

2021



AIHL OFFICES-KASARANI

**ANNUAL REPORT & GROUP
FINACIAL STATEMENTS**



AGRHO HOUSE-company flagship project



(INSIDE VIEW OF AGRHO HOUSE SHOPS)



**COMMERCIAL BUILDING OFFERING SMALL RENTAL SPACES:
SMALL SHOPS, BEAUTY SALONS, OFFICES, FOOD COURTS AND TERTIARY COLLEGES**



An architectural impression of proposed AIH medical centre at Upperhill in Nairobi city county

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements For the year ended 31 December 2021

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AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED
Annual report and group financial statements
For the year ended 31 December 2020

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. Michael M Mbarire		
Rev. Joseph Kihara		
Mr. Henry K Njagi		
Mr. Martin Njeru		

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
Suraj Plaza, 3rd floor,
Limuru Road
P. O. Box 62097 - 00200
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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held via electronic communication on Thursday 17th November, 2022 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 28th July, 2021.
4. To consider and, if thought fit, adopt the audited Financial Statements for the year ended 31st December 2021, together with the Chairman's, Directors' and Auditors' reports thereon.

Proposed Resolution

That the audited Final Statements for the year ended 31st December 2021, together with the Chairman's, Directors' and Auditors' Reports thereon be and are hereby adopted.

5. 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 2021.

Proposed Resolution

That a first and final dividend of Kshs.26 per paid-up share of Kshs.100/= 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 2021.

6. To elect Directors:
 - (i) In accordance with Article 8(b) of the Company's Articles of Association, Hon. Eliud Wamae, Hon. Ngengi Muigai and Ms. Patricia Gathia retire on rotation and, being eligible offer themselves for re-election.

Proposed Resolution

- (ii) **That** in accordance with Article 8(b) of the Company's Articles of Association, Hon. Eliud Wamae, Hon. Ngengi Muigai and Dr. Patricia Gathia, be and are hereby re-elected as Directors of the Company.

7. To approve the Directors' remuneration as indicated in the Audited Financial Statements for the year ended 31st December 2021.

Proposed Resolution

That the Directors' remuneration as indicated in the audited Financial Statements for the year ended 31st December 2021 be and is hereby approved

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

8. 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.

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

BY ORDER OF THE BOARD



Lucy W. Kibera
Company Secretary
Nairobi

Date: 25th October, 2022

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 Monday 14th November, 2022.
- 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.

Chairman's Report 2021



Hon. E.M Wamae, EBS

Dear Members,

On behalf of the Board of Directors, It is my pleasure to present to you the Group activities report and performance during the year ended 31st December 2021.

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

Despite the tough operating environment, the company is able to keep its doors open.

FINANCIAL PERFORMANCES

The company made a profit before tax of Kshs.36,949,054 compared to year 2020 Ksh.38,722,937 the profits dropped by Ksh.1,773,883 due to the effects of Covid 19 pandemic.

Let me now report on the trading activities of the income generating projects for the company.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LTD

Annual report and group financial statements

For the year ended 31 December 2021

MOI AVENUE PLOT (AGRHO HOUSE)

Agrho House remains the company flagship project offering rental spaces to small shop traders who are mainly our youth, Beauty salons/spa, offices, food court, medium size SMES and colleges. It remains a profitable asset in spite of all the challenges e.g Economic down turn, Covid 19 and collapse of the University parallel degree programmes.

Last year I reported that Agrho house occupancy was affected negatively when the anchor tenant Nazarene University opted to leave the building due to low University admission after the collapse of the private student parallel degree programme. Other challenges are ravage of Covid 19 pandemic and generally economic downturn facing our country and in deed the whole world and low imports due to high cost of the dollar.

Luckily the tertiary colleges offering diploma and technical courses took part of the space occupied by the Nazarene University College (the University had occupied 60% of the building) but there are still some vacant spaces that are suitable for colleges, large exhibitions, banks etc.



The Board is grateful to Visions Institute of Professional studies Nairobi Institute of Business Studies (NIBS) and Vera beauty College for having accepted to be tenants in the building.

Agrho House is an investment that we should continue holding a key asset for AIH and its members.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LTD

Annual report and group financial statements

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*Phase 1A comprising of 80 units
completed and fully sold*

CLAY CITY APARTMENTS.

May I remind you that Clay City Ltd is a joint Venture Company between Clayworks Ltd (subsidiary of AIH Ltd) and Housing Finance Development and Investment

Ltd -HFDI- (subsidiary company of HFCK Bank), jointly formed and registered for the purpose of developing a residential housing Estate on the 24.5 acres that was previously occupied by Clayworks Ltd in Kasarani Nairobi County.

In total Claycity was to construct 560 units (two and three bedrooms) . Phase 1A comprising of 80 units was done and fully sold. Before the commencement of phase 1B of another 160 units the country and the world at large experienced economic down turn, the covid 19 pandemic, Russia/Ukraine conflicts and high inflation that brought down the demand for housing.

Claycity Board decided to stop further construction until the Country/world recover from this adversities.

Our able partners on this project HFDI have expressed their willingness to exit the project following the change of strategy by their main shareholder that the bank should exit all construction projects including Claycity to concentrate on banking. Clayworks has accepted that request. It is expected this transition will run smoothly.

The route to divestiture involves sharing of the joint venture assets in the ratio of the shareholding (AIH 67%: HFDI 33%). It is expected that the process will unleash cash that can be used to construct the AIH Medical Centre or any other project that will generate good profits for AIH.

The remainder of land will be left to clayworks to continue solely constructing more medium /affordable houses for sale once the economy recovers.

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, that resolved the two Ranches (Kekopey and Narok) should be subdivided into plots. Nearly all members are now allocated plots and issued with Government title deeds for their parcels of land.

KEKOPEY RANCH:

All the Land at Kekopey is fully subdivided and members shown their plots and issued with title deeds. Those members allocated plots in Kekopey are now encouraged by the Board to take full possession of their land. Kekopey now is a very big village and members should form “Nyumba Kumi” Vigilant groups to look after member’s welfare e.g. Security, Education, Jobs etc.



From Left Mr M. Wandegwa(General Manager), Dr. P. Gathia, Rev J. Kihara, Mr. J. Gichuru(Sub Committee Chairman) Mr. Mathew (Staff) & Eng. P. Njagi (Project & Inv. Manager) during one of the field day at Kekopey Ranch.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LTD

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AIH Ltd donated its land for the purpose of building Schools and I am happy to report that that all these institutions were issued with title deeds.

NAROK RANCH:

Shareholders are encouraged to take possession of their 2 acre plots at Narok Ranch. About 95% of the members have paid and collected their title deeds and therefore the Government is aware of your presence in Narok Ranch.

For those of you who want to settle in Narok Ranch, I am happy to inform you that most of facilities are available e.g the Schools (Mary mother Catholic School is available to admit all the learners at Narok ranch), the company has donated land to build more schools, Markets and shopping centres.

The Board wishes to encourage those members whose plots are facing the Nyahururu /Maralal road to build Nyama Choma Zones, shops, markets like what members built in Kekopey ranch now called Nyama Choma which is well known by nearly all Kenyans travelling on the busy Nairobi / Nakuru Highway.

This initiative will open Narok ranch for easy occupation.

Kindly take possession of your land in Narok Ranch. The land is very fertile and good soil.

FAMILY BANK SHARES

Ordinary shares invested by your company in Family Bank still stands at a total of 788,800 shares at a cost of Ksh.19,393,600. The Family Bank group improved performance in 2021. Dividend received for year 2021 was Ksh.621,968.80.

ACQUISITIONS OF 30 ACRES OF LAND FROM KARUNGURU COFFEE

ESTATE LTD, KENYATTA ROAD, GATUNDU.

The plots were sold out and the project handed over to the plot owners.

APATANA INVESTMENTS LTD

LSG Sky chef In Flight catering facility is now picking up and flights have resumed.

It is a good and profitable investment to hold to and it's expected to improve now that the facility is fully installed

AIH UPPER HILL MEDICAL CENTRE

During last year AGM, shareholders resolved that AIH should invest the money in fixed deposit accounts in a profitable venture.

I am happy to report that we found and bought a suitable plot at Upperhill Nairobi County next to Kenyatta National hospital measuring 0.35 of an acre. Upperhill has prime land in the Nairobi County and is known by the locals as a medical centre sub-district.



The title deed was secured to AIH and the change of user granted by the county government of Nairobi. We are now in the planning stage, and hopefully construction will begin in 2023 and may take approximately two years to complete.

The project will be financed from the proceeds of the investments at Claycity, AIH fixed deposits and the rest from a bank loan.

Directors desire to construct a Medical centre facility to provide doctors with consulting rooms, inpatient services, outpatient facility, Pharmacy, Chemist, Laboratory, X-rays MRI and Dialysis

Geotechnical surveyors working on the Upperhill medical center construction site to advise AIH whether it would be possible to dig the foundation to create four basement parking.

facility for both in/out patients, Theatres, piped oxygen plant, incinerator and communal garbage collection.

The building will comprise of twelve floors with a twin tower and underground parking for 100 vehicles.

Other facilities will be available:-

- i. One or two food courts and a restaurant.
- ii. Budget hotel to offer boarding facility for the patients relatives bringing patient to Nairobi from Upcountry and neighbouring countries.
- iii. Water borehole.
- iv. Two Standby generators.
- v. Parking for 100 cars: This will generate for AIH some income since all parking will be charged on hourly basis.

COMPANY SHARES

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

In the year 2014 AGM you approved to open the ceiling so that members can buy more shares to enable the Company to expand. At the appropriate time your Board will inform you when to buy.

OVER 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 2023 the selling and buying of shares would commence.

DIGITAL TRANSFORMATION:

- ▶ Members can access company information on our company Website: www.aih-plc.com.
- ▶ Any payment can be done via company Mpesa pay bill Account No.921776, account number “your phone number”.

NEW SHARE CERTIFICATES

I continue to urge our members to collect new share certificates through the office of the Company Secretary whose physical address is shown here below:-.



Leading Secretaries

Portal Place House

1st floor suite 10, Muindi Mbingu Street

P.O Box 6399-00300 Nairobi

Tel: 0739 604756 / 0771-264157

DIVIDENDS

The Directors propose to pay a dividend of Kshs.13, 817,388 at Ksh.26 per share for the year ended 31st December 2021.



Members following the last AGM virtually

CORPORATE SOCIAL RESPONSIBILITY

The Company assists the community in different activities.

1. Tree Planting, assisted the community with seedlings and tree planting activity. This helps the community in improving water catchment area where they are able to get enough water for domestic and livestock use.
2. Joyful Women Organization (Table banking). The company contributed Ksh.2 million on 20th September, 2016 to "Joyful Women Organization" run by Her Excellency first lady Mrs. Rachael Ruto. This is in support of Kenyan women.
3. Her Excellency former first lady half marathon.
4. Beyond Zero Campaign where the company contributed Ksh.10M to the "Beyond Zero Campaign" an initiative by the former first Lady H.E. Margaret Kenyatta to help mothers and children overcome health challenges. The funds were used to purchase an ambulance that was presented to Ol- Karau County on 10th December, 2015.
5. The company donated 20-acers plot to the National Police Service to build a security response center that will oversee security in the whole area and environs of Narok Ranch.
6. Establishment of a shopping center next to Mary Mother School.



Community planting trees for environmental conservation at Kekopey Ranch.

Corporate social responsibility (cont'd)

7. Donation of land to establish 5 schools.



Ndogo primary school at Jaika center Kekopey Ranch



One of the best school in Rumuruti Narok Ranch

AGRICULTURAL AND INDUSTRIAL HOLDINGS LTD

Annual report and group financial statements

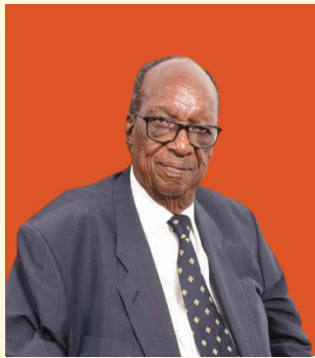
For the year ended 31 December 2021

DIRECTORS

Our Directors are equipped with wealth of experience and knowledge in corporate affairs. We have projects going on and I have received alot of support from the Directors and personally I thank them very much for the support. I kindly request you to retain this Board to continue wth the development agendas of your company.

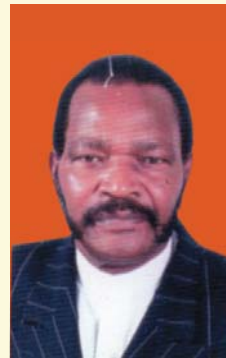
BOARD OF DIRECTORS

Chairman



Hon. E.M Wamae, EBS

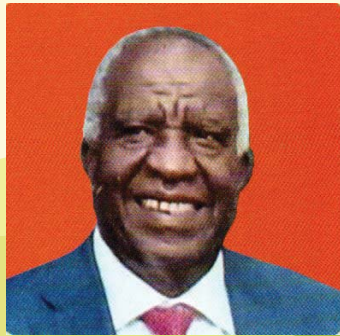
Vice Chairman



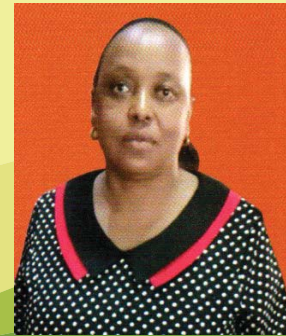
Hon. N. Muigai



Mr. Joseph N. Gichuru



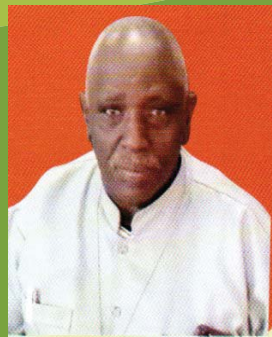
Dr. Peter Munga



Dr. Patricia W. Gathia



Mr. Michael M. Mbarire



Rev. Joseph Kihara



Mr. Henry K. Njagi

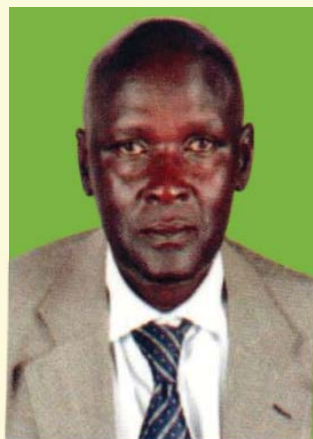


Mr. Martin Njeru

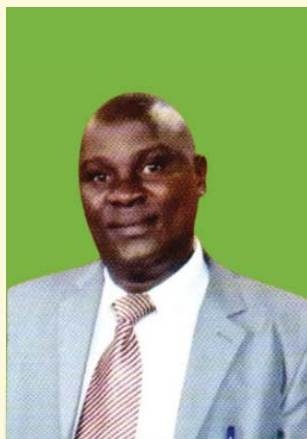
MANAGEMENT TEAM



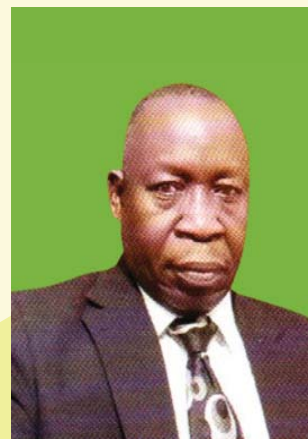
*Managing Director
Hon. EM Wamae, EBS*



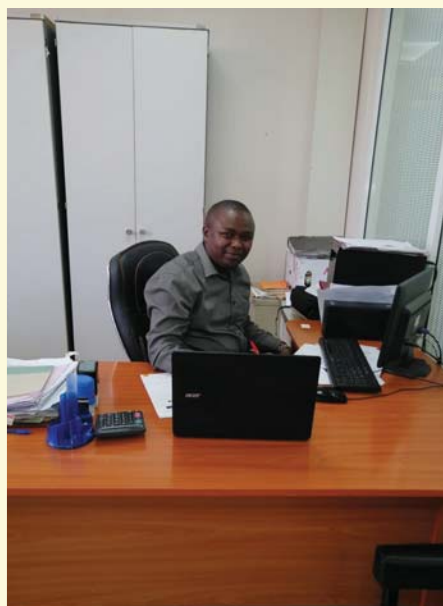
*General Manager
CPA Michael Wandegwa*



*Projects & Investments
Manager Eng. Patrick Njagi*



*Chief Accountant
CPA Jacob Babu*



AIH Ltd Accounts Dept. Staff at Kasarani Office.

FUTURE OF THE COMPANY

With the investments carried by the company, the Board is of the opinion that the company is headed on the right direction with prospects for growth in terms of profit and capital gains.

CONCLUSION

On behalf of the Board of Directors, I would like to express my gratitude to all shareholders for your support as we navigate to take this company to the next level to generate more profits. Finally, I wish to appreciate my fellow Board members and the management team who have stayed the course despite the headwinds faced by the company investments.

God bless us all.



.....
HON. ELUID MATU WAMAE (E.B.S).

CHAIRMAN.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Report of the Directors

For the year ended 31 December 2021

The directors submit their report together with the audited group financial statements for the year ended 31 December 2021, which show the state of the company's affairs.

1 PRINCIPAL ACTIVITY

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

2 RESULTS

The result for the year was as follows:	2021 Kshs	2020 Kshs
Continuing operation		
Profit for the year before tax	36,949,054	38,722,937
Tax charge	<u>(16,693,294)</u>	<u>(11,278,999)</u>
Profit for the year after tax	<u>20,255,760</u>	<u>27,443,938</u>
Discontinued operation		
Loss before depreciation	(2,495,217)	(2,707,680)
Depreciation	<u>(130,878)</u>	<u>(133,549)</u>
Loss for the year before tax	(2,626,095)	(2,841,229)
Tax charge	<u>-</u>	<u>-</u>
	<u>(2,626,095)</u>	<u>(2,841,229)</u>
Profit taken to retained earnings	<u>17,629,665</u>	<u>24,602,709</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 2021 subject to the approval by the shareholders at the annual general meeting. A similar dividend was declared for the year 2020..

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 2021

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 28 to 57 were approved and authorised for issue by the board of directors on **21ST JULY 2022**

By order of the board




Lucy Kibera
Leading secretaries
Certified Public Secretaries
SECRETARY

Date: **21ST JULY 2022**

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

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Statement of the Directors' responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure that the company 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 company and the group 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 controls.

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 first 80 units of the residential houses were completed in year 2020 after which the project was redesigned and focus shifted to the construction of affordable residential houses to take advantage of the prevailing demand. This has been boosted by an approval of the project to partner with the government in the construction of affordable residential houses under the Big-4 Agenda. The directors are now evaluating the option of continuing with the project as a joint venture or under a different arrangement. Discussion on this had not been concluded at the date of this report.

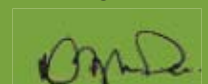
The outbreak of COVID-19 in 2019 which lead to sporadic lock down and closures of businesses has now been contained and the normal business has resumed. However, the aftermath of this pandemic will continue to affect business before full recovery is attained. The directors have put mechanism to address these challenges and are optimistic that the company and the project will be able to manage its cash flow and remain resilient in the new environment.

Except as indicated above 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 **21ST JULY 2022** 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 28 to 56 for the year ended 31 December 2021. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2021, 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 the matters referred to in the paragraphs below the financial statements give a true and fair view of the financial position as at 31 December 2021 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.

Unclaimed assets

As provided by the Unclaimed Assets Authority Act the company has a responsibility to use all practical efforts at its disposal to trace and communicate with its shareholders. Where the company is unable or has not communicated with its shareholders for a period of three years then any shares dividends and other assets held by the company for these shareholders is regarded as unclaimed and ought to be surrendered to the Unclaimed Assets Authority in accordance with the Act. As indicated in note 26, the company had unpaid dividend as at 31 December 2021 of Kshs 61,421,342 substantially arising from the inability to trace or communicate with its shareholders. The company has however not computed and surrendered the unclaimed assets including the unpaid dividend as provided by the Unclaimed Assets Authority Act of 2011. The company stands at risk of incurring huge costs for non compliance.

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

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 for the year. The latest audited financial statements of the venture availed to us were for year 2017. The directors believe that the draft financial statements of the joint venture will not materially differ from the final audited accounts.

Uncertainty posed by COVID-19

The outbreak of COVID-19 which was first reported in China in December 2019 and quickly spread all over the world leading to lockdown and closure of businesses has now been contained and normal business has resumed. However, the negative impact of this pandemic on market uncertainties and disruption of supply chains will continue for the foreseeable future.

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 been affected by 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 effects of this 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.

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

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 and has continued to experience delays due to a number of factors including the COVID pandemic. The first eighty units composed of three units were completed and commissioned in 2020. The project was redesigned from the initial plan of mixed residential and commercial houses to the construction of the affordable low cost residential houses to reduce cost and take advantage of wide market.

Due to the significant delays in the progress of the project and cost escalation the directors are weighing in on the option of continuing with the project under a different arrangement from the joint venture.

At the time of issue of these financial statements discussions were still being held between the two parties on the way forward for the joint venture.

How the audit addressed the key audit matters

We reviewed the contractual relationship of the joint venture.

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

We reviewed the draft accounts of the joint venture.

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

We held discussions with management on the slow progress of the project and the intended divorce and restructuring of the project development partners.

Members register

The members register is considered a significant audit matter due to the huge number of members and 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 progress of the automation of the shareholders register and held discussions with management and were informed that a number of challenges halted the exercise.

We reviewed contacts and other details in the members registers.

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

Key audit matters

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 3000 members have been updated with current contact addresses and details of their National Identification numbers. This creates difficulties in communication and paying dividends to the shareholders.

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.

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

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 scepticism throughout the audit. We also;

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

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: **21ST JULY 2022**

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED
Annual report and group financial statements
For the year ended 31 December 2021

Statement of income - Group

	Note	2021 Kshs	2020 Kshs
INCOME			
Turnover	2	99,887,769	92,585,838
Direct cost of sales	3	<u>(15,284,741)</u>	<u>(9,956,252)</u>
		<u>84,603,028</u>	<u>82,629,586</u>
Other Income	4	<u>26,844,363</u>	<u>29,317,040</u>
		<u>26,844,363</u>	<u>29,317,040</u>
		<u>111,447,391</u>	<u>111,946,626</u>
EXPENSES			
Operating and administration expenses	5	37,053,396	37,652,706
Staff costs	6	16,951,148	17,352,857
Finance costs	7	13,701,793	15,612,126
Share of loss from joint venture		<u>6,792,000</u>	<u>2,606,000</u>
		<u>74,498,337</u>	<u>73,223,689</u>
Profit before tax from continuing operations		36,949,054	38,722,937
Tax charge	8(a) i	<u>(16,693,294)</u>	<u>(11,278,999)</u>
Profit after tax for continuing operations		20,255,760	27,443,938
Discontinued operations			
Loss before depreciation		(2,495,217)	(2,707,680)
Depreciation		<u>(130,878)</u>	<u>(133,549)</u>
Loss from discontinued operations	28	<u>(2,626,095)</u>	<u>(2,841,229)</u>
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(2,626,095)	(2,841,229)
Profit after tax for the year		17,629,665	24,602,709
Dividends:			
Proposed dividend Kshs 26 per share		<u>13,817,388</u>	<u>13,817,388</u>
		<u>13,817,388</u>	<u>13,817,388</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED
 Annual report and group financial statements
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Statement of comprehensive income - Group

Note	2021 Kshs	2020 Kshs
	<u>17,629,665</u>	<u>24,602,709</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>
	<u>-</u>	<u>-</u>
Net other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>17,629,665</u></u>	<u><u>24,602,709</u></u>

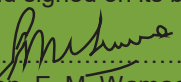
AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

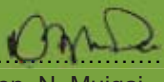
Annual report and group financial statements
For the year ended 31 December 2021

Statement of financial position at 31 December 2021 - Group

ASSETS	Note	2021	2020
		Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(a)	72,353,051	71,406,920
Investment properties	10	1,785,876,692	1,678,176,651
Investments in joint venture	11	969,700,267	976,492,267
Goodwill	12	17,878,491	17,878,491
Other investments	14	108,113,742	108,113,742
		<u>2,953,922,243</u>	<u>2,852,068,071</u>
Current assets			
Inventory	15	50,850,215	65,492,800
Trade and other receivables	17	163,789,616	160,150,002
Tax recoverable	8(c)	(6,805,655)	2,834,988
Cash and bank balances	18	247,242,552	330,902,084
		<u>455,076,728</u>	<u>559,379,874</u>
Total assets		<u>3,408,998,971</u>	<u>3,411,447,945</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	53,143,800
Capital reserve	20	1,735,847,450	1,735,847,450
Revenue reserve		(97,785,819)	(88,663,408)
		<u>1,691,205,431</u>	<u>1,700,327,842</u>
Non current liabilities			
Deposit for plots and shares	21	902,097,683	893,121,683
Bank loan	22	84,810,959	100,561,017
Deferred tax	23	488,483,288	488,055,268
		<u>1,475,391,930</u>	<u>1,481,737,968</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	20,641,549	22,207,291
Taxation	8(c)	-	-
Trade and other payables	25	149,033,423	154,886,254
Dividend payable	26	61,421,343	40,983,295
		<u>242,401,610</u>	<u>229,382,135</u>
Total capital and liabilities		<u>3,408,998,971</u>	<u>3,411,447,945</u>

These financial statements were approved for issue by the board of directors on **21ST JULY 2022** 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 2021

Statement of financial position at 31 December 2021 - Parent company

		2021	2020
	Note	Kshs	Kshs
ASSETS			
Non-current assets			
Property, plant & equipment	9(b)	108,834,425	107,757,416
Investment properties	10	1,315,579,314	1,207,879,273
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	108,113,742	108,113,742
		<u>1,561,265,052</u>	<u>1,452,488,002</u>
Current assets			
Inventory	15	50,850,215	64,542,184
Amount due from related party	16	180,845,649	179,296,049
Trade and other receivables	17	150,080,031	146,440,417
Taxation	8	-	2,827,176
Cash and bank balances	18	246,909,828	330,574,360
		<u>628,685,723</u>	<u>723,680,186</u>
Total assets		<u>2,189,950,775</u>	<u>2,176,168,188</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	53,143,800
Capital reserve	20	600,652,135	600,652,135
Revenue reserve		178,342,514	178,046,828
		<u>832,138,449</u>	<u>831,842,763</u>
Non current liabilities			
Deposit for plots and shares	21	902,097,683	893,121,683
Bank loan	22	84,810,959	100,561,017
Deferred tax		161,797,214	161,369,195
		<u>1,148,705,856</u>	<u>1,155,051,895</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	20,641,548	22,207,291
Taxation		6,813,467	-
Trade and other payables	25	108,924,817	114,777,649
Dividend payable	26	61,421,343	40,983,295
		<u>209,106,470</u>	<u>189,273,530</u>
Total capital and liabilities		<u>2,189,950,775</u>	<u>2,176,168,188</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED
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Statement of changes in equity - Group

	Share capital Kshs	Capital reserves Kshs	Dividends Kshs	Revenue reserves Kshs	Total Kshs
2020					
At 1 January 2019	49,748,800	1,739,242,450	31,708,582	(93,213,559)	1,727,486,273
	-	-	-	(7,117,870)	(7,117,870)
	<u>49,748,800</u>	<u>1,739,242,450</u>	<u>31,708,582</u>	<u>(100,331,429)</u>	<u>1,720,368,403</u>
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			12,934,688	(12,934,688)	
Dividend paid	26	-	(3,659,975)	-	(3,659,975)
At 31 December 2020	<u>53,143,800</u>	<u>1,735,847,450</u>	<u>40,983,295</u>	<u>(88,663,408)</u>	<u>1,741,311,137</u>
2021					
At 1 January 2021	53,143,800	1,735,847,450	40,983,295	(88,663,408)	1,741,311,137
Profit for the year	-	-	-	17,629,665	17,629,665
Dividend declared in the year	26	-	26,752,076	(26,752,076)	-
Dividend paid	26	-	(6,314,028)	-	(6,314,028)
At 31 December 2021	<u>53,143,800</u>	<u>1,735,847,450</u>	<u>61,421,343</u>	<u>(97,785,819)</u>	<u>1,752,626,774</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED
Annual report and group financial statements
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Statement of changes in equity - Parent company

	Share capital Kshs	Capital reserves Kshs	Dividends Kshs	Revenue reserves Kshs	Total Kshs
2020					
At 1 January 2020	49,748,800	604,047,135	31,708,582	168,049,448	853,553,965
	-	-	-	(7,117,870)	(7,117,870)
	<u>49,748,800</u>	<u>604,047,135</u>	<u>31,708,582</u>	<u>160,931,578</u>	<u>846,436,095</u>
Share capital paid from reserves	3,395,000	(3,395,000)		-	-
Dividend paid	-	-	(3,659,975)	-	(3,659,975)
Profit for the year	-	-	-	30,049,938	30,049,938
At 31 December 2020	<u>53,143,800</u>	<u>600,652,135</u>	<u>28,048,607</u>	<u>190,981,516</u>	<u>872,826,058</u>
2021					
At 1 January 2021	53,143,800	600,652,135	28,048,607	190,981,516	872,826,058
Dividend declared in the year	-	-	(26,752,076)	26,752,076	-
Dividend paid	-	-	(6,314,028)	-	(6,314,028)
Profit for the year	-	-	-	27,047,760	27,047,760
At 31 December 2021	<u>53,143,800</u>	<u>600,652,135</u>	<u>(5,017,497)</u>	<u>244,781,353</u>	<u>893,559,791</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2021

Statement of cash flows - Group	Note	2021 Kshs	2020 Kshs
Profit before taxation for continuing operations		36,949,054	38,722,937
Loss before taxation for discontinued operations		<u>(2,626,095)</u>	<u>(2,841,229)</u>
		34,322,959	35,881,708
Adjustments for:			
Prior year adjustments		-	(7,117,870)
Depreciation	9(a)	2,427,446	1,794,982
Profit on disposal of fixed assets		<u>(411,127)</u>	<u>-</u>
		36,339,278	30,558,820
Changes in working capital			
Inventories	15	14,642,585	8,971,448
Trade and other receivables	17	(3,639,615)	(4,565,265)
Provisions	24	(1,565,743)	12,571,536
Trade and other payables	25	<u>(5,852,830)</u>	<u>(4,623,988)</u>
Net cash flow from operating activities		39,923,675	42,912,551
Tax paid	8(c)	<u>(6,624,631)</u>	<u>(10,191,149)</u>
		33,299,044	32,721,402
Cash flow from investing activities			
Purchase of properties and equipment	9(a)	(3,482,450)	(268,892)
Proceeds from disposal of motor vehicle		520,000	-
Additions to investment properties		(107,700,041)	-
Changes in value of investment in the joint venture	11	<u>6,792,000</u>	<u>2,606,000</u>
		<u>(103,870,491)</u>	<u>2,337,108</u>
Cash flow from financing activities			
Loan repayment	22	(15,750,058)	(13,839,728)
Deposit received for plots and shares	21	8,976,000	2,964,200
Dividend paid during the year	26	<u>(6,314,028)</u>	<u>(3,659,975)</u>
		<u>(13,088,085)</u>	<u>(14,535,503)</u>
Increase in cash & cash equivalents		(83,659,532)	20,523,007
Cash and cash equivalent at start of the year		<u>330,902,084</u>	<u>310,379,077</u>
Cash and cash equivalent at end of the year		<u>247,242,552</u>	<u>330,902,084</u>
Comprising			
Bank balances	18	19,154,762	12,454,574
Fixed deposit	18	227,781,009	318,222,737
Cash in hand	18	<u>306,781</u>	<u>224,773</u>
		<u>247,242,552</u>	<u>330,902,084</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2021

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 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

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

IAS37 Amendment: Clarify on the cost the company should include while fulfilling a contract when assessing whether the contract is onerous. The amendment clarify that the cost of fulfilling onerous contract comprise of costs that relate directly to the contract. The costs may be incremental or directly allocated to the contract. The amendment is effective from 1 January 2022.

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2021

Notes to the financial statements(cont'd)

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

IAS16 Amendments to IAS 16, property plant and equipment: Clarify on how proceed received before the assets indented use should be accounted for. The amendment prohibit deducting from cost of an item of property, plant and equipment proceeds received from selling items produced while bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management. The sell of such items are recognised under the income statement. The standard is effective from 1 January 2022

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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Annual report and group financial statements

For the year ended 31 December 2021

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

Annual report and group financial statements

For the year ended 31 December 2021

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.

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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. Contributions to the scheme are charged to the income statement on an accrual basis..

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 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
2 INCOME				
Rent receivable	75,970,709	76,914,558	75,970,709	76,914,558
Sales of plots	23,917,060	15,671,280	23,917,060	15,671,280
	99,887,769	92,585,838	99,887,769	92,585,838
3 DIRECT COST				
Cost of plots sold	15,284,741	9,956,252	15,284,741	9,956,252
4 OTHER INCOME				
Interest	23,835,858	28,102,971	23,835,858	28,102,971
Other income	3,008,505	1,214,069	3,008,505	1,214,069
	26,844,363	29,317,040	26,844,363	29,317,040
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	843,910	699,915	843,910	699,915
Professional fee	451,782	95,849	451,782	95,849
Land rent and rates	820,623	820,573	820,623	820,573
Telephone and postage	493,248	498,645	493,248	498,645
Directors fees	4,704,480	4,704,480	4,704,480	4,704,480
Directors expenses	1,719,113	1,348,415	1,719,113	1,348,415
Depreciation	2,296,568	1,661,433	2,296,568	1,661,433
Audit fees	210,000	210,000	210,000	210,000
Other expenses	1,922,115	1,654,820	1,922,115	1,654,820
Insurance and licenses	2,045,353	1,985,680	2,045,353	1,985,680
Security	2,294,828	2,471,141	2,294,828	2,471,141
Repairs and maintenance	4,335,602	4,489,911	4,335,602	4,489,911
AGM expenses	2,330,292	2,145,312	2,330,292	2,145,312
Donations	15,200	295,475	15,200	295,475
Marketing	1,140,997	299,048	1,140,997	299,048
Bank charges	76,504	78,246	76,504	78,246
Property management commission	4,306,132	4,328,953	4,306,132	4,328,953
Sales commission	456,399	747,621	456,399	747,621
Provision for bad debts	-	3,500,000	-	3,500,000
Water and electricity	6,590,250	5,617,189	6,590,250	5,617,189
	37,053,396	37,652,706	37,053,396	37,652,706
6 STAFF COSTS				
Salaries	15,700,820	15,483,396	15,700,820	15,483,396
NSSF	27,000	26,400	27,000	26,400
Contributions to retirement benefits	1,223,328	1,843,061	1,223,328	1,843,061
	16,951,148	17,352,857	16,951,148	17,352,857

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

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Notes to the financial statements(cont'd)

	Group		Company	
	2021 Kshs	2020 Kshs	2021\ Kshs	2020 Kshs
7 FINANCE COST				
Loan interest	13,701,793	15,612,126	13,701,793	15,612,126
	13,701,793	15,612,126	13,701,793	15,612,126
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	12,323,873	11,978,949	12,323,873	11,978,949
Prior period under provision	3,941,401		3,941,401	
Deferred tax	428,020	(699,950)	428,020	(699,950)
	16,693,294	11,278,999	16,693,294	11,278,999
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	16,693,294	11,278,999	16,693,294	11,278,999
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	36,949,054	38,722,937	43,741,054	41,328,937
Loss from discontinued operations	(2,626,095)	(2,841,229)	-	-
	34,322,959	35,881,708	43,741,054	41,328,937
Tax @ 30% (2020: 25%)	10,296,888	8,970,427	13,122,316	10,332,234
Under provision in the previous year	3,566,418	(454,720)	3,566,418	(454,720)
Effect of non allowable expense	4,560	1,401,485	4,560	1,401,485
Effect of loss from joint venture	2,037,600			
Tax effect on tax loss of subsidiary	787,829	1,361,807	-	-
	16,693,294	11,278,999	16,693,294	11,278,999
c) Tax recoverable				
Balance b/fwd	(2,834,988)	(4,622,788)	(2,827,176)	(4,614,976)
Under provision in the previous year	3,941,401		3,941,401	
Provision for the year	12,323,873	11,978,949	12,323,873	11,978,949
Payment	(6,624,631)	(10,191,149)	(6,624,631)	(10,191,149)
	6,805,655	(2,834,988)	6,813,467	(2,827,176)

AGRICULTURAL AND INDUSTRIAL HOLDINGS LIMITED

Group financial statements
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Notes to the financial statements(cont'd)

9(a) PROPERTY AND EQUIPMENT - GROUP

2021	Land Kshs	Buildings Kshs	Motor vehicles Kshs	Furniture and Equipment Kshs	Generator Kshs	and water installations Kshs	Computers Kshs	Total Kshs
Cost / Valuation								
At 1 January 2021	23,818,881	50,628,519	2,740,000	2,164,043	5,261,095	9,958,380	2,684,770	97,255,688
Additions	-	111,450	3,350,000	-	-	-	21,000	3,482,450
Disposal	-	-	(1,450,000)	-	-	-	-	(1,450,000)
31 December 2021	23,818,881	50,739,969	4,640,000	2,164,043	5,261,095	9,958,380	2,705,770	99,288,138
Depreciation								
At 1 January 2021	-	8,786,227	2,086,908	1,567,513	3,811,088	7,408,243	2,188,789	25,848,768
Eliminated on disposal	-	-	(1,341,127)	-	-	-	-	(1,341,127)
Charge for the period	-	913,686	973,555	99,643	180,626	103,342	156,594	2,427,446
31 December 2021	-	9,699,913	1,719,336	1,667,156	3,991,714	7,511,585	2,345,383	26,935,087
Net book Value								
31 December 2021	23,818,881	41,040,056	2,920,664	496,887	1,269,381	2,446,795	360,387	72,353,051
2020								
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

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 2021**

Notes to the financial statements(cont'd)

9(b) PROPERTY AND EQUIPMENT - COMPANY

2021	Land Kshs	Buildings & fittings Kshs	Motor vehicles Kshs	Machinery Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Total Kshs
Cost / Valuation								
At 1 January 2021	66,713,281	40,614,469	2,740,000	2,164,043	5,256,095	9,958,380	2,689,770	130,136,038
Additions	-	111,450	3,350,000	-	-	-	21,000	3,482,450
Disposal	-	-	(1,450,000)	-	-	-	-	(1,450,000)
31 December 2021	66,713,281	40,725,919	4,640,000	2,164,043	5,256,095	9,958,380	2,710,770	132,168,488

Depreciation

At 1 January 2021	-	5,316,078	2,086,908	1,535,484	3,811,088	7,440,274	2,188,789	22,378,621
Eliminated on disposal	-	-	(1,341,127)	-	-	-	-	(1,341,127)
Charge for the period	-	782,808	973,555	99,643	180,626	103,342	156,594	2,296,568
31 December 2021	-	6,098,886	1,719,336	1,635,127	3,991,714	7,543,616	2,345,383	23,334,062

Net book Value

31 December 2021	66,713,281	34,627,033	2,920,664	528,916	1,264,381	2,414,764	365,387	108,834,426
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2020

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
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Notes to the financial statements(cont'd)

10 INVESTMENT PROPERTIES	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Agrho house	1,207,879,273	1,207,879,273	1,207,879,273	1,207,879,273
Clayworks land in Kasarani	470,297,378	470,297,378	-	-
AIH medical centre land	107,700,041	-	107,700,041	-
	1,785,876,692	1,678,176,651	1,315,579,314	1,207,879,273

Investment properties consist of land and buildings held for rental and investment purposes. AIH medical centre land was acquired during the year and is carried at cost. The other properties 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Balance at 1 January 2020	976,492,267	979,098,267	-	-
Investment during the year	-	-	-	-
Loss/profit from joint venture	(6,792,000)	(2,606,000)	-	-
	969,700,267	976,492,267	-	-

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.

12 GOODWILL	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Cost of untransferred benefits at Kenyatta road plots	50,850,215	64,542,184	50,850,215	64,542,184
Trade goods from discontinued operation	-	950,616	-	-
	50,850,215	65,492,800	50,850,215	64,542,184

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

	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
a) Subsidiary company				
Balance b/fwd	-	-	179,296,049	176,589,573
Additions	-	-	1,549,601	2,706,476
	-	-	180,845,650	179,296,049

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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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
<i>Management;</i> Salary and other benefits	9,241,980	9,241,980	9,241,980	9,241,980
<i>Directors;</i> As executives	4,704,480	4,704,480	4,704,480	4,704,480
	13,946,460	13,946,460	13,946,460	13,946,460

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Trade receivables	48,135,750	48,009,335	35,001,505	34,875,090
Other receivables	714,715	672,173	553,375	510,833
Deposits and prepayments	70,197,181	66,990,524	69,783,181	66,576,524
Survey fees receivable	9,888,060	9,916,060	9,888,060	9,916,060
Share compensation	34,853,910	34,561,910	34,853,910	34,561,910
	163,789,616	160,150,002	150,080,031	146,440,417

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Cash at bank	19,154,762	12,454,574	18,822,038	12,126,850
Fixed deposit	227,781,009	318,222,737	227,781,009	318,222,737
Cash in hand	306,781	224,773	306,781	224,773
	247,242,552	330,902,084	246,909,828	330,574,360

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19 SHARE CAPITAL	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 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 ordinary shares of Kshs 100 each	53,143,800	53,143,800	53,143,800	53,143,800

20 CAPITAL RESERVES	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 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)	(3,395,000)	(3,395,000)
	1,735,847,450	1,735,847,450	600,652,135	600,652,135

21 DEPOSIT FOR PLOTS AND SHARES	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Deposit for plots	70,898,471	63,632,471	70,898,471	63,632,471
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	378,946,574	377,236,574	378,946,574	377,236,574
	902,097,683	893,121,683	902,097,683	893,121,683

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

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	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
22 BORROWINGS				
Housing Finance loan 1	34,498,871	40,780,920	34,498,871	40,780,920
Housing Finance loan 2	61,617,383	71,085,392	61,617,383	71,085,392
	96,116,254	111,866,312	96,116,254	111,866,312
Payable after 12 months	84,810,959	100,561,017	84,810,959	100,561,017
Payable within 12 months	11,305,295	11,305,295	11,305,295	11,305,295
	96,116,254	111,866,312	96,116,254	111,866,312

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% (2020: 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	(124,829)	(428,020)		(552,849)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
Losses carried forward	-	-	-	-
	(488,055,268)	(428,020)	-	(488,483,288)

Deferred income tax on unutilised loss carried forward amounting to Kshs 92,114,769 (2020: Kshs 91,866,401) 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Provisions for bad debts	10,476,815	3,500,000	10,476,815	3,500,000
Provisions for staff leave	6,093,004	6,127,203	6,093,004	6,127,203
Gratuity provision	4,071,730	12,580,088	4,071,730	12,580,088
	20,641,549	22,207,291	20,641,549	22,207,291

During the year the company established a staff retirement benefits scheme which is managed by ICEA Asset Finance. The scheme took over 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 not yet remitted to the fund.

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Notes to the financial statements(cont'd)

25 TRADE AND OTHER PAYABLES	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Trade payables	9,312,360	9,368,214	4,385,374	4,441,228
Accruals	19,096,497	24,021,082	18,463,580	23,388,165
Other payables	45,862,769	47,921,210	11,314,067	13,372,508
Survey fees deposit	12,013,885	12,013,885	12,013,885	12,013,885
Tenants deposits	62,747,912	61,561,863	62,747,912	61,561,863
	149,033,423	154,886,254	108,924,818	114,777,649

26 DIVIDEND PAYABLE	Group		Company	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Opening balance	40,983,295	31,708,582	40,983,295	31,708,582
Dividends declared in the year	26,752,076	12,934,688	26,752,076	12,934,688
Paid during the year	(6,314,028)	(3,659,975)	(6,314,028)	(3,659,975)
Balance at 31 December	61,421,343	40,983,295	61,421,343	40,983,295

Dividends are recognised as a liability in the period in which they are declared.

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	
	2021 Kshs	2020 Kshs
820,623	820,623	820,573
-	-	-
820,623	820,623	820,573

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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 75,970,709 (2020: 76,914,558). 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	
	2021 Kshs	2020 Kshs	2021 Kshs	2020 Kshs
Within one year	75,970,700	76,914,558	75,970,700	76,914,558
In the second to sixth years	196,600,000	196,600,000	196,600,000	196,600,000
	<u>272,570,700</u>	<u>273,514,558</u>	<u>272,570,700</u>	<u>273,514,558</u>

28 DISCONTINUED OPERATIONS OF THE SUBSIDIARY

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

	2021 Kshs	2020 Kshs
Income		
Sales of clay products	-	-
Sundry income	300,000	-
	<u>300,000</u>	<u>-</u>
Expenses		
Operating and administration expenses	2,795,217	2,707,680
Depreciation	130,878	133,549
	<u>2,926,095</u>	<u>2,841,229</u>
Loss from discontinued operations	<u>(2,626,095)</u>	<u>(2,841,229)</u>

29 COMMITMENTS AND CONTINGENT LIABILITIES

The subsidiary company entered into a joint venture through Claycity Limited for construction of residential houses in an area of 24.5 acres of its land in Kasarani. The venture was registered in 2016 and the work on the construction of 5,200 house units started in 2017. However due to the challenges experienced in the implementation of the project compounded by the negative effects of the COVID-19 pandemic only 80 units had been completed at the balance sheet date. The cost of the completed units had significantly escalated beyond what had been planned.

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Notes to the financial statements(cont'd)

29 COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

These challenges have forced the management to redesign the project from the construction of middle level class house to the affordable house units which have lower construction costs and are in high demand. Towards this the project management was able to obtain an approval to partner with the government through certificate no.016/AHP/20 for the construction the affordable houses under the BIG-4 Agenda. This is a major achievement as the project will get a number of exemption and rebates from government on levies and taxes.

The project contractor had made a claim for compensation of Kshs 300 million for the lost opportunity he incurred for the delays in the commencement and progress of the project but this was disputed by the project management. Out of the amount being claimed by the contractor the management have estimated that the amount payable will not exceed Kshs 53,000,000.

Due to these challenges the company is weighing the option of continuing with the project through the joint venture or agreeing with the other party to end the venture at this stage and continue with the project alone. At the balance sheet date discussion with the other party were going on to determine the way forward.

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 131,044,000 (2020: 247,075,056) and a deposit 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*

Notes to the financial statements(cont'd)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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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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 2021			
Trade receivables	13,495,449	34,640,301	48,135,750
Other receivables	-	714,715	714,715
Dues for plot surveying and demarcation	-	111,468,494	111,468,494
Cash and bank	247,242,552	-	247,242,552
	<u>260,738,001</u>	<u>146,823,510</u>	<u>407,561,511</u>
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>

The past debts include trade receivables of Kshs 13,134,246 from discontinued operations which the management consider recoverable. Other past dues of Kshs 21,506,055 relate to rent arrears which the management consider not impaired as the amount can be recovered from the tenants rent deposits. A general provision of bad and doubtful debt of Kshs 10,476,815 has been made to cater for any unrecoverable amounts.

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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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 2021			
Trade payables	9,312,360	-	9,312,360
Other payables	-	47,921,210	47,921,210
Deposits	-	74,761,797	74,761,797
Accruals	19,096,497	-	19,096,497
	<u>28,408,857</u>	<u>122,683,007</u>	<u>151,091,864</u>
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>

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.

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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 2021.

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 thursday,17th november,2022 and at any adjournment thereof.

(*Strike out as appropriate)

Signature(s)

Signed/sealed this..... day of 2022

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.

NOTES

A sheet of lined paper with a green and yellow wavy background at the bottom. The page is titled "NOTES" at the top center. The background features a gradient from light yellow at the top to a darker green at the bottom, with wavy, organic shapes separating the colors. The paper is ruled with horizontal lines.



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