

04<sup>th</sup> September 2017

Dear Carol Musyoka:

Reference is made to your twitter comment of August 31<sup>st</sup>, 2017 at 3.58 PM, where in you made a comment that "staff costs grow by 156% in the half year 2017". This was in reference to our published financials in the dailies of the same date, where you highlighted two numbers on our Statement of Profit or Loss and Other Comprehensive Income as at June 30, 2017. Specifically, employee costs of Kshs 83.6 million for June 2016 and employee costs of Kshs 213.9 million for June 2017.

As a transparent company, we respond to all queries about our financials and by virtue of the fact that we publish our accounts, we welcome queries from the public hence our detailed response. Consequently, kindly note as follows:

1. In the year 2016, our "Company" accounts column included only the Cytonn Investments part of our business. We have one part of our business that deals with funds / investments, "Cytonn Investments", and another separate company which deals with real estate development, "Cytonn Real Estate". For 2017, we combined Cytonn Investments and Cytonn Real Estate as the "Company", hence we now exclude only the development Special Purposes Vehicles from the Company. Combining Cytonn Investments, Cytonn Real Estate and the development Special Purpose Vehicles would form the "Group". Based on these categories below, this is the appropriate analysis when trying to look at year over year comparison. As an improvement, we shall ensure that future publications amend the 2016 numbers to enable an "apples to apples" comparison, and we apologize for this oversight on our part. We demonstrate the same below:

#### **Employee Costs Breakdown – Company**

*(all values in Kshs unless stated otherwise)*

Cost Centre	Jun'17 YTD	Jun'16 YTD	Percentage Change
Cytonn Investments (CIM)	170,420,269	<b>83,644,389</b>	104%
Cytonn Real Estate (CRE)	43,502,212	30,833,787	41%
<b>Total</b>	<b>213,922,481</b>	<b>114,478,176</b>	<b>87%</b>

Note 1. In 2016 numbers, only CIM is reported as Company. In 2017, CIM & CRE are reported under Company

Note 2. The numbers circled in red are what we reported for "Company" for 2016 (Kshs 83,644,389) and 2017 (Kshs 213,922,481)

Note 3. Your 156% growth came as a result of growing Kshs 83.6 million to Kshs 213.9 million

Note 4. The appropriate comparison is the 87% growth from Kshs 114.5 million to Kshs 213.9 million

2. In order to enable you make a full comparison, below is the table of all the relevant numbers in terms of employee costs and employee numbers. As seen from the tabulation, the cost per employee has gone down by 14%, from Kshs 116,340 per capita per month, to Kshs 99,870 per capita per month. The reduction is attributed to hiring a large number of sales staff at entry level and trainee positions.

### Employee Costs Breakdown – Company

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<b>Total</b>	<b>213,922,481</b>	<b>114,478,176</b>	<b>87%</b>

Staff Numbers	Jun-17	Jun-16	Percentage Change
Non-Sales staff	185	121	53%
Sales Staff	172	43	300%
<b>Total</b>	<b>357</b>	<b>164</b>	<b>118%</b>

<b>Cost Per Capita Per Month</b>	<b>99,870</b>	<b>116,340</b>	<b>(14%)</b>
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3. We have gone further and provided the breakdown of employee costs for 2016 and 2017 in the below schedule. Also note that the employee cost increase of 87% is not just salaries, it includes 12 different items as shown in the below schedule.

### Employee Costs Breakdown – Company – CIM & CRE Combined

(all values in Kshs unless stated otherwise)

No	Cost Centre	Jun'17 YTD	Jun'16 YTD	Percentage Change
1	Staff Salaries & Wages	102,799,128	75,669,827	23%
2	Staff Bonuses	41,787,000	15,680,254	166%
3	Sales Staff Retainers	33,142,498	5,774,304	474%
4	Staff Pension Expenses	5,107,584	1,159,845	340%
5	Staff NITA Expenses	91,100	37,425	143%
6	Staff Meals & Entertainment	16,200,937	8,909,441	82%
7	Staff Medical Expenses	2,747,734	2,740,941	0%
8	Staff Recruitment Expenses	130,250	622,063	(79%)
9	Staff Training Expenses	7,616,867	1,660,938	359%
10	Staff Uniforms	2,080,180	450,000	362%
11	Staff Welfare & Team Building	2,005,753	1,773,138	13%
12	Staff Gym Expenses	213,450	-	N/A
	<b>Total</b>	<b>213,922,481</b>	<b>114,478,176</b>	<b>87%</b>

Includes a provision for staff bonus amounting to Kshs 41.8 mn compared to Kshs 15.7 mn last year

In conclusion, total cost per employee for the company decreased by 14%, compared to staff increase of 118%, which majority of the increase as you can see is in the sales staff, which has grown at 300%.

Once again, we view strong corporate governance, which includes publishing financial accounts as we have done and responding timely and openly to any inquiries made, as a decisive competitive advantage for the Cytonn Group, and we hope you shall continue to track our performance and reporting and let us know whenever you may have questions.

Yours Faithfully,

**For: Cytonn Investments Management Plc**



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Edwin H. Dande

**Managing Partner & Chief Executive Officer**