

**AGRICULTURAL AND INDUSTRIAL
HOLDINGS LIMITED**

ANNUAL REPORT

AND

GROUP FINANCIAL STATEMENTS

31 DECEMBER 2019

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2019

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AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements
For the year ended 31 December 2019

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Report of the Directors For the year ended 31 December 2019

The directors submit their report together with the audited group financial statements for the year ended 31 December 2019, 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

The result for the year was as follows:	2019 Kshs	2018 Kshs
Continuing operation		
Profit for the year before tax	61,926,648	72,341,075
Tax charge	(19,953,684)	(23,147,217)
Profit for the year after tax	<u>41,972,964</u>	<u>49,193,858</u>
Discontinued operation		
Loss for the year before tax	(658,650)	(2,180,216)
Tax charge	-	-
	<u>(658,650)</u>	<u>(2,180,216)</u>
Profit taken to retained earnings	<u>41,314,314</u>	<u>47,013,642</u>

3 DIVIDENDS

The directors have proposed to pay a dividend of Kshs 12,934,688 which is equivalent to Kshs 26 per share for the shares outstanding at 31 December 2019 subject to the approval by the shareholders at the annual general meeting. A similar dividend was declared in 2018.

4 DIRECTORS

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

5 DIRECTORS REMUNERATION

The remuneration of the directors is disclosed in note 5.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Report of the Directors (cont'd)
For the year ended 31 December 2019

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 11 to 40 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**

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Statement of the Directors' responsibilities For the year ended 31 December 2019

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.

Subsequent to the balance sheet date the project has experienced the negative effects of the global COVID-19 pandemic. 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

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

Opinion

We have audited the financial statements of Agricultural and Industrial Holdings Limited set out on pages 11 to 40 for the year ended 31 December 2019. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2019, 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 2019 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 joint venture recognised in the year is from unaudited financial statements of 2019. 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 2019 will not materially differ once the 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.

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

Uncertainty posed by COVID-19 (continued)

The company 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 project 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.

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

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 uncollected dividend.

How the audit addressed the key audit matters

We reviewed the shareholders manual register and agreed 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 the 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 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.

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

Directors' responsibility for the financial statements

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

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

Auditors responsibilities for the audit of the financial statements

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

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

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

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

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

Group financial statements For the year ended 31 December 2019

Statement of income - Group

INCOME	Note	2019 Kshs	2018 Kshs
Turnover	2	125,506,056	156,391,657
Direct cost of sales	3	<u>19,701,252</u>	<u>35,797,741</u>
		<u>105,804,804</u>	<u>120,593,916</u>
Other Income	4	31,834,822	21,990,162
Share of profit from joint venture		-	583,267
		<u>31,834,822</u>	<u>22,573,429</u>
		<u>137,639,626</u>	<u>143,167,345</u>
EXPENSES			
Operating and administration expenses	5	41,817,214	36,349,855
Staff costs	6	15,513,002	14,893,397
Finance costs	7	17,290,762	19,583,018
Share of loss from joint venture		1,092,000	-
		<u>75,712,978</u>	<u>70,826,270</u>
Profit before tax from continuing operations		61,926,648	72,341,075
Tax charge	8(a) i	<u>(19,953,684)</u>	<u>(23,147,217)</u>
Profit after tax for continuing operations		41,972,964	49,193,858
Discontinued operations			
Loss from discontinued operations	28	(658,650)	(2,180,216)
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(658,650)	(2,180,216)
Profit after tax for the year		41,314,314	47,013,642
Dividends:			
Proposed dividend Kshs 26 per share		<u>12,934,688</u>	<u>12,934,688</u>
		<u>12,934,688</u>	<u>12,934,688</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

**Group financial statements
For the year ended 31 December 2019**

Statement of comprehensive income - Group

	Note	2019 Kshs	2018 Kshs
Profit for the year after tax		<u>41,314,314</u>	<u>47,013,642</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>41,314,314</u></u>	<u><u>47,013,642</u></u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED


Group financial statements

For the year ended 31 December 2019

Statement of financial position at 31 December 2019 - Group

ASSETS	Note	2019	2018
		Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(a)	72,933,010	72,273,803
Investment properties	10	1,678,176,651	1,674,239,173
Investment in joint venture	11	979,098,267	980,190,267
Goodwill	12	17,878,491	17,878,491
Other investments	14	108,113,742	97,634,034
		<u>2,856,200,161</u>	<u>2,842,215,768</u>
Current assets			
Inventory	15	74,464,248	92,381,635
Trade and other receivables	17	155,584,738	159,437,082
Tax recoverable	8(c)	4,622,788	4,107,957
Cash and bank balances	18	310,379,077	273,163,436
		<u>545,050,851</u>	<u>529,090,110</u>
Total assets		<u>3,401,251,012</u>	<u>3,371,305,878</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800	49,748,800
Capital reserve	20	1,739,242,450	1,739,242,450
Revenue reserve		(93,213,558)	(134,527,872)
		<u>1,695,777,692</u>	<u>1,654,463,378</u>
Non current liabilities			
Deposit for plots and shares	21	890,157,483	890,796,833
Bank loan	22	114,400,745	126,561,846
Deferred tax	23	488,755,218	484,904,170
		<u>1,493,313,446</u>	<u>1,502,262,849</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	9,635,754	8,668,259
Trade and other payables	25	159,510,243	157,688,531
Dividend payable	26	31,708,582	36,917,566
		<u>212,159,874</u>	<u>214,579,651</u>
Total capital and liabilities		<u>3,401,251,012</u>	<u>3,371,305,878</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

Group financial statements

For the year ended 31 December 2019

Statement of financial position at 31 December 2019 - Parent company

		2019	2018
ASSETS	Note	Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(b)	109,149,958	108,354,475
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	97,634,034
		<u>1,453,880,544</u>	<u>1,442,605,353</u>
Current assets			
Inventory	15	73,513,632	91,431,019
Amount due from related party	16	176,589,573	167,780,127
Trade and other receivables	17	141,875,152	145,799,317
Taxation	8	4,614,976	4,100,145
Cash and bank balances	18	310,050,148	272,835,087
		<u>706,643,481</u>	<u>681,945,695</u>
Total assets		<u>2,160,524,025</u>	<u>2,124,551,048</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	49,748,800	49,748,800
Capital reserve	20	604,047,135	604,047,135
Revenue reserve		168,049,448	124,984,484
		<u>821,845,383</u>	<u>778,780,419</u>
Non current liabilities			
Deposit for plots and shares	21	890,157,483	890,796,833
Bank loan	22	114,400,745	126,561,846
Deferred tax		162,069,145	158,218,097
		<u>1,166,627,373</u>	<u>1,175,576,776</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	9,635,754	8,668,259
Trade and other payables	25	119,401,638	113,302,733
Dividend payable	26	31,708,582	36,917,566
		<u>172,051,269</u>	<u>170,193,853</u>
Total capital and liabilities		<u>2,160,524,025</u>	<u>2,124,551,048</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Statement of changes in equity - Group

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Statement of changes in equity - Parent company

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Statement of cash flows - Group	Note	2019 Kshs	2018 Kshs
Profit before taxation for continuing operations		61,926,648	72,341,075
Loss before taxation for discontinued operations		<u>(658,650)</u>	<u>(2,180,216)</u>
		61,267,998	70,160,859
Adjustments for:			
Depreciation	9(a)	<u>2,010,510</u>	<u>1,597,433</u>
		63,278,508	71,758,292
Changes in working capital			
Inventories	15	17,917,387	33,224,279
Trade and other receivables	17	3,852,343	2,705,233
Provisions	24	967,495	3,358,777
Trade and other payables	25	<u>1,821,712</u>	<u>(3,897,175)</u>
Net cash flow from operating activities		87,837,445	107,149,406
Tax paid	8(c)	<u>(16,617,467)</u>	<u>(5,969,056)</u>
		71,219,978	101,180,350
Cash flow from investing activities			
Purchase of properties and equipment	9(a)	(2,669,717)	(25,160,676)
Additions to equity investments	14	(10,479,708)	(27,000,000)
Additions to investment properties		(3,937,478)	
Changes in value of investment in the joint venture	11	<u>1,092,000</u>	<u>(583,267)</u>
		<u>(15,994,903)</u>	<u>(52,743,943)</u>
Cash flow from financing activities			
Loan repayment	22	(12,161,100)	(10,411,346)
Deposit received for plots and shares	21	(639,350)	4,668,675
Dividend paid during the year	26	<u>(5,208,984)</u>	<u>(1,886,222)</u>
		<u>(18,009,434)</u>	<u>(7,628,893)</u>
Increase in cash & cash equivalents		37,215,641	40,807,514
Cash and cash equivalent at start of the year		<u>273,163,436</u>	<u>232,355,922</u>
Cash and cash equivalent at end of the year		<u>310,379,077</u>	<u>273,163,436</u>
Comprising			
Bank balances	18	11,628,372	30,928,930
Fixed deposit	18	298,578,776	242,146,740
Cash in hand	18	<u>171,929</u>	<u>87,766</u>
		<u>310,379,077</u>	<u>273,163,436</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

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 16 Leases: This replaces IAS 17 leases and related interpretations and is effective from the financial periods beginning on or after 1 January 2019
- IFRS 9 Financial Instruments: Amendments. Clarify that the existence of prepayment features with negative compensation will not by itself cause the instrument to fail the amortised cost classification. Effective from 1 January 2019.
- IAS 23 Borrowing Costs: amendments. Clarify that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings. The standard is effective from 1 January 2019.
- IAS 19 Employee Benefits: Amendments. Clarify the effects of a retirement benefits plan amendment, curtailment or settlement. Effective from 1 January 2019.
- IAS 28 Investments in Associates and Joint Ventures: Amendment. The amendment clarifies that IFRS 9 is only applicable to investments where equity method is not applied. Effective from 1 January 2019.
- IAS 12 Income Taxes: Amendment. Clarify the effects of retirement benefits plan amendments, curtailment or settlement effective from 1 January 2019

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

Notes to the financial statements(cont'd)

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

IFRS 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.

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.

IAS 1 & 8 Presentation of financial statements: Definition of Material: Amendment to IAS 1 & 8: The amendment is effective 1 January 2020.

c) Revenue recognition

i) Sales of goods and services

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

ii) Sale of plots and other real estate properties

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

iii) Rental income

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

d) Property, plant and equipment

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

Notes to the financial statements(cont'd)

k) Impairment

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

l) Accounting for leases

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

m) Intangible assets

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

n) Taxation

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

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

o) Retirement benefit cost

i) *Contribution to National Social Security Fund*

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

ii) *Staff gratuity*

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

Notes to the financial statements(cont'd)

p) Consolidation

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

q) Loans and borrowings

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

r) Discontinued operations

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Notes to the financial statements(cont'd)

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
2 INCOME				
Rent receivable	94,208,056	98,355,657	94,208,056	98,355,657
Sales of plots	31,298,000	58,036,000	31,298,000	58,036,000
	125,506,056	156,391,657	125,506,056	156,391,657
3 DIRECT COST				
Cost of plots sold	19,701,252	35,797,741	19,701,252	35,797,741
4 OTHER INCOME				
Interest	30,475,482	21,293,606	30,475,482	21,293,606
Other income	1,359,340	696,556	1,359,340	696,556
	31,834,822	21,990,162	31,834,822	21,990,162
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	1,050,965	916,418	1,050,965	916,418
Professional fee	687,780	354,960	687,780	354,960
Land rent and rates	794,686	818,007	794,686	818,007
Telephone and postage	423,880	560,266	423,880	560,266
Directors fees	4,276,800	4,276,800	4,276,800	4,276,800
Directors expenses	1,537,940	1,382,250	1,537,940	1,382,250
Depreciation	1,874,234	1,458,377	1,874,234	1,458,377
Audit fees	210,000	210,000	210,000	210,000
Other expenses	1,911,212	1,341,632	1,911,212	1,341,632
Insurance and licenses	2,794,436	1,854,054	2,794,436	1,854,054
Security	2,567,563	2,156,517	2,567,563	2,156,517
Repairs and maintenance	6,659,343	4,302,871	6,659,343	4,302,871
AGM expenses	1,803,390	-	1,803,390	-
Donations	10,000	735,200	10,000	735,200
Marketing	597,246	1,107,476	597,246	1,107,476
Bank charges	89,053	69,292	89,053	69,292
Property management commission	5,721,280	4,361,903	5,721,280	4,361,903
Sales commission	1,493,116	2,768,690	1,493,116	2,768,690
Water and electricity	7,314,290	7,675,142	7,314,290	7,675,142
	41,817,214	36,349,855	41,817,214	36,349,855
6 STAFF COSTS				
Salaries	13,744,492	12,703,565	13,744,492	12,703,565
NSSF	24,400	20,000	24,400	20,000
Terminal benefits	1,744,110	2,169,832	1,744,110	2,169,832
	15,513,002	14,893,397	15,513,002	14,893,397

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

**Group financial statements
For the year ended 31 December 2019**

Notes to the financial statements(cont'd)

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
7 FINANCE COST				
Loan interest	17,290,762	19,583,018	17,290,762	19,583,018
	17,290,762	19,583,018	17,290,762	19,583,018
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	16,102,636	9,201,098	16,102,636	9,201,098
Deferred tax	3,851,048	13,946,119	3,851,048	13,946,119
	19,953,684	23,147,217	19,953,684	23,147,217
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	19,953,684	23,147,217	19,953,684	23,147,217
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	61,926,648	72,341,075	63,018,649	69,572,574
Loss from discontinued operations	(658,650)	(2,180,216)	-	-
	61,267,998	70,160,859	63,018,649	69,572,574
Tax @ 30%	(18,380,399)	(21,048,258)	(18,905,594)	(20,871,772)
Tax effect on certain capital allowances	-	-	-	-
Effects on non allowable expenses	(526,233)	-	(526,233)	-
Tax effect on tax loss b/fwd	(521,857)	(2,275,445)	(521,857)	(2,275,445)
Tax effect on loss from subsidiary	(525,194)	176,486	-	-
	(19,953,684)	(23,147,217)	(19,953,684)	(23,147,217)
c) Tax recoverable				
Balance b/fwd	(4,107,957)	(7,339,999)	(4,100,145)	(7,332,187)
Provision for the year	16,102,636	9,201,098	16,102,636	9,201,098
Payment	(16,617,467)	(5,969,056)	(16,617,467)	(5,969,056)
	(4,622,788)	(4,107,957)	(4,614,976)	(4,100,145)

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements
For the year ended 31 December 2019

Notes to the financial statements(cont'd)

9(a) PROPERTY AND EQUIPMENT - GROUP

	Land	Buildings & fittings Kshs	Motor vehicle Kshs	Furniture and equipment Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Work in progress Kshs	Total Kshs
2019									
Cost / Valuation									
At 1 January 2019	23,818,881	18,935,448	2,740,000	1,935,930	5,256,095	9,966,698	2,538,943	29,125,084	94,317,079
Additions	-	-	-	91,000	-	-	145,827	(31,557,974)	2,669,717
Transfer	-	31,557,974	-	-	-	-	-	-	96,986,796
31 December 2019	23,818,881	50,493,422	2,740,000	2,026,930	5,256,095	9,966,698	2,684,770	-	22,043,276
Depreciation									
At 1 January 2019	-	6,900,174	1,578,948	1,323,907	3,368,738	7,202,006	1,669,503	-	2,010,510
Charge for the period	-	952,823	290,263	111,747	235,920	115,177	304,580	-	24,053,786
31 December 2019	-	7,852,997	1,869,211	1,435,654	3,604,658	7,317,183	1,974,083	-	72,933,010
Net book Value		(162,365)							
31 December 2019	23,818,881	42,640,425	870,789	591,276	1,651,437	2,649,515	710,687	-	72,933,010
2018									
Cost / Valuation									
At 1 January 2018	23,818,881	15,460,948	1,450,000	1,935,930	5,256,095	9,631,898	1,454,196	10,148,455	69,156,403
Additions	-	3,474,500	1,290,000	-	-	334,800	1,084,747	18,976,629	25,160,676
31 December 2018	23,818,881	18,935,448	2,740,000	1,935,930	5,256,095	9,966,698	2,538,943	29,125,084	94,317,079
Depreciation									
At 1 January 2018	-	6,568,504	1,191,931	1,188,647	3,099,115	7,100,760	1,296,886	-	20,445,843
Charge for the period	-	331,670	387,017	135,260	269,623	101,246	372,617	-	1,597,433
31 December 2018	-	6,900,174	1,578,948	1,323,907	3,368,738	7,202,006	1,669,503	-	22,043,276
Net book Value									
31 December 2018	23,818,881	12,035,274	1,161,052	612,023	1,887,357	2,764,692	869,440	29,125,084	72,273,803

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements
For the year ended 31 December 2019

Notes to the financial statements(cont'd)

9(b) PROPERTY AND EQUIPMENT - COMPANY

	Land	Buildings & fittings	Motor vehicle	Machinery	Generator	Electrical and water installations	Computers	Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
2019									
Cost / Valuation									
At 1 January 2019	66,713,281	8,921,398	2,740,000	1,609,448	5,256,095	10,293,180	2,538,943	29,125,084	127,197,429
Additions	-	2,432,890	-	91,000	-	-	145,827	-	2,669,717
31 December 2019	66,713,281	11,354,288	2,740,000	1,700,448	5,256,095	10,293,180	2,684,770	29,125,084	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	129,727	235,920	97,196	304,580	-	1,874,234
31 December 2019	-	4,516,397	1,869,211	1,439,587	3,604,658	7,313,252	1,974,083	-	20,717,188
Net book Value									
31 December 2019	66,713,281	6,837,891	870,789	260,861	1,651,437	2,979,928	710,687	29,125,084	109,149,958
2018									
Cost / Valuation									
At 1 January 2018	66,713,281	5,446,898	1,450,000	1,609,448	5,256,095	9,958,380	1,454,196	10,148,455	102,036,753
Additions	-	3,474,500	1,290,000	-	-	334,800	1,084,747	18,976,629	25,160,676
31 December 2018	66,713,281	8,921,398	2,740,000	1,609,448	5,256,095	10,293,180	2,538,943	29,125,084	127,197,429
Depreciation									
At 1 January 2018	-	3,507,235	1,191,931	1,174,600	3,099,115	7,114,810	1,296,886	-	17,384,577
Charge for the period	-	192,614	387,017	135,260	269,623	101,246	372,617	-	1,458,377
31 December 2018	-	3,699,849	1,578,948	1,309,860	3,368,738	7,216,056	1,669,503	-	18,842,954
Net book Value									
31 December 2018	66,713,281	5,221,549	1,161,052	299,588	1,887,357	3,077,124	869,440	29,125,084	108,354,475

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Notes to the financial statements(cont'd)

10 INVESTMENT PROPERTIES	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
At the start of the year	1,674,239,173	1,674,239,173	1,207,879,273	1,207,879,273
Additions during the year	3,937,478	-	-	-
	1,678,176,651	1,674,239,173	1,207,879,273	1,207,879,273

Investment properties consist of land and buildings held for rental and investment purposes. They are stated at fair values professionally determined in 2017.

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

11 INVESTMENT IN JOINT VENTURE	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Investment during the year	980,190,267	979,607,000	-	-
Loss/profit from joint venture	(1,092,000)	583,267	-	-
	979,098,267	980,190,267	-	-

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	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
	17,878,491	17,878,491	-	-

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

Notes to the financial statements(cont'd)

13 INVESTMENTS IN SUBSIDIARY

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Cost of net assets acquired	28,737,571	28,737,571	28,737,571	28,737,571

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

14 OTHER INVESTMENTS

Unquoted

Other unquoted

Family Bank Limited

Apatana Investment Ltd.

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Other unquoted	1,240,020	1,240,020	1,240,020	1,240,020
Family Bank Limited	19,393,600	19,393,600	19,393,600	19,393,600
Apatana Investment Ltd.	87,480,122	77,000,414	87,480,122	77,000,414
	108,113,742	97,634,034	108,113,742	97,634,034

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

15 INVENTORY

Cost of untransferred benefits at
Kenyatta road plots

Trade goods from discontinued
operation

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Cost of untransferred benefits at Kenyatta road plots	73,513,632	91,431,019	73,513,632	91,431,019
Trade goods from discontinued operation	950,616	950,616	-	-
	74,464,248	92,381,635	73,513,632	91,431,019

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

Balance b/fwd

Additions

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Balance b/fwd	-	-	167,780,127	165,095,192
Additions	-	-	8,809,446	2,684,935
	-	-	176,589,573	167,780,127

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements

For the year ended 31 December 2019

Notes to the financial statements(cont'd)

16 TRANSACTIONS WITH RELATED PARTY (Cont'd)

b) Remuneration to key management and directors;

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
<i>Management;</i> Salary and other benefits	9,159,240	3,600,000	9,159,240	3,600,000
<i>Directors;</i> As executives	4,276,800	4,276,800	4,276,800	4,276,800
	13,436,040	7,876,800	13,436,040	7,876,800

17 TRADE AND OTHER RECEIVABLES

Trade receivables
Other receivables
Deposits and prepayments
Survey fees receivable
Share compensation

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Trade receivables	41,419,474	41,715,493	28,285,229	28,581,248
Other receivables	4,517,616	8,863,509	4,356,275	8,773,989
Deposits and prepayments	65,435,678	64,952,110	65,021,678	64,538,110
Survey fees receivable	9,716,060	9,716,060	9,716,060	9,716,060
Share compensation	34,495,910	34,189,910	34,495,910	34,189,910
	155,584,738	159,437,082	141,875,152	145,799,317

18 CASH AND CASH EQUIVALENTS

Cash at bank
Fixed deposit
Cash in hand

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Cash at bank	11,628,372	30,928,930	11,299,443	30,600,581
Fixed deposit	298,578,776	242,146,740	298,578,776	242,146,740
Cash in hand	171,929	87,766	171,929	87,766
	310,379,077	273,163,436	310,050,148	272,835,087

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Notes to the financial statements(cont'd)

19 SHARE CAPITAL	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Authorised				
1,000,000 ordinary shares of Kshs 100 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
497,488 ordinary shares of Kshs 100 each	49,748,800	49,748,800	49,748,800	49,748,800

20 CAPITAL RESERVES	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 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)	-	-
	1,739,242,450	1,739,242,450	604,047,135	604,047,135

21 DEPOSIT FOR PLOTS AND SHARES	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Deposit for plots	59,988,271	58,216,271	59,988,271	58,216,271
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	377,916,574	380,327,924	377,916,574	380,327,924
	890,157,483	890,796,833	890,157,483	890,796,833

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)

22 BORROWINGS

Housing Finance loan 1
Housing Finance loan 2

Payable after 12 months
Payable within 12 months

Group		Company	
2019	2018	2019	2018
Kshs	Kshs	Kshs	Kshs
46,301,016	51,151,577	46,301,016	51,151,577
79,405,024	86,715,564	79,405,024	86,715,564
125,706,040	137,867,141	125,706,040	137,867,141
114,400,745	126,561,846	114,400,745	126,561,846
11,305,295	11,305,295	11,305,295	11,305,295
125,706,040	137,867,141	125,706,040	137,867,141

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% (2018: 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	(925,319)	100,540		(824,779)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
Losses carried forward	3,951,588	(3,951,588)		-
	(484,904,170)	(3,851,048)	-	(488,755,218)

Deferred income tax on unutilised loss carried forward amounting to Kshs 91,014,032 (2018: Kshs 90,816,437) 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

Gratuity

Group		Company	
2019	2018	2019	2018
Kshs	Kshs	Kshs	Kshs
9,635,754	8,668,259	9,635,754	8,668,259

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

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Notes to the financial statements(cont'd)

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
25 TRADE AND OTHER PAYABLES				
Trade payables	8,649,404	10,575,287	3,722,418	4,596,488
Accruals	22,530,366	20,248,580	21,897,449	19,615,663
Other payables	50,802,584	52,426,353	16,253,882	14,652,271
Survey fees deposit	12,013,885	12,013,885	12,013,885	12,013,885
Tenants deposits	65,514,004	62,424,426	65,514,004	62,424,426
	159,510,243	157,688,531	119,401,638	113,302,733

	Group		Company	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
26 DIVIDEND PAYABLE				
Opening balance	36,917,566	25,869,100	36,917,566	25,869,100
Dividends declared in the year	-	12,934,688	-	12,934,688
Paid during the year	(5,208,984)	(1,886,222)	(5,208,984)	(1,886,222)
Balance at 31 December	31,708,582	36,917,566	31,708,582	36,917,566

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	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
	794,686	818,007	794,686	818,007
	-	-	-	-
	794,686	818,007	794,686	818,007

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Notes to the financial statements(cont'd)

27 OPERATING LEASE ARRANGEMENTS(cont'd)

ii) The company as a lessor

Property rental income earned during the year was Kshs 94,208,056 (2018: 98,355,657). 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	
	2019 Kshs	2018 Kshs	2019 Kshs	2018 Kshs
Within one year	94,200,000	94,200,000	94,200,000	94,200,000
In the second to sixth years	196,600,000	196,600,000	196,600,000	196,600,000
	<u>290,800,000</u>	<u>290,800,000</u>	<u>290,800,000</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 40% 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;

	2019 Kshs	2018 Kshs
Sales of clay products	-	-
Direct cost of sales	<u>-</u>	<u>-</u>
Operating and administration expenses	<u>658,650</u>	<u>2,180,216</u>
Loss from discontinued operations	<u>(658,650)</u>	<u>(2,180,216)</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 some delays in 2017 and 2018 due to logistical issues which were addressed and the project is progressing well.

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Group financial statements For the year ended 31 December 2019

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.

However 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 year end the outstanding amount of this loan was Kshs 215,412,796.

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements For the year ended 31 December 2019

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.

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Group financial statements For the year ended 31 December 2019

Notes to the financial statements(cont'd)

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

v) Credit risk

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

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

	Fully performing Kshs	Past due but not impaired Kshs	Total Kshs
31 December 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>
31 December 2018			
Trade receivables	28,581,247	13,134,246	41,715,493
Other receivables	6,534,383	2,329,126	8,863,509
Dues for plot surveying and demarcation	-	108,858,080	108,858,080
Cash and bank	273,075,670	-	273,075,670
	<u>308,191,300</u>	<u>124,321,452</u>	<u>432,512,752</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.

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Group financial statements For the year ended 31 December 2019

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 Kshs	Long-term portion Kshs	Total Kshs
At 31 December 2019			
Trade payables	8,649,404	-	8,649,404
Other payables	-	50,802,584	50,802,584
Deposits	-	77,527,889	77,527,889
Accruals	22,530,366	-	22,530,366
	<u>31,179,770</u>	<u>128,330,473</u>	<u>159,510,243</u>
At 31 December 2018			
Trade payables	10,575,287	-	10,575,287
Other payables	16,892,296	35,534,057	52,426,353
Deposits	-	74,438,311	74,438,311
Accruals	20,248,580	-	20,248,580
	<u>47,716,163</u>	<u>109,972,368</u>	<u>157,688,531</u>

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.

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Group financial statements For the year ended 31 December 2019

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.

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Notes to the financial statements(cont'd)

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 2019.

36 INCORPORATION

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