

2018



Dream come True

Claycity 3 Bedroom Apartments



Fruits of Investments

AIH Members being paid Dividend



ANNUAL REPORT & GROUP FINANCIAL STATEMENTS



Dream come True

First Batch of Claycity project 3 Bedroom apartments completed and ready for occupation.



Price Kshs 8.65M

Key Features

- ✓ 3 bedroom apartments ✓ Spacious en-suite master bedroom
- ✓ All bedrooms with in-built wardrobes ✓ Provision for solar water heating system
- ✓ Gated compound with controlled single entry and exit for enhanced security
- ✓ Ample green landscaped areas with children's play area ✓ Solar powered security streetlights
- ✓ Power backup for common areas ✓ Secure boundary wall with electric fence
- ✓ Cabro paved driveways Overall size = 110 Sqm

Clay City is a joint development between HF development and Investment (HFDI) & Clayworks Limited

Financing available from -



&



For more information contact AIH Ltd.

Cell: 0735 338 097 / 0797 664 692

Email: agriholdings@gmail.com,
generalmanager@clayworksltd.com

Website: www.aih-plc.com



Claywork Ltd. is a member of AIH Ltd Group

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Contents	Page
Company Focus	2-3
Notice of the Annual General Meeting (AGM)	4
Corporate Information	5
Chairman's Report	6-22
Report of the Directors	23-24
Statement of the Director's responsibilities	25
Report of the Independent Auditors	26-29
Financial Statement	
Statement of income Group	30
Statement of comprehensive - Group	31
Statement of financial position - Group	32
Statement of financial position - Parent company	33
Statement of change in equity - Group	34
Statement of change in equity - Parent company	35
Statement of cash flow	36
Notes to the financial statements	37-58
Proxy Form	59
Notes	60

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

Agricultural and Industrial Holdings Limited

● *Our Story Time to Work to Dream Come True*



ClayCity apartments project, construction work on site by contractor Jinsing Enterprises Co. Ltd in February 2017

*First Batch of Claycity 3 bed room Apartments
Construction Completed*

*Dream Come True
2019*



● *We are a Company you can trust*

AIH Ltd Company is ready to work with National Government and County Governments or any like minded organization, in development projects. Already the company is working with County Government of Laikipia to make Narok Ranch habitable.

Dream come true

Officials opening of LSG Sky Chefs Kenya Ltd Building at JKIA



Chairman, Hon. E.Matu Wamae cutting ribbon to officially open LSG Sky Chefs Kenya Ltd, New Kitchen Building at the Jomo Kenyatta International Airport on 16th June 2019. Other people in the picture are the directors of The LSG Sky Chefs International(Germany). AIH Ltd core owns LSG Sky Chefs Kenya Ltd through Apatana Investment Ltd.

LSG Sky Chefs Flights catering at JKIA (Photos courtesy of LSG Sky Chefs Kenya Ltd)



Lufthansa ups stakes with JKIA food (Photos courtesy of LSG Sky Chefs Kenya Ltd)

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Bomas of Kenya, Langata Road, Nairobi on Friday 24th January, 2020 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 25th January, 2019.
4. To consider and, if approved, adopt the audited financial statements for the year ended 31st December 2018, 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 2018.
6. **To elect Directors:**
 - (i) In accordance with Article 8(b) of the Company's Articles of Association. Patricia W. Gathia, Joseph Gichuru and Mondson Kathurima retire by rotation and being eligible, offer themselves for re-election. Modson Kathurima does not seek re-election
7. To approve the Directors' remuneration as indicated in the Audited Financial Statements for the year ended 31st December 2018.
8. To consider and approve as recommended by the Board the allotment of 24,000 ordinary shares of Kshs.100 each (which is equivalent to 5% of the issued shares of the Company) to the Chairman, Hon. Matu Wamae as a honorarium for his long service and turnaround of the Company to profitability
9. To confirm that the Auditors, Messrs. 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.
10. SPECIAL BUSINESS

Change of Name

To resolve that the name of the Company be changed from Agricultural and Industrial Holdings Limited to Agricultural and Industrial Holdings Plc (Public Limited Company) in compliance with section 53 of the Companies Act, No. 17 of 2015.

11. **Any Other Business**
Private Placement: To consider and approve over the counter trading of AIH Ltd shares.
12. 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: 24th December 2019

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

CORPORATE INFORMATION

DIRECTORS

Hon E M Wamae	-	Managing Director/Chairman
Hon N Muigai	-	Vice Chairman
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

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 Statements for the year ended 31st December 2018.

FINANCIAL PERFORMANCES

The company made a profit before tax of Kshs.72,341,075. Trading results improved by Ksh.5,607,493. In year 2017 the profit before tax was Ksh.66,733,582.

Projects in the pipeline to improve the profitability of your company are still in progress. Part of Claycity profitability will be realized in the financial year of 2020. Other projects are highlighted later on this report. These projects together with effort put in by your board and management have substantially increased the market value of your company which was placed at Kshs. 4.8 billion at 31 December 2018



Hon. Matu Wamae

I now wish to report on the trading activities and projects of the company during the year.

MOI AVENUE PLOT (AGRHO HOUSE)

Agrho House, the company's commercial building on Moi Avenue Nairobi, continues to enjoy good occupancy offering trading facilities to small shops traders, Beauty salons, offices, Food Courts, Medium size SMEs, Saccos and Nazarene University College being the anchor tenant and all has been well.

Due to the decline in number of private University students for the Parallel Degree Programme, it affected admissions in University. For that reason Nazarene University College, gave notice to vacate the building in two phases. Phase 1 it will vacate 3rd, 5th and 6th floor by the end of January 2020 and Phase 2 to vacate 4th floor by the end of August 2020. The exit of the University will affect the Company cash flow negatively.

All said and done your Board and the Management remain responsible to search for another suitable tenant.

CLAY CITY APARTMENTS.

- I reported in the last year's AGM, Clay City is a joint venture between Clay Works Limited and HF Development & Investment Limited (HFDI) under a Special Purpose Vehicle known as Clay City Limited. Clay Works Limited contributed 24 Acres of land into the venture valued at Kshs. 40 Million per acre and HFDI contributed cash equity into the SPV.

Originally the parcel was master planned to provide housing to the middle class income earners majorly as first time home buyers. Therefore, only 2 and 3 bedroom units were designed for consideration. The total number of units envisaged was 1,110 units.

Fruits of Investments



Last AGM held at Catholic University of East Africa (CUEA) AIH Members seen in the photo receiving dividend.



Last AGM held at Catholic University of East Africa (CUEA) AIH Members queing for dividend Payments

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

The development was implemented in phases commencing with 560 units as phase one which was later split into smaller phases which would be rolled out as per the demand of the units. To date, the developer has managed to complete 80 units in 2 blocks, all 3 bed roomed, selling at an average price of Kshs. 8.25 Million. Due to the introduction of the Affordable Housing agenda under the President's Big 4 agenda, the demand for housing has shifted to social and affordable housing units with prices ranging between Ksh.1 Million and Ksh.5 Million. To this end the developer approved the proposal of amending the master plan to accommodate affordable housing.

As the first phase comes to an end, the developer has still not sold 51 units in the current phase showing the need to shift to affordable housing. The directors have since directed the consultants to redesign the master plan which has resulted to 3,800 units with the aim of maintaining the prices of the units below Kshs. 5 Million. The typology of units, range from studio apartments (bedsitters) to 3 bedroom apartments.



Last AGM at Catholic University of East Africa (CUEA) AIH Members being served tea.



Last AGM at Catholic University of East Africa (CUEA) AIH Members being served tea

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

SUB-DIVISION OF LAND (KEKOPEY & NAROK RANCH)

Pursuance to the resolution you passed at an 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 been allocated plots.

NAROK RANCH:

I reported to members in the last AGM, that the Company will continue to encourage our shareholders to take possession of their Sub divided land in Narok Ranch- Rumuruti.

I now wish to report to you, that very many shareholders have shown interest by their personal visit to the ranch and more than 90% have paid and collected their title deeds.

The Board continues to work with both National and County Government on the way forward to make Narok ranch habitable by our shareholders. The County Governor in Particular is willing to assist AIH shareholders. For that reason on 10th October 2019 a meeting was held in Nyahururu between AIH Directors and Governor of Laikipia Hon. Nderitu Muriithi and six Elders residents of Rumuruti. On that day the Governor formed a special committee to assist in settling AIH members in Narok ranch. The committee was tasked with duty of ensuring provision of Road Networks, Water boreholes, Shopping Centre and Schools etc.

To ensure success of members settlement in Narok Ranch, the board appointed Director Rev. Joseph Kihara to oversee the exercise and to be visiting the ranch at least once a week. I am sure those of you who have visited the ranch can confirm that. Director Rev. Joseph Kihara established an office there at Rumuruti town and I am calling up any member willing to visit the ranch/farm can arrange with the Director who is willing to assist to show you your plot.

FAMILY BANK SHARES

Your company invested in Family Bank ordinary shares a total of 788,800 shares at a cost of Ksh.22.00 per share. In year 2018 the Bank made profit but did not declare dividends, instead it ploughed back the profit to stabilize the bank after reporting loses in year 2017. Going by the reported trading results for the period ended 30th September 2019, the bank is fully recovered and it's expected that in year 2019 it will pay dividends.

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

On completion of survey work the plots were put on market for sale and the plots are sold out. AIH Ltd handed over the project to plot owners on 8th June 2019 at the site and encouraged the plot owners to form plot welfare to improve the value of their investment.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Good corporate Governarncy

Company holds AGMs every year to engage company members



Last AGM Janary 2019, held at Catholic University of East Africa (CUEA) AIH Members queing to enter meeting hall



Last AGM Janary 2019, held at Catholic University of East Africa (CUEA) AIH Members queing to enter meeting hall

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

APATANA INVESTMENTS LTD

I reported in the last AGM that your Company bought 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 the second In-Flight kitchen at the Jomo Kenyatta International Airport (the first Kenya's only In Flight kitchen/caterer being NAS Servair) This In-Flight Catering Services will cater for International and Local Airlines.

I am pleased to report that the Company commenced operations in February 2019 and officially opened on 16th June, 2019, cutting the ribbon, to officially open the building was your Chairman Hon. E. Matu Wamae.

The buildings, fixtures and operating procedures measures to International standard. I am also pleased to report that the kitchen is offering employment to Kenyans and source it supplies locally to support Kenyan traders and farmers.

On the marketing side it caters for KLM Airline, Martin Air, and Lufthansa International Airline just to mention a few.

Total investments done by AIH Ltd as at 30th November 2019 was Ksh.87, 480,108 representing 4,860,006 ordinary shares, which is 14% control on Apatana Investments. Apatana Investments Ltd owns 48.2% of LSG Sky Chefs Kenya Ltd.

The Investment is good for the future growth of your Company.

COMPANY 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. At the appropriate time your Board will inform you when to buy.

OVER COUNTER TRADING - AIH SHARES

After the issue of Bonus shares to AIH members at the ratio of 1:7 shares held as at 31st December 2014, many of you members have inquired at our offices on whether the Directors can find easy way of trading (buying and selling) of the shares.

The research work done by the Board on this issue is that, the Government through the Capital Market Authority (CMA) and Nairobi Stock Exchange has licensed stock brokers whose main function is to establish an open trading platform to enable shareholders to off load or Increase their shareholding. With your permission the Board will appoint a stock broker and communicate to you as soon as possible so that you can start buying and selling of the shares.

The Board will advice members on share selling price after consulting with the stock broker.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Company Investments

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, Tom Mboya Avenue view



Inside Agrho House



Inside Agrho House



Inside Agrho House

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

6.0 NEW SHARE CERTIFICATES

Once more you are being reminded that 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

The image shows two overlapping 'Ordinary Share Certificate' forms from Agricultural and Industrial Holdings Limited. The top form is partially filled out. It includes the following text and fields:

- Registration Number C.61/73 Incorporated under Companies Act cap 486, Laws of Kenya
- AGRICULTURAL & INDUSTRIAL HOLDINGS LIMITED logo
- Ordinary Share Certificate
- This is to Certify that: [Blank box]
- is/are the registered Proprietor(s) of: [Blank box]
- Number of Ordinary Shares in words: [Blank box]
- Ordinary Shares of Kshs. 100 each fully paid in AGRICULTURAL & INDUSTRIAL HOLDINGS LIMITED subject to the Memorandum & Articles of Association thereof under the common Seal of the said Company on the date specified above.
- Director: [Signature]
- Director/Secretary: [Signature]
- Certificate No.: [Blank box]
- Date issued: [Blank box]
- Member No.: [Blank box]
- Number of Ordinary Shares: [Blank box]
- Serial No.: 20505
- THIS CERTIFICATE MUST BE SENT TO THE COMPANY'S OFFICE (P.O. BOX 3028 00300, NAIROBI) BEFORE ANY TRANSFER CAN BE REGISTERED

The bottom form is a 'Counterfoil' with the following fields:

- Shareholder(s): [Blank box]
- Certificate No.: [Blank box]
- Member No.: [Blank box]
- No. of Ordinary Shares: [Blank box]
- Serial No.: 20505
- Date Issued: [Blank box]
- Date Collected: [Blank box]
- Signature: [Blank box]

DIGITAL TRANSFORMATION

In the last AGM I promised members that the company is going digital. I am happy to report that the company has now gone digital.

- We have digitalize members' data base (Management information system)
- Developed company website
- Acquired Mpesa pay bill Account.

Digitalized Members Data Base system (MIS)

In brief the system will make it easy for members:

- i. To be paid dividend through mobile phones i.e. Mpesa and Airtel money services
- ii. Transfer shares and even trade in shares
- iii. Communication with members
- iv. To issue members, dividend payment slips and account statements
- v. To issue members, statements of number of shares balances
- vi. To appoint/have a trustee i.e. a person who can collect dividend payments on their behalf in case they are sick etc.

Confirmation of Members Information

Members are therefore, required to confirm accuracy of their personal information to be used in the system particularly:

- a) Member's name should be the same like the one in the ID/Passport
- b) Number of shares should be the same like the one in the share certificate.
- c) Member's ID number and share certificate number should be correct
- d) Member gives one telephone number to be used to pay dividend and communication.

Members should try and maintain this number and incase of change notify the company in writing. This will be used as member's primary number. A member can give alternative number which be treated as secondary number.

Company Website


The company has come up with website whereby members can obtain company reports such as annual financial statements etc. The website address is www.aih-plc.com

Mpesa Pay bill account.

The company has acquired Mpesa pay bill account, members and customers will no longer be required to pay in hard cash money, thereby avoid risks of carrying with them money. They can also pay the company from comfort of their phones from wherever they are. The pay bill number is 921776 Account number your phone number.

It is safe to pay by Mpesa

Company encourages members and customers to pay using Mpesa



PAYBILL NUMBER

9	2	1	7	7	6
---	---	---	---	---	---

ACCOUNT NUMBER

Your Phone Number



The New currency notes

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

8.0 DIVIDENDS

The Directors propose to pay a dividend of Kshs.12, 934,688 at Ksh.26 per share.

9.0 DIRECTORS

As earlier mentioned we have project 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

Vice Chairman



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 Kathurima

Director



Rev. Joseph Kiahara

Director



Mr. Michael M. Mbarire

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

Management Team



Managing Director
Hon. E M Wamae



Projects & Investments Manager
Mr. Patrick Njagi



General Manager
Mr. Michael Wandegwa



Chief Accountant
Mr. Jacob Babu

10.0 AIH COMPANY NEW OFFICE BLOCK - - AIH BUSINESS CENTRE

The company moved to the new office block in Kasarani, AIH Business Centre, in May 2018. The company is now operating from the new modern office.



AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

AIH COMPANY NEW OFFICE BLOCK - AIH BUSINESS CENTRE

AIH Business Centre is hosting AIH Offices and has facilities(Roof top) for hosting events for members of the community around and from other places. It has also space that can be used for Shops, Supermarkets, Hospitals, Hotels etc.



Many members have paid and collected their Title deeds

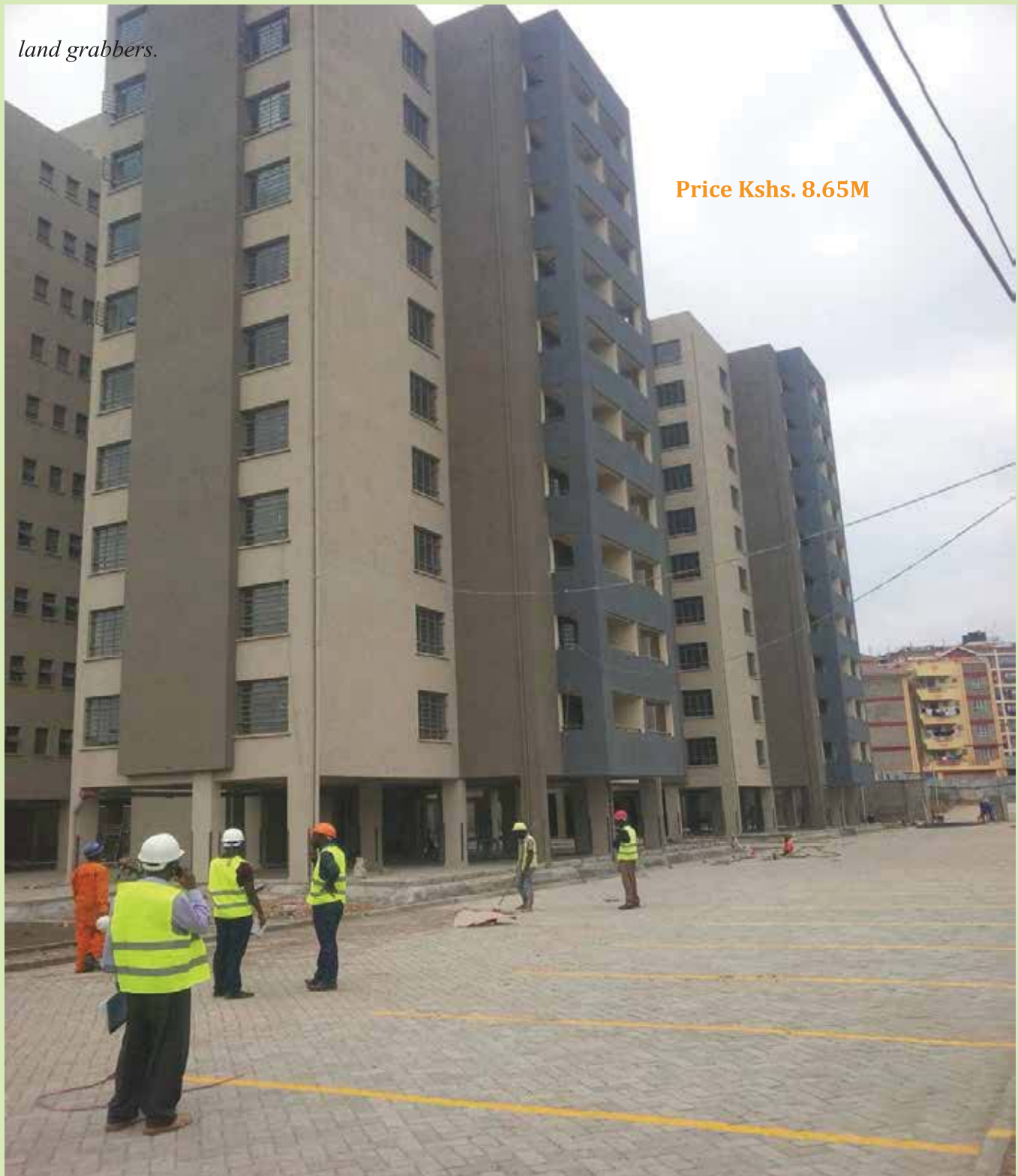
AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

FUTURE OF THE COMPANY

With the investment mentioned above the Board is optimistic that the company has bright future and is headed in the right direction with prospects for growth in terms of profit and capital gains.

Clay City 3 Bed Rooms Apartments Ready for Sale



land grabbers.

Price Kshs. 8.65M

Removal of debris after completion of the works

Clay City Apartments Ready for Sale



Showing completed landscaping



Showing the main entrance and the gate

Clayworks Campany Land

The company is forced to spend more money to hire guards to protect the fence against destruction by hooligans hired by land grabbers. The company spends about Kshs 195,000 per month to pay guards and maintaining the electric fence.



Clayworks Campany Land fenced using electric fence to avoid destruction and not like in the past where hooligans hired by land grabbers used to uproot and damage the fence as shown below.



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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

Corporate Social Responsibility



Mary Mother School in Narok build on land donated by AIH Ltd Company. offering primary school and secondary school education for the less privileged Kenyans and having a pass rate to the university of 90 percent.

12.0 CONCLUSION

On behalf of the other 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, support and understanding for success of the company.

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 2020, last but not least may the Almighty God bless you all.

A handwritten signature in blue ink, appearing to read 'Eluid Matu Wamae'.

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Report of the Directors

The directors submit their report together with the audited group financial statements for the year ended 31 December 2018, 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

	2018	2017
	Kshs	Kshs
The result for the year was as follows:		
Continuing operation		
Profit for the year before tax	72,341,075	66,605,082
Tax charge	<u>(23,147,217)</u>	<u>(20,552,066)</u>
Profit for the year after tax	<u>49,193,858</u>	<u>46,053,016</u>
Discontinued operation		
Loss for the year before tax	(2,180,216)	(1,116,128)
Tax charge	<u>-</u>	<u>-</u>
	<u>(2,180,216)</u>	<u>(1,116,128)</u>
Profit taken to retained earnings	<u>47,013,642</u>	<u>44,936,888</u>

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 2018 (2017: 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 five.

5 DIRECTORS REMUNERATION

The remuneration of the directors is disclosed in note 5. Further to this the directors through a boards meeting held on 22 December 2018 proposed to honour the chairman with 5% of outstanding shares of the company at 31 December 2018 or an equivalent amount for his service to the company.

Report of the Directors (cont'd)

6 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

A circular blue stamp with the text "LUCY WANJIRU KIBERA" around the top edge and "Certified Public Secretary Reg. No. 1992" around the bottom edge. A handwritten signature in blue ink is written across the stamp.

Lucy Kibera
Leading secretaries
Certified Public Secretaries
SECRETARY

Date: **13 September 2019**

Statement of the Directors' responsibilities

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 in 2017 but resumed during the year 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 **13 September 2019** and signed on its behalf by;



.....
Hon. E. M. Wamae
Chairman



.....
Hon. N. Muigai
Vice Chairman

Opinion

We have audited the financial statements of Agricultural and Industrial Holdings Limited set out on pages 30 to 58 for the year ended 31 December 2018. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2018, 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 in the paragraphs below the financial statements give a true and fair view of the financial position as 31 December 2018 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.

Register of the shareholders

The company register of the members has not been updated with the contact details of the shareholders. The register does not have details of the National Identification Numbers of the shareholders and most of the contact addresses in the register are the old post office box numbers which were given at the time the shares were being subscribed in 1970s. Out of a total of about 23,000 shareholders only about 2500 members have been updated with current contact addresses and details of their National Identification numbers. The register therefore lacks important statutory information required by the Companies act 2015.

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.

Investment in the Joint Venture

Investment in the joint venture is considered a significant audit matter due to the huge amount 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 party was to contribute funds of an equivalent amount. The project was started in November 2016 and experienced delays in 2017 and part of 2018 due to delays by the other party in contributing finance resulting in additional costs to the venture. These additional costs due to lost opportunity costs and idle capacity are estimated to be in the range of Kshs 200 million.

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.

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

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.

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;

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

Auditors responsibilities for the audit of the financial statements(cont'd)

- 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.
- 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.

Report on other legal requirements

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: **13 September 2019**

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

Statement of income - Group

INCOME	Note	2018 Kshs	2017 Kshs
Turnover	2	156,391,657	147,863,115
Direct cost of sales	3	<u>35,797,741</u>	<u>33,092,093</u>
		<u>120,593,916</u>	<u>114,771,022</u>
Other Income	4	21,990,162	20,692,088
Share of profit from joint venture		<u>583,267</u>	<u>-</u>
		<u>22,573,429</u>	<u>20,692,088</u>
		<u>143,167,345</u>	<u>135,463,110</u>
EXPENSES			
Operating and administration expenses	5	36,349,855	35,317,775
Staff costs	6	14,893,397	11,873,879
Finance costs	7	19,583,018	21,537,874
Share of loss from joint venture		<u>-</u>	<u>128,500</u>
		<u>70,826,270</u>	<u>68,858,028</u>
Profit before tax from continuing operations		72,341,075	66,605,082
Tax charge/benefit	8(a) i	<u>(23,147,217)</u>	<u>(20,552,066)</u>
Profit after tax for continuing operations		49,193,858	46,053,016
Discontinued operations			
Loss from discontinued operations	28	(2,180,216)	(1,116,128)
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(2,180,216)	(1,116,128)
Profit after tax for the year		47,013,642	44,936,888
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>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Statement of comprehensive income - Group

	Note	2018 Kshs	2017 Kshs
Profit for the year after tax		<u>47,013,642</u>	<u>44,936,888</u>
Other comprehensive income - Group			
Items that will not be classified to income statements;			
Increase in fair value of investment properties	10	<u>-</u>	<u>-</u>
Deferred tax		<u>-</u>	<u>-</u>
Net other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>47,013,642</u></u>	<u><u>44,936,888</u></u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

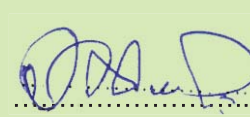
Statement of financial position at 31 December 2018 - Group

ASSETS	Note	2018	2017
Non-current assets		Kshs	Kshs
Property, plant & equipment	9(a)	72,273,803	48,710,560
Investment properties	10	1,674,239,173	1,674,239,173
Investment in joint venture	11	980,190,267	979,607,000
Goodwill	12	17,878,491	17,878,491
Other investments	14	97,634,034	70,634,034
		<u>2,842,215,768</u>	<u>2,791,069,258</u>
Current assets			
Inventory	15	92,381,635	125,605,914
Trade and other receivables	17	159,437,082	162,142,314
Tax recoverable	8(c)	4,107,957	7,339,999
Cash and bank balances	18	273,163,436	232,355,922
		<u>529,090,110</u>	<u>527,444,149</u>
Total assets		<u>3,371,305,878</u>	<u>3,318,513,407</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800	49,748,800
Capital reserve	20	1,739,242,450	1,739,242,450
Revenue reserve		(134,527,872)	(168,606,826)
		<u>1,654,463,378</u>	<u>1,620,384,424</u>
Non current liabilities			
Deposit for plots and shares	21	890,796,833	886,128,158
Bank loan	22	126,561,846	136,973,192
Deferred tax	23	484,904,170	470,958,051
		<u>1,502,262,849</u>	<u>1,494,059,401</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	8,668,259	5,309,482
Trade and other payables	25	157,688,531	161,585,705
Dividend payable	26	36,917,566	25,869,100
		<u>214,579,651</u>	<u>204,069,582</u>
Total capital and liabilities		<u>3,371,305,878</u>	<u>3,318,513,407</u>

These financial statements were approved for issue by the board of directors on **13 September 2019** and signed on its behalf by;



Hon. E. M. Wamae
Chairman



Hon. N. Muigai
Vice Chairman

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Group financial statements

Statement of financial position at 31 December 2018 - Parent company

ASSETS	Note	2018 Kshs	2017 Kshs
Non-current assets			
Property, plant & equipment	9(b)	108,354,475	84,652,176
Investment properties	10	1,207,879,273	1,207,879,273
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	97,634,034	70,634,034
		<u>1,442,605,353</u>	<u>1,391,903,054</u>
Current assets			
Inventory	15	91,431,019	124,655,298
Amount due from related party	16	167,780,127	165,095,192
Trade and other receivables	17	145,799,317	148,572,693
Taxation	8	4,100,145	7,332,187
Cash and bank balances	18	272,835,087	231,984,577
		<u>681,945,695</u>	<u>677,639,947</u>
Total assets		<u>2,124,551,048</u>	<u>2,069,543,001</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		124,984,484	89,308,582
		<u>778,780,419</u>	<u>743,104,517</u>
Non current liabilities			
Deposit for plots and shares	21	890,796,833	886,128,158
Bank loan	22	126,561,846	136,973,192
Deferred tax		158,218,097	144,271,979
		<u>1,175,576,776</u>	<u>1,167,373,329</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	8,668,259	5,309,482
Trade and other payables	25	113,302,733	116,581,278
Dividend payable	26	36,917,566	25,869,100
		<u>170,193,853</u>	<u>159,065,155</u>
Total capital and liabilities		<u>2,124,551,048</u>	<u>2,069,543,001</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Statement of changes in equity - Group

		Share capital Kshs	Capital reserves Kshs	Proposed Dividends Kshs	Revenue reserves Kshs	Total Kshs
2017						
At 1 January 2017		49,748,800	1,739,242,450	17,841,374	(146,644,639)	1,660,187,985
Prior year deferred tax adjustment					(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	(168,606,826)	1,646,253,524
2018						
At 1 January 2018		49,748,800	1,739,242,450	25,869,100	(168,606,826)	1,646,253,524
Profit for the year		-	-	-	47,013,642	47,013,642
Dividend declared in the year	26	-	-	12,934,688	(12,934,688)	-
Dividend paid	26	-	-	(1,886,222)	-	(1,886,222)
At 31 December 2018		49,748,800	1,739,242,450	36,917,566	(134,527,872)	1,691,380,944

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Statement of changes in equity - Parent company

	Share capital Kshs	Capital reserves Kshs	Proposed Dividends Kshs	Revenue reserves Kshs	Total Kshs
2017					
At 1 January 2017	49,748,800	604,047,135	17,841,374	110,026,142	781,663,451
Prior year deferred tax adjustment				(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
At 1 January 2018	49,748,800	604,047,135	25,869,100	89,308,582	768,973,617
Dividend declared in the year	-	-	12,934,688	(12,934,688)	-
Dividend paid	-	-	(1,886,222)	-	(1,886,222)
Profit for the year	-	-	-	48,610,590	48,610,590
At 31 December 2018	49,748,800	604,047,135	36,917,566	124,984,484	815,697,985

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Statement of cash flows - Group	Note	2018 Kshs	2017 Kshs
Profit before taxation for continuing operations		72,341,075	66,605,082
Loss before taxation for discontinued operations		<u>(2,180,216)</u>	<u>(1,116,128)</u>
		70,160,859	65,488,954
Adjustments for:			
Depreciation	9(a)	<u>1,597,433</u>	<u>871,053</u>
		71,758,292	66,360,007
Changes in working capital			
Inventories	15	33,224,279	30,803,137
Trade and other receivables	17	2,705,233	(2,674,815)
Provisions	24	3,358,777	1,650,020
Trade and other payables	25	<u>(3,897,174)</u>	<u>(6,519,913)</u>
Net cash flow from operating activities		107,149,406	89,618,436
Tax paid	8(c)	<u>(5,969,056)</u>	<u>(6,412,919)</u>
		101,180,350	83,205,517
Cash flow from investing activities			
Purchase of properties and equipments	9(a)	(25,160,676)	(10,320,955)
Additions to equity investments	14	(27,000,000)	(50,000,414)
Changes in value of investment in the joint venture	11	<u>(583,267)</u>	<u>128,500</u>
		<u>(52,743,943)</u>	<u>(60,192,869)</u>
Cash flow from financing activities			
Loan repayment	22	(10,411,346)	(8,885,766)
Deposit received for plots and shares	21	4,668,675	14,626,000
Dividend paid during the year	26	<u>(1,886,222)</u>	<u>(4,906,962)</u>
		<u>(7,628,894)</u>	<u>833,272</u>
Increase in cash & cash equivalents		40,807,514	23,845,919
Cash and cash equivalent at start of the year		<u>232,355,922</u>	<u>208,510,003</u>
Cash and cash equivalent at end of the year		<u>273,163,436</u>	<u>232,355,922</u>
Comprising			
Bank balances	18	30,928,930	17,349,586
Fixed deposit	18	242,146,740	214,954,766
Cash in hand	18	<u>87,766</u>	<u>51,570</u>
		<u>273,163,436</u>	<u>232,355,922</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:

- 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 was revised and became effective from 1 January 2018.
- 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 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.

Notes to the financial statements(cont'd)

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.

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

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 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.

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

d) Property, plant and equipment(cont'd)

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.

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.

Notes to the financial statements(cont'd)

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.

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.

Notes to the financial statements(cont'd)

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.

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

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 through the profit and loss account.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
2 INCOME				
Rent receivable	98,355,657	94,213,565	98,355,657	94,213,565
Sales of plots	58,036,000	53,649,550	58,036,000	53,649,550
	156,391,657	147,863,115	156,391,657	147,863,115
3 DIRECT COST				
Cost of plots sold	35,797,741	33,092,093	35,797,741	33,092,093
4 OTHER INCOME				
Interest	21,293,606	20,236,413	21,293,606	20,236,413
Other income	696,556	455,675	696,556	455,675
	21,990,162	20,692,088	21,990,162	20,692,088
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	916,418	1,986,388	916,418	1,986,388
Professional fee	354,960	746,047	354,960	746,047
Land rent and rates	818,007	1,160,386	818,007	1,160,386
Telephone and postage	560,266	88,992	560,266	88,992
Directors fees	4,276,800	3,888,000	4,276,800	3,888,000
Directors expenses	1,382,250	1,010,050	1,382,250	1,010,050
Depreciation	1,458,377	729,160	1,458,377	729,160
Audit fees	210,000	210,000	210,000	210,000
Other expenses	1,341,632	1,784,458	1,341,632	1,784,458
Insurance and licenses	1,854,054	1,326,655	1,854,054	1,326,655
Security	2,156,517	3,136,701	2,156,517	3,136,701
Repairs and maintenance	4,302,871	3,559,693	4,302,871	3,559,693
AGM expenses	-	1,095,165	-	1,095,165
Donations	735,200	20,600	735,200	20,600
Marketing	1,107,476	1,023,771	1,107,476	1,023,771
Bank charges	69,292	69,385	69,292	69,385
Property management commission	4,361,903	3,909,505	4,361,903	3,909,505
Sales commission	2,768,690	2,559,428	2,768,690	2,559,428
Water and electricity	7,675,142	7,013,391	7,675,142	7,013,391
	36,349,855	35,317,775	36,349,855	35,317,775
6 STAFF COSTS				
Salaries	12,703,565	10,207,059	12,703,565	10,207,059
NSSF	20,000	16,800	20,000	16,800
Terminal benefits	2,169,832	1,650,020	2,169,832	1,650,020
	14,893,397	11,873,879	14,893,397	11,873,879

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
7 FINANCE COST				
Loan interest	19,583,018	21,537,874	19,583,018	21,537,874
	19,583,018	21,537,874	19,583,018	21,537,874
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	9,201,098	6,070,923	9,201,098	6,070,923
Deferred tax	13,946,119	14,481,143	13,946,119	14,481,143
	23,147,217	20,552,066	23,147,217	20,552,066
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	23,147,217	20,552,066	23,147,217	20,552,066
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	72,341,075	66,605,082	69,572,574	69,572,574
Loss from discontinued operations	(2,180,216)	(1,116,128)	-	-
	70,160,859	65,488,954	69,572,574	69,572,574
Tax @ 30%	(21,048,258)	(19,646,686)	(20,871,771)	(20,871,772)
Tax effect on certain capital allowances	-	-	-	-
Effects of loss expired in the year	-	-	-	-
Tax effect on tax loss c/fwd	44,195,475	40,198,752	(2,275,446)	319,705
Tax effect on non taxable expense	-	-	-	-
	23,147,217	20,552,066	(23,147,217)	(20,552,067)
c) Tax recoverable				
Balance b/fwd	(7,339,999)	(6,998,003)	(7,332,187)	(6,990,191)
Provision for the year	9,201,098	6,070,923	9,201,098	6,070,923
Payment	(5,969,056)	(6,412,919)	(5,969,056)	(6,412,919)
	(4,107,957)	(7,339,999)	(4,100,145)	(7,332,187)

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2018

Notes to the financial statements(cont'd)

9(a) PROPERTY AND EQUIPMENT - GROUP

2018	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 2018	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
Additions	-	3,474,500	1,290,000		334,800		1,084,747	18,976,629	25,160,676
31 December 2018	23,818,881	18,935,448	2,740,000	1,935,930	5,256,095	9,966,698	2,538,943	29,125,084	94,317,079
Depreciation									
At 1 January 2018	-	6,568,504	1,191,931	1,188,647	3,099,115	7,100,760	1,296,886	-	20,445,843
Charge for the period	-	331,670	387,017	135,260	269,623	101,246	372,617	-	1,597,433
31 December 2018	-	6,900,174	1,578,948	1,323,907	3,368,738	7,202,006	1,669,503	-	22,043,276
Net book Value									
31 December 2018	23,818,881	12,035,274	1,161,052	612,023	1,887,357	2,764,692	869,440	29,125,084	72,273,803
2017									
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
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

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.

AGRICUTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

9(b) PROPERTY AND EQUIPMENT - COMPANY

2018	Land	Buildings & fittings	Motor vehicle	Machinery	Generator	Electrical and water installations	Computers	Work in progress	Total
Cost / Valuation									
At 1 January 2018	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
Additions	-	3,474,500	1,290,000	-	334,800	18,976,629	1,084,747	25,160,676	
31 December 2018	66,713,281	8,921,398	2,740,000	1,609,448	5,256,095	10,293,180	2,538,943	29,125,084	127,197,429
Depreciation									
At 1 January 2018	-	3,507,235	1,191,931	1,174,600	3,099,115	7,114,810	1,296,886	-	17,384,577
Charge for the period	-	192,614	387,017	135,260	269,623	101,246	372,617	-	1,458,377
31 December 2018	-	3,699,849	1,578,948	1,309,860	3,368,738	7,216,056	1,669,503	-	18,842,954
Net book Value									
31 December 2018	66,713,281	5,221,549	1,161,052	299,588	1,887,357	3,077,124	869,440	29,125,084	108,354,475
2017									
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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

10 INVESTMENT PROPERTIES	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
At the start of the year	1,674,239,173	1,674,239,173	1,207,879,273	1,207,879,273
Additions during the year	-	-	-	-
Fair value adjustment	-	-	-	-
Reclassification to inventory	-	-	-	-
Disposal	-	-	-	-
	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 values professionally determined in 2017.

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	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Investment during the year	979,607,000	979,735,500	-	-
Profit/(loss) from joint venture	583,267	(128,500)	-	-
	980,190,267	979,607,000	-	-

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	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

13 INVESTMENTS IN SUBSIDIARY

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 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	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Unquoted				
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 Investment Ltd.	77,000,414	50,000,414	77,000,414	50,000,414
	97,634,034	70,634,034	97,634,034	70,634,034

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

15 INVENTORY

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Cost of untransferred benefits at Kenyatta road plots	91,431,019	124,655,298	91,431,019	124,655,298
Trade goods from discontinued operation	950,616	950,616	-	-
	92,381,635	125,605,914	91,431,019	124,655,298

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	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Balance b/fwd	-	-	165,095,192	166,862,571
Additions	-	-	2,684,935	(1,767,379)
	-	-	167,780,127	165,095,192

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

16 TRANSACTIONS WITH RELATED PARTY (Cont'd)

b) Remuneration to key management and directors;

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
<i>Management;</i> Salary and other benefits	3,600,000	3,600,000	3,600,000	3,600,000
<i>Directors;</i> As executives	4,276,800	3,888,000	4,276,800	3,888,000
	7,876,800	7,488,000	7,876,800	7,488,000

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
17 TRADE AND OTHER RECEIVABLES				
Trade receivables	41,715,493	36,947,115	28,581,248	23,881,010
Other receivables	8,863,509	17,935,080	8,773,989	17,845,564
Deposits and prepayments	64,952,110	56,831,648	64,538,110	56,417,648
Survey fees receivable	9,716,060	16,463,936	9,716,060	16,463,936
Share compensation	34,189,910	33,964,535	34,189,910	33,964,535
	159,437,082	162,142,314	145,799,317	148,572,693

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
18 CASH AND CASH EQUIVALENTS				
Cash at bank	30,928,930	17,349,586	30,600,581	16,978,241
Fixed deposit	242,146,740	214,954,766	242,146,740	214,954,766
Cash in hand	87,766	51,570	87,766	51,570
	273,163,436	232,355,922	272,835,087	231,984,577

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

19 SHARE CAPITAL	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 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	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 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	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Deposit for plots	58,216,271	53,547,596	58,216,271	53,547,596
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	380,327,924	380,327,924	380,327,924	380,327,924
	890,796,833	886,128,158	890,796,833	886,128,158

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
22 BORROWINGS				
Housing Finance loan 1	51,151,577	55,313,431	51,151,577	55,313,431
Housing Finance loan 2	86,715,564	92,965,056	86,715,564	92,965,056
	137,867,141	148,278,487	137,867,141	148,278,487
Payable after 12 months	126,561,846	136,973,192	126,561,846	136,973,192
Payable within 12 months	11,305,295	11,305,295	11,305,295	11,305,295
	137,867,141	148,278,487	137,867,141	148,278,487

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

	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	375,001	(1,300,320)		(925,319)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
Losses carried forward	16,597,387	(12,645,799)		3,951,588
	(470,958,051)	(13,946,119)	-	(484,904,170)

Deferred income tax on unutilised losses carried forward amounting to Kshs 90,816,437 (2017: Kshs 90,162,372) 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	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Gratuity	8,668,259	5,309,482	8,668,259	5,309,482

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

25 TRADE AND OTHER PAYABLES	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Trade payables	10,575,287	14,314,327	4,596,488	8,337,797
Accruals	20,248,580	21,804,773	19,615,663	21,171,856
Other payables	52,426,353	53,743,016	14,652,271	15,348,037
Survey fees deposit	12,013,885	10,521,435	12,013,885	10,521,435
Tenants deposits	62,424,426	61,202,154	62,424,426	61,202,154
	157,688,531	161,585,705	113,302,733	116,581,278

26 DIVIDEND PAYABLE	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Opening balance	25,869,100	17,841,374	25,869,100	17,841,374
Dividends declared in the year	12,934,688	12,934,688	12,934,688	12,934,688
Paid during the year	(1,886,222)	(4,906,962)	(1,886,222)	(4,906,962)
Balance at 31 December	36,917,566	25,869,100	36,917,566	25,869,100

Dividends are recognised as a liability in the period in which they are declared. In 2018 a dividend of Kshs 12,934,688 (2017: Kshs 12,934,688) 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	
2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
818,007	1,160,386	818,007	1,160,386
-	-	-	-
818,007	1,160,386	818,007	1,160,386

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

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 98,355,657 (2017: 94,213,565). The property held has committed tenants ranging between the one and three years. At the balance sheet date, the company had contracted with tenants for the following future minimum lease payments.

	Group		Company	
	2018 Kshs	2017 Kshs	2018 Kshs	2017 Kshs
Within one year	98,300,000	94,200,000	98,300,000	94,200,000
In the second to sixth years	196,600,000	196,600,000	196,600,000	196,600,000
	<u>294,900,000</u>	<u>290,800,000</u>	<u>294,900,000</u>	<u>290,800,000</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;

	2018 Kshs	2017 Kshs
Sales of clay products	-	182,886
Direct cost of sales	-	<u>(90,000)</u>
	-	92,886
Operating and administration expenses	<u>2,180,216</u>	<u>1,209,014</u>
Loss from discontinued operations	<u>(2,180,216)</u>	<u>(1,116,128)</u>

29 COMMITMENTS AND CONTINGENT LIABILITIES

The subsidiary company 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 delays in 2017 and part of 2018 due to financial challenges occasioned by the the other party but these were addressed and the project is progressing well.

Notes to the financial statements(cont'd)

29 COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

The cost of the delay have been estimated to be Kshs 200 million. Kshs 57 million has been compensation to the contractor and the balance Kshs 143 million is 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.

The contractor is claiming compensation of Kshs 300 million for the lost opportunity he incurred for the delays in the project. However, the directors have disputed this amount and no provision have been in the financial statements as chances of payment are considered remote.

The subsidiary company has a legal dispute on the allocation of a small part of its land for public utility the outcome of which by the date of the issue of these financial statements was uncertain.

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

Provisions for retirement benefit cost

Provision for income taxes

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial instruments comprise cash and cash equivalents, receivables and payables. These instruments arise directly from its operations. The company does not speculate or trade in derivative financial instruments.

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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.

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 is therefore insignificant.

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 has shifted 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 property market is experiencing some shocks but the management does not expect any significant risk in price variation.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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.

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

	Fully performing Kshs	Past due but not impaired Kshs	Total Kshs
31 December 2018			
Trade receivables	28,581,247	13,134,246	41,715,493
Other receivables	6,534,379	2,329,126	8,863,505
Dues for plot surveying and demarcation		108,858,080	108,858,080
Cash and bank	273,075,670	-	273,075,670
	<u>308,191,296</u>	<u>124,321,452</u>	<u>432,512,748</u>
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>

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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.

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 2018			
Trade payables	10,575,287		10,575,287
Other payables	16,892,296	35,534,057	52,426,353
Deposits		74,438,311	74,438,311
Accruals	20,248,580	-	20,248,580
	<u>47,716,163</u>	<u>109,972,368</u>	<u>157,688,531</u>
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>

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2018

Notes to the financial statements(cont'd)

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

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.
- 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 2018.

36 INCORPORATION

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

PROXY FORM

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 Friday, 24th January, 2020 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.

*AIH Ltd Members Visiting New Office - Kasarani
The Company puts shareholders interest first*



Company shareholder visiting AIH Account Office for dividend payments



Company shareholder visiting AIH Account Office for dividend payments



Company shareholder visiting AIH Ltd Registry Office to pay for title deed and collecting dividend.



Company shareholder visiting AIH Ltd Registry Office to pay for title deed and collecting dividend.

Clay City 3 bedroom Apartments

The inside look



Lounge/Dining



Kitchen



Bedroom 1



Bedroom 2

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

Website: www.aih-plc.com

