

Quarter 2, 2017 Issue

Sharp Cents

Impact of Elections on
Real Estate **PG. 08**

Book Review: What it Takes
Charles Ellis **PG. 33**

FINANCIAL PLANNING AS A **CYTONNAIRE**

with properly planned finances, peace of mind is almost
guaranteed

PG. 22



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EDITOR'S COMMENTS

Does Your Mindset Set You Apart?

We all have dreams and aspirations in life. It could be career wise – getting that job you have always wanted or even just getting a job after graduation. It could be entrepreneurial – starting a business to serve that gap you see or just moving your skills from employment to building something bigger.

They could be financial dreams, be it owning a beach house (or just a house in the leafy suburbs), purchasing a car you crave every day or having the millions hitting your bank account on a daily basis. Whatever your dream is, what stands between you and achieving it is your mindset.

The Cytonnaire Mindset is about ordinary people thinking and acting differently, what we call “being sharp” in order to achieve extraordinary results. It could be financial by “investing sharp”; it could be entrepreneurial – “start sharp and thrive”, or careerwise – “a sharp start” to your career.

In this Quarter 2, 2017 edition of Sharp Cents, we delve into the mindset that sets apart the investor from the spender. This edition is themed ‘Cytonnaire Mindset’. Simply put, a Cytonnaire investor is an individual who is not measured by a figure in the bank, but by a mindset that sets them apart. They create wealth by thinking and investing sharp.

The Cytonnaire looks at property and investments through the eyes of experts because they know that creating wealth is not a game of chance, it takes steady investment with the right advice. You may have heard those words somewhere.

In this read, we share tips on personal financial planning at the investments corner. For real estate investors and enthusiasts, find an in-depth analysis on how the general elections shall impact the real estate sector and get an update of our company news.

Delve into the what to look out for when investing in real estate from the diaspora. For the book lovers, we have a book review just for you. Grab your coffee and enjoy the read as you start your journey to being a Cytonnaire (if you aren't one already)

From the Editor's Desk,

Betty Kiptum

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DESIGN AND LAYOUT

Owingah U. Joseph

WELCOME

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the Quarter 2, 2017 edition of the Sharp Cents Newsletter. This is a wonderful opportunity that allows us to get immersed in the world of investments, and ultimately help us achieve financial freedom.

As the world economy faces a number of issues and battles with growth, Africa continues to present an attractive investment destination to investors seeking high stable returns. East Africa is the most diverse region in Africa, and Kenya remains as the most attractive destination in East Africa. Real estate in Kenya continues to grow and deliver attractive returns, and with Cytonn's focus towards real estate, we shall look to continue delivering attractive returns and build communities for safe and secure living in Kenya and the region.

The Board of Directors has approved an expansion strategy, which Management has been delivering, in order to position ourselves as the leading investment firm in Africa, and take advantage of the attractive returns in Kenya. While others have slowed down during 2017 due to the elections, we have continued investing heavily in growth of our people, products, processes and distribution. As such, 2017 will continue to be a year of growth for Cytonn Investments, as we look to deliver the best returns to our clients and shareholders.

In addition to a committed team, we have a strong governance framework led by our Board of Directors, which provides the highest level of oversight to our investors and shareholders.

I believe we shall continue to contribute to growing Kenya, creating jobs for thousands of Kenyans, and improving the standards of living across the country.

In closing, let us continue to partner together to grow our wealth together.



Prof. Daniel Mugendi Njiru,
PhD (Chairman)

Everybody can be a Cytonnaire



Written by:

Simon Ng'ang'a – *Independent Financial Advisor*

Over the last 10-years, Kenya has experienced such drastic but positive changes in the real estate industry. Today's savvy and digitally driven customer is demanding integrity, transparency, good customer service, and efficient processes; and that's what the Cytonn Investments (Cytonn) brand represents in the market. So who are we? Granite Capital Limited is a full service real estate company offering realty boutique services to clients across Kenya. Our goal is to offer a full array of services to buyers and sellers, specializing in residential homes in various locations throughout Kenya, and are Independent Financial Advisors for Cytonn's Real Estate Investment solutions.

While Cytonn offers a variety of products, there is a need to understand the essence of a company like Cytonn Real Estate. According to Kenya's Vision 2030, we need to avail 150,000 homes annually in order to achieve our dream of being a middle income country by year 2030. This does not mean that clients will simply grab what is available. On the contrary, customers have become more conscious and critical of their investment options. Today's customer wants research driven options. So it is no longer business as usual and we certainly will not achieve this ambition as long as we waddle in the current status quo.

Everyone at Cytonn understands that. They recognized the fact that we need a paradigm shift in how we approach the real estate industry both in terms of products and marketability; and hence our choice to partner with Cytonn Real Estate.

Like any other entrepreneurial venture, we understood that we need to seek partnerships that maximize on synergies and offer versatile products that offer attractive returns to our clients; and that's exactly what Cytonn offers our customers.

Our choice to partner with Cytonn was one of the best business decisions we made at inception. This decision was driven by:

1. The team –We cannot think of any other real estate company that prides itself of a team like Cytonn has. Their success is very dependent on happy employees and field agents; Cytonn understands that.

2. Products –The product mix that Cytonn offers for their real estate products has made it very easy for us to talk about their products to the market. The different modes of payment meet the needs of our target market.

3. Knowledge Capital –Today, current and future analytics or dynamics are becoming key drivers in investment decision making. Be it in real estate, fixed income or equities, Cytonn has done an exceptional job providing this research.

At Granite Capital Limited, we are very proud of our relationship with Cytonn.

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THE IMPACT OF ELECTIONS ON REAL ESTATE

Written by:

Patricia Wachira - *Research Analyst*

As history has proven, elections have the sole capability to change a nation's economy especially during the post-election period due to the possibility of a change in political stability, government policies and even investors' confidence in the appointed government.

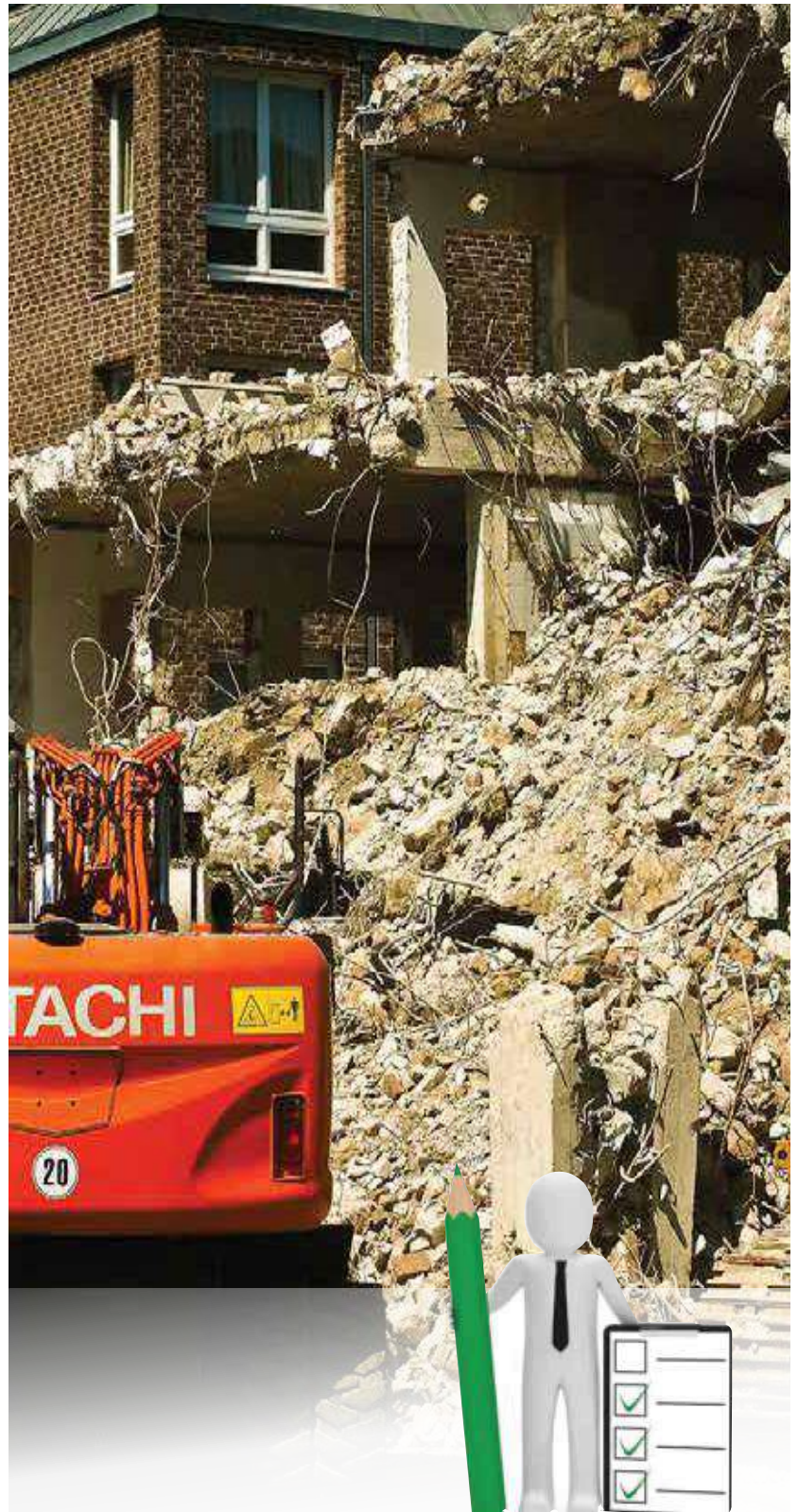
The electioneering period is as risky as it is unpredictable for the real estate market. This is so especially because the period has both perks and at times, huge disadvantages. During this period, a lot of factors play a crucial role in the general outcome as everything from interest rates, government expenditure and investor appetite tend to fluctuate depending on the election period mood. Some of the benefits of the election period include infrastructural development, increased expenditure and implementation of favorable policies.

Infrastructural Development

Infrastructural development has been known to be one of the key election tactics for incumbent leaders. This in turn results in opening up of areas for development. Improved transport systems and other infrastructural amenities such as commercial properties lead to an appreciation in property values as property dealers anticipate demand growth.

In a bid to seek re-election, effort is increased towards construction and rehabilitation of roads, bridges, electricity, water and sewer connection. This is seen not only through an increase in the number of wage employees, but also through an increase in the funds allocated for infrastructural development.

For instance, during the 2007 elections, the Kenya Roads Board increased funds allocated to infrastructure by 49.6% compared to a 7.3% in the previous year. The current governments' key projects such as the Standard Gauge Railway (SGR) was launched in June, 2017, while projects such as the Western Bypass are expected to roll into their second term, should the government be re-elected.



My Vote, My House...

This gives them a higher bargaining power over the electorate and in the long term, this has a positive impact as it removes the uncertainty that comes with transitioning governments.

Increased Expenditure

The amount of expenditure, and hence money supply, within the economy increases as politicians contribute funds for social projects which in turn increases liquidity. This is a recipe for increased investment in the real estate sector, leading to increased property values.

Implementation of favorable policies

The incumbent government also tries to woo voters by creating policies that are favorable for the economic environment as a whole. Case in point, on top of issuing more than three million title deeds to streamline land ownership, the Jubilee government has waived the fee for title searches at the land registries which is bound to speed up the land transaction processes. Plans are also under way to digitalize all land registries which are notorious for land transaction red tape. This in turn will reduce the amount of time it takes to see real estate projects come to fruition. In addition, the government has already enforced other policies to boost real estate development including scrapping of NEMA and NCA fees, waiver of Official Title search fees and tax incentives for mass development.

In a nation with such a high a housing deficit as 200,000 units annually, this will go a long way in making houses affordable as costs for development are guaranteed to go down. The positive effects could last mid to long-term. However, as much as they improve the sector, the election period can also be daunting for real estate stakeholders.

In the 2007/8 post-election violence, property worth millions was lost. This set a bad precedent for developers and investors as they now adopt the wait-and-see approach in fear of history repeating itself.

The negative effects of elections are mainly due to political uncertainty which leads to:

Lower Transaction Volumes

In 2007, the contribution of real estate to the country's GDP declined marginally by 0.05% from 6.178% to 6.175%, while in 2012, the same declined by 1.6% from 6.2% contribution to GDP in 2011. This is attributed to the fact that as elections loom, real estate transactions tend to slow down thereby reducing real estate activity. According to Hass Consult, the housing market generally experienced a slow down during Q1 2013 as purchasers held off from concluding house moves with townhouses and apartments recording a 1.5% and 0.2% fall in prices, respectively during that period. Asking rents only increased by 1.9% from Q4/2012 compared to a 4.4% increase recorded the previous quarter.

Real estate demand remains high driven by population growth of 2.6% per annum, urbanization of 4.4% per annum, the rise in the middle-class population and expansion of businesses and SMEs.

In a nation where tribal politics thrive, political tensions play a vital role in discouraging investment in real estate and postponing of property-purchase decisions due to the uncertainty of election results.

Lower Credit Advancement

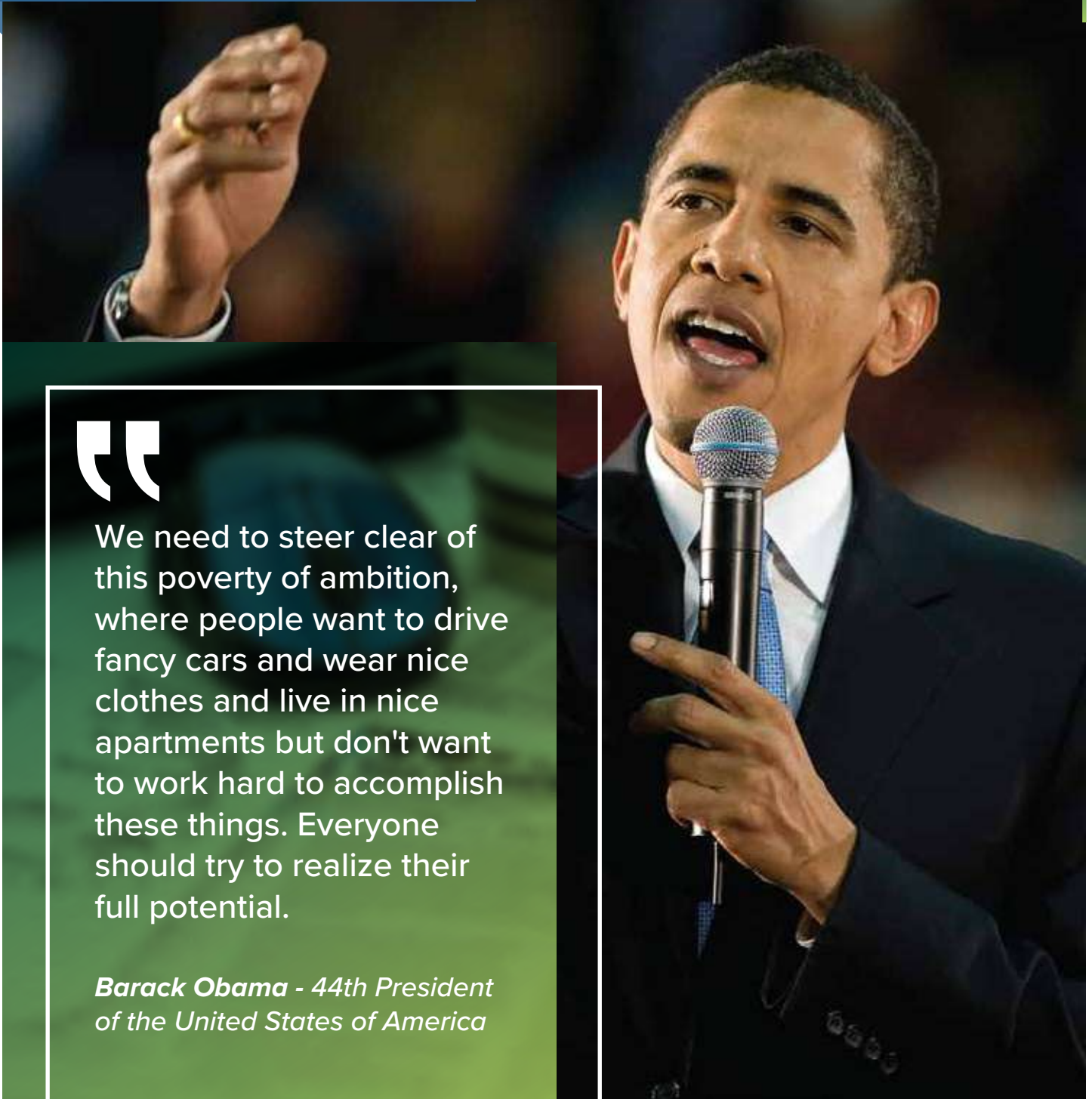
The uncertainty of transitioning to a new government as well as the possibility of political instability and violence follow

ing disputed elections also affect the amount of credit lent to the real estate sector as lending institutions minimize the amounts advanced. For instance, according to KNBS, there was only a 4.5% growth in the value of bank loans advanced to the building and construction sector in 2007, compared to a 41% growth in the preceding period. Reduced access to credit results in a slowdown in development activity, due to the capital intensive nature of the sector. This could also result in reduced uptake, albeit marginally, as only few Kenyans buy houses on mortgage.

So what does the future hold for real estate? The outcome of elections is not the ultimate determining factor on real estate performance. Other more important factors such as the health of the market, the general economic environment and demand for real estate products also play a vital role in determining the depth of the election period's effect on the real estate market. Typically, developers rush to get approvals for developments ahead of elections to avoid possible delays and inconveniences that may result during the transition period, should a new government win the election, and thus immediately embark on projects once the country stabilizes. Moreover, real estate demand remains high driven by population growth of 2.6% per annum, urbanization of 4.4% per annum, the rise in the middle-class population and expansion of businesses and SMEs.



Words to ponder about 



“

We need to steer clear of this poverty of ambition, where people want to drive fancy cars and wear nice clothes and live in nice apartments but don't want to work hard to accomplish these things. Everyone should try to realize their full potential.

Barack Obama - 44th President of the United States of America



Investing in Growing Technology Companies

Written by:

Laura Arina - Assistant Business Systems Analyst

Good investments with good returns do not come from the spin of a fortune wheel. When they do, think twice because there has to be a catch. Investments in technology are no different. The technology sector is fast-paced and ever growing, with continuous innovation and new products being introduced into the market every day.

In fact, it is not just growing. It is sustaining many companies initially faced with obsolescence, which were smart enough to jump onto the technology bandwagon. The sector is not without troubles but nonetheless, all statistics, research and potential returns considered, this is why you should go ahead and put your money into growing tech companies.

1. Technology makes the world go round

We live in a world where technology is the driving force for everything. Food is ordered online and delivered to your house. Communication is real-time, via emails, calls, texts, videos and many more. Personal assistants are no longer dapper-looking ladies and gentlemen

carrying tonnes of files and making hundreds of calls. Now, there's Siri, Alexa, Cortana, Bixby, Google Assistant and many more, to do all the work efficiently for you. There is basically an app for everything!

See, technology is becoming (if not already) the engine to the vehicle of life. Which is why investing in the right tech company, is just the right step for you to take. Question is, how do you know if a company is the right investment for you? The simple answer is, if they are injecting a lot of resources into Research & Development, they are headed in the right direction.

2. Gaps in existing technology are opportunities for growing tech companies to fill.

Despite the benefits existing technology presents, it still is not without flaw. These flaws and shortcomings are opportunities, which if well analyzed and handled, can catapult growing tech companies towards immense economic progression. People will go for anything that simplifies their work, and any growing tech company that identifies a gap then works towards

filling it, stands to gain massively. Needless to say, if you are part of such a company, so do you.

3. Technology is constantly evolving. It only gets better.

Even with global economic conditions falling, technology keeps evolving, thanks to continuous innovation (which brings us back to the importance of R&D). This indicates that growing tech companies are in the game to stay. There is so much to be done, and investing in a tech company that is creative and innovative enough to keep up with the evolving trends, is guaranteed to give you good returns.

4. Technology investments are long-term

Investing in technology promises long-term returns, because of the ever-evolving and improving nature of technology discussed above. This is why many investors opt to inject their money into start-ups.

Before deciding to invest your hard-earned money in something, be sure to conduct an elaborate analysis considering all possible scenarios, and ensure you have all the information you need.

WHEN SOCIAL MEDIA UPDATES BECOME YOUR DETRIMENT

Written by:

Marsden Osioma - *Paralegal Intern*

When can your social media update be used against you in a Court of Law? One of the interesting cases so far is the “KRA Hack” matter. One Mr. Alex Mutuku, is accused of fraudulently causing the loss of Kshs. 4 billion to KRA after allegedly interfering with the institution’s computer systems over the course of one year beginning March, 2016 to March, 2017. Other than the seized gadgets and servers found at his house, there is speculation that his opulent lifestyle depicted through his social media accounts was supported by his illegal acts.

Various cases around the world have shown that posts on social media can affect how a case is decided. Here are a few examples:

2010

Romano v. Steelcase Inc. – A New York personal injury case in September 2010, the Court granted the defendants access to the plaintiff’s current and historical Facebook and MySpace pages and accounts, including all deleted pages and related information, even though this information wasn’t publicly available. The reason? Her Facebook profile showed her smiling happily in a photograph outside the confines of her home despite her claim that she had sustained permanent injuries and was largely confined to her bed. The court ruled that allowing the plaintiff to “hide behind self-set privacy controls on a website, the primary purpose of which is to enable people to share information about how they lead their social lives, risks depriving the opposite party of access to material that may be relevant to ensuring a fair trial”.

The Court stated that there is no expectation of privacy, no matter what privacy settings were used.

2011

Zimmerman v. Weis Markets, Inc. — The defendants established that there was privately protected content relevant to the case at hand based on the public information shown on the plaintiff’s Facebook page. The plaintiff’s Facebook page showed that his interests included ‘riding’ and ‘bike stunts’ and displayed recent pictures of the plaintiff with a black eye and his motorcycle after an accident. The judge ruled in the defense’s favor to permit discovery and they gained access to the non-public portions of the plaintiff’s Facebook and MySpace pages to refute the plaintiff’s claim that a forklift accident caused permanent injury to his health and wellness.

2013

Allied Concrete Company v. Lester – Another injury case, this was filed in January 2013 by Isaiah Lester, whose wife Jessica was killed in a car accident. Some of the information on his Facebook page appeared to be harmful toward his character. Fearing it could be used to discredit his client, Lester’s attorney told him to “clean up” his Facebook and MySpace accounts by deleting his insensitive photos, because “we don’t want any blow-ups of this stuff at trial.” Lester deleted the accounts, and his attorney’s office then signed discovery responses denying that he had any such accounts.

The defense filed for a spoliation of evidence, which the judge ruled in favor for, ending in monetary fines for Lester and his attorney.

2015

Crowe v. Marquette Transportation Company Gulf-Inland, LLC – In this January 2015 Louisiana case, an employee filed a workplace injury suit against his employer. During investigations, Crowe’s employer discovered that he had admitted in a Facebook message that he was injured during a fishing trip. The employer requested Crowe produce his entire Facebook account, instead, Crowe deactivated his Facebook account and responded to the request stating he did not “presently have a Facebook account.” The court then forced Crowe to turn over the 4,000 Facebook archive pages, saying, “The Court is troubled by Crowe’s refusal to produce any responsive documents on the basis of the statement that he did not presently have a Facebook account. The records indicated that Crowe did not delete his account but deactivated it. It is readily apparent to any user who navigates to the page instructing how to deactivate an account that the two actions are different. Crowe’s efforts to avoid producing this material have unnecessarily delayed these proceedings and have wasted the time of his opponent and this Court.”

Social media can be used to your advantage or disadvantage. Whatever you post out there could be used in a Court of Law.





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Governance in Gated Communities

Written by:
Kelvin Muriithi - *Legal and Tax Analyst*

Gated Communities have, from the late eighties, been the norm in Kenya and is an aspect of residential developments that we share with the rest of the world. A Gated Community is a separate and enclosed area, often isolated from the broader environment through physical barriers (walls, natural fences e.t.c).

This is done in order to enable a specific lifestyle within the enclosed area and also to protect the residents from possible intruders. Enclosed within the Gated Communities are attractive shared amenities such as gyms, recreational parks, swimming pools, club houses, shopping malls, baby day care centers among others.

Governance in a gated community

Gated communities may consist of stand alone or semi-detached houses such as the various phases of Buruburu or blocks of high-rise apartments such as The Alma in Ruaka. The legal framework for the same is through the Sectional Properties Act, 1987, the Lands Act, 2012 and the Lands Registration Act, 2012.

These Acts provide for management of the common areas by the Residents jointly either through (i) a Corporation (ii) a Limited Liability Company or (iii) a hybrid of both as is the case in Nyayo Highrise, Mbagathi Road. The Management Company/Corporation is run by a Board of Directors and the general responsibilities of this Management Company/Corporation include: -

- Maintain the common areas and the associated facilities such as lighting, drains, sewers and cables in good condition and pay associated costs;
- Engage third parties such as cleaners, landscapers and a security firm, to provide services or advice (where applicable);
- Arrange insurance to cover risks such as fire, flood, subsidence and public liability for the outer Buildings and the common areas;
- Comply with any notices or orders given by any public authorities and pay Rates and Rents;
- Deal with any complaints that arise and emergencies such as noise complaints;
- Maintain records regarding the Property including records of all incomes and expenses and act as the custodian of the Title for the entire parcel of land on which the Community is situated;
- Managing the Budget and ensuring taxes are paid and the necessary returns filed with the appropriate Revenue Authority;
- Management of Tenants, screening of potential Tenants and Rent Collections.

The above is just a tip of the iceberg with regard to the responsibility placed on the Board of Directors some of whom are owners of the Property and have been chosen by the other owners to serve on the Board. However, due to the magnitude of work and time required to be able to effectively discharge these duties, most Boards are not able to perform optimally as the members of the Board have livelihoods to earn either through employment or running their businesses, thus their role as a Director in a Management Company is not a priority.

This has led to most Gated Communities falling into disrepair either through lack of maintenance, lack of proper screening of potential tenants and in some instances they have incurred millions in arrears and penalties on account of unpaid Taxes, Rates and Rents. This not only leads to deterioration of the lifestyles of the residents but also a diminishing of the Capital Appreciation of the Property robbing its owners of the benefits of Capital Appreciation and/or a steady income stream from Tenants who would be attracted to a well maintained Development.



Gated Community is the promise of community living

Maintaining the value of your Real Estate investment

Due to the above, places such as Dubai and South Africa where the Real Estate market is more developed have come up with a system where upon hand over the Management Company procures the services of a Properties and Facilities Manager who is charged with the day to day running and management of the Community. The Properties and Facilities Manager gets their mandate from the Board through an arm's length commercial agreement with the

Management Company who is usually the Developer or an affiliate of the Developer, who more than often provide a full range of Real Estate Services in their portfolio right from Research to Properties and Facilities Management. The Developer therefore hands over the Development to the Management Company/Corporation but there is a Service Provider whose professional obligation is to manage the Community's daily operations and to carry out policies set by the Board.

In short they do what the Management Company is meant to do but at a fee and with the creation of an Employer – Client relationship higher standards can be demanded as a matter of right by the residents.

Conclusion

In conclusion while the promise of community life is a good marketing tool, there is need to ensure that the Community lives to the standards that the Developer and/or the Project Architect envisaged and the Purchaser is able to enjoy the full benefits of a Real Estate Investment, that is, a home, a lifestyle, capital gains and a steady stream of rental income (where applicable).

For the Cytonnaires our solution is simple; we stick with you from the beginning to the end and as a result, the status and quality of life the Community remains, as promised, even after we handover the Project to you. This ensures you enjoy the benefits of vendor/contractor pricing due to economies of scale as well as time and resource efficiencies to you and your Property. In a nutshell we act as your 'eyes and ears' when you

aren't able to actively manage your Property including where you opt to rent out your Property, your Tenants needs ensuring satisfied tenants and the ability to attract future occupants.

INTERNAL CONTROLS: THE 3 LINES OF DEFENCE

Written by:

Daniel Samuka - *Internal Audit Assistant*

2016 was a year of very peculiar scandals. From Samsung's exploding phones and washing machines, to Chipotle's norovirus scandal to the Wells Fargo fake accounts allegations. The highlight for many though would be the Wells Fargo saga. A whistle-blowers initiative brought to light damning facts that led to 5300 employees being dismissed for creating up to 2 million unauthorized bank and credit card accounts in order to meet unrealistic sales targets. Such scandals come at high financial costs and even greater reputational risk for the companies involved.

For Wells Fargo, a fine of \$185 million for the fraud was charged and several lawsuits still persist. The reputational repercussions can only be imagined for now, though we can safely assume that it should be great, given that banks are in the business of selling trust.

Such occurrences naturally inspire a probe into the strength of internal controls and whether a company is doing it right, especially when a firm the size of Wells Fargo with a history of trust and reliability can get it wrong. More importantly, people turn to the Internal Audit function in such times to review their effectiveness and to confirm how fraud to such a high magnitude could occur under their watch.

In a firm like Wells Fargo, who has the role of coming up with controls? Where would the buck stop? The model of three lines of defence is a perfect illustration of how the effective risk management works in any firm.

The 3 lines of defence model presents a format for handling all manner of risks that any firm is subjected to. Like any effective model, it clearly defines the roles and the scope of the different members of a firm when it comes to internal controls and handling of risk.

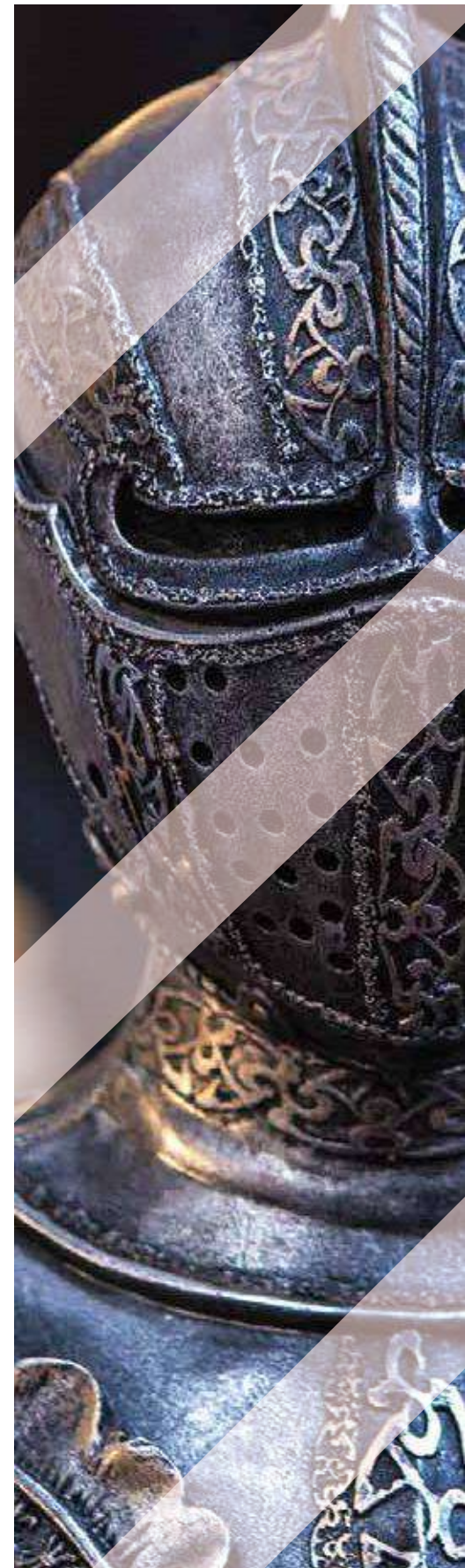
1. First line of defence: Operational Management

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. These are the people who work daily to deliver results.



An independent internal audit function, through a risk-based approach to its work, provides assurance on the adequacy, effectiveness and efficiency of the controls.

The process owners have the first responsibility to reduce risk. They should set up and execute controls such as: segregation of duties and putting policies and procedures in place to safeguard clients' interests. In Wells Fargo's case the employees in sales and their managers had the responsibility of maintaining the controls and updating them as the technological and fraud environment changes.



2. Second line of defence: Risk Management and Compliance

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality control/quality assurance, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting the compliance to adequate risk management up and down the organisation. In the case of Wells Fargo, this is where account forgeries could have been noticed and stopped. This in-house detection and handling of fraud is an important ability that any serious firm should develop.

3. Third line of defence: Internal Audit

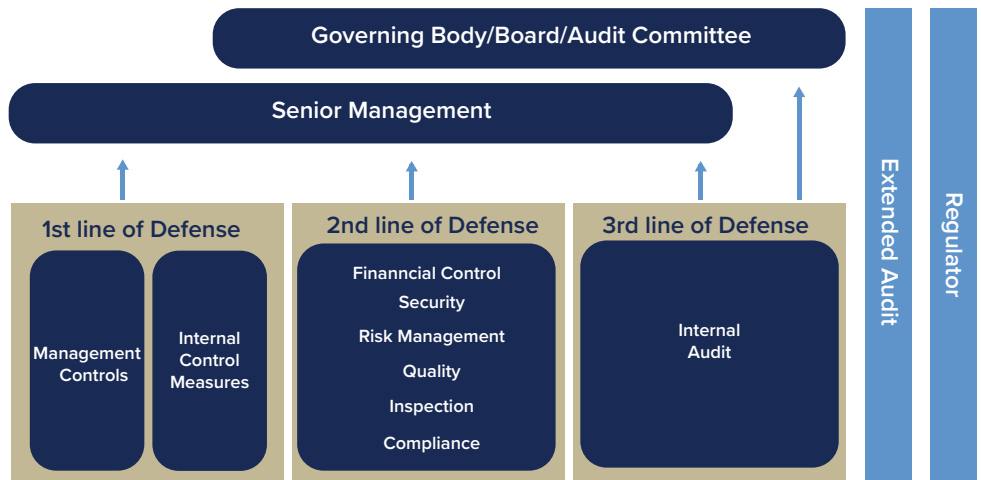
The Internal Audit function comes in as the firm’s third line of defence. An independent internal audit function, through a risk-based approach to its work, provides assurance on the adequacy, effectiveness and efficiency of the controls.

It encompasses all elements of an institution’s risk management framework, from risk identification, risk assessment and response, communication of risk related information and all categories of organizational objectives: strategic, ethical, operational, reporting and compliance. Another thing to note is that the internal audit function has no professional responsibility to the public.

So, could the Wells Fargo fraud have been prevented? Definitely! But only if all the lines of defence played their individual roles independently and effectively. Many of these scandals serve as learning lessons.

The Wells Fargo system and fraud awareness is arguably better from these happenings. Other firms can also learn and prepare for the fraud risks they face, both internal and external. There is a Zen proverb that goes “It takes a wise man to learn from their mistakes, but it takes an even wiser man to learn from the mistakes of others.”

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Law Directive, article 41*

Benefits of Tax Compliance Outweigh Non-compliance

Written by:

Faith Kariuki - Finance and Accounting Analyst

Benjamin Franklin said, “In this world, nothing can be certain, except death and taxes.” I believe everybody reading this understands what death is but I am not sure if the same applies to taxes. So what are taxes and what purpose do they serve?

The word tax has been derived from the Latin word “Taxo”. The meaning of “Taxo” is to estimate, appreciate or value (Mohan. P et al. 2004). Therefore, a ‘tax’ is a financial charge or other levy imposed upon a taxpayer by a state to fund various public expenditures. Failure to pay, or evasion of or resistance to taxation, is usually punishable by law. Simply put, taxes are not optional.

Taxes are as old as the Pharaohs of Egypt as they were among the first people who imposed taxes on their population. Tax collectors in Egypt had imposed tax on cooking oil and they would audit households to ensure that appropriate amount of cooking oil was consumed and that their citizens were not avoiding using cooking oil, to avoid taxes. In Greece, during the times of war, the Athenians imposed taxes to their population. No one was exempt from taxes, which was used to pay for special wartime expenditures.

With the exception of a few countries such as The Bahamas, Brunei, Vanuatu and Anguilla, taxation is practiced in almost every country in the world.

Purpose of taxation

Taxes are used to finance government expenditures which include health care, infrastructure, security, civil servant wages and education, among others.

Types of taxes in Kenya

In general, taxes are classified as either direct or indirect. Direct taxes are levied on the income or profits of the persons paying it. These include: Income Tax, Withholding Tax and Advance Tax. Indirect taxes are levied and collected by persons or organizations other than those that would normally be responsible for the taxes. They include: Value Added Tax (VAT), Excise duty, Custom duty, Catering levy, Betting and gaming taxes among others.

Compliance

Different types of taxes have different rates and due dates for payment. Tax compliance therefore is the degree to which a taxpayer complies (or fails to comply) with the tax rules as set out by the tax authority.

Tax compliance is a continuous exercise that involve the tax payer religiously adhering to all regulations of tax laws. A tax payer must be compliant in payment of taxes, filing of returns and reporting of financials. In practice, the tax authority issues a certificate to taxpayers confirming their compliance. In Kenya, a tax compliance certificate is normally issued at an interval of one year.

On the other hand, tax non-compliance is the range of activities that are not in line with tax laws. When a taxpayer fails to comply with any of the regulations as spelt out in the tax laws, it leads to non-compliance. The tax authority normally imposes punitive fines & penalties for non-compliance. This forms the cost of non-compliance.

Conclusion

Even though studies on tax compliance have indicated that the reason most taxpayers fail to comply is due to a lack of knowledge, there is a section of taxpayers who willingly fail to comply through tax evasion and fraud. The correct thing to do is to comply, and seek professional tax advice where knowledge is limited.



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Transacting in Real Estate from the Diaspora

Written by:

Reuben Mabishi - *Business Development Analyst*

9 useful tips to assess the real estate project that you want to buy in Kenya

Knowledge is power. We tell you the 8 most important things that you can do before and during a real estate transaction in Kenya. Arm yourself with these useful tips.

1. Conduct an official search with the Ministry of Lands

The eCitizen portal allows you to conduct an online title search to reveal the registered owner of the property that you want to buy as the first step of due diligence. Ask the promoter for a Land Reference (LR) number and conduct a search in the appropriate lands ministry registry to confirm that they own the land. There is a small fee of Kshs 520.0/= payable via M-PESA or major credit cards. To conduct a search, you need copies of the following documents from the owner of the property:

- KRA PIN
- ID
- Land reference number
- Title deed or lease

2. Do your due diligence

More often than not, real estate transactions are prone to fraud because of the amounts of money involved. Beyond conducting the preliminary search, peruse files at the Survey Office, carry out a physical inspection of the beacons, and research whether the property may be subject to seizure by parastatals such as the Kenya National Highway Authority and Kenya Airports Authority.

This will help you avoid conflicts with governments authority with jurisdiction over the property in Kenya. These services are provided by your attorneys for a fee.

3. Review the agreements/contracts with your lawyer

Due to the size of the transaction, it is important to ensure that you engage the services of an independent attorney to understand the terms and conditions of the sale/lease agreement with the vendor. Notable items to look out for are:

- a. The Defects Liability Period- how long the developer of the unit is responsible for repairing any damage arising after you occupy the unit,
- b. Any remedies available to you if the developer is unable to complete construction in the stipulated time Consequences for terminating the agreement,
- c. The terms of any payment plans/financing agreements.

4. Evaluate your payment plan

At current interest rates (approximately 13%), the monthly payment for a 20-year mortgage on a 2-bedroom home costing Kshs 2.5 million is Kshs 32,000. Evaluate the developer's payment plan with current interest rates and monthly rents in mind.

5. Evaluate the project

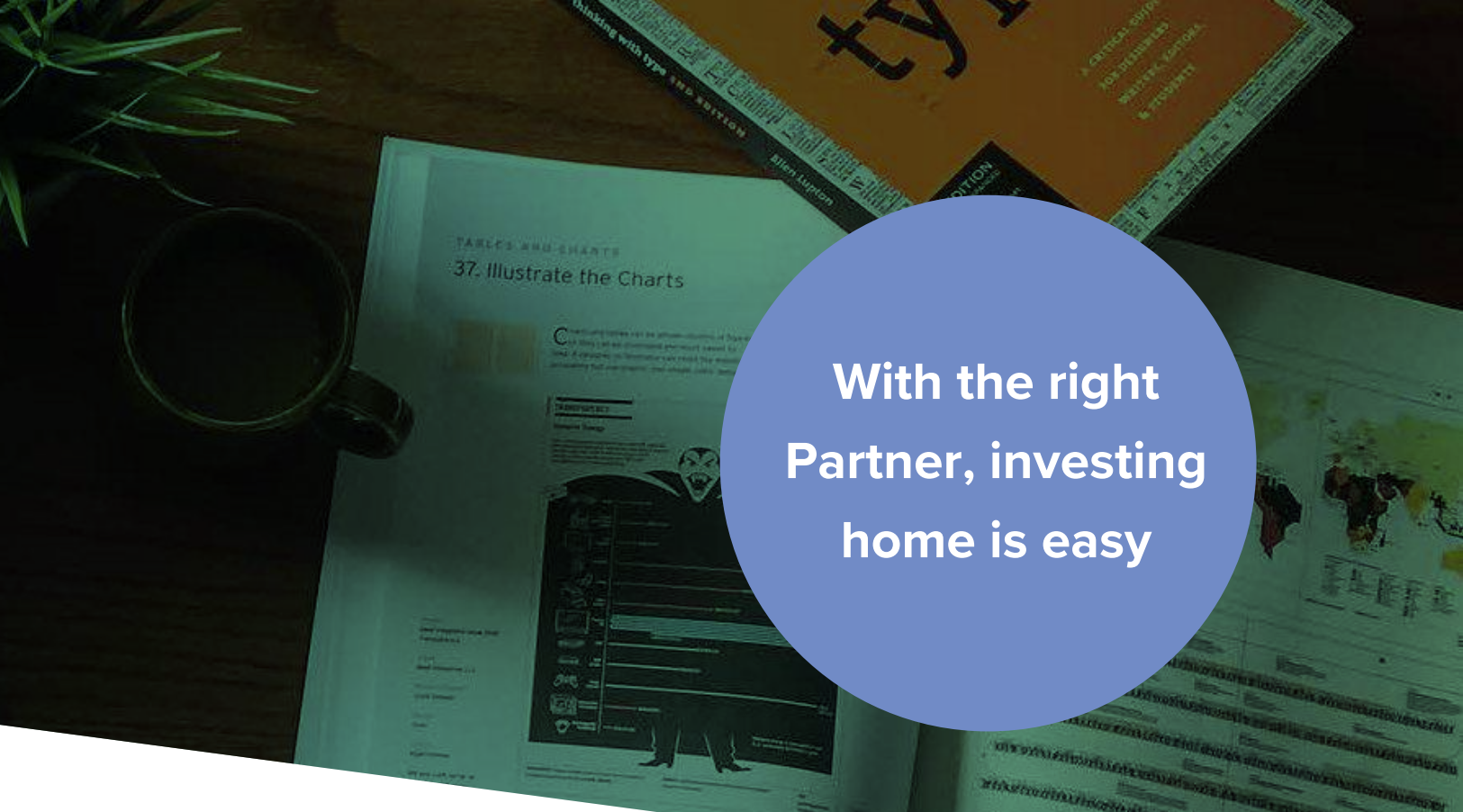
It is important to ask the developer for reports and certificates issued by the site engineers and architects. Before and during construction, consulting engineers are responsible for preparing a geotechnical survey assessing the load-bearing capacity of the land and the foundations. This will not only help you to avoid undue repair costs but also confirm that the building is structurally sound to live in. Also, ask the developer for copies of the National Construction Authority (NCA) certificates.

6. Evaluate your developer or seller

Consider whether the developer has completed or is currently constructing any real estate projects in Kenya and scour their Facebook or social media profile for any customer testimonials. Customer testimonials will tell you more about the developer's workmanship, quality and responsiveness to client concerns while evaluating past or current projects will help you know what to expect from the vendor.

7. Ask for Documentation

If you are a legitimate business, documentation confirms the legal relationship between you and your shareholders, vendors and clients. If you are a fraudulent scheme, documentation creates legal liability.



With the right
Partner, investing
home is easy

Most fraudulent investment schemes avoid issuing documentation in the form of receipts and confirmations; they also dispense with legal requirements such as collecting your identification and tax information. If you are sending money, a legitimate business will issue you with a confirmation or receipt.

8. Ask for a Site Visit

Real estate transactions require confirmation. If you are buying property or a unit, it is common for the developer to organize a site visit to the development. In addition to due diligence (above), you should have the opportunity to visit the project's site and view construction progress. If you cannot make it to a site visit, ask someone that you trust to conduct the visit for you.

9. Insist on Paying via Secured Means

In the investments and real estate industry, it is common for businesses to insist on payments made through cheques, wire transfers and real time gross settlements (RTGS), which are trackable. Insist that the real estate company in Kenya provides you with a confirmation for all funds received.

Remember to keep your eyes open and trust your instincts.





Financial Planning as a Cytonnaire

Written by:
Faith Maina - Assistant Investments Analyst

What is Personal Financial Planning, and is it really important?

Financial planning is a process meant to help you make sensible decisions about your finances. Personal financial planning therefore identifies financial goals and objectives and creates a plan for achieving them. This process provides an individual with a long-term strategy for their financial future, taking into consideration every aspect of their financial situation and how each affects their ability to achieve financial goals.

The Financial Planning Process

Personal financial planning is a continuous process that can be achieved through the following steps:

A. Assessment of Financial Status: This is the first step of financial planning and it involves identifying factors that are likely to affect one's financial plan. In this step, an individual will need to look at their income statement, spending habits, lifestyle and see how each of them will affect their financial plan. Some of the factors likely to inform one's financial plan include:

1. Age: Younger people have time on their side and can therefore make riskier investment decisions as they have time

to recover if they end up making losses. Their investment of choice would include real estate and stocks which are considered risky. For an older person, time is limited and therefore high risk investments is not an option. They prefer safer investment options that offer steady and predictable income. Such investments include government backed assets such as Treasury bills and bonds, which offer an almost guaranteed return for a given period of time;

2. Risk profile: Some people are more risk averse than others, and they will generally avoid riskier investment opportunities, which means that their financial planning decisions will be geared towards safer investment plans;

3. Income: An individual's income will directly affect the level of savings and investment. With proper financial planning, the higher the income, the more disposable income that one has to place into savings and investments. This however does not mean low income earners can't invest. It only means they have to put in more effort in prioritizing their needs to achieve a reasonable disposable income worthy of investing.

B. Goal setting: In this step, one should outline their future financial targets. An individual could have multiple goals, some long-term and others short-term. These different goals will influence the path one takes in order to achieve financial objective. Financial planning goals should be measurable and achievable by one or a combination of the following four practices:

1. Saving: It entails setting aside part of your income and investing in a savings plan. Efficient saving requires discipline, and here are a few tips to guide you; (i) save with a goal, (ii) treat saving as a mandatory expense, and (iii) convert savings into investment;

2. Investing: There are different investment channels that one can consider. An investor will be drawn to a different channel based on their risk appetite, the returns expected and the liquidity requirement. The most common investment instruments include:

a) Listed Equities: They represent ownership interest in a company. They are considered as traditional investments that are relatively liquid, highly volatile and are therefore considered risky.

They are suitable for long term investors and offer returns in form of dividends and capital appreciation

b) Fixed Income: These are securities that offer fixed periodical income to investors. They are also considered as traditional investments that are moderately liquid, have low volatility and are therefore considered less risky. They are suitable for medium term investors and offer returns in form of interest income and capital appreciation. They include bonds and commercial papers

c) Real Estate: This involves investment in property and land. Real Estate is considered as an alternative investment that is illiquid, relatively stable and have returns that are uncorrelated to returns from traditional investments. They are suitable for long term investments plans, which makes them risky investments. Real Estate offers returns in form of rental yield and price appreciation

d) Private Equity: Private equity involves investing in companies that are looking for growth capital. They are suitable for investors that have longer term investment horizon and are not risk averse. Private Equity offers returns in form of dividend and capital appreciation

3. Debt and Debt Management - Is debt good or not? Debt is only good if it is meant for investment or for future financial gain such as business, education etc. Here are a few do's and don'ts for debt management;

- a. You should never use more than 1/3 of your net pay for loan repayment.
- b. Never borrow for things you desire but don't need,
- c. Avoid borrowing for the purchase of consumption items, and Live within your means.

4. Budgeting - Lastly, is the discipline of allocating efficiently the resources we have. As you budget, give priority to necessary expenses and try as much as possible to cut down on discretionary expenses.

C. Plan Creation and Execution: The financial plan details how to accomplish the goals identified in the step above, the time it may take to achieve each, and the best step to take towards achieving it. Execution refers to putting the created plan into action. A well laid out plan should highlight the following items:

1. Suitable channels and investment instruments that will assist you in achieving your goals: This involves making decisions on the best ways to attain your financial targets. This may be through, saving, proper budgeting, cutting on expenses or through investing;

2. Timelines: This will indicate how long you are willing to invest into a given investment instrument. Long term investments may be most suitable for long term investors. Always try to match the duration and the financial goal and that of the investment opportunity.

D. Monitoring and Reassessment:

A financial plan needs to be monitored for possible adjustments or reassessments. A review allows you to analyze your individual investments and determine if they are worth keeping. The following factors should prompt one to make changes on their financial plan during the review session:

1. Status of Set Goals: Determine whether your pre-determined goals have been achieved or not and whether or not the unachieved goals are still achievable, given the present circumstances;

2. Change in Income: Any significant adjustment in income would directly impact your financial plan and may lead to early maturity or a delay of set goals and therefore affect the set timelines;

3. Number of Dependents: A change in number of dependents may mean that one has more or less disposable income to put into investments or vice versa;

4. Change in Risk Appetite and Risk Tolerance: An individual's risk appetite and risk tolerance may change as one

progresses with life. Age, change in income and a change in number of dependents are the factors likely to affect one's risk appetite and tolerance levels.

Personal financial planning is important for an individual's present and future financial stability. Properly planned finances will guarantee us peace of mind, since money may not be the solution to all problems but it sure is a solution to most.

Cytonn Young Leaders Programme (CYLP) Alumni

About CYLP

CYLP is an intensive and competitive 12-week training programme that exposes fresh university talent to the office environment and culture. We expose program participants to challenging and fulfilling career options, with an emphasis on leadership and problem solving. The programme commenced in January 2015, with an inaugural class of 6 investment interns.

As at January 2017, CYLP had trained over 300 fresh graduates, with Cytonn absorbing 40% of the said graduates, while others have joined reputable organizations. We have collaborated with various universities and we always take the opportunity to mentor university students on career growth and leadership.



Faith Nyapara,
Project Procurement Analyst

I am currently a Project Procurement Analyst. My job is to fulfil the procurement needs of projects by ensuring that there is continuous flow of project activities by obtaining goods and works using the five R's in purchasing;

right sources, right time, right quality, right price and right quantity.

CYLP presented an opportunity, to be mentored by people who are more experienced, making me more resourceful as an analyst by developing my analytical skills amongst other critical skills I required.

The only way to learn a new skill or job is to be practical. CYLP gave me an opportunity to do just that.

It helped me transition from school to office life, by preparing me on what to do and what is expected in an office setting i.e. social, interaction and presentation skills.

Highlight of CYLP?

My highlight in CYLP was real work experiences. It was even gruesome at some point.



Dennis Memusi, IT Engineer

I am an IT Engineer. My roles include networking, network monitoring, virtualization, storage and server administration. I joined Cytonn Investments through the Cytonn Young Leaders Program.

My CYLP experience was awesome. Working in a fast paced environment that has young, smart and talented staff members is fascinating. One has to be keen, ready to learn, deliver, and work in a team context. All these coupled with relevant, practical and challenging tasks made my CYLP experience amazing and memorable.

Through CYLP, I have benefitted in many aspects. I got to learn a lot of new and interesting topics and ideas, mainly in the IT world, and also about other fields such as real estate and investments. I learnt more on being a critical thinker, and networking with people in my field and those in other fields too. My communication and interpersonal skills also improved a great deal. By working in a technical and practical environment, my IT skills greatly improved.

Highlight of CYLP?

My highlight in CYLP was being actively involved in IT Infrastructure set up. The practical nature of the exercise and the steep learning curve always takes the day.

- Dennis Memusi, IT Engineer

Highlight of CYLP?

CYLP has taught me buckets full of life long lessons, the best of it is taking responsibility.

Victor B. Ondiwo, Human Resource Assistant



Victor B. Ondiwo, Human Resource Assistant

I am a Human Resource Assistant at Cytonn Investment. I applied for a Human Resource and Administration Internship position under the CYLP programme and was accepted after a series of eye opening interviews. At the beginning of the internship, I felt like I had made a mistake applying for the internship. It came with high expectations which resulted to pressure but as days progressed and I got to learn the system, I realized that this is the best thing that happened to my career growth.

Fresh from campus and green in almost everything, the CYLP structure makes you an all rounded individual and within 12 weeks, you are as qualified as a person who's been working for 3 years or more. Other than giving me a quick break through into the corporate world, the programme has made me an all rounded person ready for any challenge. I would recommend it to anybody who wants both personal and career growth, CYLP is the real deal. Most of the times I ask myself, what could I have learnt without CYLP.



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Cytonn Invests in Superior Homes

Written by:

Betty Kiptum - PR and Communications Assistant

Cytonn Investments announced a partnership with Superior Homes, a leading real estate developer and the purchase of a 25% stake valued at about Kshs. 1 billion in the leading real estate developer with an option for further purchase over the near term.

The 25% stake investment in Superior Homes is in line with Cytonn's strategy of connecting capital from global and institutional investors, such as Taaleri of Finland with attractive returns from real estate driven by partnerships with world class developers such as Superior Homes and Cytonn Real Estate.

Superior Homes, its capabilities and its signature 165-acres Greenpark development compliments Cytonn's own development affiliate, Cytonn Real Estate. Superior Homes is an established brand focused on master-planned development and compliments Cytonn Real Estate, which has distinguished itself in urban high density developments.

"Superior Homes is a leading real estate developer in Kenya, most notably known for being a pioneer in the execution of master-planned gated communities in the Nairobi Metropolis, namely the Green

park Estate in Athi River," said Elizabeth N. Nkukuu, CFA, Cytonn's Chief Investment Officer. "More than a gated community, Superior Homes has established a community and neighbourhood presence in their developments, which have provided secure, institutional grade and lifestyle living. This enables us to provide to our investors yet another segment of exposure in real estate," added Elizabeth.

Superior Homes has established itself as a strong brand in real estate, with a track record of delivering the most comprehensive master-planned gated community in Kenya, with a strong deal pipeline in both Athi River and the Nairobi Metropolis. "In Cytonn we have found an exceptional real estate investments structuring partner to work together as we execute our real estate development strategy for our next period of growth. After a strong 10-year track record, it was important to tie up with a partner with shared values, aspirations and complementary capabilities" said Ian Henderson, Managing Director of Superior Homes.

"Through this partnership and the investment, we shall work to grow our deal pipeline, drive the company towards listing on the Nairobi Securities Exchange,

subject to regulatory approval, during the course of 2017, and continue delivering aspirational neighbourhoods to all our home owners and make our contribution to growing the Kenyan economy" added Mr. Henderson.

"The deal is complementary and compelling. In Superior Homes, Cytonn gets a partner that has a strong track record in master-planned developments and also construction capabilities, and in Cytonn, Superior Homes gets a partner that has a strong track record in structuring real estate investment products, and they also complement our development affiliates. Above all is our shared values, operating principles and vision." said Edwin H. Dande, Cytonn's Managing Partner & Chief Executive Officer. "Beyond the acquisition, the bigger deal here is the partnership. Together we are going to move faster and more significantly in providing housing for families, create jobs, grow the economy and uplift the standards of living," added Edwin.



The Birth of Taraji Heights and The Ridge

Written by:

Betty Kiptum - PR and Communications Assistant

Cytonn Real Estate, the development affiliate of Cytonn Investments, broke ground on its latest projects, Taraji Heights and The Ridge. Taraji Heights is a mixed-use development, consisting of 2 and 3-bedroomed units, and 3-bedroom with DSQ units. Residents will enjoy other facilities such as a retail facility, a clubhouse with a gym, a swimming pool and a spa, in addition to well landscaped gardens and playing fields. The ground-breaking of the development, valued at Kshs. 2.5 billion, was on 24th March 2017 in a colourful ceremony that was graced by the Kiambu County Governor H.E. William Kabogo.

Taraji Heights is Cytonn Real Estate's second development in Ruaka, as they capitalise on a growing middle-class seeking high quality and secure neighbourhoods, and deliver attractive returns to investors, as witnessed from their pioneer Ruaka development, The Alma.

"The demand for high returns driven by global capital seeking alternative and high returns makes Kenya a good investment destination for international investors. At Cytonn, we are committed to offering the best real estate products both in design and quality such as Taraji Heights," said Edwin H. Dande,

Cytonn's Managing Partner and Chief Executive Officer. "The various payment plan options that we offer on all our real estate projects including Taraji Heights makes it easier for investors to choose the best that works for them," he added.

Speaking when he graced the Taraji Heights ground-breaking, Kiambu County Governor H.E. William Kabogo lauded Cytonn for its commitment and efforts towards meeting the housing demand in Kenya and Kiambu's ability to solve the housing crisis affecting the neighbouring Nairobi county. He also said that Cytonn projects in Kiambu shall be used as a benchmark for other developers.

"The commitment that Cytonn has shown through its projects, The Alma and now Taraji Heights ought to be emulated by other developers in order to raise the quality of developments in Kenya. We welcome such projects as they raise the standards of living through provision of employment to our youth," said Governor Kabogo.

The Ridge ground-breaking was held on 15th May 2017. The development is a comprehensive and luxurious mixed-use development, comprising of approximately 700 units of one, two and three

bedroom apartments. The development, comprising of both residential and commercial spaces, is valued at Kshs. 12.0 billion and sits on a 10-acre piece of land located in Ridgeways, Nairobi. The development's ground-breaking was officiated by Nairobi County Governor H.E. Dr. Evans Kidero.

Speaking at The Ridge ground-breaking, Nairobi County Governor H.E. Dr. Evans Kidero said, "I am glad to mention that Cytonn's decision to put up this development in Ridgeways proves that the rapid urbanization offers an opportunity for investors to offer housing products in the county. The Ridge will change the landscape of Ridgeways and the larger Nairobi County when it comes to residential housing."

"Kenya continues to grapple with a high housing deficit of over 200,000 housing units yearly due to rapid population growth and urbanization. Nairobi county is the most affected by this and we are glad that Cytonn decided to put up this development in Nairobi. We shall continue to work closely with developers such as Cytonn to help address the housing deficit and improve the quality of living for the Nairobi residents," he added.

2017 PICTORIALS



01



04



06



02



05



07



03



08

1. A client, Jenny Nduati and a friend share a light moment during The Taraji Heights Ground-breaking on 27th March 2017
2. Cytonn's Senior Partner, CIO and Head of Real Estate Ms. Elizabeth Nkukuu addresses attendees at the Taraji Heights Ground-breaking
3. Taraji Heights Contractors- Landmark Holdings Chairman Mr. Manjit S. Sethi addresses the attendees at the Taraji Heights Ground-breaking
4. Kiambu County Governor H.E William Kabogo makes his address during the Taraji Heights ground-breaking
5. Investment Analyst John Ndua speaking during the release of the FY'2016 Insurance Report on 8th May 2017
6. Investment Analyst Caleb Mugendi speaking during the release of the FY'2016 Insurance Report on 8th May 2017
7. Financial Advisor Popsy Otieno poses for a photo during Cytonn's Grand Activation on 11th February 2017
8. Richard Onunga (second-left) and Busia County Senator, Amos Wako interact during the Amara Ridge Open Day



14



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15



09



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16



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9. CMS Board Chairman Mr. Shaka Kwach makes his address during the Cytonn CMS 2017 Annual General Meeting held at the Kempinski Hotel in Nairobi on March 2017

10. Cytonn CEO and Managing Partner Mr. Edwin H. Dande signs the Superior Homes transaction documents as Superior Homes Managing Director Mr. Ian Henderson looks on

11. Attendees listen to the presentations at the 2017 Annual General Meeting held at Kempinski Hotel Nairobi on March 2017

12. Cytonn CEO and Managing Partner Mr. Edwin H. Dande makes his address during the 2017 Cytonn Investments and Cytonn CMS AGM held at the Kempinski Hotel Nairobi on March 2017

13. Board members follow the presentations during the Cytonn Investments and Cytonn CMS March 2017 AGM at the Kempinski Hotel Nairobi

14. Board Chairman Prof. Daniel M. Mugendi makes his address during the Cytonn Investments March 2017 AGM

15. Cytonn CIO and Head of Real Estate Ms. Elizabeth N. Nkuku addresses the attendees of the Cytonn Investments and Cytonn CMS March 2017 AGM

16. Investments Manager Mr. Maurice Oduor awards a journalist with a certificate of participation during the H1'2017 Media Training on 4th May 2017



11



18

17. Project Management Analyst Brenda Mokaya walks Nairobi County Governor H. E Dr. Evans Kidero through the features of The Ridge, at the project's ground-breaking ceremony



17

18. Progress photos of the Classic Design villas of Amara Ridge as at 25th April 2017

19. Progress photos of the Contemporary Design villas of Amara Ridge as at 25th April 2017

20. Nairobi County Governor H.E Dr. Evans Kidero arrives at The Ridge Ground-breaking

21. Digital Marketing Analyst Mr. Joseph Kimemia speaks during the H1'2017 Media Training on 4th May 2017

22. The Alma construction on-going as at 25th April 2017

23. One of the attendees of the Hindu Council Chess tournament sponsored by Cytonn Investments poses for the camera

24. Financial Advisor Mr. Moses Njuguna converses with a client during the 25th Kenya Homes Expo on 29th April 2017



19



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21



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24

INTERVIEW WITH

PATRICIA
WANJAMA

Head of Legal and
Company Secretary

1) What role do you play at Cytonn Investments?

I am a founding Partner, Head of Legal and Company Secretary

2) What is the importance of a legal arm in a company dealing with real estate and investments?

Generally, the legal department's mandate is to manage legal risk through:

- Performing due diligence in all transactions,
- Providing legal advisory services on the transactions
- Drafting, reviewing and managing contracts
- Structuring transactions in the best interest of the company
- Obtaining the relevant licenses and regulatory approvals
- Managing external legal counsel and other relationships

3) What does it take to be a Head of Legal in a company?

It is still a journey of growth for me and my one client and my favourite one at that i.e. Cytonn, always pushes and demonstrates how I could be better. Heading the department requires both leadership and managerial skills. As a leader to inspire the team to offer their best to Cytonn and as a manager to co-ordinate team efforts to achieve that goal. Lawyers are skilled differently and heading a team is more than technical skill, but administration and leadership skills as well. The best benefit the team can offer Cytonn is legal advice and services that offer a competitive edge commercially whilst still managing legal risk, and we remain a constant evolution towards that goal.

4) Tell us about yourself, your background?

In a nutshell, I am an Advocate, a Company Secretary with an MBA degree. Kenyan born, Kenyan educated and raised, in a family of 5, with two living parents.

5) How did you get into law?

By a process of career elimination, I could not stand blood so Medicine was out, and Law sounded more exciting than Commerce and Land Economics, which were my other university choices. I am glad I made the choice.

6) How does a typical day at work for you look like?

There is no typical day. Every day is excitingly and refreshingly different. I am a planner by nature, so I start by seeing what meetings are on the Calendar, plan to work around them, mostly by a sketchy to-do list and then roll with the (email and side-bar) punches that come up.

7) In another life I would be... A children's teacher**8) What do you consider as your greatest achievement so far?**

Possibly partnering with like-minded individuals to set up Cytonn. It was not in my plan, so it stands out thus far...

9) What is the one thing you would have changed in your life?

Nothing, so far I have lived life enjoying its different phases and where I have been is beginning to make sense to where I am and where I want to go.

10) Who is your inspiration?

A lot of people inspire me, I cannot list them all, but I become inspired by people who do not tire to improve and re-invent themselves. Luckily I know a lot of such people.

BOOK REVIEW

WHAT IT TAKES

With fifty years' experience in consulting and studying professional firms across the globe, Charles Ellis in *What It Takes*, acknowledges how difficult it is for organizations to perform better than "Very good" as he puts it, as well as sustain excellence. The book comprehensively highlights the secrets that have set great professional firms in history apart from others. By exploring long-term success of leading firms in different industries, Ellis unearths the undisclosed secrets of their long-term success and reveals how these can be incorporated in upcoming organizations to drive it to a position of excellence if properly executed.

Beginning with an inspiring long term purpose, a -Mission- Charles illustrates exactly how strong leadership, uncompromising culture coupled with innovation and getting the right people in the right jobs can lead to sustained excellence. The Intensity translates to all aspects of surpassing professional organizations' operations, including recruiting and training.

Teamwork is another common component that is identified as key to success in sustaining long term goal execution.

On the other hand, *What It Takes*, also skillfully reveals how easy it is to fall behind, this for example is apparent in the collapse of Arthur Andersen, at one time "arguably the world's most admired professional firm of any kind." This was contributed extensively by poor leadership in the auditing firm, which culminated in its dissolution in the wake of the Enron Corporation scandal. However, In Charles' study, problematic leaders did not prove fatal at other firms. In connection to this, the discussion of three types of leaders; transactional, process, and servant stand out in the later chapters of the book.

How does one get to handle forthcoming misfortune in an organization? Charles Ellis, clearly demonstrates how to handle a competitive and ever changing environment, through introducing the aspect of innovation and macro innovation; he recapitulates this as changing how the game is played and changing the game itself respectively, these intermediate corrections, like Goldman Sachs's transition from partnership to a public company, were inevitable adaptations to environmental alterations. obligatory revisions of successful formulations made it extremely difficult to endure at the brim of a profession over an extended period.



Charles Ellis

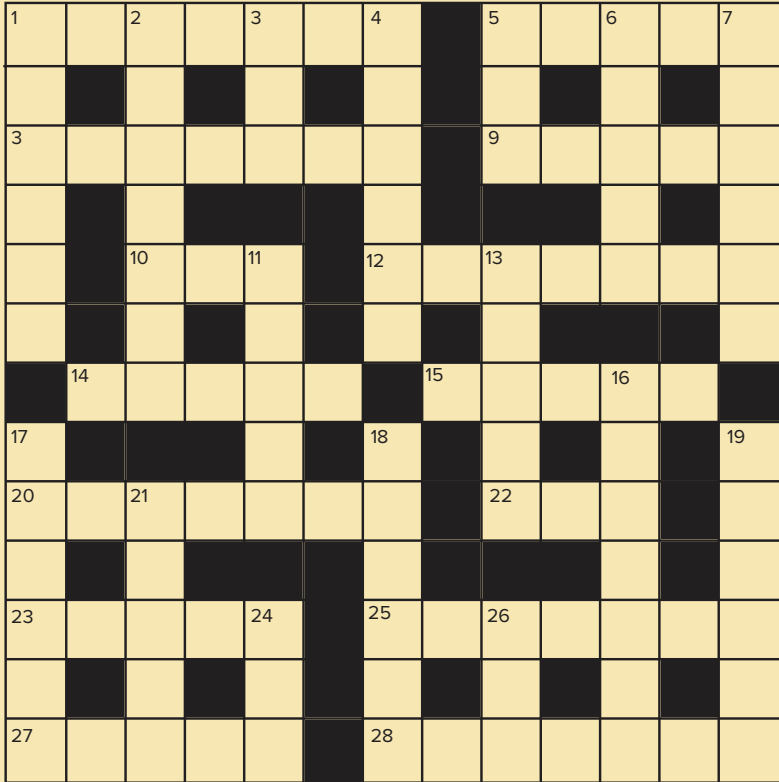
As Ellis discerns, "Attaining professional excellence is not the hardest challenge. Sustaining excellence is the hardest." From the book, you will discover what separates the great firms from the good ones and learn how to attain, and maintain, organizational success throughout the years.

Written by : Collins Mekubo

“Attaining professional excellence is not the hardest challenge. Sustaining excellence is the hardest.”

FUN & GAMES

CROSSWORD PUZZLE



Down

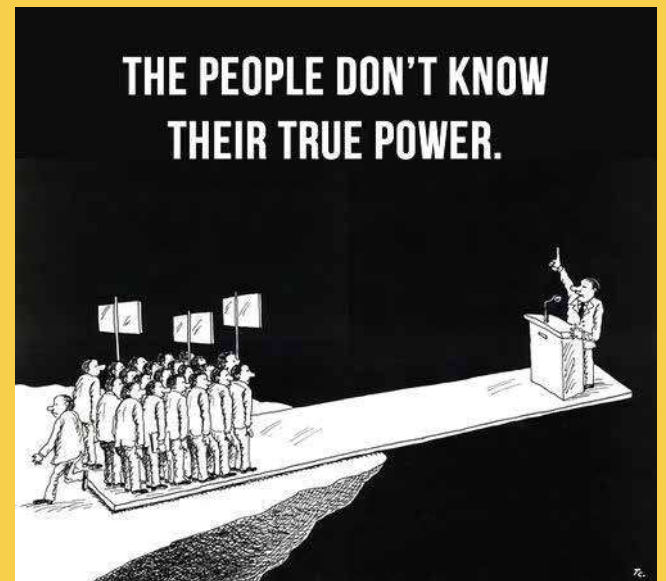
1. Question and ____ (6)
2. ____ pink (7)
3. The ____ and only (3)
4. You can't beat the ____ (6)
5. Chicken and ____ (3)
6. ____ the nettle (5)
7. Fortune ____ (6)
11. A drop in the ____ (5)
13. Secret ____ (5)
16. Helter ____ (7)
17. Health, ____ and happiness (6)
18. ____ late than never (6)
19. Jack of all ____ (6)
21. ____ by the bell (5)
24. Let sleeping dogs ____ (3)
26. ____ his match (3)

Across

1. ____ speak louder than words (7)
5. Pieces of ____ (5)
8. Trade ____ (7)
9. The Holy ____ (5)
10. ____ the lion (3)
12. Lead by ____ (7)
14. A little rough around the ____ (5)
15. Last but not ____ (5)
20. Time is of the ____ (7)
22. Tic-Tac- ____ (3)
23. A ____ playing field (5)
25. Sorely ____ (7)
27. ____ your bets (5)
28. Many happy ____ (7)

JOKES ASIDE

1. I've found a job helping a one armed typist do capital letters.
It's shift work.
2. I told my girlfriend she drew her eyebrows too high.
She seemed surprised.
3. My friend says to me, "What rhymes with orange?"
I said, "No it doesn't."
4. I couldn't figure out why the baseball kept getting larger. Then it hit me.
5. Have you heard about those new corduroy pillows?
They're making headlines.
6. Some people think it's romantic to carve their names on trees in the park while on a date. I'm more worried about why they're bringing a knife on their date.



It's election year. Lets remember this as we vote. Choose your leader wisely and maintain peace.



Superior Homes Kenya Ltd is the developer of Greenpark Lifestyle with 5 different house types; prices range from 9.5M to 37.6M. Over 450 houses constructed and over 380 already occupied. Come visit us and have a chance to experience Greenpark Lifestyle.

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CYTONNAIRE

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