kenya Commercial Bank Ltd	6,913,734	3,310,616	10,224,350	263,684	167,878	-	431,562	710,592	366,428
Kenya Airways Ltd	754,218	(163,791)	590,427	6,443	23,607	(5,588)	24,462	34,540	9,805
Kenya Oil Ltd	1,433	(1,433)	-	382	-	(382)	-	-	602
Nation Media Group Ltd	224,075	(136,361)	87,714	9,877	-	(6,977)	2,900	17,455	41,678
Rea Vipingo Plantations Ltd	-	96,959	96,959	-	-	1,638	1,638	1,910	-
Sasini Tea & Coffee Ltd	224,684	(100,710)	123,974	912	-	(409)	503	4,246	4,381
Standard Chartered Bank Kenya Ltd	18,080	(18,080)	-	1,700	-	(1,700)	-	-	2,350
Total Kenya Ltd	29,500	(29,500)	-	695	-	(695)	-	-	1,158
Unga Group Ltd	52,787	-	52,787	899	-	-	899	1,024	765
Unilever Tea Kenya Ltd	28,827	-	28,827	5,428	-	-	5,428	3,373	2,032
Williamson Tea Kenya Ltd	4,675	-	4,675	1,308	-	-	1,308	678	423
Mumias Sugar Company Limited	-	-	955,634	955,634	-	12,707	12,707	23,174	-
				374,980	208,662	(26,597)	557,045	1,437,833	789,754
REGIONAL									
British American Tobacco (Uganda) Ltd	140,000	-	140,000	7,000	-	-	7,000	4,507	7,156
Total				381,980	208,663	(26,598)	564,045	1,442,340	796,910

Quoted investment with a market value of Sh 627,648,828 (2004-Sh 868,813,600) have been pledged as security to secure banking facilities granted to the group (see note 26).

* Included in additions in East African Breweries Limited shares are 130,854 shares arising from a 1:5 bonus issue; 3,140,500 shares arising from a 5:1 share split; and purchase of 28,407 shares.

for the year ended 30 June 2005

notes to the financial
statements continued

notes to the financial statements continued

for the year ended 30 June 2005

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
19 GOVERNMENT SECURITIES				
Held to maturity:				
Treasury bonds – at amortised cost				
- maturing within one year	20,130	78,471	20,130	78,471
- maturing after one year but within five years	31,400	51,511	31,400	51,511
	51,530	129,982	51,530	129,982

The weighted average effective interest rate on treasury bonds at 30 June 2005 was 13.8% (2004 – 13.6%).

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
20 RELATED PARTY BALANCES				
a) Due from related parties				
Industrial and Commercial Development Corporation (ICDC)	-	621	-	621
Uchumi Supermarkets Ltd	94,796	2,877	89,625	353
Kenya National Properties Ltd (KNP)	-	-	-	4,703
	94,796	3,498	89,625	5,677
b) Due to related parties				
Industrial and Commercial Development Corporation (ICDC)	1,728	1,841	-	-
Kenya National Properties Ltd (KNP)	-	-	310	113
Funguo Registrars Ltd	1,340	-	1,340	-
	3,068	1,841	1,650	113

Company

The company has entered into an agreement with Uchumi Supermarkets Limited to underwrite a rights issue currently being carried out by Uchumi Supermarkets Limited. According to the agreement, should the rights issue not attain the desired level, ICDC Investments Company Limited will take up rights and subsequent shareholding equivalent to the amount due from Uchumi Supermarkets Limited. However, if the issue is successful, Uchumi Supermarkets Limited will settle the outstanding amounts.

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
21 RECEIVABLES AND PREPAYMENTS				
Dividends receivable	33,912	3,825	33,912	3,825
Sundry receivables and prepayments	3,833	3,925	2,953	1,204
Rental debtors	2,450	885	589	373
Recoverable expenses (service charges)	6,725	8,294	251	442
	46,920	16,929	37,705	5,844

notes to the financial statements continued

for the year ended 30 June 2005

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
22 SHORT TERM DEPOSITS				
Commercial Bank of Africa Limited	-	84,017	-	84,017

The average effective interest rate on short term deposits at 30 June 2004 was 1.25%.

	2005 Shs'000	2004 Shs'000
23 SHARE CAPITAL		
GROUP AND COMPANY		
Authorised:		
60,000,000 Ordinary shares of Shs 5 each	300,000	300,000
Issued and fully paid:		
54,995,183 ordinary shares of Shs 5 each	274,976	274,976

24 DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%.

The net deferred tax liability is attributable to the following items:

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Deferred tax liabilities:				
Accelerated capital allowances	831	346	-	-
Revaluation surplus	60,370	60,370	5,784	5,784
	61,201	60,716	5,784	5,784
Deferred tax assets:				
Accelerated capital allowances	(35)	-	(35)	(87)
Leave pay provision	(543)	(220)	(543)	(220)
Tax losses	(647)	-	(647)	-
	(1,225)	(220)	(1,225)	(307)
Net deferred tax liability	59,976	60,496	4,559	5,477
The movement on the deferred tax account is as follows:				
At 1 July	60,496	56,926	5,477	6,521
Income statement charge/(credit) – note 7(a)	(520)	3,570	(918)	(1,044)
At 30 June	59,976	60,496	4,559	5,477

notes to the financial statements continued

for the year ended 30 June 2005

	GROUP		COMPANY	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
25 PAYABLES AND ACCRUALS				
Rent deposits	6,985	4,828	464	589
Sundry payables and accruals	5,754	6,804	3,611	3,763
Leave pay provision	1,811	733	1,811	733
	14,550	12,365	5,886	5,085
26 BORROWINGS				
Bank overdraft	37,264	-	37,264	-
Short term loans	-	160,000	-	160,000
Long term loans	195,555	-	195,555	-
	232,819	160,000	232,819	160,000
Analysis of borrowings by maturity				
Bank overdraft	37,264	-	37,264	-
Short term loans	-	160,000	-	160,000
Current portion of long term loans	73,333	-	73,333	-
	110,597	160,000	110,597	160,000
Due for settlement after 1 year:				
Long term loan	122,222	-	122,222	-
	232,819	160,000	232,819	160,000

The group has undrawn committed borrowing facilities amounting to Shs 100,000,000 (2004 – Shs 150,000,000).

The overdraft, term loans and other facilities are secured by 3,201,784 shares in Kenya Commercial Bank Limited; 2,576,400 shares in East African Breweries Limited, 15,805 shares in Barclays Bank Limited, 35,000 shares in Bamburi Cement Limited, 65,620 shares in Nation Media Group and a legal charge over Kimathi House, one of the group's properties. The market value of the shares held as security at 30 June 2005 was Shs 627,648,828.

The maturity period of the short-term loans was 30 days.

The effective interest rates on borrowings at 30 June 2005 were:

	2005	2004
Bank overdrafts	9.5%	-
Short term loans	-	4%
Term loan	12.73%	-

CMA-LIBRARY

notes to the financial statements continued

for the year ended 30 june 2005

	2005 Shs'000	2004 Shs'000
27 NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	159,621	274,267
Adjustments for:		
Depreciation	2,963	2,006
Amortisation of intangible assets	318	871
Amortisation of leasehold land	619	623
Profit on disposal of equipment	(60)	(1,035)
Gain on disposal of investments	(54,793)	(232,350)
Write back of unclaimed dividend	-	277
Operating profit before working capital changes:	108,668	44,659
Decrease in treasury bonds	78,452	21,731
Movement in related party balances	(90,061)	3,280
(Increase)/decrease in receivables and prepayments	(30,001)	28,117
Increase/(decrease) in payables and accruals	2,185	(877)
Cash generated from operations	69,243	96,910
(b) Analysis of balances of cash and cash equivalents		
Short-term deposits	-	84,017
Bank balances	13,251	6,106
Borrowings	(37,264)	(160,000)
	(24,013)	(69,877)

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity at the balance sheet date and borrowings.

notes to the financial statements continued

for the year ended 30 june 2005

	2005 Shs'000	2004 Shs'000
28 CAPITAL COMMITMENTS		
GROUP & COMPANY		
Authorised but not contracted for	655	795
Authorised and contracted for	730	2,040

29 RELATED PARTIES

The group transacts with companies related to it by virtue of common shareholding and also by virtue of common directors. These transactions are at arm's length and in the normal course of business. Amounts not settled as at balance sheet date are disclosed in note 20.

During the year the following transactions were entered into with the related parties:

	2005 Shs'000	2004 Shs'000
Income Recieved		
Rent and service charge received	2,822	2,194
Purchase of goods/services		
Rent and service charge paid	2,505	2,248
Share registration services	2,506	8,309
Interest charged on loans advanced to related parties	7,135	-

notes to the financial statements continued

for the year ended 30 june 2005

30 OPERATING LEASE ARRANGEMENTS

The group as a lessor

Property rental income earned during the year was Shs 22,463,000 (2004 – Shs 20,640,000). At the balance sheet date, the group had contracted with tenants for the following future lease receivables:

	2005 Shs'000	2004 Shs'000
Within one year	17,602	18,604
In the second to fifth years inclusive	57,515	45,662
After five years	4,805	8,650
	79,922	72,916

Leases are negotiated for an average term of six years and rentals are reviewed annually. The leases are cancellable with no penalty when the tenants give three months notice to vacate the premises.

The group as a lessee

At the balance sheet date, the company had outstanding commitments under operating leases, which fall due as follows:

	2005 Shs'000	2004 Shs'000
Within one year	1,538	2,074
In the second to fifth year inclusive	331	8,296
	1,869	10,370

Operating lease payments represent rentals payable by the group for its office premises. Leases are negotiated for an average term of 5 years.

31 COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act.

32 CURRENCY

The financial statements are presented in Kenya Shillings thousands (Shs'000).

proxy form fomu ya mwakilishi

I/We.....

of.....

being member(s) of ICDC Investment Company Limited, hereby appoint.....

.....

of.....

or failing him/her the duly appointed Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the 38th Annual General Meeting of the Company, to be held on Monday, 19 December 2005 at 11.00 a.m. or at any adjournment thereof.

As witness I/We lay my/our hand(s) this..... day of..... 2005

Signature.....

- Notes:**
1. This proxy form is to be delivered to the Secretary's office not later than 11.00 a.m. on Friday, 16 December 2005.
 2. In the case of a Corporation the proxy must be under the Common Seal or under the hand of an Officer or Attorney duly authorized.

Mimi/Sisi.....

wa.....

kwa kuwa mwanachama/wanachama wa ICDC Investment Company Limited nimeamteua/tumemteua

.....

wa.....

na kama hayuko, Mwenyekiti wa mkutano huu aliyeteuliwa kama ipasavyo awe mwakilishi wangu/wetu, anipigie kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Thelathini na nane wa kampuni hii utakaofanywa mnamo Jumatatu tarehe 19 Desemba 2005 saa tano kamili asubuhi au tarehe yoyote nyingine itakayohirishwa.

Kama ilivyoshuhudiwa kwa sahihi yangu/yetu siku hii ya.....mwezi..... 2005

Sahihi.....

- Maelezo:**
1. Uwakilishi huu upelekwe kwenye afisi ya Katibu kabla ya saa tano kamili asubuhi, Ijumaa tarehe 16 Desemba 2005. Ukikosa kufika hautakuwa na haki yoyote.
 2. Kwa Shirika, lazima uwakilishi uwe na Muhuri wa Kawaida wa shirika hilo au uwe na sahihi ya Afisa au Mwakilishi aliyeidhinishwa.

FOLD 2
PILI KUNJA HAPA

AFFIX
STAMP
HERE



THE COMPANY SECRETARY,
ICDC INVESTMENT COMPANY LIMITED,

INTERNATIONAL HOUSE, 5TH FLOOR, MAMA NGINA STREET,
P.O Box 10518 - 00100
NAIROBI, KENYA.

FOLD 1
KWANZA KUNJA HAPA

FOLD 3
HALAFU KUNJA HAPA

INSERT FLAP INSIDE
SASA INGIZA KARATASI HII NDANI YA MKUNJO KAMA BAHASHA