

2017



*Time To Work
Claycity Apartments
Project
Planting Investment Seeds*

Claycity Apartments Construction work – Foundation Columns

ANNUAL REPORT & GROUP FINANCIAL STATEMENTS

Time To Work



From Right Chairman Hon. E.M. Wamae, GM Mr. Michael Wandegwa and Mr. Wanga of Jinsing Ent Co. Ltd. on inspection tour of Claycity Apartment Construction. Time to work, the Chairman Leading by example.



ClayCity Apartments project , Jinsing Ent Co. Ltd workers on site

TIME TO WORK



Directors on Clay City Apartments Project inspection tour, from left Jinsing Ent Co Ltd project manager Mr. Jack Lin, GM M.K. Wandegwa, Company Secretary M/s Lucy Kibera, Director Dr. Patricia W. Gathia, Director Mr. David N. Mbogo, Director Mr. Joseph M. Gichiru, HFDI project manger Mr. Benson Thuku, Arch. Mr. John Mutakaa, AIH project & investment manager Mr. Patrick Njagi, Jinsing Ent Co Ltd Asst. project manager Mr. Wang



Clay City Apartments Project, Director Dr. Patricia W. Gathia (centre), On her left GM M.K Wandegwa, Comapny Secretary M/s Lucy Kibera, Director Mr. Joseph M. Gichuru, Arch. Mr. John Mutakaa from Synthesis, on her right is HFDI project manager Mr. Benson Thuku and J-insing Ent. Co Ltd Project Manager Mr. Jack Lin, all very keen checking the apartments construction work.

*Agricultural and Industrial Holding Limited
Supports the Big 4 Agenda*



We are a company you can trust

When you want to buy a house

When you want to buy land

Partner with in land development

Partner with in house development

Our Story

Sale of Claycity Apartments

Land subdivision and distribution to over 22,000 members,

Kikopey/Gilgil Ranch and Narok Ranch/Rimuruti

Sale of Clayworks Kasarani Estate plots

Sale of Karunguru/ Kenyatta Road plots.

Agrho House commercial Building on Moi Avenue hosting,

University college, Saccos, shops, Salons , Food courts etc.

Sponsors of Beyond Zero Campaign in 2014 & 2018



AIH Ltd Company supports Beyond Zero Campaign an initiative by First Lady H.E. Margaret Kenyatta



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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Bomas of Kenya, Langata Road, Nairobi on Friday 25th January, 2019 at 10.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To confirm the minutes of the last Annual General Meeting held on 8th December, 2017.
4. To consider and, if approved, adopt the audited financial statements for the year ended 31st December 2017, together with the Chairman's, Directors' and Auditors' reports thereon.
5. To authorize payment of a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= amounting to Kshs.12, 934,688/= (Kenya Shillings twelve million nine hundred and thirty four thousand six hundred and eighty eight only) in respect of the financial year ended 31st December 2017.
6. To elect Directors:
 - (i) In accordance with Article 8(b) of the Company's Articles of Association. Hon. Eliud Matu Wamae, Dr. Peter Munga and Hon. Ngengi Muigai retire by rotation and being eligible, offer themselves for re- election.
7. To approve the Directors' remuneration as indicated in the Audited Financial Statements for the year ended 31st December 2017.
8. To confirm that the Auditors, Mugo Dominic & Co. shall continue in office in accordance with Section 721 (2) of the Companies Act 2015 and to authorize the Directors to fix their remuneration.
9. To transact any other business of the Annual General Meeting for which proper notice has been given.

BY ORDER OF THE BOARD


Leading Secretaries
Secretary

Date: 31st December 2018

1. In accordance with Section 298 (1) of the Companies Act 2015, every member entitled to attend and vote at the above meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is attached to this notice, must be duly completed and signed by the member and must either be lodged at the registered office of the Company, Kasarani Thika Road, Nairobi or be posted, so as to reach the Secretary not later than 48 hours before the time appointed for the meeting or any adjournment thereof.
2. All proxies must be returned as indicated above for proper and thorough scrutiny as no proxies will be accepted during the day of the meeting.
3. All shareholders must bring with them their National Identification Cards and share certificates for proper identification as non -shareholders will not be allowed into the meeting .

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CORPORATE INFORMATION

DIRECTORS

Hon E M Wamae - Managing Director/chairman
Hon N Muigai
Dr. Patricia W Gathia
Dr. Peter Munga
Mr. Joseph M Gichuru
Mr. David N Mbogo
Mr. Mondson Kathurima
Mr. Michael M Mbarire
Rev. Joseph Kihara

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Kasarani, Thika Road
P.O.Box 50124 - 00200
Nairobi

PRINCIPAL BANKERS

Family Bank
Kilimani Branch
P.O.Box 74145-00200
Nairobi

Housing Finance
Rehani Branch
P.O.Box 30088
Nairobi

Standard Chartered Bank (K) Ltd.
Moi Avenue Branch
P.O.Box 3003 - 00100
Nairobi

Equity Bank Limited
Moi Avenue Branch
P.O.Box 75104-00200
Nairobi

LEGAL ADVISORS

J Ngaii Gikonyo Advocates
Shakardass House
P.O.Box 62097
Nairobi

COMPANY SECRETARY

Lucy Kibera
Certified Public Secretary
Leading Secretaries
P.O.Box 6399 - 00300
Nairobi

COMPANY AUDITORS

Mugo Dominic & Co.
LR number 3724/847 Amboseli Road
Lavington
P.O. Box 3728 GPO 00100
Nairobi

Chairman's Report



Hon. Matu Wamae

INTRODUCTION.

On behalf of the Board of Directors, it is my great pleasure to present to you the Group's Annual Report and Audited Financial Statement for the year ended 31st December 2017.

FINANCIAL PERFORMANCES

The Company weathered the tough election period in the year 2017 and posted profit before tax of Kshs.66, 605, which was 7% higher than previous year.

The group's revenue and profit is expected to increase once the projects are completed in the financial year of 2019. The projects highlighted later in this report. The Group's total assets as at 31 December, 2017 stood at Ksh.3, 318,513,407

I wish to report on the investments and projects of the Group during the year as follows.

MOI AVENUE PLOT (AGRHO HOUSE)

Agrho House, the Company's commercial building on Moi Avenue Nairobi is fully completed. It hosts exhibition shops, Beauty salons, offices, Food Courts, Medium size SMEs and Nazarene University College being the anchor tenant. The management and Board of Directors have a huge responsibility to AGRHO HOUSE, Moi Avenue view. Company flagship, a commercial building situated on Moi Avenue Nairobi. It hosts many exhibition shops, Beauty Salons, Offices, Food Courts, Taifa Sacco and University Colleges etc AGRHO HOUSE Agrho House, Moi Avenue view. Company flagship, a commercial building situated on Moi Avenue Nairobi.

It hosts many exhibition shops, Beauty Salons, Offices, Food Courts, Taifa Sacco and University Colleges etc ensure that this building is fully occupied in spite the economic downturn that has affected our Country and the Immigration of tenants from the CBD. In spite of all this challenges we have been able to weather the storm.

The rental business is doing well and is one of main company's generators of income. It is still profitable and able to service the construction loan with the housing finance.

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Agrho House, Moi Avenue view. Company flagship, a commercial building situated on Moi Avenue Nairobi. It hosts many exhibition shops, Beauty Salons, Offices, Food Courts, Taifa Sacco and University Colleges etc



In side Agrho House, Magnificent Exhibition shops that sale variety of clothes

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In side Agrho House, Magnificent Exhibition shops that sale variety of shoes



In side Agrho House, Magnificent Exhibition shops that sale variety of clothes

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In side Agrho House, Magnificent Exhibition shops that sale variety of Phones

CLAY CITY APARTMENTS PROJECT.

The Clay city Apartments project is still going on. As reported in the last year's AGM that this is joint investment project between Clayworks Ltd and Housing Finance Development Investment Company(HFDI) to develop the land on the Thika Road Super highway by building the following facilities:-

Phase I:- The construction of 1170 apartments. The construction work of Phase I (560 units) has commenced. Due to the high cost of construction the Board decided to construct the first 80 units of (3) three bedrooms which are due for completion at the first half of year 2019. By building fewer units and putting them to the market for sale, the project will be self financing to reduce the burden of the high interest charges on the project. Other units will be constructed if the demand warrants.

Phase II: - Phase II will include construction of a shopping Mall, Offices, Hotel and Recreation area.

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TIME TO WORK YEARS 2017 TO 2018 - Claycity Apartments - Construction work

Block A 5 lock A6

B



ClayCity apartments construction work going on

ClayCity apartments construction work going on



Un und Water tank

Block A 6 Foundation Columns



Construction Material on Side der gro

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TIME TO WORK



Claycity Apartments sample House Exterior



Claycity apartments, inspecting show house, Chairman Hon. E Wamae

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*How Claycity will look like
after construction of our aptment
and shopping mall, offices and hotel*

*There is time towork and time
to harvest fruits. 2017 & 2018
is time to work and 2019 & 2020
on wards will be time to harvets
fruits of hardwork*

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INVESTMENTS IN FAMILY BANK SHARES

The AIH Ltd Company still holds Family Bank shares total of 788,800 shares. In year 2017 the Bank did not declare dividends due to unfavorable trading results. Prospects for the bank are bright and it is expected that the bank will be profitable in year 2019 and beyond.

ACQUISITIONS OF 30 ACRES OF LAND FROM KARUNGURU COFFEE ESTATE LTD, KENYATTA ROAD, GATUNDU AS INVESTMENT

The Group acquired 30 acres of land from Karunguru Coffee estate to subdivide and re-sell. The survey work and subdivision of plots was done and completed. The plots were put on the market for sale and so far about 95% of the plots were sold.

APATANA INVESTMENTS LTD - SHARES

As reported in the last AGM the AIH Ltd Group owns shares in Apatana Investments Ltd which is a local Company that partnered with Lufthansa LSG SKY Chefs International (Germany) and Continental Investment Ltd (Tanzania) to build and operate an In-Flight kitchen at the Jomo Kenyatta International Airport. This In-Flight Catering Services will cater for International and Local Airlines.

I am pleased to report that the buildings are now complete and equipments installed, key managers are already recruited and ready to start the operations in February 2019.

The AIH Ltd Group paid Ksh.77, 000,414 representing 4,277,800 shares, which is 14% of the shareholding. The Investment is good for the future growth of your Company in terms of Capital gains and dividends.



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APATANA INVESTMENTS LTD BUSINESS ACTIVITIES



Apatana Investment ltd. wants to provide similar catering services like LSG SKY Chefs International



World-leading provider of food services for transport companies and retailers

The LSG Group is one of the world's leading providers of in-flight services for airlines and train operators, which it offers under four expert brands: Classic catering and hospitality concepts (LSG Sky Chefs), onboard retail and entertainment programs (Retail inMotion), development and logistics of in-flight service equipment (SPIRIANT) and packaged products (Evertaste). The company also successfully entered the convenience retail market.

AIH Llt Co-owns Apatana Investments Ltd that partnered with Lufthansa LSG SKY Chefs International (Germany) and Continental Investment Ltd (Tanzania) to build and operate second an In-Flight kitchen at the Jomo Kenyatta International Airport. This In-Flight Catering Services will cater for International and Local Airlines as shown above in the photo.

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AIH LTD COMPANY'S SHARES

The company had a policy that put a ceiling of share ownership at 100 shares with nominal value of Ksh.10, 000 per member.

In the year 2014 AGM you approved to open the ceiling so that members can buy more share to enable the Company to expand. The scheme of issuing new shares is still being worked on and will be communicated to you at the appropriate time when you can buy them.



AIH LTD NEW SHARE CERTIFICATES

Once more you are informed that AIH Ltd New share certificates are ready and are being issued to members through the office of the company secretary whose physical address is shown here below:-.

Leading Secretaries

Portal Place House

1st floor suite 10, Muindi Mbingu Street

P.O Box 6399-00300 Nairobi

Tel: 0739-604756 / 0771-264157

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SUB-DIVISION OF LAND (KEKOPEY & NAROK RANCH)

I want to re- state here that pursuance to the resolution you passed in the Annual General Meeting on 2nd April 1989 under Minute No.6/89. It was resolved that the two Ranches (Kekopey and Narok) should be sub-divided into suitable plots. Many of you have already been allocated plots.



Narok Ranch, Tomatoes farms. This a gold mine that members should try to do tomatoes farming



Narok Ranch- Uwaso nyiro River water can be used for irrigation

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For the sake of members with plots in Narok Ranch, the Board has taken the following steps to make Narok Ranch habitable.

i. Security:-

The National and County Government (Laikipia County) has assured the Board that the two governments will provide security to our members who are willing to take possession of their plots.

To achieve this Company allotted the Kenya Police Service a plot measuring 10 acres to build a Police station at the Ranch. Very soon the Government will start constructing the station. During the construction time the security services will be provided from Rumuruti Town.

ii. Road Net work:-

Your Board surveyed all the roads net work and graded all the roads. Members can now locate their plots easily.

iii. Shopping Centers:-

To open up the Ranch the Board recommend 4(four) shopping centers along the Malalal road. It will affect about 28 parcels. Members are encouraged to build these centers. List of the parcels identified can be obtained from the help desk at the entrance of the hall.

iv. Provision of water:-

The ranch has 3(Three) boreholes. One at the Mary Mother School and the other two (2) at the farm.

v. Provision of Electricity:-

Kenya Power will supply electricity to the Mary Mother School. When this is done other plots will be supplied with power through the Kenya Power Ltd last mile efforts.



Director Rev. Joseph Kihara seen in red shirt, supervising opening up of access roads in Narok Ranch, to enable members with plots in the ranch to access them easily. The company is determined to see that this area develops into a small town very soon.

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vi. School:-

There is a school at the Narok Ranch namely Mary Mother School run by the Catholic Church and provide education from standard one to form four.

vii. AIH office:-

The Board will open a small office at the Rimuruti Town and later at the ranch.



Narok Ranch – AIH Ltd Branch office



HARD WORK

Honest hard work- this is something God seeks from all of us. God's words tell us that working hard, but with faith in mind, can lead to the great things he has planned for us. Use these collection of Bible verses to encourage and motivate you to do the best you can do everyday.

Colossians 3:23

At this point, I wish to express my gratitude to Director Rev. Joseph Kihara for his tireless effort to ensure that Narok ranch is habitable to members and for the many trips he did to the ranch to co ordinate the above mentioned activities.

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DIVIDENDS

The Directors propose to pay a dividend of Kshs.12, 934,688 at Ksh.26 per share which is the same as previous year.

DIRECTORS

As earlier mentioned we have projects going on and I have received a lot of support from the Directors and personally I thank them very much. It is my wish to once more, kindly request you to retain this Board to continue with the development agenda of your company.

BOARD OF DIRECTORS

Director



Hon. N. Muigai

Chairman



Hon. EM Wamae

Director



Dr. Patricia W. Gathia

Director



Mr. David N. Mbogo

Director



Dr. Peter Muga

Director



Mr. Joseph N. Gichuru

Director



Mr. Mondson Kathrima

Director



Rev. Joseph Kiahara

Director



Mr. Michael M. Mbarire

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Management Team



Managing Director
Hon. E M Wamae



Projects & Investments Manager
Mr. Patrick Njagi



General Manager
Mr. Michael Wandegwa



Chief Accountant
Mr. Jacob Babu

CORPORATE SOCIAL RESPONSIBILITY

The company is committed to corporate social activities. In the past we have supported Beyond Zero Campaign run by H.E. Mrs. Margaret Kenyatta and Joyful Women Organization run by H.E. Mrs Rachael Ruto. At our new office, we have set up space to be used to host social events by the members of the community around. AIH Ltd Group will continue supporting noble charitable activities. We promised to contribute Ksh.500, 000 on 4th December, 2018 to “Beyond Zero” in support of Kenyan women.

NEW OFFICE BLOCK

AIH Ltd vacated their old office to give room for construction of Clay City apartments. The office block will be completed in May, 2018 and open its door for AIH Ltd members.



Start of new office block foundation



New Office Block site - Ground breaking Day

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Time to work



AIH Ltd New office block inspection tour by Chairman Hon E.M Wamae with him is GM Wandegwa



New office Block, hosting AIH Ltd head office in 2018.

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AIH LTD – New Office with modern Meeting room for members’ convenience



Directors visit new company office, from left Director Mr. David N Mbogo, Arch. John Mutakaa, project & investment manager Mr. Patrek Njagi, GM Mr. Michael K. Wandegwa and Director Mr. Joseph M. Gichuru.

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New office block – Roof top space for holding social activities, seen in the picture from left, Mr Wang and Jack Lin from Jinsing Enterprises Co. Ltd and Director Mr. David N Mbogo.



AIH Ltd company staff , from left Mathew Ngunya, Joseph Mburu, Doris Kilele, Onesmus Maina, Jacob Babu, Lina Wanja, John Obuwa, Joseph Kamotho and and a man with the smile of the year Antony Gicheru.

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New office for General Manager, the office is open to members who want GM's attention. M/s Lina Wanja GM Secretary in the photo , she is always available to receive members and other company visitors.



AIH Ltd, New modern Accounts office spacious to accommodate many members that have come to the office, from left Antony Gicheru and Joseph Mburu

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AIH Ltd, Land & Members' service office, Company member receiving his land title deed from John Kamotho



AIH Ltd, New Accounts office staff Joseph Mburu set work, ready to serve members



Company Members amazed with the New Office Block Look

FUTURE OF THE COMPANY

The AIH Ltd has a bright future with the investment mentioned above .The Board is of the opinion that the company is headed in the right direction with prospects for growth in terms of revenue, profit and capital gains.



ClayCity apartments project, area earmarked for water spring Recreation Park.

The company wants to turn the Clayworks water pit into recreation area as part of ClayCity Apartments shopping mall. There is a need of recreation facility for apartments’ residents and community around. The company has faced challenges from land grabbers destroying the fence whenever the company tries to fence the area to prevent people from accessing the water pit to avoid accidents of drowning



Fencing posts that have been uprooted and thrown in Clayworks water dam by hooligans hired land grabbers.

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Fence and structures destroyed by hooligans hired by land grabbers.



Arrows used by hooligans hired by land grabbers to shoot anybody who dared to stop them to destroy the fence.



Sample water Recreation Park the company wants to turn Clayworks water dam into.

CONCLUSION

On behalf of the Board of Directors and myself, I would like to thank you all for your patience and understanding for all that we have gone through since the last Annual General Meeting. We appeal for your continued patience and understanding in future. May I also take this opportunity to wish every member good health, success in your all endeavors and also to wish you and your family Happy New Year 2019. Last but not least may the Almighty God bless you all.

.....
HON. ELUID MATU WAMAE E.B.S
CHAIRMAN

.....

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

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The directors submit their report together with the audited group financial statements for the year ended 31 December 2017, which show the state of the company's affairs.

1 PRINCIPAL ACTIVITY

The principal activity of the group is development and management of real estate properties.

2 RESULTS

	2017	2016
	Kshs	Kshs
The result for the year was as follows:		
Continuing operation		
Profit for the year before tax	66,605,082	62,232,705
Tax charge/benefit	(20,552,066)	18,078,697
Profit for the year after tax	46,053,016	80,311,402
Discontinued operation		
Loss for the year before tax	(1,116,128)	(1,095,588)
Tax charge	-	-
Profit for the year after tax	(1,116,128)	(1,095,588)
Profit taken to retained earnings	44,936,888	79,215,814

3 DIVIDENDS

The directors have proposed to pay a dividend of Kshs 12,934,688 which is equivalent to Kshs 26 per share for the shares outstanding at 31 December 2017 (2016: Kshs 12,934,688) subject to the approval by the shareholders at the annual general meeting.

4 DIRECTORS

The directors who held the office during the year and to the date of this report are shown on page three.

5 AUDITORS

The company auditors **Mugo Dominic & Co.** have expressed their willingness to continue in office in accordance with the terms of their appointment.

By order of the board



Lucy Kibera
Leading secretaries
Certified Public Secretaries
SECRETARY

Date: **21 December 2018**

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

The directors accept the responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimate in conformity with International Financial Reporting Standards and the requirements of the Kenyan 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 the company at the end of the year. The directors further accept responsibility for maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

As indicated in note 28 and 29 the subsidiary company, Clayworks Limited, stopped the manufacturing business in 2014 in a strategic business shift to venture into real estate business. In this regard the company invested in a joint venture in 2016 for construction of residential and commercial units in its land at Kasarani. The project experienced some delays during the year but subsequently resumed and is progressing well.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this report.

This statement was authorised for issue by the board of directors on **21 December 2018** and signed on its behalf by;



.....
Hon. E M Wamae
Chairman



.....
Mr. David N Mbogo
Director

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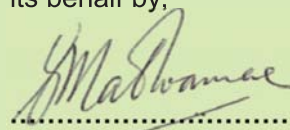
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Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this report.

This statement was authorised for issue by the board of directors on **21 December 2018** and signed on its behalf by:



Hon. E M Wamae
Chairman



Mr. David N Mbogo
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Agricultural and Industrial Holdings Limited set out on pages 9 to 37 for the year ended 31 December 2017. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2017, group statement of income, group and the parent company other comprehensive income, group and parent company statement of changes in equity and group cash flow statement for the year then ended and a summary of significant accounting policies and explanatory notes.

In our opinion, except for matters referred to below the financial statements give a true and fair view of the financial position as 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Land distribution and disposal

As indicated in note 9(a) property plant and equipment include land stated at carrying amount of Kshs 23,818,881. As indicated in the note substantial part of this land has been disposed and distributed to the shareholders and respective buyers. The amount received from the disposal of the land has been accounted for as deposit for plots and shares as disclosed in note 21 pending the reconciliation of the land distribution and disposal Return Register. The distributed and disposed land need to be removed from property, plant and equipment as required by IAS 16.

Further the carrying cost of land is stated at valuation done in 1991. The value of the remaining portion of the land after adjusting for the distributed and disposed land need to be valued in line with the group's policy of revaluing other similar assets and the carrying amount adjusted accordingly in line with IAS 16.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this report. We are independent of the company in accordance with International Ethics Standard Board of Accountants' code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our ethical responsibilities in accordance with those requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole in forming our opinion thereon and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED (Continued)

Investment in the Joint Venture

Investment in the joint venture is considered a significant audit matter due to the significance of the investment made by the group.

As indicated in note 29 of these financial statements the subsidiary company holds 50% in Claycity Limited a joint venture company for development of its land in Kasarani. Under the arrangement of the venture the company contributed the land and the other venturer was to contribute funds of an equivalent amount. The project was started in November 2016 but experienced delays during the year due to delays by the other party in contributing funds to the project resulting in additional costs to the venture. As at the balance sheet date the additional costs as a result of this delay were estimated by the directors to be Kshs 125 million, Kshs 57 million being additional cost charged by the contractor due to idle capacity and Kshs 68 million relating to opportunity cost lost by the company.

It was uncertain at the time of issue of these financial statements how the above cost will be shared between the two joint ventures.

How the audit addressed the key audit matters

We reviewed the contractual relationship of the joint venture

We reviewed the legal advice the company has obtained from its professional advisors

We reviewed the draft accounts of the joint venture

We physically inspected the progress of the project and reviewed minutes of the project management

We held discussion with management in relation to the additional costs to the venture.

Other information

Other information comprise the information included in the annual report but does not include the financial statements and our auditor's report thereon. The directors are responsible for other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibilities is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED (Continued)

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal controls as directors determine as necessary to enable preparation of financial statements that are free from material misstatement whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless, the directors either intend to liquidate the company or cease operating or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA' we exercise professional judgement and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing, an opinion on the effectiveness of the company's system of internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED (Continued)

REPORT ON OTHER LEGAL REQUIREMENTS

- Assess on the appropriateness of the management use of going concern basis of accounting and based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease as a going concern.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal controls that we identify during the audit.

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and believe were necessary for the purposes of our audit;
- ii) In our opinion proper books of account have been kept by the company and its subsidiaries, so far as appears from our examination of those books; and
- iii) The group and the company's balance sheet (statement of financial position) and profit and loss account (statement of income) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent audit report was James Mugo Dominic practicing certificate number 1171.



Mugo Dominic & Co
Certified Public Accountants
Nairobi.

Date: **21 December 2018**

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Statement of income - Group

	Note	2017 Kshs	2016 Kshs
INCOME			
Turnover	2	147,863,115	149,437,398
Direct cost of sales	3	<u>33,092,093</u>	<u>35,159,117</u>
		114,771,022	114,278,281
Other Income	4	<u>20,692,088</u>	<u>28,759,123</u>
		<u>135,463,110</u>	<u>143,037,404</u>
EXPENSES			
Operating and administration expenses	5	35,317,775	38,616,373
Staff costs	6	11,873,879	8,439,185
Finance costs	7	21,537,874	33,484,641
Share of loss from joint venture		<u>128,500</u>	<u>264,500</u>
		<u>68,858,028</u>	<u>80,804,699</u>
Profit before tax from continuing operations		66,605,082	62,232,705
Tax charge/benefit	8(a) i	<u>(20,552,066)</u>	<u>18,078,697</u>
Profit after tax for continuing operations		46,053,016	80,311,402
Discontinued operations			
Loss from discontinued operations	28	(1,116,128)	(1,095,588)
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(1,116,128)	(1,095,588)
Profit after tax for the year		44,936,888	79,215,814
Dividends:			
Proposed dividend Kshs 26 per share		<u>12,934,688</u>	<u>12,934,688</u>
		<u>12,934,688</u>	<u>12,934,688</u>

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Group financial statements

Statement of comprehensive income - Group

	Note	2017 Kshs	2016 Kshs
Profit for the year after tax		<u>44,936,888</u>	<u>79,215,814</u>
Other comprehensive income - Group		<u>-</u>	<u>-</u>
Net other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>44,936,888</u></u>	<u><u>79,215,814</u></u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

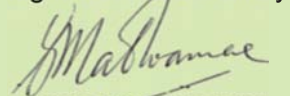
Annual report and group financial statements

For the year ended 31 December 2017

Statement of financial position at 31 December 2017 - Group

ASSETS	Note	2017	2016
Non-current assets		Kshs	Kshs
Property, plant & equipment	9(a)	48,710,560	39,260,658
Investment properties	10	1,674,239,173	1,674,239,173
Investment in joint venture	11	979,607,000	979,735,500
Goodwill	12	17,878,491	17,878,491
Other investments	14	70,634,034	20,633,620
		<u>2,791,069,258</u>	<u>2,731,747,442</u>
Current assets			
Inventory	15	125,605,914	156,409,051
Trade and other receivables	17	162,142,314	159,467,499
Tax recoverable	8(c)	7,339,999	6,998,003
Cash and bank balances	18	232,355,922	208,510,003
		<u>527,444,149</u>	<u>531,384,556</u>
Total assets		<u>3,318,513,407</u>	<u>3,263,131,998</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800.0	49,748,800
Capital reserve	20	1,739,242,450.0	1,739,242,450
Revenue reserve		(168,606,826.8)	(146,644,639)
		<u>1,620,384,423</u>	<u>1,642,346,611</u>
Non current liabilities			
Deposit for plots and shares	21	886,128,158	871,502,158
Bank loan	22	136,973,192	148,278,488
Deferred tax	23	470,958,051	402,512,521
		<u>1,494,059,401</u>	<u>1,422,293,167</u>
Current liabilities			
Bank loan	22	11,305,295	8,885,765
Provisions	24	5,309,482	3,659,462
Trade and other payables	25	161,585,706	168,105,619
Dividend payable	26	25,869,100	17,841,374
		<u>204,069,583</u>	<u>198,492,220</u>
Total capital and liabilities		<u>3,318,513,407</u>	<u>3,263,131,998</u>

These financial statements were approved for issue by the board of directors on **21 December 2018** and signed on its behalf by;



Hon. E M Wamae
Chairman



Mr. David N Mbogo
Director

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

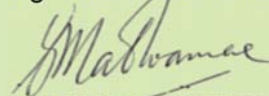
Annual report and group financial statements

For the year ended 31 December 2017

Statement of financial position at 31 December 2017 - Group

ASSETS	Note	2017	2016
Non-current assets		Kshs	Kshs
Property, plant & equipment	9(a)	48,710,560	39,260,658
Investment properties	10	1,674,239,173	1,674,239,173
Investment in joint venture	11	979,607,000	979,735,500
Goodwill	12	17,878,491	17,878,491
Other investments	14	70,634,034	20,633,620
		<u>2,791,069,258</u>	<u>2,731,747,442</u>
Current assets			
Inventory	15	125,605,914	156,409,051
Trade and other receivables	17	162,142,314	159,467,499
Tax recoverable	8(c)	7,339,999	6,998,003
Cash and bank balances	18	232,355,922	208,510,003
		<u>527,444,149</u>	<u>531,384,556</u>
Total assets		<u>3,318,513,407</u>	<u>3,263,131,998</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800.0	49,748,800
Capital reserve	20	1,739,242,450.0	1,739,242,450
Revenue reserve		(168,606,826.8)	(146,644,639)
		<u>1,620,384,423</u>	<u>1,642,346,611</u>
Non current liabilities			
Deposit for plots and shares	21	886,128,158	871,502,158
Bank loan	22	136,973,192	148,278,488
Deferred tax	23	470,958,051	402,512,521
		<u>1,494,059,401</u>	<u>1,422,293,167</u>
Current liabilities			
Bank loan	22	11,305,295	8,885,765
Provisions	24	5,309,482	3,659,462
Trade and other payables	25	161,585,706	168,105,619
Dividend payable	26	25,869,100	17,841,374
		<u>204,069,583</u>	<u>198,492,220</u>
Total capital and liabilities		<u>3,318,513,407</u>	<u>3,263,131,998</u>

These financial statements were approved for issue by the board of directors on **21 December 2018** and signed on its behalf by;



Hon. E M Wamae
Chairman



Mr. David N Mbogo
Director

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Statement of financial position at 31 December 2017 - Parent company

		2017	2016
ASSETS	Note	Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(b)	84,652,176	75,060,381
Investment properties	10	1,207,879,273	1,207,879,273
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	70,634,034	20,633,620
		<u>1,391,903,054</u>	<u>1,332,310,845</u>
Current assets			
Inventory	15	124,655,298	155,368,435
Amount due from related party	16	165,095,192	166,862,571
Trade and other receivables	17	148,572,693	145,690,129
Taxation	8	7,332,187	6,990,191
Cash and bank balances	18	231,984,577	208,354,133
		<u>677,639,947</u>	<u>683,265,459</u>
Total assets		<u>2,069,543,001</u>	<u>2,015,576,304</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800	49,748,800
Capital reserve	20	604,047,135	604,047,135
Revenue reserve		89,308,582	110,026,142
		<u>743,104,517</u>	<u>763,822,077</u>
Non current liabilities			
Deposit for plots and shares	21	886,128,158	871,502,158
Bank loan	22	123,994,438	132,880,204
Deferred tax		144,271,979	75,826,449
		<u>1,154,394,575</u>	<u>1,080,208,811</u>
Current liabilities			
Bank loan	22	24,284,049	24,284,049
Provisions	24	5,309,482	3,659,462
Trade and other payables	25	116,581,278	125,760,531
Dividend payable	26	25,869,100	17,841,374
		<u>172,043,909</u>	<u>171,545,416</u>
Total capital and liabilities		<u>2,069,543,001</u>	<u>2,015,576,304</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Statement of changes in equity - Group

	Share capital Kshs	Capital reserves Kshs	Proposed Dividends Kshs	Revenue reserves Kshs	Total Kshs
2016					
At 1 January 2016	49,748,800	1,739,242,450	12,245,217	(219,393,109)	1,581,843,358
Profit for the year	-	-	-	79,215,814	79,215,814
Dividend declared in the year	26	-	6,467,344	(6,467,344)	-
Dividend paid	26	-	(871,187)	-	(871,187)
At 31 December 2016	49,748,800	1,739,242,450	17,841,374	(146,644,639)	1,660,187,985
2017					
At 1 January 2017	49,748,800	1,739,242,450	17,841,374	(146,644,639)	1,660,187,985
Deferred tax				(53,964,387)	(53,964,387)
Profit for the year	-	-	-	44,936,888	44,936,888
Dividend declared in the year	26	-	12,934,688	(12,934,688)	-
Dividend paid	26	-	(4,906,962)		(4,906,962)
At 31 December 2017	49,748,800	1,739,242,450	25,869,100	(168,606,827)	1,646,253,523

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Statement of changes in equity - Parent company

	Share capital Kshs	Capital reserves Kshs	Proposed Dividends Kshs	Revenue reserves Kshs	Total Kshs
2016					
At 1 January 2016	49,748,800	604,047,135	12,245,217	35,917,584	701,958,736
Dividend declared in the year	-	-	6,467,344	(6,467,344)	-
Dividend paid	-	-	(871,187)	-	(871,187)
At 31 December 2016	49,748,800	604,047,135	17,841,374	110,026,142	781,663,451
At 1 January 2017	49,748,800	604,047,135	17,841,374	110,026,142	781,663,451
Deferred tax	-	-	-	(53,964,387)	(53,964,387)
Dividend declared in the year	-	-	12,934,688	(12,934,688)	-
Dividend paid	-	-	(4,906,962)	-	(4,906,962)
Profit for the year	-	-	-	46,181,515	46,181,515
At 31 December 2017	49,748,800	604,047,135	25,869,100	89,308,582	768,973,617

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2017

Statement of cash flows - Group	Note	2017 Kshs	2016 Kshs
Profit before taxation for continuing operations		66,605,082	62,232,705
Loss before taxation for discontinued operations		<u>(1,116,128)</u>	<u>(1,095,588)</u>
		65,488,954	61,137,117
Adjustments for:			
Depreciation	9(a)	<u>871,053</u>	<u>972,326</u>
		66,360,007	62,109,443
Changes in working capital			
Inventories	15	30,803,137	(155,057,817)
Trade and other receivables	17	(2,674,815)	3,257,828
Provisions	24	1,650,020	232,535
Trade and other payables	25	<u>(6,519,913)</u>	<u>(126,608,377)</u>
Net cash flow from operating activities		89,618,436	(216,066,388)
Tax paid	8(c)	<u>(6,412,919)</u>	<u>(4,955,840)</u>
		83,205,517	(221,022,228)
Cash flow from investing activities			
Purchase of properties and equipments		(10,320,955)	-
Additions to investment properties	10	-	(14,239,173)
Reclassification of investment properties to inventory	10	-	180,000,000
Additions to equity investments	14	(50,000,414)	(2,393,600)
Decrease in value of investment in joint venture	11	128,500	264,500
		<u>(60,192,869)</u>	<u>163,631,727</u>
Cash flow from financing activities			
Net Loan borrowing/(repayment)	22	(8,885,766)	4,802,195
Deposit received for plots and shares	21	14,626,000	(10,819,658)
Dividend paid during the year	26	<u>(4,906,962)</u>	<u>(871,187)</u>
		833,272	(6,888,650)
Increase in cash & cash equivalents		23,845,919	(64,279,151)
Cash and cash equivalent at start of the year		<u>208,510,003</u>	<u>272,789,154</u>
Cash and cash equivalent at end of the year		<u>232,355,922</u>	<u>208,510,003</u>
Comprising			
Bank balances	18	17,349,586	25,805,813
Fixed deposit	18	214,954,766	182,704,190
Cash in hand	18	51,570	-
		<u>232,355,922</u>	<u>208,510,003</u>

Notes to the financial statements

1 Accounting policies

The following are the principal accounting policies adopted in the preparation of these financial statements.

a) Basis of preparation

These financial statements have been prepared in compliance with the International Financial Reporting Standards. They are presented in Kenya Shilling and are prepared in accordance with measurement basis prescribed by International Financial Reporting Standards.

The preparation of the financial statements in conformity with the International Financial Reporting Standards require the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying these policies. The areas where the estimates were significant to the financial statements, are disclosed in note 30.

b) Adoption of new and revised standards

The group has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) that are relevant to its operations and effective for the current reporting. These are:

- IAS 7 Disclosure of Initiative (Amendment to IAS 7). This amendment requires disclosure in the cash flow of liabilities arising from financing, including both changes arising from cash flow and non-cash flow financing. Effective for annual periods beginning on or after 1 January 2017.
- IAS 27 Amendments: *Equity methods in separate financial statements*. The amendment reinstates the equity option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates. The standard is effective for annual periods beginning on or after 1 July 2016.
- IFRIC 11 Amendments: *Accounting for acquisition for interest in joint ventures*. Interpretation on when levies become a liability. Effective for annual period from 1 July 2016. The standard requires an acquirer on an interest in a joint operation in which the activity is a business as defined in IFRS 3 to apply all business combination principles and disclosures as required by IFRS 3 and other IFRS except where the principles conflict with IFRS 11. The standard is applicable both for new acquisition and continued acquisition of previously acquired interests.
- IFRS 12 Disclosure of Interest in Other Entities. Clarifies that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective for annual periods beginning on or after 1 January 2017.

Notes to the financial statements(cont'd)

The following revised standards and interpretations have been published and will be effective after the current reporting period.

- IFRS 15 Revenue from contracts with customers: Replaces existing revenue requirements, IAS 11 construction contracts, IAS 18 revenue recognition, IFRIC 13 loyalty programmes, IFRIC 15, Agreement for construction of real estate, IFRIC 18 transfer of assets from customers and SIC 31 revenue-batter transactions. The standard is effective for annual periods beginning on or after 1 January 2018.
- IFRS 9 Replacement of IAS 39 on classification and measurement of financial assets and liabilities. The mandatory date was moved from 1 January 2013 to 1 January 2015 and again the standard has been revised and the effective date moved to 1 January 2018.
- IFRS 16 Leases: This replaces IAS 17 leases and related interpretations and is effective from the financial periods beginning on or after 1 January 2019
- IFRS 2 Amendment to IFRS 2: Classification and measurement of share based payments. The amendments address specific areas of classification and measurement. Effective for the period beginning on or after 1 January 2018.
- IFRIC 22 Interpretation of foreign currency transactions and advance consideration. It clarifies the spot exchange rate to use on initial recognition of a related asset, expense or income and on derecognition of a non monetary asset or liability related to advance consideration. Effective for the period beginning on or after 1 January 2018.
- IFRIC 23 Interpretation of uncertainty over income tax treatment. This clarifies application of the recognition and measurement in IAS 12 (Income Taxes) when there is uncertainty over income tax treatment. Effective for the period beginning on or after 1 January 2018.
- IFRS 17 Replacement of IFRS4. This standard provides a comprehensive model for accounting for insurance contracts. Effective for the period beginning on or after 1 January 2021.

The directors have assessed the potential impact of the above and consider that some of these standards once effective will require changes in the accounting policies of the group. These will however have no significant impact on the company's financial performance.

Notes to the financial statements(cont'd)**c) Revenue recognition*****i) Sales of goods and services***

Income is recognized on an accrual basis upon the supply of goods and services and is stated net of discounts and value added taxes.

ii) Sale of plots and other real estate properties

Revenue is recognised over time as customer obligations are satisfied. The payments made by customers are used as the pattern of transfer of obligation and control over time.

iii) Rental income

Rental income arising from operating lease on investment properties is accounted for on an accrual basis over the term of the lease and is included in the revenue for the year it relates. The revenue is stated net of value added taxes.

d) Property, plant and equipment

Property, plant and equipment is recorded at historical cost less depreciation and any impairment losses. Land and buildings are subsequently stated at fair value.

Depreciation is calculated on the reducing balance method to write off the cost of the asset to their residue value over their estimated useful life using the following annual rates:-

Land	Nil
Buildings	2.0%
Motor vehicles	25.0%
Plant and machinery	12.5%
Office furniture & equipment	12.5%
Water and electrical supplies	4.0%
Computers	30.0%
Fencing and roads	4.0%

Increase in carrying amount arising on revaluation are recorded in the statement of comprehensive income and credited to the capital reserves in equity. However to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Gains and losses on disposal of property plant and equipment are determined by reference to their carrying amount and are taken into account in determining the operating income.

Notes to the financial statements(cont'd)

e) Investment properties

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which present the market condition at the reporting date. Gain or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed or when they are permanently withdrawn from use and no future economic benefits is expected from their disposal. The difference between the net disposal proceed and the carrying amount of the asset is recognised in the income statement.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounts is the fair value at the date of change in use.

f) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over group's interest in the carrying value of the identifiable assets and liabilities of a subsidiary company at the date of acquisition. Goodwill is recognised as an asset and carried in the statement of financial position.

On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

g) Cash and cash equivalent

Cash and cash equivalent comprise cash in hand, cash at bank and other short time deposits which are readily convertible to cash net off bank overdraft.

h) Foreign currencies transactions

Assets and liabilities denominated in foreign currencies at the end of the year are converted at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at the rate ruling at the date of transactions. Gains or losses on exchange are dealt with in the income statement.

Notes to the financial statements(cont'd)

i) Financial instruments

Financial assets and liabilities are recognised in the group's balance sheet when the group has become a party to the contractual provisions of the instrument and are accounted as follows:

Trade and other receivables

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

Trade payables

Trade payables are stated at their nominal value

Bank borrowings

Bank borrowings are measured at amortised costs.

j) Provisions

Provisions are recognized when the group has present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and realizable estimate of the amount of the obligation can be made.

k) Impairment

At the year end the group reviews the carrying amounts of its financial assets to determine whether there is any indication that any of these assets have suffered an impairment loss. If such indication exists, the recoverable amount is estimated. An impairment loss is recognized as an expense except for property previously revalued when the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

l) Accounting for leases

Leases of assets under which significant portion of risk and reward of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to income statement on a straight line basis over the period of the lease.

m) Intangible assets

The group's cost of software is capitalized at cost under the computers and is depreciated at the rate of 30% per annum.

Notes to the financial statements(cont'd)

n) Taxation

Current taxation is provided for on the basis of the results for the period as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Deferred tax asset on carry forward of unused tax losses and unused tax credits is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

o) Retirement benefit cost

i) Contribution to National Social Security Fund

The company contributes to the mandatory National Social Security Fund (NSSF) on behalf of its employees at varying rates arising to a maximum of Kshs 200 per employee per month. This contribution is charged to income statement in the year in which its incurred.

ii) Staff gratuity

Permanent employees are entitled to service gratuity equivalent to one months salary for each year of service based on the salary at the time the service ends. On an annual basis the group makes provision for this service liability and charges this to the income statement.

p) Consolidation

Subsidiaries are consolidated from the date on which effective control is transferred to the parent company and are no longer consolidated from the date of disposal. All inter company balances have been eliminated.

q) Loans and borrowings

After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost. Gains or losses are accounted for in the income statement.

r) Discontinued operations

Non current assets expected to be sold for discontinued operations are classified as assets held as available for sales under the current assets. The assets are valued at the lower of cost and net realisable value with any increase or decrease accounted for under through the profit and loss account.

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Notes to the financial statements(cont'd)

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
2 INCOME				
Rent receivable	94,213,565	92,386,748	94,213,565	92,386,748
Sales of plots	53,649,550	57,050,650	53,649,550	53,649,550
	147,863,115	149,437,398	147,863,115	92,386,748
3 DIRECT COST				
Cost of plots sold	33,092,093	35,159,117	33,092,093	(35,159,117)
4 OTHER INCOME				
Interest	20,236,413	28,302,247	20,236,413	28,302,247
Other income	455,675	456,876	455,675	456,876
	20,692,088	28,759,123	20,692,088	28,759,123
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	1,986,388	787,967	1,986,388	787,967
Professional fee	746,047	1,551,165	746,047	1,551,165
Land rent and rates	1,160,386	2,736,742	1,160,386	2,736,742
Telephone and postage	88,992	135,165	88,992	135,165
Directors fees	3,888,000	3,240,000	3,888,000	3,240,000
Directors expenses	1,010,050	878,400	1,010,050	878,400
Depreciation	729,160	827,537	729,160	827,537
Audit fees	210,000	200,000	210,000	200,000
Other expenses	1,784,458	1,098,115	1,784,458	1,098,115
Insurance and licenses	1,326,655	2,245,945	1,326,655	2,245,945
Security	3,136,701	3,416,659	3,136,701	3,416,659
Repairs and maintenance	3,559,693	3,424,574	3,559,693	3,424,574
AGM expenses	1,095,165	928,000	1,095,165	928,000
Donations	20,600	3,010,000	20,600	3,010,000
Marketing	1,023,771	1,087,719	1,023,771	1,087,719
Bank charges	69,385	59,907	69,385	59,907
Property management commission	3,909,505	3,786,839	3,909,505	3,786,839
Sales commission	2,559,428	2,719,297	2,559,428	2,719,297
Water and electricity	7,013,391	6,482,342	7,013,391	6,482,342
	35,317,775	38,616,373	35,317,775	38,616,373
6 STAFF COSTS				
Salaries	10,207,059	8,003,430	10,207,059	8,003,430
NSSF	16,800	19,200	16,800	19,200
Terminal benefits	1,650,020	416,555	1,650,020	416,555
	11,873,879	8,439,185	11,873,879	8,439,185

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Notes to the financial statements(cont'd)

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
7 FINANCE COST				
Loan interest	21,537,874	33,484,641	21,537,874	33,484,641
	21,537,874	33,484,641	21,537,874	33,484,641
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	6,070,923	5,305,767	6,070,923	5,305,767
Deferred tax	14,481,143	(23,384,464)	14,481,143	(23,384,464)
	20,552,066	(18,078,697)	20,552,066	(18,078,697)
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	20,552,066	(18,078,697)	20,552,066	(18,078,697)
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	66,605,082	62,232,705	69,572,574	62,497,205
Loss from discontinued operations	(1,116,128)	(1,095,588)	-	-
	65,488,954	61,137,117	69,572,574	62,497,205
Tax @ 30%	(19,646,686)	(18,341,135)	(20,871,771)	(18,749,162)
Tax effect on certain capital allowances	-	24,071,570	-	24,071,570
Effects of loss expired in the year	-	903,000	-	903,000
Tax effect on tax loss c/fwd	40,198,752	(24,712,132)	319,705	(24,304,106)
Tax effect on non taxable expense	-	-	-	-
	20,552,066	(18,078,697)	(20,552,066)	(18,078,698)
c) Tax recoverable				
Balance b/fwd	(6,998,003)	(7,347,930)	(6,990,191)	(7,340,118)
Provision for the year	6,070,923	5,305,767	6,070,923	5,305,767
Payment	(6,412,919)	(4,955,840)	(6,412,919)	(4,955,840)
	(7,339,999)	(6,998,003)	(7,332,187)	(6,990,191)

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Notes to the financial statements(cont'd)

9(a) PROPERTY AND EQUIPMENT - GROUP

2017	Land Kshs	Buildings & fittings Kshs	Motor vehicle Kshs	Furniture and Equipment Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Work in progress Kshs	Total Kshs
Cost / Valuation									
At 1 January 2017	23,818,881	15,460,948	1,450,000	1,913,430	5,106,095	9,631,898	1,454,196	-	58,835,448
Additions	-	-	-	22,500	150,000	-	-	10,148,455	10,320,955
31 December 2017	23,818,881	15,460,948	1,450,000	1,935,930	5,256,095	9,631,898	1,454,196	10,148,455	69,156,403
Depreciation									
At 1 January 2017	-	6,371,250	1,105,908	1,081,893	2,790,975	6,995,296	1,229,468	-	19,574,790
Charge for the period	-	197,254	86,023	106,754	308,140	105,464	67,418	-	871,053
31 December 2017	-	6,568,504	1,191,931	1,188,647	3,099,115	7,100,760	1,296,886	-	20,445,843
Net book Value									
31 December 2017	23,818,881	8,892,444	258,069	747,283	2,156,980	2,531,138	157,310	10,148,455	48,710,560
2016									
Cost / Valuation									
At 1 January 2016	23,818,881	15,460,948	1,450,000	1,913,430	5,106,095	9,631,898	1,454,196	-	58,835,448
Additions	-	-	-	-	-	-	-	-	-
31 December 2016	23,818,881	15,460,948	1,450,000	1,913,430	5,106,095	9,631,898	1,454,196	-	58,835,448
Depreciation									
At 1 January 2016	-	6,169,314	991,211	963,102	2,460,243	6,885,438	1,133,156	-	18,602,464
Charge for the period	-	201,936	114,697	118,791	330,732	109,858	96,312	-	972,326
31 December 2016	-	6,371,250	1,105,908	1,081,893	2,790,975	6,995,296	1,229,468	-	19,574,790
Net book Value									
31 December 2016	23,818,881	9,089,698	344,092	831,537	2,315,120	2,636,602	224,728	-	39,260,658

Land and buildings comprise of land owned at Kekopey Ranch, Narok Ranch and Kasarani plots. Narok and Kekopey ranch have substantially been distributed to the shareholders who have cleared the outstanding survey and transfer fees. Kasarani plots which were acquired from the subsidiary company Clayworks Limited have also been subdivided and substantially sold and transferred to the respective buyers. The amount received for the disposal and distribution of the land is disclosed under note 21 of these financial statements. The company is now waiting for the completion and reconciliation of the land distribution and disposal return register to effect the necessary adjustments for the disposed land.

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Notes to the financial statements(cont'd)

9(b) PROPERTY AND EQUIPMENT - COMPANY

2017	Land Kshs	Buildings & fittings Kshs	Motor vehicle Kshs	Machinery Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Work in progress Kshs	Total Kshs
Cost / Valuation									
At 1 January 2017	66,713,281	5,446,898	1,450,000	1,586,948	5,106,095	9,958,380	1,454,196	-	91,715,798
Additions	-	-	-	22,500	150,000	-	-	10,148,455	10,320,955
31 December 2017	66,713,281	5,446,898	1,450,000	1,609,448	5,256,095	9,958,380	1,454,196	10,148,455	102,036,753
Depreciation									
At 1 January 2017	-	3,451,875	1,105,908	1,067,845	2,790,975	7,009,346	1,229,468	-	16,655,417
Charge for the period	-	55,360	86,023	106,755	308,140	105,464	67,418	-	729,160
31 December 2017	-	3,507,235	1,191,931	1,174,600	3,099,115	7,114,810	1,296,886	-	17,384,577
Net book Value									
31 December 2017	66,713,281	1,939,663	258,069	434,848	2,156,980	2,843,570	157,310	10,148,455	84,652,176
2016									
Cost / Valuation									
At 1 January 2016	66,713,281	5,446,898	1,450,000	1,586,948	5,106,095	9,958,380	1,454,196	-	91,715,798
Additions	-	-	-	-	-	-	-	-	-
31 December 2016	66,713,281	5,446,898	1,450,000	1,586,948	5,106,095	9,958,380	1,454,196	-	91,715,798
Depreciation									
At 1 January 2015	-	3,394,728	991,211	949,054	2,460,243	6,899,488	1,133,156	-	15,827,880
Charge for the period	-	57,147	114,697	118,791	330,732	109,858	96,312	-	827,537
31 December 2016	-	3,451,875	1,105,908	1,067,845	2,790,975	7,009,346	1,229,468	-	16,655,417
Net book Value									
31 December 2016	66,713,281	1,995,023	344,092	519,103	2,315,120	2,949,034	224,728	-	75,060,381

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Notes to the financial statements(cont'd)

10 INVESTMENT PROPERTIES	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
At the start of the year	1,674,239,173	2,820,000,000	1,207,879,273	1,380,000,000
Additions during the year		14,239,173	-	7,879,273
Fair value adjustment	-	-	-	-
Reclassification to inventory	-	(180,000,000)	-	(180,000,000)
Disposal	-	(980,000,000)	-	-
	1,674,239,173	1,674,239,173	1,207,879,273	1,207,879,273

Investment properties consist of land and buildings held for rental and investment purposes. They are stated at fair value which was professionally determined during the year.

The rental income received from these properties is disclosed in note 2 and lease commitments in note 27.

11 INVESTMENT IN JOINT VENTURE	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Investment during the year	979,735,500	-	-	-
Share of loss from joint venture	(128,500)	(264,500)	-	-
	979,607,000	979,735,500	-	-

Clayworks Limited a fully owned subsidiary of the company has invested in joint venture through contribution of land in Kasarani for development of residential and commercial houses. The above is the cost of the investment in the joint venture accounted for using the equity method of accounting.

12 GOODWILL	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
	17,878,491	17,878,491	-	-

Goodwill represents the excess of the cost of acquisition of additional 1250 shares of the subsidiary Clayworks Limited in 1995 over group's interest in the carrying value of the identifiable assets and liabilities of the subsidiary company.

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Notes to the financial statements(cont'd)**13 INVESTMENTS IN SUBSIDIARY**

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Cost of net assets acquired	28,737,571	28,737,571	28,737,571	28,737,571

The parent company owns 100% of the shares of Clayworks Limited (5,000 ordinary shares of Kshs 20/- each). The cost method is used to account for these investments.

14 OTHER INVESTMENTS

Unquoted

Other unquoted

Family Bank Limited

Apatana

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Other unquoted	1,240,020	1,240,020	1,240,020	1,240,020
Family Bank Limited	19,393,600	19,393,600	19,393,600	19,393,600
Apatana	50,000,414		50,000,414	
	70,634,034	20,633,620	70,634,034	20,633,620

Unquoted investments have been valued at cost which approximate to fair value less any impairment.

15 INVENTORY

Cost of untransferred benefits at Kenyatta road plots

Trade goods from discontinued operation

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Cost of untransferred benefits at Kenyatta road plots	124,655,298	155,368,435	124,655,298	155,368,435
Trade goods from discontinued operation	950,616	1,040,616	-	-
	125,605,914	156,409,051	124,655,298	155,368,435

The company has started a project of buying and selling of plots. The above is the cost incurred for the purchase of plots which had not been sold or the benefit had not been transferred to the buyers.

16 TRANSACTIONS WITH RELATED PARTY**a) Subsidiary company**

Balance b/fwd

Additions

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Balance b/fwd	-	-	166,862,571	161,612,822
Additions	-	-	(1,767,379)	5,249,749
	-	-	165,095,192	166,862,571

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Notes to the financial statements(cont'd)**16 TRANSACTIONS WITH RELATED PARTY (Cont'd)****b) Remuneration to key management and directors;**

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
<i>Management;</i>				
Salary and other benefits	3,600,000	2,769,600	3,600,000	2,769,600
<i>Directors;</i>				
As executives	3,888,000	3,240,000	3,888,000	3,240,000
	7,488,000	6,009,600	7,488,000	6,009,600

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
17 TRADE AND OTHER RECEIVABLES				
Trade receivables	36,947,115	38,832,836	23,881,010	25,698,591
Other receivables	17,935,080	28,961,694	17,845,564	28,732,569
Deposits and prepayments	56,831,648	52,606,948	56,417,648	52,192,948
Survey fees receivable	16,463,936	5,423,486	16,463,936	5,423,486
Share compensation	33,964,535	33,642,535	33,964,535	33,642,535
	162,142,314	159,467,499	148,572,693	145,690,129

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
18 CASH AND CASH EQUIVALENTS				
Cash at bank	17,349,586	25,805,813	16,978,242	25,649,943
Fixed deposit	214,954,766	182,704,190	214,954,766	182,704,190
Cash in hand	51,570	-	51,570	-
	232,355,922	208,510,003	231,984,578	208,354,133

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19 SHARE CAPITAL	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Authorised				
1,000,000 ordinary shares of Kshs 100 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
497,488 ordinary shares of Kshs 100 each	49,748,800	49,748,800	49,748,800	49,748,800

20 CAPITAL RESERVES	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Opening balance	1,739,242,450	1,739,242,450	604,047,135	604,047,135
Fair value adjustment on land reclassified as investment properties	-	-	-	-
Deferred tax on land reclassified as investment property	-	-	-	-
Bonus share capital	-	-	-	-
	1,739,242,450	1,739,242,450	604,047,135	604,047,135

21 DEPOSIT FOR PLOTS AND SHARES	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Deposit for plots	53,547,596	46,921,596	53,547,596	46,921,596
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	380,327,924	372,327,924	380,327,924	372,327,924
	886,128,158	871,502,158	886,128,158	871,502,158

These are deposits for land disposed and contributions by shareholders for survey and conveyance fee for the land allocation.

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Notes to the financial statements(cont'd)

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
22 BORROWINGS				
Housing Finance loan 1	55,313,431	58,864,904	55,313,431	58,864,904
Housing Finance loan 2	92,965,056	98,299,349	92,965,056	98,299,349
	148,278,487	157,164,253	148,278,487	157,164,253
Payable after 12 months	136,973,192	148,278,488	136,973,192	148,278,488
Payable within 12 months	11,305,295	8,885,765	11,305,295	8,885,765
	148,278,487	157,164,253	148,278,487	157,164,253

The Housing Finance loan 1 was borrowed for the construction of Agrho House and Housing Finance loan 2 for the vertical extension. Both loans are secured by property LR No. 209/13374 - Moi Avenue Nairobi. Loan 1 was scheduled to be repayable over five years period starting from May 2013 but was rescheduled to be paid over 18 years ending on 21 December 2025. Loan 2 which is repayable over 11 years period starting from June 2015 to June 2026. The effective weighted average interest cost of the borrowings at the year end was 14% (2016: 14%)

23 DEFERRED TAX	Charge to at the start of the year Kshs	Charge to profit and loss account Kshs	Charge to Equity Kshs	Balance at the end of the year Kshs
Accelerated depreciation	(11,966)	386,967		375,001
Fair value adjustment on	(487,930,439)	-	-	(487,930,439)
Losses carried forward	85,429,884	(14,868,110)	(53,964,387)	16,597,387
	(402,512,521)	(14,481,143)	(53,964,387)	(470,958,051)

Deferred income tax on unutilised losses carried forward amounting to Kshs 90,162,372 (2016: Kshs 89,760,330) from the subsidiary company Clayworks Limited has not been recognised as it is unlikely that future taxable profits will be available against which the losses can be utilised.

24 PROVISIONS	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Gratuity	5,309,482	3,659,462	5,309,482	3,659,462

Permanent employees are entitled to a gratuity equivalent to one months pay for each year of service in accordance with the terms of their appointment. The above provision is the estimated liability arising from the staff service contracts. The employees of the subsidiary company were declared redundant towards the end of 2014 and their terminal dues paid off.

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Notes to the financial statements(cont'd)

25 TRADE AND OTHER PAYABLES	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Trade payables	14,314,327	9,626,887	8,337,797	3,650,357
Accruals	21,804,773	14,521,939	21,171,856	13,687,617
Other payables	53,743,017	67,015,230	15,348,037	31,480,994
Survey fees deposit	10,521,435	15,739,410	10,521,435	15,739,410
Tenants deposits	61,202,154	61,202,153	61,202,154	61,202,153
	161,585,706	168,105,619	116,581,278	125,760,531

26 DIVIDEND PAYABLE	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Opening balance	17,841,374	12,245,217	17,841,374	12,245,217
Dividends declared in the year	12,934,688	6,467,344	12,934,688	6,467,344
Paid during the year	(4,906,962)	(871,187)	(4,906,962)	(871,187)
Balance at 31 December	25,869,100	17,841,374	25,869,100	17,841,374

Dividends are recognised as a liability in the period in which they are declared. In 2017 a dividend of Kshs 12,934,688 (2016: Kshs 6,467,344) was declared.

27 OPERATING LEASE ARRANGEMENTS

i) The company as lessee

The company investment property stands on land that is leased from the government. The formal lease-term is 42 years from 1 January 2005. The company paid the following amount in respect of land rent and rates.

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
	1,160,386	2,736,742	1,160,386	2,736,742
	-	-	-	-
	1,160,386	2,736,742	1,160,386	2,736,742

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Notes to the financial statements(cont'd)

27 OPERATING LEASE ARRANGEMENTS(cont'd)

ii) The company as a lessor

Property rental income earned during the year was Kshs 94,213,565 (2016: 92,386,748). The property held has committed tenants ranging between the next two to three years. At the balance sheet date, the company had contracted with tenants for the following future minimum lease payments.

	Group		Company	
	2017 Kshs	2016 Kshs	2017 Kshs	2016 Kshs
Within one year	94,000,000	92,500,000	94,000,000	92,500,000
In the second to third years	188,000,000	185,000,000	188,000,000	185,000,000
	<u>282,000,000</u>	<u>277,500,000</u>	<u>282,000,000</u>	<u>277,500,000</u>

28 DISCONTINUED OPERATIONS OF THE SUBSIDIARY

Discontinued operations relates to strategic business shift by the subsidiary company, Clayworks Limited, from its core business of clay products manufacturing to real estate business. The subsidiary stopped the manufacturing business in 2014 and is now partnering with other property developers to develop several residential and commercial units for sale on its land at kasarani.

The performance of discontinued operations have been reported on a net basis in the group income statement.

The following is the performance summary of discontinued operations;

	2017 Kshs	2016 Kshs
Sales of clay products	182,886	360,119
Direct cost of sales	<u>(90,000)</u>	<u>(972,112)</u>
	92,886	(611,993)
Operating and administration expenses	<u>1,209,014</u>	<u>483,595</u>
Loss from discontinued operations	<u>(1,116,128)</u>	<u>(1,095,588)</u>

29 COMMITMENTS AND CONTINGENT LIABILITIES

i) Joint venture

The subsidiary company has entered into a joint venture through Claycity Limited for construction of 1,000 residential house units in Kasarani, which is the first phase of the development project the company has planned to undertake. The project is estimated to cost 3 billion and the first phase started in November 2016. The project experienced some delays during the year but has subsequently resumed.

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Notes to the financial statements(cont'd)

29 COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

i) Joint venture(cont'd)

The cost of the delay has been estimated to be Kshs 125 million. Kshs 57 million been compensation to the contractor and Kshs 68 million the estimated finance cost incurred by the group due to lost opportunity. The directors believe that any cost arising due to this delay will be catered for by the other party.

ii) Legal dispute

The subsidiary company has a legal dispute relating to some small part of its land it had intended to allocated for public utility but democation have not yet been approved. The disputing party want the portion to be surrendered as a public land but the company wants the land to remain as the company's land .The outcome of this dispute was uncertain by the time the financial statements were issued.

iii) Construction of AIH Office Block

	2017	2016
	Kshs	Kshs
Budgeted cost	27,464,280	-
Incurred	10,148,455	-
Balance at 31 December	<u>17,315,825</u>	<u>-</u>

30 CRITICAL ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical estimates are made by the directors in determining depreciation rates of property, plant and equipment as set out in the accounting policies.

In the process of applying the group's' accounting policies, management has made Judgements in determining;

The classification of financial assets and liabilities

Whether assets are impaired

Provisions and contingent liabilities

Estimation of fair value of financial assets and liabilities

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), liquidity risk and operational risk. The management review and agree policies for managing these risks.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework.

Risk management is carried out by the management under policies approved by the directors. Management identifies, evaluates and manages financial risks in close co-operation with the directors.

Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

i) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while ensuring the attainment of the group's objectives.

ii) Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates.

The parent company had short term fixed deposit with Family Bank and Housing Finance whose interest rates varied with prevailing market rates. Other than this the group did not have any interest bearing instruments. The directors closely monitors the interest rates from these deposits to minimise potential adverse impact on interest rates changes.

iii) Foreign exchange risk

Foreign exchange risk arises from future investment transactions and recognized assets and liabilities. The subsidiary company occasionally imported some of the equipment for clay production but has now shift its business to real estate investment. The exposure to foreign exchange risk was therefore insignificant at the balance sheet date.

iv) Price risk

Price risk arises from the fluctuation in the prices of the commodities purchase whose prices are determined by the market forces and other factors that are not within the control of the company. The parent owns rental properties and is in the process of shifting the operations of the subsidiary company to real estate investments. The price of rental charges are set by the management by reference to the market prices. The management does not expect any significant risk in price variation.

v) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations. The largest concentrations of credit exposure within the company arises from amount held by related party, receivables and cash and bank balances. The management does not consider the credit risk exposure to be significant.

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Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The maximum exposure of the group to credit risk as at the balance sheet date is as follows;

	Fully performing	Past due but not impaired	Total
	Kshs	Kshs	Kshs
31 December 2017			
Trade receivables	23,812,869	13,134,246	36,947,115
Other receivables	15,605,954	2,329,126	17,935,080
Dues for plot surveying and demarcation		107,260,119	107,260,119
Cash and bank	232,355,922	-	232,355,922
	<u>271,774,745</u>	<u>122,723,491</u>	<u>394,498,236</u>
31 December 2016			
Trade receivables	25,698,590	13,134,246	38,832,836
Other receivables	26,532,568	2,429,126	28,961,694
Dues for plot surveying and demarcation		91,672,969	91,672,969
Cash and bank	208,354,133	-	208,354,133
	<u>260,585,291</u>	<u>107,236,341</u>	<u>367,821,632</u>

The past debts include trade receivables of Kshs 13,134,246 from discontinued operations which the management consider recoverable. Other past dues continue to be paid and are therefore not impaired. No provision has been made for impairment loss as the management consider that the full amounts will be recovered.

Other receivables are largely due to VAT stock which continue to be utilised. The group has received deposits for surveying and demarcation of plots and is waiting for reconciliation of land allocation return register to offset with the above amounts.

The financial institutions where the bank deposits have been placed continue to perform well and the management considers the risk for these deposits to be minimum.

vi) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulties in meeting its obligations from its financial liabilities. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

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Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

vi) Liquidity risk(cont'd)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below shows the company's obligations categorised into their maturity period;

	Short-term portion	Long-term portion	Total
	Kshs	Kshs	Kshs
At 31 December 2017			
Trade payables	14,314,327		14,314,327
Other payables	16,008,960	35,534,057	51,543,017
Deposits		73,923,588	73,923,588
Accruals	21,804,773	-	21,804,773
	<u>52,128,060</u>	<u>109,457,645</u>	<u>161,585,705</u>
At 31 December 2016			
Trade payables	9,626,887		9,626,887
Other payables	31,481,172	35,534,057	67,015,229
Deposits		76,941,563	76,941,563
Accruals	14,521,939	-	14,521,939
	<u>55,629,998</u>	<u>112,475,620</u>	<u>168,105,618</u>

32 OPERATIONAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall organisation's standards for the management of operational risk in the following areas:-

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.

Notes to the financial statements(cont'd)

32 OPERATIONAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirement for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

The company capital base is able to cover risks inherent in the business.

33 CAPITAL RISK MANAGEMENT

The entity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of debt and equity balance. The entity has removed the restriction on minimum number of 100 shares an individual shareholder was restricted to have and is evaluating possible ways of opening up the company to other equity investors.

The capital structure of the entity consists of debt and contributed capital as disclosed in the notes.

The board reviews the capital structure on an annual basis as part of these reviews the board considers the capital requirements of the entity and the risk associated with each class of capital.

The company is not subject to any external imposed capital requirements.

34 CONSOLIDATION

The consolidated financial statements include the company and its subsidiaries. The company fully owns Clayworks Limited. The company acquired 75% of the share capital of the subsidiary in 1975 and full ownership in 1995. The subsidiary company owns 50% of interest in Claycity Limited a joint venture company which is undertaking real estate projects in Kasarani.

35 CURRENCY RISK

The group operates wholly in Kenya and its assets and liabilities are reported in the local currency. It therefore held no significant foreign currency exposure at 31 December 2017.

36 INCORPORATION

The parent, its subsidiary and the joint venture are incorporated and domiciled in the Republic of Kenya.

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

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The Company Secretary
Agricultural & Industrial Holdings Limited
P.O. Box 50124 -00200
NAIROBI

FORM OF PROXY

I/We.....of P. O. Box

Being a *member/members of Agricultural & Industrial Holdings Limited hereby appoint:

.....of

or failing him.....of

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on 25th January, 2019 and at any adjournment thereof.

(*Strike out as appropriate)

Signature(s)

Signed/sealed this..... day of 2019

NOTE:

1. The address should be that shown in the register of members.
2. In the case of a corporation, the proxy form must be executed either under its common seal or signed on its behalf by an attorney or officer of the corporation duly authorized.
3. A person appointed to act as a proxy need not be a member of the Company.
4. The proxy form should be completed and returned to the registered office of the Company, Clayworks, Kasarani, Thika Road, P. O. Box 50124 - 00200 Nairobi or be posted, so as to reach the Secretary not later than 48 hours before the time fixed for the meeting or any adjournment thereof.



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CORPERATE GOVERNANCE



AIH Ltd company's members in the past AGM refreshing, the company has ensured it holds AGM every year.



AIH Ltd company's members in the past AGM refreshing, the company has ensured it holds AGM every year.

AIH Ltd Members Visiting Office



Company shareholder visiting AIH Ltd Offices on Thika Road. The Company puts shareholders interest first



The Company Member collecting his divided payment from AIH Ltd Office

Time to Harvest Fruits of Investment.

Completion Of Claycity Apartments & Shopping Mall Project We Shall Be There In 2019/ 2020



Claycity Apartments



AIH Ltd New Modern Office Block - Kasarani

Head Office Kasarani

P.O. Box 50124 - 00200 Nairobi, Tel: 020 - 2020643,

Cell: 0735 338 097 / 0797 664 692

Email: agriholdings@gmail.com,

generalmanager@clayworksltd.com