

2020



Company Transformation



Members at last AGM at Bomas of Kenya. The company puts members' interest first

ANNUAL REPORT & GROUP FINANCIAL STATEMENTS

Dream come True

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



Special discounted price

Kshs. 7.65M

Down from Kshs 8.65M

Key Features

- ✓ Master ensuite ✓ Spacious Lounge with dining ✓ Separate common bath & WC
- ✓ Ceramic tiles floor finish ✓ Hot water heating system
- ✓ Kitchen granite counter top ✓ Kid friendly play area
- ✓ 2 lifts per block ✓ Ample water storage ✓ Useable rooftop
- ✓ Secure boundary with electric fence ✓ Common refuse chute

ClayCity Apartments, 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



Clayworks Ltd. is a member of AIH Ltd Group

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

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For the year ended 31 December 2020

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Hon. Matu Wamae, EBS

Acknowledgement of Chairman's Contribution to the Company

The Board of directors and Management salutes chairman Hon Matu Wamae for his visionary leadership that has kept the company alive as most of the companies which were formed at the same time with Agricultural and Industrial Holdings Ltd are no longer existing. The chairman is credited for transforming the company from loss making to profit making. The chairman is also one of the brains behind forming of the company.

Extract from "Born to Serve" Book

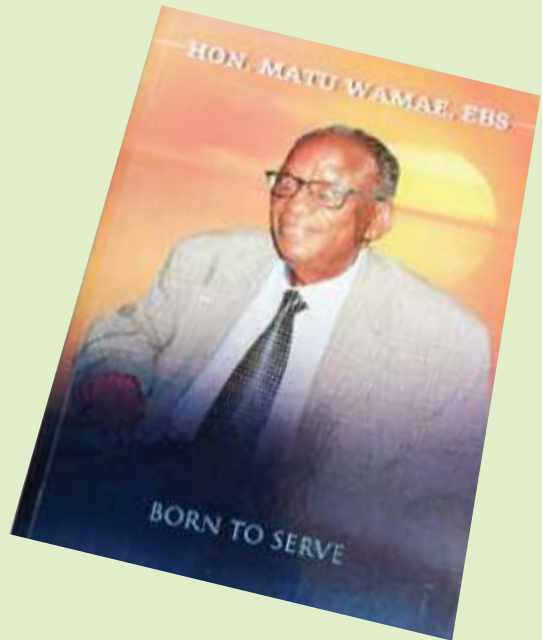
[My experience spans three leadership generations, from my experience at the precursor to the Central Bank of Kenya as a young manager straight from university, followed by my solid mid-career tenure at the helm of the Industrial and Commercial Development Corporation and culminating with my transformative leadership at New KCC.

I have talked about my unique experience as a director of Agricultural and Industrial Holdings Limited, which started as GEMA holdings but we had to change the name following a purge by the Daniel Arap Moi administration on "tribal" organizations. I have diligently managed other peoples' finances, ensuring they get a decent return on their investments. While all the other so called tribal investments collapsed, Agricultural Holdings survived and has consistently built value for its 22,000 shareholders].



Acknowledgement of Chairman's Contribution to the Company (Cont'd)

*Chairman Hon Matu Wamae handing over to Director Joseph M Gichuru his newly launched autobiography Popular book "**Born to Serve**" shown below*



Chairman Hon Matu Wamae, Vice Chairman Hon Ngengi, General Manager Michael Wandegwa discussing with the virtual meeting ICT provider

Acknowledgement of Chairman's Contribution to the Company (Cont'd)



Chairman Hon. Wamae at last AGM at Bomas of Kenya. The Chariman ensures the company holds AGMs every year. In photo from left seen Director Michael Mbarire, Director Joseph M. Gichuru.



From Right Chairman Hon. E.M Wamae, GM Mr. Michael Wandegwa and Mr. Wang of Jinsing Ent Co. Ltd on inspection tour of Claycity Apartment Construction. Chairman inspecting construction work to ensure quality work in 2017.



Completed Claycity Apartments Phase one comprising of 80 Units of 3 Bedrooms. Handed over to buyers on 5th June 2020.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held via electronic communication on Wednesday 28th July, 2021 at 11.00 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 24th January, 2020.
4. To consider and, if thought fit, adopt the audited Financial Statements for the year ended 31st December 2019, together with the Chairman's, Directors' and Auditors' reports thereon.

Proposed Resolution

That the audited Financial Statements for the year ended 31st December 2019, together with the Chairman's, Directors' and Auditors' Reports thereon be and are hereby adopted.

5. To consider and, if thought fit, adopt the audited Financial Statements for the year ended 31st December 2020, together with the Chairman's, Directors' and Auditors' reports thereon.

Proposed Resolution

That the audited Final Statements for the year ended 31st December 2020, together with the Chairman's, Directors' and Auditors' Reports thereon be and are hereby adopted.

6. To authorize payment of a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= each 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 2019.

Proposed Resolution

That a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= each amounting to Kshs. 12,934,688/= (Kenya Shillings Twelve Million Nine Hundred and Thirty Four Thousand Six Hundred and Eighty Eight only) be declared in respect of the financial year ended 31st December 2019.

7. To authorize payment of a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= each amounting to Kshs. 13,817,388/= (Kenya Shillings Thirteen Million Eight Hundred Seventeen Thousand Three Hundred and Eighty Eight only) in respect of the financial year ended 31st December 2020.

Proposed Resolution

That a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= each amounting to Kshs. 13,817,388/= (Kenya Shillings Thirteen Million Eight Hundred Seventeen Thousand Three Hundred Eighty Eight only) be declared in respect of the financial year ended 31st December 2020. nding 31st December 2020 be and are hereby authorized for payment.

8. To elect Directors:

(i) In accordance with Article 8(b) of the Company's Articles of Association, Mr. Joseph Wanjohi Kihara, Mr. Michael Mbarire and Dr. Peter Munga retire on rotation and, being eligible offer themselves for re-election.

(ii) Mr. Martin Njeru who was appointed to the Board on 2nd June, 2021 to fill the casual vacancy created following the demise of Mr. Nyaga Mbogo who passed on on 14th January, 2020, retires by rotation in accordance with the Company's Articles of Association, and, being eligible offers himself for re-election.

Proposed Resolutions

(iii) That in accordance with Article 8(b) of the Company's Articles of Association, Mr. Joseph Wanjohi Kihara, Mr. Michael Mbarire and Dr. Peter Munga, be and are hereby re-elected as Directors of the Company.

(iv) That Mr. Martin Njeru who was appointed to the Board on 2nd June, 2021 to fill the casual vacancy created following the demise of Mr. Nyaga Mbogo be and is hereby elected as a Director of the Company.

9. To approve the Directors' remuneration as indicated in the Audited Financial Statements for the years ended 31st December 2019 and 31st December 2020.

Proposed Resolution

That the Directors' remuneration as indicated in the Audited Financial Statements for the years ended 31st December 2019 and 31st December 2020 be and is hereby approved.

10. To confirm that the Auditors, Messrs. Mugo Dominic & Co. , having indicated their willingness, shall continue in office in accordance with Section 721 (2) of the Companies Act 2015 and to authorize the Directors to fix their remuneration.

Proposed Resolution

That Messrs. Mugo Dominic & Co., the Company Auditors having indicated their willingness, shall continue in office in accordance with Section 721 (2) of the Companies Act 2015 and that the Directors be and are hereby authorized to fix their remuneration.

Special Business

11. That due to the ongoing novel coronavirus ("COVID19") pandemic and the related Public Health Regulations, directives and health protocols communicated by the Government of Kenya and restrictions on public gatherings, it is impractical, as contemplated under Section 280 of the Companies Act 2015, for Agricultural & Industrial Holdings Plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

Shareholders will not therefore be able to attend the meeting in person as the AGM shall be held virtually via electronic platforms.

12. To consider and, if thought fit, pass the following resolutions as Special Resolutions:

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NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

THAT the Articles of Association of the Company be amended to provide for electronic communication to shareholders and to hold shareholders' meetings via electronic means as follows.

(i) THAT the Articles of Association of the Company on Notice of General Meetings be amended by adding Article 15 (a) as follows:

“The Company may give such notice in writing or by electronic means or by a combination of means permitted by the Statutes.”

(ii) That Article 7 of the Company's articles of association be amended to allow for virtual attendance of general meetings including extraordinary general meetings and board meetings by inserting article 7 (a) and 7(b) follows:

ATTENDANCE BY ELECTRONIC MEANS

(a) “In the case of any general meeting or board meeting, the Board may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.”

(b) “The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the chairman is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

- (i) participate in the business for which the meeting has been convened; and
- (ii) see and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise), whether in use when these Articles are adopted or developed subsequently in the place at which persons are participating and any other place at which persons are participating via electronic means”.

13. To transact any other business of the Annual General Meeting for which proper notice has been given.

BY ORDER OF THE BOARD



Lucy Kibera
Company Secretary
Nairobi

Date: 6th July, 2021

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NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

Notes:

1. A member entitled to attend and vote at the 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 can be downloaded from the website, must be duly completed by the member and must either be lodged at the Registered Office of the Company, Clayworks, Kasarani, off Thika Superhighway, P.O Box 50124 - 00200, Nairobi or posted, so as to reach the Company not later than 2.00 p.m. on 26th July, 2021.

2. The virtual AGM will be accessible to shareholders and proxies who have duly registered and received the log in credentials. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile phones, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding the shareholders and proxies that the AGM will begin in two hours time.

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CORPORATE INFORMATION

DIRECTORS

Hon E M Wamae	-	Chairman/Managing Director
Hon N Muigai	-	Vice Chairman
Dr. Patricia W Gathia		
Dr. Peter Munga		
Mr. Joseph M Gichuru		
Mr. David N Mbogo	-	Passed on 14 January 2020
Mr. Mondson Kathurima	-	Retired on 24 January 2020
Mr. Michael M Mbarire		
Rev. Joseph Kihara		
Mr. Henry K Njagi	-	Appointed on 24 January 2020

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.
Certified Public Accountants
LR number 3724/847 Amboseli Road
Lavington
P.O. Box 3728 GPO 00100
Nairobi



Hon. Matu Wamae, EBS

Chairman's Report 2020

INTRODUCTION

Let me begin by thanking the Almighty God for keeping us alive and healthy to participate in today's proceedings, in spite of the raging COVID -19 pandemic.

As all members are aware, the year 2020 was unusual year due to COVID-19 pandemic which upto date has caused significant harm to humanity and disrupted life and businesses globally. It has been challenge to all of us, our families and staff, the business we run, and economies we operate in.

The company was unable to hold the AGM for the year ended 31st December 2019 due to Government restrictions on public gatherings, a measure taken to stop the spread of Covid-19 virus. Despite the tough operating environment, the company was able to keep its doors open. The management and members of staff have also shown great commitment and resilience in serving our members during these challenging times including having to wear masks throughout and sometimes forcing members to wear their masks before being served which is a way of caring and protecting one another.

COVID - 19 life (the new norm) of wearing Masks



Company shareholders visiting AIH Ltd Office for title deeds and dividend payments

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COVID - 19 life “the new norm” of wearing Masks



Company shareholders visiting AIH Ltd for title deeds and dividend payments

Life before COVID - 19 “the old norm” no wearing of masks



Last AGM at Bomas Members queuing for registration



Company shareholders visiting AIH Ltd for title deeds and dividend payments

INTRODUCTION (Cont’d)

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 two years ended 31st December 2019 and 2020.

FINANCIAL PERFORMANCES

The company made profit before tax of **Kshs. 38,722,937** in 2020 and **Kshs 61,926,648** in 2019. Compared to year 2019 the profits dropped by **Kshs. 23,203,711**. The drop in profit is attributed to impact of COVID-19 pandemic on businesses as already explained above. As at 31st December 2020 the net worth of your company was **Ksh.4.6 Billion**.

AGRHO HOUSE – MOI AVENUE INVESTMENT PROPERTY

Agrho House, the company’s flagship continues to offer rental space to small shop traders, Beauty Salons, offices, food court, medium size SMES and colleges. It is now a multiuser commercial and educational building in the Nairobi Central Business District.

Agrho House faced many challenges in the years 2019 and 2020. The anchor tenant Nazarene University opted to leave due to low university admissions after the collapse of the private students parallel degree programme. Another challenge was the novel COVID-19 pandemic.

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To fill the vacated space the Board and the Management embarked on an aggressive tenant recruitment drive to get other tenants to replace Nazarene. This efforts bore fruits and brought in new tenants:-

1. Vision Institute of Professional Studies
2. Nairobi Institute of Business Studies(NIBS)
3. Vera Beauty College.

The Company will keep on with aggressive campaign to sell the remaining space to other educational and commercial enterprises. The management is confident that in post COVID -19 pandemic; Agrho House will achieve its occupancy of 95-100%. Agrho House is an investment for AIH Ltd that should be retained for prosperity.



AGRHO HOUSE - *Company flagship, a commercial building situated on Moi Avenue in Nairobi. It hosts small Shops, Beauty Salons, Offices, Food Courts and Colleges*

CLAY CITY APARTMENTS - INVESTMENT

ClayCity Apartments are owned by ClayCity Ltd company, a joint Venture Company between Clayworks Ltd (subsidiary of AIH Ltd) and HF Development and Investment Ltd-HFDI-(subsidiary company of HFCK Bank), ClayCity Apartments is a residential housing Estate on the 24.5acres that was previously occupied by Clayworks Ltd in Kasarani Nairobi County. Originally this parcel was master planned for the construction of the two and three bedroom apartments with amenities in a gated community to attract the medium class earners.

In total Claycity Ltd obtained an approval from the Government to construct 5,200 Units (Two and Three bedrooms) to be built in phases. Phase IA comprising of 80 Units of 3 bedrooms, is fully constructed and some of the units the owners have taken possession and are happily living there. Due to the low demand for medium class houses, the Claycity Ltd Board decided to change the development plan to affordable housing, this decision was driven by the demonstrated demand of affordable housing and the need to support the Government affordable housing agenda.

The Claycity Ltd has been prequalified as a strategic partner for the development of affordable housing under certificate No.016/AHP/20 issued by the ministry of housing. This means the project and the buyers of the affordable housing will enjoy enormous tax benefits. Furthermore all buyers will get guaranteed mortgage finance from the government's corporation incorporated, for that purpose the Kenya mortgage refinance company.

Claycity Ltd Board has approved the construction of affordable housing as follows:-

Type	Size/Sqm	Units	Selling Price per Unit (Kshs)
3 bedroom	75	1560	4,875,000
2 bedroom	60	2080	3,900,000
1 bedroom	34	780	2,380,000
Studio	22	780	1,540,000

Looking at the prices shown above, the houses will attract buyers of all levels of income.

The project can be implemented in five independent phases so that each phase will be evaluated independently and approved prior to any engagement to reduce risks associated with agreements with contractors and consultants. The actual construction work will commence in the third quarter of year 2021. The Company will continue our partnership with HF Group but subject to review depending on prevailing circumstances

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Handing over of Claycity apartments to house buyers. In the photo from right: Roysambu MP Hon. Isaac Waihenya Ndirangu, CS Housing Charles Hinga, MP Kasarani Hon. Mercy Gakuya, GM Michael Wandegwa, two staff from HFGroup and far left HFGroup CEO Robert Kibaara



Official handing over ClayCity Apartments to Buyers on 5th June 2020 by CS Housing Charles Hinga, handing over Key to one of House buyers. Looking on is a staff from HF Group.

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HFC Bank, our bankers and business partners staff talking to members about financial matters. Standing behind is sales team leader Hawa Kasoro and standing in front is Branch Business Consultant Lilian Bewott.



Official handing over ClayCity Apartments to Buyers on 5th June 2020

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 the plots. There are many members who have not collected their titles despite the company effort to register these titles. Secondly there are members who have not paid for the titles registration fees, are being reminded to do so.

KEKOPEY RANCH:

All the Land at Kekopey is fully subdivided except a parcel of 50 acres at JICA which the company donated for public utility. On it sits a Secondary school, Primary school, Police post, churches and water collection points. It is the intention of the company to survey the land and issue titles to the above mentioned institutions occupying the land. I urge the members who own plots next to this public utility to cooperate with the surveyor and offer support whenever called upon.

NAROK RANCH:

The Company continues to encourage our shareholders to take possession of their Sub divided land in Narok Ranch- Rumuruti. Many shareholders have shown interest by their personal visits to the ranch and about 90% have paid and have already collected their title deeds. The Board will keep on talking to both National and County Governments to improve security and infrastructure to make Narok ranch habitable for members.

BALLOTING FOR PLOTS DEADLINE

Due to high running costs, the company has been forced to cut down the costs. In this regard members who have not yet balloted for plots have been given three (3) months up to 31st October 2021 to do so. After 31st October 2021 the company will no longer conduct balloting for plots.



Narok Ranch, Tomatoes farms. This is a gold mine that members should take advantage of the fertile land try tomatoes farming. Members who are owners of these plots are encouraged to collect their Title Deeds

LAND ISSUES SUB-COMMITTEE

The board formed a sub-committee of members shown below chaired by director Joseph M Gichuru to handle members land issues.

- i. Director Joseph M Gichuru
- ii. Director Rev. Joseph Kihara
- iii. Director Dr. Patricia W Gathia
- iv. General Manager Michael K Wandegwa

LAND GRABBERS AND CONMEN

As mentioned in the past, the big challenge the company is having is that of land grabbers and conmen. The company is forced to spend a lot of money to protect company land and also attend court for land dispute cases.

Corporate Social responsibilities: -

1. The Company donated 20-acre plot to the National Police Service to build a security response Centre that will oversee security in the whole area and environs of Narok Ranch.
2. The construction of the massive Neema AIC church and school built by the Koreans Missionary Department on land donated by AIH Ltd.
3. Establishment of a shopping centre next to Mary Mother School.
4. Local security given by the DC, the Kenya Police and the AP's.
5. Establishment of 5 schools.
6. Director Rev. Joseph Kihara continues to oversee the Ranch on behalf of the Board. Members are encouraged to consult him on issues of locating their land and any other issues or suggestion and even compliment.



Director Rev. Kihara in Red shirt with AIC Church members. Land donated to AIC Church by AIH LTD.

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FAMILY BANK SHARES - INVESTMENT

The company investment in Family Bank Shares still stands at a total of **788,800** shares at a cost of **Ksh. 19,393,600**. The Family Bank group improved performance in 2019. Dividend received for year 2019 was **Ksh. 179,846.40**.



Family Bank desk, our bankers and business partners at the last AGM at Bomas. Seen in front is Branch Manager Susan Gatwiri .



From Right: Family Bank Relationship Manager Corporate Banking Lilian Khahoya Makobi, Head, corporate Banking Sarah Kabucho, Auditor Dominic Mugo.



Last AGM General Manager Mr. Michael Wandegwa and Company Secretary Lucy Kibera attending to members with issues



Service providers at last AGM, from right: Branch Manager Susan Gatwiri from Family Bank, Maurice Nga'nga from E.A.IT Sultions one of our in-house ICT consultants,- far left Evans support team member from Mugo Dominic & Co Auditors

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CLAYCITY GARDENS PLOTS KENYATTA ROAD, GATUNDU- INVESTMENT

The company acquired 30 acres of land from Karunguru Coffee Estate Ltd, which were subdivided in sizes 100 by 100 plots and were sold out and project handed over to the owners. The company is looking for other similar investments.



Claycity Gardens plots , Kenyatta Road Gatundu

APATANA INVESTMENTS LTD - INVESTMENT

The operations of Apatana Investment Ltd were adversely affected by COVID-19 pandemic. The company offer catering services to airlines such as KLM Airline, Martin Air, Lufthansa International Airline just to mention a few. However due to the outbreak of COVID- 19 pandemic which heavily affected UK, Germany and generally the European Union, that caused lock downs and the reduction of passengers by 33% per aircraft as COVID- 19 containment measures, the operation of the kitchen was adversely affected by more than a half and as I write this report the management of LSG Sky Chefs Kenya Ltd is looking for alternative customers for survival e.g. catering for schools, outside catering etc.

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. Members in the year 2014 AGM you approved to open 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.



At last AGM, support team from Mugo Dominic Auditors and Leading Secretaries ready to attend to members.



At last AGM, members registering to attend AGM

OVER THE COUNTER TRADING - AIH SHARES

The Board has indentified a stock broker to carry on this activity but due to the COVID-19 pandemic the exercise has delayed. It is expected that in year 2022 the selling and buying of shares will commence.

REPLACEMENT OF OLD SHARE CERTIFICATES / BONUS SHARES

The company is undergoing transformation and it is in the process of updating members' register. The Company declared Bonus shares in 2014 and therefore the old share certificates need to be changed to reflect the correct number of shares. The old share certificates are being replaced with New share certificates. Members are being requested to exchange old share certificates with new certificates at the Company Secretary's office 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



ROBUST MEMBERS' INFORMATION MANAGEMENT SYSTEM (MIMS)

As already mentioned, the company is undergoing transformation and want to come up with a robust members, information management system (MIMS). In the last AGM I reported that the company is going digital. It was expected that Members Information Management System (MIMS) would be ready and operational from year 2020 but this did not happen due to technical challenges from side of the system developer Velafrica Communications Limited. We ask members to bear with us while we are still working on the system, better late and have a good system that can meet all members and company requirements. The company is keen to keep abreast with technology as indicated below:

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- Members can get company information on our company website, www.aih-plc.com.
- Company Mpesa pay bill **Account No.921776, account number your phone number** is now operational.

Virtual Company Meeting.

- As you are all aware of COVID-19 pandemic, the company has been forced to hold virtual meetings to comply with the Ministry of Health protocols. This is the reason why we are holding virtual AGM this year.

DIVIDENDS

The Directors propose to pay a dividend at Ksh.26 per share for the year ended 31st December 2019 and 2020. Total dividend for year 2019 Kshs 12,934,688 and Kshs 13,817,388 for year 2020.



Members attending last AGM at Bomas



Members attending last AGM at Bomas

PAYING TRIBUTE TO LATE DIRECTOR DAVID N. MBOGO

Last year 2020 was bad year for the company, we lost one of our directors David Nyaga Mbogo. On behalf of the board of directors, the management and staff and members of the company I wish to pay tribute to late director for his contribution in the development of the company. God bless his soul.



In Past Photo. From left: directors Mr. Joseph Gichuru, Late David N. Mbogo, Chairman Hon. Matu Wamae Vice chairman Hon. N. Muigai and Mr. Mondson Kathurima. Chairman launching AIH New Share Certificates.

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COMPANY HEAD OFFICE - KASARANI/NAIROBI

All members with issues are welcome at the company office at Kasarani but are requested to observe Covid- 19 Ministry of health rules.



In the photo from left; Late member Kianja was a regular visitor at company offices . God bless his soul. On the right is Mr Waithaka of Spring Engineering Group Inc (SEG) one of our in-house ICT consultant



Company shareholders visiting AIH Ltd for title deeds and dividend payments

AIH Ltd Accounts Dept. Staff at Kasarani Office, from left Antony Kamau and Joseph Mburu

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DIRECTORS

Our company is lucky it has directors with wealth of experience and knowledge in corporate affairs of companies. As earlier mentioned we have projects going on and I have received a lot of support from the Directors. It can't go without saying, the Vice chairman Hon Ngengi has been of very much help to the company during difficult times. 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



*Late Mr. David N. Mbogo
Passed on 14th January 2020*

Director



Dr. Peter Munga

Director



Mr. Joseph N. Gichuru

Director



*Mr. Mondson Kathurima
Retired on 24th January 2020*

Director



Rev. Joseph Kihara

Director



Mr. Michael M. Mbarire

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BOARD OF DIRECTORS (Cont'd)

New Director



*Mr. Henry K. Njagi
Appointed 24th January 2020*



From Right: Family Bank Relationship Manager Corporate Banking Lilian Khahoya Makobi, Head, corporate Banking Sarah Kabucho, Newly elected Director Henry K. Njagi, Auditor Dominic Mugo, Director Dr. Patricia Gathia and Company Secretary Lucy Kibera.

MANAGEMENT TEAM



*Managing Director
Hon. EM Wamae, EBS*



*Projects & Investments
Manager Eng. Patrick Njagi*



*General Manager
CPA Michael Wandegwa*



*Chief Accountant
CPA Jacob Babu*



At last AGM, from right seated Projects and Investment Manager Eng. Patrick Njagi, Auditor Dominic Mugo and AIH staff Denis and Kamotho at hand to welcome members.

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FUTURE OF THE COMPANY

The company is undergoing transformation to keep up with the changes in the business world. With the investments mentioned above the Board is confident that the company is headed on the right direction with prospects for growth in terms of profit and capital gains.



At last AGM, Auditor Mugo Dominic presenting the Audit Report to the members.



At last AGM, Company Secretary reading the notice of AGM to the members



At last AGM from left: Director Michael M Mbarire, Director Joseph Gichuru, Chairman Hon. Matu Wamae, Standing GM Michael Wandegwa, Company Secretary Lucy Kibera, Director Dr. Patricia W Gathia and Auditor Dominic Mugo



At last AGM members keenly following the meeting proceedings

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020



At last AGM, members having a bite



At last AGM, members given chance to ask questions on company matters



Members attending last AGM at Bomas

CONCLUSION

On behalf of the Directors and myself, I would like to thank you all for your cooperation and understanding for all that we have gone through since the last Annual General Meeting. We still appeal for your continued support and understanding in future.

May I take this opportunity to urge all members to continue observing COVID 19 prevention protocols for our well-being and that of our loved ones. Wishing you good health and success in all of your endeavors. God bless us all.

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 2020

Report of the Directors

The directors submit their report together with the audited group financial statements for the year ended 31 December 2020, 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

	2020	2019
	Kshs	Kshs
The result for the year was as follows:		
Continuing operation		
Profit for the year before tax	38,722,937	61,926,648
Tax charge	(11,278,999)	(19,953,684)
Profit for the year after tax	<u>27,443,938</u>	<u>41,972,964</u>
Discontinued operation		
Loss for the year before tax	(2,841,229)	(658,650)
Tax charge	-	-
	<u>(2,841,229)</u>	<u>(658,650)</u>
Profit taken to retained earnings	<u>24,602,709</u>	<u>41,314,314</u>

3 DIVIDENDS

The directors have proposed to pay a dividend of Kshs 26 per share amounting to Kshs 13,817,388 for the shares outstanding at 31 December 2020 subject to the approval by the shareholders at the annual general meeting. In 2019 a dividend of Kshs 26 per share amounting to Kshs 12,934,688 was proposed.

4 DIRECTORS

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

5 DIRECTORS REMUNERATION

The remuneration of the directors is disclosed in note 5.

Report of the Directors (Cont'd)

6 RELEVANT AUDIT INFORMATION

The directors in office at the date of this report confirm that;

- i) there is no relevant audit information that the company's auditor is not aware of and that,
- ii) each director has taken all steps that ought to have been taken as a director to be aware of any relevant information and to establish that the company's auditor is aware of that information.

7 AUDITORS

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

8 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on page 35 to 63 were approved and authorised for issue by the board of directors on **2 June 2021**

By order of the board

Lucy Kibera
Leading secretaries
Certified Public Secretaries
SECRETARY

Date: **2 June 2021**

STATEMENT OF DIRECTORS' RESPONSIBILITY

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.

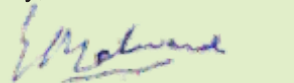
The directors accept the responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimate in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies 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. As indicated in note 29 the project experienced delays in 2017 and 2018 due to financial and logistical reasons and had to reschedule the project planned programs. The first 80 units of the resident houses of the first phase have been completed and now the project is gearing up for the next phase.

The joint venture project has experienced the negative effects of the COVID-19 pandemic. This has affected the commencement of low cost house project and lowered the pace of sales of completed house units. However, as the country progressively continues to recover from the negative effects of the partial lock down and in the anticipation of a global remedy in the near future, the directors are optimistic that the project will be able to manage its cash flow in the new environment and remain resilient.

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 **2 June 2021** 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 35 to 63 for the year ended 31 December 2020. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2020, 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 2020 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.

Consolidation

The company fully owns Clayworks Limited and through Clayworks Limited co-owns Claycity Limited a joint venture, with HFC Limited. The share of loss from the join venture recognised in the year is from unaudited financial statements for the year. The latest audited financial statements of the venture are for the year 2017 and the directors believe that the draft financial statements of the venture for year will not materially differ once audit is completed.

Uncertainty posed by COVID-19

COVID-19 is a new pandemic which was first reported in China in December 2019 and has quickly spread all over the world with unprecedented negative financial and economical effects. As a way of managing the pandemic there has been global restriction of movement and in some cases complete lockdown which have affected business operations. Most business are experiencing market uncertainties and disruption in their supply chains thereby creating huge negative impact and uncertainties in future operations.

Uncertainty posed by COVID-19 (continued)

The company's owns real estate property and through its joint venture is undertaking real estate projects. The progress of these projects and the cash flow of the company has subsequent to the year end experienced the negative effects of COVID-19 with reduced rental income and slow sales of real estate properties. At the date of issue of these financial statements there were uncertainties about the extend to which the pandemic would negatively affect the future results, the value of the assets and cash flow of the company and the group.

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 company has invested substantially in the joint venture for development of its land in Kasarani. The projected was started in November 2016 but experienced delays in 2017 and 2018 due to delays by the other party of the joint venture in contributing funds. As at the balance sheet date the additional costs as a result of this delay were estimated by the directors to be Kshs 300 million, Kshs 57 million being additional cost charged by the contractor due to idle capacity and Kshs 243 million being the estimated opportunity cost lost by the company.

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.

How the audit addressed the key audit matters (cont'd)

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.

Members register

The members register is considered a significant audit matter due to the huge number of members and the significance of the amount of the uncollected dividend.

How the audit addressed the key audit matters

We reviewed the shareholders manual register and compared the details to the annual returns to the registrar of companies

We reviewed the on going automation of the shareholders register and held discussions with management on the progress being made.

We reviewed contacts and other details in the members registers.

Held discussions with the management to understand the reasons for very low dividend pay out against dividend declared.

We noted that largely the register of the shareholders of the company has not been updated with the contact details of the shareholders such as National Identification Numbers and telephone numbers. We also noted that the 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. This creates difficulties in communication with the shareholders and prevents the company from using mobile money transfer to pay dividends.

Unless the issue of unpaid dividend is addressed in time the company may be required to surrender the these to the Unclaimed Assets Authority.

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;

- 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.

Auditors responsibilities for the audit of the financial statements(continued)

- 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: **2 June 2021**

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

Statement of income - Group

INCOME	Note	2020 Kshs	2019 Kshs
Turnover	2	92,585,838	125,506,056
Direct cost of sales	3	<u>9,956,252</u>	<u>19,701,252</u>
		<u>82,629,586</u>	<u>105,804,804</u>
Other Income	4	<u>29,317,040</u>	<u>31,834,822</u>
		<u>29,317,040</u>	<u>31,834,822</u>
		<u>111,946,626</u>	<u>137,639,626</u>
EXPENSES			
Operating and administration expenses	5	37,652,706	41,817,214
Staff costs	6	17,352,857	15,513,002
Finance costs	7	15,612,126	17,290,762
Share of loss from joint venture		<u>2,606,000</u>	<u>1,092,000</u>
		<u>73,223,689</u>	<u>75,712,978</u>
Profit before tax from continuing operations		38,722,937	61,926,648
Tax charge	8(a) i	<u>(11,278,999)</u>	<u>(19,953,684)</u>
Profit after tax for continuing operations		27,443,938	41,972,964
Discontinued operations			
Loss from discontinued operations	28	(2,841,229)	(658,650)
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(2,841,229)	(658,650)
Profit after tax for the year		24,602,709	41,314,314
Dividends:			
Proposed dividend Kshs 26 per share		<u>13,817,388</u>	<u>12,934,688</u>
		<u>13,817,388</u>	<u>12,934,688</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

Statement of comprehensive income - Group

	Note	2020 Kshs	2019 Kshs
Profit for the year after tax		<u>24,602,709</u>	<u>41,314,314</u>
Other comprehensive income - Group			
Items that will not be classified to income statements;			
Increase in fair value of investment properties		<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>24,602,709</u></u>	<u><u>41,314,314</u></u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

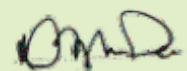
Statement of financial position at 31 December 2020 - Group

ASSETS	Note	2020	2019
Non-current assets		Kshs	Kshs
Property, plant & equipment	9(a)	71,406,920	72,933,010
Investment properties	10	1,678,176,651	1,678,176,651
Investment in joint venture	11	976,492,267	979,098,267
Goodwill	12	17,878,491	17,878,491
Other investments	14	108,113,742	108,113,742
		<u>2,852,068,071</u>	<u>2,856,200,161</u>
Current assets			
Inventory	15	65,492,800	74,464,248
Trade and other receivables	17	160,150,002	155,584,738
Tax recoverable	8(c)	2,834,988	4,622,788
Cash and bank balances	18	330,902,084	310,379,077
		<u>559,379,874</u>	<u>545,050,851</u>
Total assets		<u>3,411,447,945</u>	<u>3,401,251,012</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	49,748,800
Capital reserve	20	1,735,847,450	1,739,242,450
Revenue reserve		(88,663,408)	(93,213,558)
		<u>1,700,327,842</u>	<u>1,695,777,692</u>
Non current liabilities			
Deposit for plots and shares	21	893,121,683	890,157,483
Bank loan	22	100,561,017	114,400,745
Deferred tax	23	488,055,268	488,755,218
		<u>1,481,737,968</u>	<u>1,493,313,446</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	22,207,291	9,635,754
Trade and other payables	25	154,886,254	159,510,243
Dividend payable	26	40,983,295	31,708,582
		<u>229,382,135</u>	<u>212,159,874</u>
Total capital and liabilities		<u>3,411,447,945</u>	<u>3,401,251,012</u>

These financial statements were approved for issue by the board of directors on **2 June 2021** 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 2020

Statement of financial position at 31 December 2020 - Parent company

		2020	2019
ASSETS	Note	Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(b)	107,757,416	109,149,958
Investment properties	10	1,207,879,273	1,207,879,273
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	108,113,742	108,113,742
		<u>1,452,488,002</u>	<u>1,453,880,544</u>
Current assets			
Inventory	15	64,542,184	73,513,632
Amount due from related party	16	179,296,049	176,589,573
Trade and other receivables	17	146,440,417	141,875,152
Taxation	8	2,827,176	4,614,976
Cash and bank balances	18	330,574,360	310,050,148
		<u>723,680,186</u>	<u>706,643,481</u>
Total assets		<u>2,176,168,188</u>	<u>2,160,524,025</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	49,748,800
Capital reserve	20	600,652,135	604,047,135
Revenue reserve		178,046,828	168,049,448
		<u>831,842,763</u>	<u>821,845,383</u>
Non current liabilities			
Deposit for plots and shares	21	893,121,683	890,157,483
Bank loan	22	100,561,017	114,400,745
Deferred tax		161,369,195	162,069,145
		<u>1,155,051,895</u>	<u>1,166,627,373</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	22,207,291	9,635,755
Trade and other payables	25	114,777,649	119,401,637
Dividend payable	26	40,983,295	31,708,582
		<u>189,273,530</u>	<u>172,051,269</u>
Total capital and liabilities		<u>2,176,168,188</u>	<u>2,160,524,025</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

Statement of changes in equity - Group

	Share capital Kshs	Capital reserves Kshs	Dividends Kshs	Revenue reserves Kshs	Total Kshs
2019					
At 1 January 2019	49,748,800	1,739,242,450	36,917,566	(134,527,872)	1,691,380,944
Profit for the year	-	-	-	41,314,314	41,314,314
Dividend paid	26	-	(5,208,984)	-	(5,208,984)
At 31 December 2019	49,748,800	1,739,242,450	31,708,582	(93,213,558)	1,727,486,274
2020					
At 1 January 2020	49,748,800	1,739,242,450	31,708,582	(93,213,559)	1,727,486,273
Prior year adjustments	-	-	-	(7,117,870)	(7,117,870)
Restated at 1 January 2020	49,748,800	1,739,242,450	31,708,582	(100,331,429)	1,720,368,403
Share capital paid from reserves	3,395,000	(3,395,000)	-	-	-
Profit for the year	-	-	-	24,602,709	24,602,709
Dividend declared in the year	26	-	12,934,688	(12,934,688)	-
Dividend paid	26	-	(3,659,975)	-	(3,659,975)
At 31 December 2020	53,143,800	1,735,847,450	40,983,295	(88,663,408)	1,741,311,137

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

Statement of changes in equity - Parent company

	Share capital Kshs	Capital reserves Kshs	Dividends Kshs	Revenue reserves Kshs	Total Kshs
2019					
At 1 January 2019	49,748,800	604,047,135	36,917,566	124,984,484	815,697,985
Dividend paid	-	-	(5,208,984)	-	(5,208,984)
Profit for the year	-	-	-	43,064,964	43,064,964
At 31 December 2019	49,748,800	604,047,135	31,708,582	168,049,448	853,553,965
2020					
At 1 January 2020	49,748,800	604,047,135	31,708,582	168,049,448	853,553,965
Prior year adjustments	-	-	-	(7,117,870)	(7,117,870)
Restated at 1 January 2020	49,748,800	604,047,135	31,708,582	160,931,578	846,436,095
Share capital paid from reserves	3,395,000	(3,395,000)	-	-	-
Dividend declared in the year	-	-	12,934,688	(12,934,688)	-
Dividend paid	-	-	(3,659,975)	-	(3,659,975)
Profit for the year	-	-	-	30,049,938	30,049,938
At 31 December 2020	53,143,800	600,652,135	40,983,295	178,046,828	872,826,058

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2020

Statement of cash flows - Group	Note	2020 Kshs	2019 Kshs
Profit before taxation for continuing operations		38,722,937	61,926,648
Loss before taxation for discontinued operations		<u>(2,841,229)</u>	<u>(658,650)</u>
		35,881,708	61,267,998
Adjustments for:			
Prior year adjustments		(7,117,870)	
Depreciation	9(a)	<u>1,794,982</u>	<u>2,010,510</u>
		30,558,820	63,278,508
Changes in working capital			
Inventories	15	8,971,448	17,917,387
Trade and other receivables	17	(4,565,265)	3,852,343
Provisions	24	12,571,536	967,495
Trade and other payables	25	<u>(4,623,988)</u>	<u>1,821,712</u>
Net cash flow from operating activities		42,912,551	87,837,445
Tax paid	8(c)	<u>(10,191,149)</u>	<u>(16,617,467)</u>
		32,721,402	71,219,978
Cash flow from investing activities			
Purchase of properties and equipment	9(a)	(268,892)	(2,669,717)
Additions to equity investments	14	-	(10,479,708)
Additions to investment properties		-	(3,937,478)
Changes in value of investment in the joint venture	11	<u>2,606,000</u>	<u>1,092,000</u>
		2,337,108	(15,994,903)
Cash flow from financing activities			
Loan repayment	22	(13,839,728)	(12,161,100)
Deposit received for plots and shares	21	2,964,200	(639,350)
Dividend paid during the year	26	<u>(3,659,975)</u>	<u>(5,208,984)</u>
		(14,535,502)	(18,009,434)
Increase in cash & cash equivalents		20,523,007	37,215,641
Cash and cash equivalent at start of the year		<u>310,379,077</u>	<u>273,163,436</u>
Cash and cash equivalent at end of the year		<u>330,902,084</u>	<u>310,379,077</u>
Comprising			
Bank balances	18	12,454,574	11,628,372
Fixed deposit	18	318,222,737	298,578,776
Cash in hand	18	<u>224,773</u>	<u>171,929</u>
		<u>330,902,084</u>	<u>310,379,077</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 3 Business combination: Amendment to IFRS 3: The amendment aims to resolve difficulties which arise when a business is considering whether it has acquired a business or a group of assets. The standard is effective 1 January 2020.
- IAS 1 & 8 Presentation of financial statements: Definition of Material: Amendment to IAS 1 & 8: The amendment is effective 1 January 2020.
- IFRS 9 Financial instrument amendment: The standard was issued in July 2014 to replace IAS 39. The amendment includes requirement for recognition, measurement, impairment, derecognition and general hedge accounting. Effective for annual periods beginning 1 January 2020.
- IFRS 16 Leases, COVID-19 related rent concessions amendments: This provides for optional assessment whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain condition. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.

Notes to the financial statements(cont'd)

b) Adoption of new and revised standards (cont'd)

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

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.

IAS16 Amendments to IAS 16: Clarify on how proceed received before the assets indented use should be accounted for. The standard is effective from 1 January 2022

IAS37 Amendment: Clarify on the cost the company should include while fulfilling a contract when assessing whether the contract is onerous.

IAS 8 Amendments: Helps entities to distinguish between accounting policies and accounting estimates. Effective from 1 January 2023

The directors have assessed the potential impact of the above and do not expect that they will have a significant impact on the company's financial performance once effective.

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.

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 other comprehensive 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 retirement benefits scheme

The company has established a staff retirement benefits scheme to take over the earlier gratuity arrangement the company had with its employees. Under the new scheme the company contributes 10% and employees 5% of the basic salary to the scheme subject to a minimum contribution of Kshs 2,000 every month. On an annual basis the group makes provision for this service liability and charges this to the income statement.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

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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.

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Notes to the financial statements(cont'd)

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
2 INCOME				
Rent receivable	76,914,558	94,208,056	76,914,558	94,208,056
Sales of plots	15,671,280	31,298,000	15,671,280	31,298,000
	92,585,838	125,506,056	92,585,838	125,506,056
3 DIRECT COST				
Cost of plots sold	9,956,252	19,701,252	9,956,252	19,701,252
4 OTHER INCOME				
Interest	28,102,971	30,475,482	28,102,971	30,475,482
Other income	1,214,069	1,359,340	1,214,069	1,359,340
	29,317,040	31,834,822	29,317,040	31,834,822
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	699,915	1,050,965	699,915	1,050,965
Professional fee	95,849	687,780	95,849	687,780
Land rent and rates	820,573	794,686	820,573	794,686
Telephone and postage	498,645	423,880	498,645	423,880
Directors fees	4,704,480	4,276,800	4,704,480	4,276,800
Directors expenses	1,348,415	1,537,940	1,348,415	1,537,940
Depreciation	1,661,433	1,874,234	1,661,433	1,874,234
Audit fees	210,000	210,000	210,000	210,000
Other expenses	1,654,820	1,911,212	1,654,820	1,911,212
Insurance and licenses	1,985,680	2,794,436	1,985,680	2,794,436
Security	2,471,141	2,567,563	2,471,141	2,567,563
Repairs and maintenance	4,489,911	6,659,343	4,489,911	6,659,343
AGM expenses	2,145,312	1,803,390	2,145,312	1,803,390
Donations	295,475	10,000	295,475	10,000
Marketing	299,048	597,246	299,048	597,246
Bank charges	78,246	89,053	78,246	89,053
Property management commission	4,328,953	5,721,280	4,328,953	5,721,280
Sales commission	747,621	1,493,116	747,621	1,493,116
Provision for bad debts	3,500,000	-	3,500,000	-
Water and electricity	5,617,189	7,314,290	5,617,189	7,314,290
	37,652,706	41,817,214	37,652,706	41,817,214
6 STAFF COSTS				
Salaries	15,483,396	13,744,492	15,483,396	13,744,492
NSSF	26,400	24,400	26,400	24,400
Terminal benefits	1,843,061	1,744,110	1,843,061	1,744,110
	17,352,857	15,513,002	17,352,857	15,513,002

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Notes to the financial statements(cont'd)

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
7 FINANCE COST				
Loan interest	15,612,126	17,290,762	15,612,126	17,290,762
	15,612,126	17,290,762	15,612,126	17,290,762
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	11,978,949	16,102,636	11,978,949	16,102,636
Deferred tax	(699,950)	3,851,048	(699,950)	3,851,048
	11,278,999	19,953,684	11,278,999	19,953,684
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	11,278,999	19,953,684	11,278,999	19,953,684
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	38,722,937	61,926,648	41,328,937	63,018,649
Loss from discontinued operations	(2,841,229)	(658,650)	-	-
	35,881,708	61,267,998	41,328,937	63,018,649
Tax @ 25%	8,970,427	18,380,399	10,332,234	18,905,594
Under provision in the previous year	(454,720)	-	(454,720)	-
Effect of non allowable expense	1,401,485	526,234	1,401,485	526,233
Tax effect on loss b/fwd	-	521,857	-	521,857
Tax effect on tax loss of subsidiary	1,361,807	525,194	-	-
	11,278,999	19,953,684	11,278,999	19,953,684
c) Tax recoverable				
Balance b/fwd	(4,622,788)	(4,107,957)	(4,614,976)	(4,100,145)
Provision for the year	11,978,949	16,102,636	11,978,949	16,102,636
Payment	(10,191,149)	(16,617,467)	(10,191,149)	(16,617,467)
	(2,834,988)	(4,622,788)	(2,827,176)	(4,614,976)

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Notes to the financial statements(cont'd)

9(a) PROPERTY AND EQUIPMENT - GROUP

2020	Land Kshs	Buildings Kshs	Motor vehicles 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 2020	23,818,881	50,493,422	2,740,000	2,035,248	5,256,095	9,958,380	2,684,770	-	96,986,796
Additions	-	135,097	-	128,795	5,000	-	-	-	268,892
31 December 2020	23,818,881	50,628,519	2,740,000	2,164,043	5,261,095	9,958,380	2,684,770	-	97,255,688
Depreciation									
At 1 January 2020	-	7,852,997	1,869,211	1,453,635	3,604,658	7,299,202	1,974,083	-	24,053,786
Charge for the period	-	933,230	217,697	113,878	206,430	109,041	214,706	-	1,794,982
31 December 2020	-	8,786,227	2,086,908	1,567,513	3,811,088	7,408,243	2,188,789	-	25,848,768
Net book Value									
31 December 2020	23,818,881	41,842,292	653,092	596,530	1,450,007	2,550,137	495,981	-	71,406,920
2019									
Cost / Valuation									
At 1 January 2019	23,818,881	18,935,448	2,740,000	1,944,248	5,256,095	9,958,380	2,538,943	29,125,084	94,317,079
Additions	-	-	-	91,000	-	-	145,827	2,432,890	2,669,717
Transfer	-	31,557,974	-	-	-	-	-	(31,557,974)	-
31 December 2019	23,818,881	50,493,422	2,740,000	2,035,248	5,256,095	9,958,380	2,684,770	-	96,986,796
Depreciation									
At 1 January 2019	-	6,900,174	1,578,948	1,323,907	3,368,738	7,202,006	1,669,503	-	22,043,276
Charge for the period	-	952,823	290,263	129,728	235,920	97,196	304,580	-	2,010,510
31 December 2019	-	7,852,997	1,869,211	1,453,635	3,604,658	7,299,202	1,974,083	-	24,053,786
Net book Value									
31 December 2019	23,818,881	42,640,425	870,789	581,613	1,651,437	2,659,178	710,687	-	72,933,010

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

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Notes to the financial statements(cont'd)

9(b) PROPERTY AND EQUIPMENT - COMPANY

2020	Land Kshs	Buildings & fittings Kshs	Motor vehicles Kshs	Machinery Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Work in progress Kshs	Total Kshs
Cost / Valuation									
At 1 January 2020	66,713,281	40,479,372	2,740,000	2,035,248	5,256,095	9,958,380	2,684,770	-	129,867,146
Additions	-	135,097	-	128,795	-	-	5,000	-	268,891
31 December 2020	66,713,281	40,614,469	2,740,000	2,164,043	5,256,095	9,958,380	2,689,770	-	130,136,037
Depreciation									
At 1 January 2020	-	4,516,397	1,869,211	1,421,606	3,604,658	7,331,233	1,974,083	-	20,717,188
Charge for the period	-	799,681	217,697	113,878	206,430	109,041	214,706	-	1,661,433
31 December 2020	-	5,316,078	2,086,908	1,535,484	3,811,088	7,440,274	2,188,789	-	22,378,621
Net book Value									
31 December 2020	66,713,281	35,298,391	653,092	628,559	1,445,007	2,518,106	500,981	-	107,757,416
2019									
Cost / Valuation									
At 1 January 2019	66,713,281	8,921,398	2,740,000	1,944,248	5,256,095	9,958,380	2,538,943	29,125,084	127,197,429
Additions	-	-	-	91,000	-	-	145,827	2,432,890	2,669,717
Transfer	-	31,557,974	-	-	-	-	-	(31,557,974)	-
31 December 2019	66,713,281	40,479,372	2,740,000	2,035,248	5,256,095	9,958,380	2,684,770	-	129,867,146
Depreciation									
At 1 January 2019	-	3,699,849	1,578,948	1,309,860	3,368,738	7,216,056	1,669,503	-	18,842,954
Charge for the period	-	816,548	290,263	111,746	235,920	115,177	304,580	-	1,874,234
31 December 2019	-	4,516,397	1,869,211	1,421,606	3,604,658	7,331,233	1,974,083	-	20,717,188
Net book Value									
31 December 2019	66,713,281	35,962,975	870,789	613,642	1,651,437	2,627,147	710,687	-	109,149,958

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Notes to the financial statements(cont'd)

10 INVESTMENT PROPERTIES	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
At the start of the year	1,678,176,651	1,674,239,173	1,207,879,273	1,207,879,273
Additions during the year	-	3,937,478	-	-
	1,678,176,651	1,678,176,651	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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Balance at 1 January 2020	979,098,267	980,190,267	-	-
Investment during the year	-	-	-	-
Loss/profit from joint venture	(2,606,000)	(1,092,000)	-	-
	976,492,267	979,098,267	-	-

Clayworks Limited a fully owned subsidiary of the company has invested in a 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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Acquisition of subsidiary	17,878,491	17,878,491	-	-

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

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Notes to the financial statements(cont'd)

13 INVESTMENTS IN SUBSIDIARY

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 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.	87,480,122	87,480,122	87,480,122	87,480,122
	108,113,742	108,113,742	108,113,742	108,113,742

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

15 INVENTORY

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Cost of untransferred benefits at Kenyatta road plots	64,542,184	73,513,632	64,542,184	73,513,632
Trade goods from discontinued operation	950,616	950,616	-	-
	65,492,800	74,464,248	64,542,184	73,513,632

The above cost of untransferred benefits relates to the cost incurred for the purchase of plots which had not been sold or the benefit transferred to the buyers.

16 TRANSACTIONS WITH RELATED PARTY

a) Subsidiary company	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Balance b/fwd	-	-	176,589,573	167,780,127
Additions	-	-	2,706,476	8,809,446
	-	-	179,296,049	176,589,573

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Notes to the financial statements(cont'd)

16 TRANSACTIONS WITH RELATED PARTY (Cont'd)

b) Remuneration to key management and directors;

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
<i>Management;</i>				
Salary and other benefits	9,241,980	9,159,240	9,241,980	9,159,240
<i>Directors;</i>				
As executives	4,704,480	4,276,800	4,704,480	4,276,800
	13,946,460	13,436,040	13,946,460	13,436,040

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
17 TRADE AND OTHER RECEIVABLES				
Trade receivables	48,009,335	41,419,474	34,875,090	28,285,229
Other receivables	672,173	4,517,616	510,833	4,356,275
Deposits and prepayments	66,990,524	65,435,678	66,576,524	65,021,678
Survey fees receivable	9,916,060	9,716,060	9,916,060	9,716,060
Share compensation	34,561,910	34,495,910	34,561,910	34,495,910
	160,150,002	155,584,738	146,440,417	141,875,152

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
18 CASH AND CASH EQUIVALENTS				
Cash at bank	12,454,574	11,628,372	12,126,850	11,299,443
Fixed deposit	318,222,737	298,578,776	318,222,737	298,578,776
Cash in hand	224,773	171,929	224,773	171,929
	330,902,084	310,379,077	330,574,360	310,050,148

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Notes to the financial statements(cont'd)

19 SHARE CAPITAL	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 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				
531,438 (2019: 497,488) ordinary shares of Kshs 100 each	53,143,800	49,748,800	53,143,800	49,748,800

20 CAPITAL RESERVES	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Revaluation of land	896,763,097	896,763,097	434,766,864	434,766,864
Increase in fair value of investment properties	1,397,389,061	1,397,389,061	304,014,959	304,014,959
Deferred tax on revaluation of assets	(427,634,365)	(427,634,365)	(91,204,488)	(91,204,488)
Depreciation charged to revaluations	(14,508,536)	(14,508,536)		
Bonus share capital in 2015	(43,530,200)	(43,530,200)	(43,530,200)	(43,530,200)
Decrease in value of non current assets classified as held for sale	(69,236,607)	(69,236,607)	-	-
Transfer to share capital	(3,395,000)		(3,395,000)	
	1,735,847,450	1,739,242,450	600,652,135	604,047,135

21 DEPOSIT FOR PLOTS AND SHARES	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Deposit for plots	63,632,471	59,988,271	63,632,471	59,988,271
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	377,236,574	377,916,574	377,236,574	377,916,574
	893,121,683	890,157,483	893,121,683	890,157,483

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

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Notes to the financial statements(cont'd)

	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
22 BORROWINGS				
Housing Finance loan 1	40,780,920	46,301,016	40,780,920	46,301,016
Housing Finance loan 2	71,085,392	79,405,024	71,085,392	79,405,024
	111,866,312	125,706,040	111,866,312	125,706,040
Payable after 12 months	100,561,017	114,400,745	100,561,017	114,400,745
Payable within 12 months	11,305,295	11,305,295	11,305,295	11,305,295
	111,866,312	125,706,040	111,866,312	125,706,040

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% (2019: 14%)

23 DEFERRED TAX	Balance 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	(824,779)	699,950		(124,829)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
Losses carried forward	-	-		-
	(488,755,218)	699,950	-	(488,055,268)

Deferred income tax on unutilised loss carried forward amounting to Kshs 91,866,401 (2019: Kshs 91,014,032) 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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Provisions for bad debts	3,500,000	-	3,500,000	-
Provisions for staff leave	6,127,203	5,383,358	6,127,203	5,383,358
Gratuity provision	12,580,088	4,252,396	12,580,088	4,252,396
	22,207,291	9,635,754	22,207,291	9,635,754

During the year the company established a staff retirement benefits scheme which is managed by ICEA Asset Finance. This is in place of the former arrangement where staff gratuity were managed by the company. The above gratuity provision is the amount due to the retirement fund for past services.

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Notes to the financial statements(cont'd)

25 TRADE AND OTHER PAYABLES	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Trade payables	9,368,214	8,649,404	4,441,228	3,722,418
Accruals	24,021,082	22,530,366	23,388,165	21,897,448
Other payables	47,921,210	50,802,584	13,372,508	16,253,882
Survey fees deposit	12,013,885	12,013,885	12,013,885	12,013,885
Tenants deposits	61,561,863	65,514,004	61,561,863	65,514,004
	154,886,254	159,510,243	114,777,649	119,401,637

26 DIVIDEND PAYABLE	Group		Company	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Opening balance	31,708,582	36,917,566	31,708,582	36,917,566
Dividends declared in the year	12,934,688	-	12,934,688	-
Paid during the year	(3,659,975)	(5,208,984)	(3,659,975)	(5,208,984)
Balance at 31 December	40,983,295	31,708,582	40,983,295	31,708,582

Dividends are recognised as a liability in the period in which they are 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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
	820,573	794,686	820,573	794,686
	-	-	-	-
	820,573	794,686	820,573	794,686

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Notes to the financial statements(cont'd)

27 OPERATING LEASE ARRANGEMENTS(cont'd)

ii) The company as a lessor

Property rental income earned during the year was Kshs 76,914,558 (2019: 94,208,056). 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	
	2020 Kshs	2019 Kshs	2020 Kshs	2019 Kshs
Within one year	76,914,558	94,200,000	76,914,558	94,200,000
In the second to sixth years	196,600,000	196,600,000	196,600,000	196,600,000
	<u>273,514,558</u>	<u>290,800,000</u>	<u>273,514,558</u>	<u>290,800,000</u>

The anticipated rent collection above is likely to be affected by the effects of COVID-19. Already the company has given some tenants a Covid-19 discount of upto 50% and the full effect of the aftermath of the covid cannot reliably be estimated.

28 DISCONTINUED OPERATIONS OF THE SUBSIDIARY

Discontinued operations relates to strategic business shift by the subsidiary company, Clayworks Limited, from its core business of manufacturing clay products 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;

	2020 Kshs	2019 Kshs
Sales of clay products	-	-
Direct cost of sales	-	-
Operating and administration expenses	2,707,680	522,375
Depreciation	133,549	136,275
Loss from discontinued operations	<u>2,841,229</u>	<u>658,650</u>

29 COMMITMENTS AND CONTINGENT LIABILITIES

The subsidiary company entered into a joint venture through Claycity Limited for construction of residential house units in Kasarani. The project started in 2016 and already 80 units have been completed of the initial project design. To address the market parameters and in line with the government Big 4 Agenda the project has been redesigned to be completed in five phases within the next five years at a projected cost of 7 billion.

The project experienced delays in 2017 and 2018 due to logistical and financial issues which were addressed and the first 80 units of the residential house units have now been completed.

Notes to the financial statements(cont'd)

29 COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

The cost of the delay has been estimated to be in the range of Kshs 300 million. Kshs 57 million has been compensation to the contractor and the balance Kshs 243 million is the estimated finance cost incurred by the group due to lost opportunity. The directors believe that any cost arising from this will be catered 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 but the directors have disputed this amount. No provision has been made in the financial statements as chances of payment are considered remote.

The company has guaranteed a loan facility from Family Bank of Kshs 500,000,000 for capital use by the joint venture. As at the balance sheet date the outstanding amount of this loan was Kshs 247,075,056 and a credit of Kshs 34,853,252 in the escrow account.

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.

Notes to the financial statements(cont'd)

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

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

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

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

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 has short term fixed deposit with Family Bank and Housing Finance whose interest rates varies 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 has been experiencing some shocks in the recent years which had been adopted by the company. The market prices as a result of Covid -19 pandemic will negatively be affected.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

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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	Past due but not impaired	Total
	Kshs	Kshs	Kshs
31 December 2020			
Trade receivables	34,875,089	13,134,246	48,009,335
Other receivables	-	672,173	672,173
Dues for plot surveying and demarcation	-	111,468,494	111,468,494
Cash and bank	330,902,084	-	330,902,084
	<u>365,777,173</u>	<u>125,274,913</u>	<u>491,052,086</u>
31 December 2019			
Trade receivables	28,285,228	13,134,246	41,419,474
Other receivables	3,575,116	942,500	4,517,616
Dues for plot surveying and demarcation	-	109,647,648	109,647,648
Cash and bank	310,379,077	-	310,379,077
	<u>342,239,421</u>	<u>123,724,394</u>	<u>465,963,815</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

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For the year ended 31 December 2020

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 2020			
Trade payables	9,368,214	-	9,368,214
Other payables	-	47,921,210	47,921,210
Deposits	-	73,575,748	73,575,748
Accruals	24,021,082	-	24,021,082
	<u>33,389,296</u>	<u>121,496,958</u>	<u>154,886,254</u>
At 31 December 2019			
Trade payables	8,649,404	-	8,649,404
Other payables	-	50,802,582	50,802,582
Deposits	-	77,527,889	77,527,889
Accruals	22,530,366	-	22,530,366
	<u>31,179,770</u>	<u>128,330,471</u>	<u>159,510,241</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.

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 67% of interest in Claycity Limited a joint venture company which is undertaking real estate projects in Kasarani. The company interests in Apatana Investment Limited which is an associated company are accounted for using the equity method.

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 2020.

36 INCORPORATION

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

FORM OF PROXY

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 Wednesday, 28th July, 2021 and at any adjournment thereof.

(*Strike out as appropriate)

Signature(s)

Signed/sealed this..... day of 2021

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.



At Kasarani AIH Ltd Offices, Company member balloting for plot. Balloting for plots is done monthly



At Kasarani AIH Ltd Offices, General manager's secretary Lina conducting balloting for plots.



Members attending last AGM at Bomas of Kenya on 24th January, 2020



Members attending last AGM at Bomas of Kenya on 24th January, 2020



PASSED YEARS' ANNUAL REPORTS AND
FINANCIAL STATEMENTS



Company Transformation

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