

# 2022



## ANNUAL REPORT & GROUP FINANCIAL STATEMENTS



# **PROPOSED AIH MEDICAL CENTRE**



*Inside view of Agrho House*

## AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

### Annual report and group financial statements For the year ended 31 December 2022

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**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

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**CORPORATE INFORMATION**

**DIRECTORS**

Hon N Muigai	-	Chairman (Appointed on 10th Jan 2023)
Hon E M Wamae	-	Chairman (Passed on 14th Dec 2022)
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 PLC**

### **NOTICE OF THE ANNUAL GENERAL MEETING**

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**NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held via electronic communication on Friday 24<sup>th</sup> November, 2023 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 17<sup>th</sup> November, 2022.
4. To consider and, if thought fit, adopt the audited Financial Statements for the year ended 31<sup>st</sup> December 2022, together with the Chairman's, Directors' and Auditors' reports thereon.

#### **Proposed Resolution**

**That** the audited Final Statements for the year ended 31<sup>st</sup> December 2022, 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 31<sup>st</sup> December 2022.

#### **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 31<sup>st</sup> December 2022.

6. To elect Directors:
  - (i) In accordance with Article 8(b) of the Company's Articles of Association, Mr. Joseph Gichuru, Mr. Henry Kaburia and Rev. Joseph Kihara 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, Mr. Joseph Gichuru, Mr. Henry Kaburia and Rev. Joseph Kihara, 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 31<sup>st</sup> December 2022.

#### **Proposed Resolution**

**That** the Directors' remuneration as indicated in the audited Financial Statements for the year ended 31<sup>st</sup> December 2022 be and is hereby approved

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**NOTICE OF THE ANNUAL GENERAL MEETING (continued)**

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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 19<sup>th</sup> October, 2023**

**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 Wednesday 22nd November, 2023.
- 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.

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
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## **Chairman's Report**



**Hon. Ngengi Muigai**

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 31 st December 2022. We thank the Almighty God for keeping us safe and healthy to participate in today's proceedings.

I kindly request you to observe a minute of silence in honour of our deceased Chairman Hon. Matu Wamae (EBS), may his soul rest in eternal peace.

In accordance with the AIH Plc articles of association the Directors elected me Hon. Ngengi Muigai as the New Chairman.

### **FINANCIAL PERFORMANCE**

The company made a profit before tax of Kshs.37,118,374 compared to year 2021 Ksh.36,949,054 the profits increased by Ksh.169,320 due to improved occupancy at Agrho House.

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



## **AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**

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#### **MOI AVENUE PLOT (AGRHO HOUSE)**

Agrho House remains the company's flagship project offering rental space to small shop traders, Beauty salons, offices, food court, medium size SMES and colleges.

After the exit of the Nazarene University in the year 2020 that had occupied 60% of the building the income went down significantly, but today am happy to report to the shareholders that with efforts of the Board, Management and the Managing agent we were able to recruit new tenants mainly tertiary colleges and Large exhibitions to bring the occupancy to around 80% as at December 2022.



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

## **AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**

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#### **CLAY CITY.**

May I remind you that Clay City Ltd is a joint Venture Company between Clayworks Ltd (a subsidiary of AIH Ltd) and Housing Finance Development and Investment Ltd-(HFDI)-(a 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, high inflation that brought down the demand for housing. Claycity Board decided to stop further construction until the Country/world would recover from these adversities.



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Meanwhile our able partners on this project HFDI 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 accepted that request. It is expected that 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%). On completion of this exercise it is expected that proceeds shared by AIH will release cash that will be used to construct the AIH Medical Centre or any other project that will generate good profits for AIH. For the remainder of the land left for clayworks, your Board is reviewing options to undertake that will improve profits and cash flow for your company.

**SUB-DIVISION OF LAND(KEKOPEY & NAROK RANCH)**

Pursuance to the resolution you passed at an Annual General Meeting on 2 nd 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.

# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

## Annual Report And Group Financial Statements

### For The Year Ended 31 December 2022

#### 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 is now a very big village and members should form "Nyumba Kumi" Vigilant groups to look after member's welfare e.g. Security, Education, and 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 PLC

### Annual Report And Group Financial Statements For The Year Ended 31 December 2022

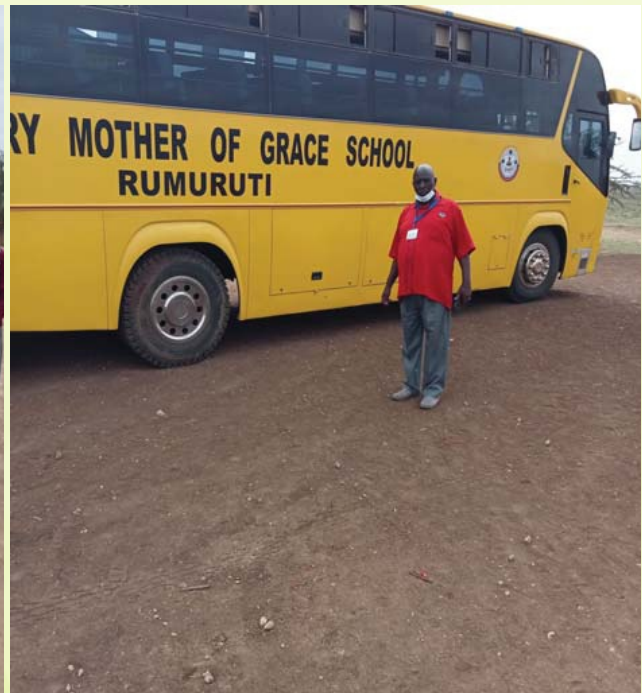
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AIH Ltd donated land for the purpose of building Schools, Markets, Churches, Police station and other public utilities and I am happy to report that all these institutions were issued with title deeds.

#### **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).



*One of the best school in Rumuruti Narok Ranch*

The company has donated land to build more schools, Markets, shopping centers, police stations and security rapid response Centre managed by the Kenya Police Service.

## **AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**

### **Annual Report And Group Financial Statements**

#### **For The Year Ended 31 December 2022**

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The Board wishes to encourage those members whose plots are facing the Nyahururu / Maralal road to build Nyama Choma Zones, shops and Markets like what members built in Kekopey ranch now called Nyama Choma which is well known by nearly all Kenyans travelling on 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 project handed over to the plot owners.



***Ongoing Developments  
by plots owners at Kenyatta  
Road***



## **AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**

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#### **APATANA INVESTMENTS LTD**

Your company bought shares in Apatana Investment Ltd which in turn invested in Lufthansa Germans Inflight Catering Company.

They later put up very modern catering facility at the JKIA. It started operating around 2018 but unfortunately before it could start realizing profit the world was hit by Covid19 pandemic.

Am happy to report that the company survived covid19 and is now expected to make good profits from year 2024 and beyond.

Let us remain patient and give this investment an opportunity to recover fully.

#### **AIH UPPER HILL MEDICAL CENTRE**

I wish to remind you that in the last AGM, shareholders resolved that AIH should invest the money held in fixed deposit accounts in a profitable venture.

May I also remind you that we found and bought a suitable plot at Upperhill Nairobi County CBD next to Kenyatta National hospital measuring 0.35 acres. Upper hill land in the Nairobi County is known by the locals as a Medical Centre sub district.

We also reported that the title deed was secured to AIH and the change of user granted by the county government of Nairobi.

I wish to report that the design drawings are completed and forwarded to Nairobi county government for approval and hopefully the construction will begin when economic situations are favorable.

In the last AGM you approved that the project will be financed from the proceeds of the investments at Claycity, AIH fixed deposits and the rest from a bank loan.

The design that was approved by the Directors is to construct a Medical Centre to provide doctors consulting rooms, inpatient services, outpatient facility, Pharmacy, Laboratory, X-rays and MRI, Dialysis facility, Theatres, piped oxygen plant, incinerator and common garbage collection.

The building will comprise of twelve floors with underground parking for 100 vehicles.

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Other facilities that 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. Solar system and efficiency on green energy.
- vi. Parking for 100 cars:



**Approved Architectural  
AIH Medical Centre,  
Upper hill in Nairobi City  
County**



## **AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**

### **Annual Report And Group Financial Statements**

### **For The Year Ended 31 December 2022**

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This will generate income for AIH since all parking will be charged on hourly basis.

This investments will double our profit.

#### **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 (OTC) - AIH SHARES**

In the last AGM it was reported that Board had identified a stock broker by the name “Francis Drummond & Co. Ltd a registered stock broker”. A combined effort by the management, Company Secretary and the broker have setup a platform to enable our shareholders who are willing to buy or sell AIH Plc shares. Those of you who want to trade with shares can contact them with the address shown below.

Francis Drummond & Co. Ltd  
2 nd floor, Hughes Building, Kenyatta Avenue  
P.O Box 45465-00100 Nairobi.  
Tel: 0724-256815  
Email: [info@drummond.co.ke](mailto:info@drummond.co.ke)  
Website: [www.drummond.co.ke](http://www.drummond.co.ke)

# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

## Annual Report And Group Financial Statements

### For The Year Ended 31 December 2022

#### DIGITAL TRANSFORMATION:

Members can access company information on our company Website:

Website: [www.aih-plc.com](http://www.aih-plc.com).

Any payment can be done via company

Mpesa Paybill No. **921776,**

Account number: **"Your Phone Number".**



Members following our last AGM virtually in different locations

#### 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  
1 st floor suite 10, Muindi Mbingu Street  
P.O Box 6399-00300 Nairobi  
Tel: 0739-604756 / 0771-264157



# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

## Annual Report And Group Financial Statements

### For The Year Ended 31 December 2022

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#### DIVIDENDS

The Directors propose to pay a dividend of Kshs13,817,388 at Ksh.26.00 per share for the year ended 31 st December 2022.



One of our senior member happy after attending an A.G.M



Members receiving their Dividends

# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

## Annual Report And Group Financial Statements

### For The Year Ended 31 December 2022

#### DIRECTORS

I have received a lot of support from the Board of Directors and for this reason I request you to retain this Board to continue with the ongoing projects of your company.

#### Chairman



*Hon. Ngengi Muigai*



*Late Hon. E. M Wamae EBS*



*Dr. Patricia W. Gathia*



*Rev. Joseph Kihara*



*Mr. Martin Njeru*



*Dr. Peter Munga*



*Mr. Joseph M. Gichuru*



*Mr. Henry K. Njagi*



*Mr. Michael M. Mbarire*

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
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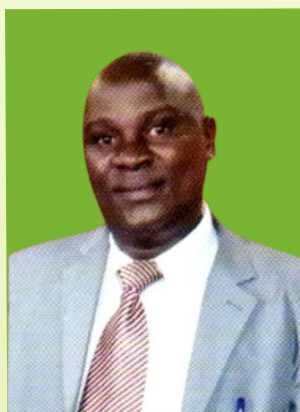
**MANAGEMENT TEAM**



***Managing Director***  
***Hon. Ngenji Muigai***



***General Manager***  
***CPA Michael Wandegwa***



***Projects & Investments***  
***Manager Eng. Patrick Njagi***



***Chief Accountant***  
***CPA Jacob Babu***



***AIH Ltd Accounts Dept. Staff at Kasarani Office.***

# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

## Annual Report And Group Financial Statements

### For The Year Ended 31 December 2022

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#### **CORPORATE SOCIAL RESPONSIBILITY**

The Company assists the community in different activities.



*Planting trees for enviromental conservation at Karunguru and Kekopey Ranch*

#### **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 gratitude to all shareholders for your support as we navigate to take the 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. NGENGI MUIGAI**  
**CHAIRMAN.**

## AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

### Report of the Directors

For the year ended 31 December 2022

The directors submit their report together with the audited group financial statements for the year ended 31 December 2022, 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:	2022 Kshs	2021 Kshs
Profit for the year before tax	37,118,374	36,949,054
Tax charge	<u>(12,589,073)</u>	<u>(16,693,294)</u>
Profit for the year after tax	<u>24,529,301</u>	<u>20,255,760</u>
<b>Discontinued operation</b>		
Loss before depreciation	(2,495,217)	(2,707,680)
Depreciation	<u>(130,878)</u>	<u>(133,549)</u>
Loss for the year before tax	(2,005,567)	(2,626,095)
Tax charge	<u>-</u>	<u>-</u>
	<u>(2,005,567)</u>	<u>(2,626,095)</u>
<b>Group net profit after tax</b>	<b><u>22,523,734</u></b>	<b><u>17,629,665</u></b>

#### 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 2022 subject to the approval by the shareholders at the annual general meeting. A similar dividend was declared for the year 2021.

#### 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 PLC

### Report of the Directors (continued) For the year ended 31 December 2022

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#### 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 section 721 of the Kenya Companies Act, 2015..

#### 8 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on page 29 to 60 were approved and authorised for issue by the board of directors on **19 October 2023**

By order of the board


Lucy Kibera  
Leading secretaries  
Certified Public Secretaries  
**SECRETARY**

Date: **19 October 2023**



## AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

### Statement of the Directors' responsibilities For the year ended 31 December 2022

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

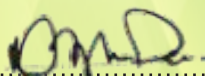
The directors accept the responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimate in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies 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 and shifted its business in 2016 by partnering with HFDI in a joint venture for development of its land in Kasarani. The venture had projected to construct several residential and commercial houses in Kasarani. As indicated in note 29 the first 80 units of the residential houses were completed in year 2020. However due to a number of challenges including the Covid-19 pandemic the work of the project was slowed down. To utilise its resources in the best possible manner the company agreed to acquire the stake held by HFDI in the joint venture at a cost of Kshs 490 million. After the settlement Claycity Limited will become a fully owned subsidiary of the company.


The outbreak of COVID-19 in 2019 which lead to sporadic lock down and closures of businesses has now been contained and normal business resumed but the aftermath will continue to affect the business in the foreseeable future. The war in Ukraine which started during the year has caused global economic downturn and its effect will continue to affect business in the foreseeable future. The directors are optimistic that the company will remain resilient under the new environment.

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 **19 October 2023** and signed on its behalf by;



.....  
Hon. N. Muigai  
Chairman



.....  
Michael M. Mbarire  
Director

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

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### Opinion

We have audited the financial statements of Agricultural and Industrial Holdings Plc set out on pages 29 to 60 for the year ended 31 December 2022. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2022, 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 2022 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 shares, dividends and other assets held by the company for these shareholders are regarded as unclaimed assets 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 2022 of Kshs 69,471,932 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.

 *Amir Amin* & Co.

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

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### 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 2021. The directors believe that the draft financial statements of the joint venture will not materially differ from the final audited accounts.

### Business uncertainties

The company investments are in real estate whose progress and cash flow have been affected by the aftermath of Covid-19 due to reduced rental income and slow uptake of completed units. The war in Ukraine which started during the year has interfered with global supply chains leading to economical downturn, inflation and increased cost of doing business. The reporting period was an electioneer period in the country usually associated with anxiety and heated campaigns which affected business activities. At the date of issue of these financial statements, there were uncertainties about the extend to which these would affect the future results, the value of the assets and cash flow of the company and the group.

### Basis of opinion

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

### Key audit matters

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

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC (CONTINUED)**

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### ***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 company.

As indicated in note 29 of these financial statements Clayworks Limited the subsidiary of the company stopped manufacturing clay products in 2014 and ventured into real estate business in 2016. In line with this it partnered with HFDI for development of residential and commercial houses for sale in its land at Kasarani. The project experienced a number of challenges delaying the commencement and progress which substantially increasing the cost of the project . The first phase of the project composed of 80 units of three-bedroom houses were completed and commissioned in 2020. Due to escalation of costs 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 the wide market in the sector. This new phase did not start due to logistical challenges as it was an electioneering period in the country and costs had also escalated due to the global economical downturn as a result of the war in Ukraine. In an effort to address the delays and look for alternative ways of utilising the resources the company agreed to acquire the stake of 33% held by HFDI in the joint venture at a cost of Kshs 490 million. This will give the company the leeway of deciding the best ways of utilising the remaining land in Kasarani.

### ***How the audit addressed the key audit matters***

We reviewed the contractual relationship of the joint venture.

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

We reviewed the draft accounts of the joint venture.

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

We held discussion with management on the slow progress of the project and the intended divesture.

We reviewed the divesture agreement between the company and HFDI.

### ***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 contacts and other details in the members registers.

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

  
Mw. Domina & Co.

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

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### Key audit matters

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.

The company has made effort in inviting its members through the media to update their details in the members register but the response has been slow..

### 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 PLC (CONTINUED)

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### 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 PLC (CONTINUED)**

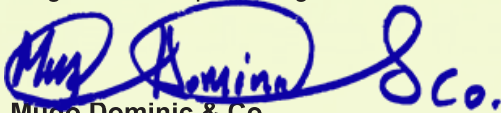
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**Report on other legal requirements**

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: **19 October 2023**



**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of income - Group**

	Note	2022 Kshs	2021 Kshs
<b>INCOME</b>			
Turnover	2	86,354,369	99,887,769
Direct cost of sales	3	<u>(1,657,775)</u>	<u>(15,284,741)</u>
		<u>84,696,594</u>	<u>84,603,028</u>
Other Income	4	<u>21,907,104</u>	<u>26,844,363</u>
		<u>21,907,104</u>	<u>26,844,363</u>
		<u>106,603,698</u>	<u>111,447,391</u>
<b>EXPENSES</b>			
Operating and administration expenses	5	39,690,395	37,053,396
Staff costs	6	17,609,773	16,951,148
Finance costs	7	11,540,616	13,701,793
Share of loss from joint venture		644,540	6,792,000
		<u>69,485,324</u>	<u>74,498,337</u>
<b>Profit before tax from continuing operations</b>		<b>37,118,374</b>	<b>36,949,054</b>
Tax charge	8(a) i	<u>(12,589,073)</u>	<u>(16,693,294)</u>
<b>Profit after tax for continuing operations</b>		<b>24,529,301</b>	<b>20,255,760</b>
<b>Discontinued operations</b>			
Loss before depreciation		(1,862,539)	(2,495,217)
Depreciation		<u>(143,028)</u>	<u>(130,878)</u>
Loss from discontinued operations	28	<b>(2,005,567)</b>	<b>(2,626,095)</b>
Tax charge on discontinued operations	8(a) ii	-	-
<b>Loss after tax for discontinuing operations</b>		<b>(2,005,567)</b>	<b>(2,626,095)</b>
<b>Profit after tax for the year</b>		<b>22,523,734</b>	<b>17,629,665</b>
<b>Dividends:</b>			
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 PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of comprehensive income - Group**

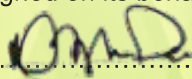
	Note	2022 Kshs	2021 Kshs
Profit for the year after tax		<u>22,523,734</u>	<u>17,629,665</u>
<b>Other comprehensive income - Group</b>			
<b>Items that will not be classified to income statements;</b>			
Increase in fair value of investment properties		<u>-</u>	<u>-</u>
Deferred tax		<u>-</u>	<u>-</u>
<b>Net other comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>22,523,734</u></u>	<u><u>17,629,665</u></u>


**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of financial position at 31 December 2022 - Group**

<b>ASSETS</b>	Note	2022	2021
<b>Non-current assets</b>		Kshs	Kshs
Property, plant & equipment	9(a)	70,610,572	72,353,051
Investment properties	10	1,787,842,487	1,785,876,692
Investment in joint venture	11	969,055,727	969,700,267
Goodwill	12	17,878,491	17,878,491
Other investments	14	108,113,742	108,113,742
		<u>2,953,501,019</u>	<u>2,953,922,243</u>
<b>Current assets</b>			
Inventory	15	49,243,400	50,850,215
Amount due from related party	16	50,000	-
Trade and other receivables	17	160,944,679	163,789,616
Tax recoverable	8(c)	2,854,047	-
Cash and bank balances	18	246,917,590	247,242,552
		<u>460,009,716</u>	<u>461,882,383</u>
<b>Total assets</b>		<b><u>3,413,510,735</u></b>	<b><u>3,415,804,626</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	19	53,143,800	53,143,800
Capital reserves	20	1,735,847,450	1,735,847,450
Revenue reserve		(89,079,473)	(97,785,819)
		<u>1,699,911,777</u>	<u>1,691,205,431</u>
<b>Non current liabilities</b>			
Deposit for plots and shares	21	903,187,683	902,097,683
Bank loan	22	66,891,790	84,810,959
Deferred tax	23	488,226,640	488,483,288
		<u>1,458,306,113</u>	<u>1,475,391,930</u>
<b>Current liabilities</b>			
Bank loan	22	11,305,295	11,305,295
Provisions	24	20,733,744	20,641,549
Taxation	8(c)	-	6,805,655
Trade and other payables	25	153,781,874	149,033,423
Dividend payable	26	69,471,932	61,421,343
		<u>255,292,845</u>	<u>249,207,265</u>
<b>Total capital and liabilities</b>		<b><u>3,413,510,735</u></b>	<b><u>3,415,804,626</u></b>

These financial statements were approved for issue by the board of directors on **19 October 2023** and signed on its behalf by;

  
 .....  
 Chairman  
 Hon. N. Muigai

  
 .....  
 Michael M. Mbarire  
 Director

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of financial position at 31 December 2022 - Parent company**

<b>ASSETS</b>	Note	2022 Kshs	2021 Kshs
<b>Non-current assets</b>			
Property, plant & equipment	9(b)	107,071,477	108,834,425
Investment properties	10	1,317,545,109	1,315,579,314
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	108,113,742	108,113,742
		<u>1,561,467,899</u>	<u>1,561,265,052</u>
<b>Current assets</b>			
Inventory	15	49,243,400	50,850,215
Amount due from related party	16	182,906,151	180,845,650
Trade and other receivables	17	147,215,090	150,080,031
Taxation	8(c)	2,846,235	-
Cash and bank balances	18	246,620,404	246,909,828
		<u>628,831,280</u>	<u>628,685,724</u>
<b>Total assets</b>		<b><u>2,190,299,179</u></b>	<b><u>2,189,950,776</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	19	53,143,800	53,143,800
Capital reserve	20	600,652,135	600,652,135
Revenue reserve		189,698,966	178,342,513
		<u>843,494,901</u>	<u>832,138,448</u>
<b>Non current liabilities</b>			
Deposit for plots and shares	21	903,187,683	902,097,683
Bank loan	22	66,891,789	84,810,959
Deferred tax		161,540,566	161,797,215
		<u>1,131,620,038</u>	<u>1,148,705,856</u>
<b>Current liabilities</b>			
Bank loan	22	11,305,295	11,305,295
Provisions	24	20,733,744	20,641,549
Taxation		-	6,813,467
Trade and other payables	25	113,673,269	108,924,818
Dividend payable	26	69,471,932	61,421,343
		<u>215,184,240</u>	<u>209,106,472</u>
<b>Total capital and liabilities</b>		<b><u>2,190,299,179</u></b>	<b><u>2,189,950,776</u></b>

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of changes in equity - Group**

	Share capital Kshs	Capital reserves Kshs	Revenue reserves Kshs	Dividends Kshs	Total Kshs
<b>2021</b>					
At 1 January 2021	53,143,800	1,735,847,450	(88,663,408)	40,983,295	1,741,311,137
Profit for the year	-	-	17,629,665	-	17,629,665
Dividend declared in the year			(26,752,076)	26,752,076	-
Dividend paid	26	-	-	(6,314,028)	(6,314,028)
<b>At 31 December 2021</b>	<b>53,143,800</b>	<b>1,735,847,450</b>	<b>(97,785,819)</b>	<b>61,421,343</b>	<b>1,752,626,774</b>
<b>2022</b>					
At 1 January 2022	53,143,800	1,735,847,450	(97,785,819)	61,421,343	1,752,626,774
Profit for the year	-	-	22,523,734	-	22,523,734
Dividend declared in the year	26	-	(13,817,388)	13,817,388	-
Dividend paid	26	-	-	(5,766,799)	(5,766,799)
<b>At 31 December 2022</b>	<b>53,143,800</b>	<b>1,735,847,450</b>	<b>(89,079,473)</b>	<b>69,471,932</b>	<b>1,769,383,709</b>

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

**Statement of changes in equity - Parent company**

	Share capital Kshs	Capital reserves Kshs	Revenue reserves Kshs	Dividends Kshs	Total Kshs
<b>2021</b>					
At 1 January 2021	53,143,800	600,652,135	178,046,828	40,983,295	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
<b>At 31 December 2021</b>	<b>53,143,800</b>	<b>600,652,135</b>	<b>178,342,513</b>	<b>61,421,343</b>	<b>893,559,791</b>
<b>2022</b>					
At 1 January 2022	53,143,800	600,652,135	178,342,513	61,421,343	893,559,791
Dividend declared in the year	-	-	(13,817,388)	13,817,388	-
Dividend paid	-	-	-	(5,766,799)	(5,766,799)
Profit for the year	-	-	25,173,841	-	25,173,841
<b>At 31 December 2022</b>	<b>53,143,800</b>	<b>600,652,135</b>	<b>189,698,966</b>	<b>69,471,932</b>	<b>912,966,833</b>

**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**  
**Annual report and group financial statements**  
**For the year ended 31 December 2022**

<b>Statement of cash flows - Group</b>	Note	2022 Kshs	2021 Kshs
<b>Profit before taxation for continuing operations</b>		37,118,374	36,949,054
Loss before taxation for discontinued operations		<u>(2,005,567)</u>	<u>(2,626,095)</u>
		35,112,807	34,322,959
Adjustments for:			
Depreciation	9(a)	2,133,979	2,427,446
Profit on disposal of fixed assets		<u>-</u>	<u>(411,127)</u>
		37,246,786	36,339,278
<b>Changes in working capital</b>			
Inventories	15	1,606,815	14,642,585
Amount due from related party		(50,000)	-
Trade and other receivables	17	2,844,937	(3,639,615)
Provisions	24	92,195	(1,565,743)
Trade and other payables	25	<u>4,748,451</u>	<u>(5,852,830)</u>
Net cash flow from operating activities		46,489,184	39,923,675
Tax paid	8(c)	<u>(22,505,423)</u>	<u>(6,624,631)</u>
		23,983,761	33,299,044
<b>Cash flow from investing activities</b>			
Purchase of properties and equipment	9(a)	(391,500)	(3,482,450)
Proceeds from disposal of motor vehicle		-	520,000
Additions to investment properties		(1,965,795)	(107,700,041)
Changes in value of investment in the joint venture	11	644,540	6,792,000
		<u>(1,712,755)</u>	<u>(103,870,491)</u>
<b>Cash flow from financing activities</b>			
Loan repayment	22	(17,919,169)	(15,750,058)
Deposit received for plots and shares	21	1,090,000	8,976,000
Dividend paid during the year	26	<u>(5,766,799)</u>	<u>(6,314,027)</u>
		(22,595,968)	(13,088,085)
<b>Increase in cash &amp; cash equivalents</b>		(324,962)	(83,659,532)
<b>Cash and cash equivalent at start of the year</b>		247,242,552	330,902,084
<b>Cash and cash equivalent at end of the year</b>		<u><b>246,917,590</b></u>	<u><b>247,242,552</b></u>
<b>Comprising</b>			
Bank balances	18	22,188,642	19,154,762
Fixed deposit	18	224,409,792	227,781,009
Cash in hand	18	319,156	306,781
		<u><b>246,917,590</b></u>	<u><b>247,242,552</b></u>

## **Notes to the financial statements**

### **1 Accounting policies**

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

#### **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:

**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.

**IAS16** Amendments to IAS 16, property, plant and equipment: Clarify on how proceeds 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 following revised standards and interpretations have been published and will be effective after the current reporting period.

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

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

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

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

**c) Revenue recognition**

***i) Sales of goods and services***

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

***ii) Sale of plots and other real estate properties***

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

***iii) Rental income***

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

**d) Property, plant and equipment**

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



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

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

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

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

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

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

**e) Investment properties**

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

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

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

## **Notes to the financial statements(cont'd)**

### **f) Goodwill**

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

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

### **g) Cash and cash equivalent**

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

### **h) Foreign currencies transactions**

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

### **i) Financial instruments**

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

#### *Trade and other receivables*

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

#### *Trade payables*

Trade payables are stated at their nominal value

#### *Bank borrowings*

Bank borrowings are measured at amortised costs.

### **j) Provisions**

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

## **Notes to the financial statements(cont'd)**

### **k) Impairment**

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

### **l) Accounting for leases**

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

### **m) Intangible assets**

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

### **n) Taxation**

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

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

### **o) Retirement benefit cost**

#### *i) Contribution to National Social Security Fund*

The company contributes to the mandatory National Social Security Fund (NSSF) on behalf of its employees at varying rates arising to a maximum of Kshs 1080 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..

**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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	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>2 INCOME</b>				
Rent receivable	83,749,369	75,970,709	83,749,369	75,970,709
Sales of plots	2,605,000	23,917,060	2,605,000	23,917,060
	<b>86,354,369</b>	<b>99,887,769</b>	<b>86,354,369</b>	<b>99,887,769</b>
<b>3 DIRECT COST</b>				
Cost of plots sold	(1,657,775)	(15,284,741)	(1,657,775)	(15,284,741)
<b>4 OTHER INCOME</b>				
Interest	18,832,442	23,835,858	18,832,442	23,835,858
Other income	3,074,662	3,008,505	3,074,662	3,008,505
	<b>21,907,104</b>	<b>26,844,363</b>	<b>21,907,104</b>	<b>26,844,363</b>
<b>5 OPERATING AND ADMINISTRATION EXPENSES</b>				
Travelling expenses	1,338,894	843,910	1,338,894	843,910
Professional fee	251,102	451,782	251,102	451,782
Land rent and rates	812,795	820,623	812,795	820,623
Telephone and postage	482,948	493,248	482,948	493,248
Directors fees	4,978,908	4,704,480	4,978,908	4,704,480
Directors expenses	1,724,861	1,719,113	1,724,861	1,719,113
Depreciation	1,990,948	2,296,568	1,990,948	2,296,568
Audit fees	210,000	210,000	210,000	210,000
Other expenses	1,907,710	1,922,115	1,907,710	1,922,115
Insurance and licenses	1,930,972	2,045,353	1,930,972	2,045,353
Security	2,628,621	2,294,828	2,628,621	2,294,828
Repairs and maintenance	4,692,680	4,335,602	4,692,680	4,335,602
AGM expenses	2,063,439	2,330,292	2,063,439	2,330,292
Donations	3,022,550	15,200	3,022,550	15,200
Marketing	49,710	1,140,997	49,710	1,140,997
Bank charges	76,740	76,504	76,740	76,504
Property management commission	4,789,426	4,306,132	4,789,426	4,306,132
Sales commission	124,275	456,399	124,275	456,399
Water and electricity	6,613,816	6,590,250	6,613,816	6,590,250
	<b>39,690,395</b>	<b>37,053,396</b>	<b>39,690,395</b>	<b>37,053,396</b>
<b>6 STAFF COSTS</b>				
Salaries	16,268,807	15,700,820	16,268,807	15,700,820
NSSF	28,800	27,000	28,800	27,000
Contributions to retirement benefits	1,312,166	1,223,328	1,312,166	1,223,328
	<b>17,609,773</b>	<b>16,951,148</b>	<b>17,609,773</b>	<b>16,951,148</b>

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	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>7 FINANCE COST</b>				
Loan interest	11,540,616	13,701,793	11,540,616	13,701,793
	11,540,616	13,701,793	11,540,616	13,701,793
<b>8 TAXATION</b>				
<b>a) Charge to profit and loss</b>				
<b>i Continuing operations</b>				
Current tax	12,343,878	12,323,873	12,343,878	12,323,873
Prior period under provision	501,843	3,941,401	501,843	3,941,401
Deferred tax	(256,648)	428,020	(256,648)	428,020
	12,589,073	16,693,294	12,589,073	16,693,294
<b>ii Discontinued operations</b>				
Deferred tax	-	-	-	-
<b>Total</b>	12,589,073	16,693,294	12,589,073	16,693,294
<b>b) Reconciliation of accounting profit to tax expense</b>				
Profit from continuing operations	37,118,374	36,949,054	37,762,914	43,741,054
Loss from discontinued operations	(2,005,567)	(2,626,095)	-	-
	35,112,807	34,322,959	37,762,914	43,741,054
Tax @ 30%	10,533,842	10,296,888	11,328,874	13,122,316
Under provision in the previous year	539,624	3,566,417	539,624	3,566,418
Effect of non allowable expense	720,575	4,560	720,575	4,560
Effect of loss from joint venture	193,362	2,037,600	-	-
Effect on tax loss of subsidiary	601,670	787,829	-	-
	12,589,073	16,693,294	12,589,073	16,693,294
<b>c) Tax recoverable</b>				
Balance b/fwd	6,805,655	(2,834,988)	6,813,467	(2,827,176)
Under provision in the previous year	501,843	3,941,401	501,843	3,941,401
Provision for the year	12,343,878	12,323,873	12,343,878	12,323,873
Payment	(22,505,423)	(6,624,631)	(22,505,423)	(6,624,631)
	(2,854,047)	6,805,655	(2,846,235)	6,813,467

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**9(a) PROPERTY, PLANT AND EQUIPMENT - GROUP**

2022	Land Kshs	Buildings Kshs	Motor vehicles Kshs	Furniture and Equipment Kshs	Generator Kshs	and water installations Kshs	Computers Kshs	Total Kshs
At 1 January 2022	23,818,881	50,739,969	4,640,000	2,164,043	5,261,095	9,958,380	2,705,770	99,288,138
Additions	-	54,000	-	250,500	-	-	87,000	391,500
<b>31 December 2022</b>	<b>23,818,881</b>	<b>50,793,969</b>	<b>4,640,000</b>	<b>2,414,543</b>	<b>5,261,095</b>	<b>9,958,380</b>	<b>2,792,770</b>	<b>99,679,638</b>
<b>Depreciation</b>								
At 1 January 2022	-	9,699,913	1,719,336	1,667,156	3,991,714	7,511,585	2,345,383	26,935,087
Charge for the period	-	893,508	730,166	118,503	158,048	98,038	135,716	2,133,979
<b>31 December 2022</b>	<b>-</b>	<b>10,593,421</b>	<b>2,449,502</b>	<b>1,785,659</b>	<b>4,149,762</b>	<b>7,609,623</b>	<b>2,481,099</b>	<b>29,069,066</b>
Net book Value								
<b>31 December 2022</b>	<b>23,818,881</b>	<b>40,200,548</b>	<b>2,190,498</b>	<b>628,884</b>	<b>1,111,333</b>	<b>2,348,757</b>	<b>311,671</b>	<b>70,610,572</b>
<b>2021</b>								
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)
<b>31 December 2021</b>	<b>23,818,881</b>	<b>50,739,969</b>	<b>4,640,000</b>	<b>2,164,043</b>	<b>5,261,095</b>	<b>9,958,380</b>	<b>2,705,770</b>	<b>99,288,138</b>
<b>Depreciation</b>								
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
<b>31 December 2021</b>	<b>-</b>	<b>9,699,913</b>	<b>1,719,336</b>	<b>1,667,156</b>	<b>3,991,714</b>	<b>7,511,585</b>	<b>2,345,383</b>	<b>26,935,087</b>
Net book Value								
<b>31 December 2021</b>	<b>23,818,881</b>	<b>41,040,056</b>	<b>2,920,664</b>	<b>496,887</b>	<b>1,269,381</b>	<b>2,446,795</b>	<b>360,387</b>	<b>72,353,051</b>

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

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**9(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY**

<b>2022</b>	<b>Land</b>	<b>Buildings &amp;</b>	<b>Motor</b>	<b>Electrical</b>	<b>Computers</b>	<b>Total</b>
<b>Cost / Valuation</b>	<b>Land</b>	<b>fittings</b>	<b>vehicles</b>	<b>and water</b>	<b>Kshs</b>	<b>Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>installations</b>	<b>Kshs</b>	<b>Kshs</b>
At 1 January 2022	66,713,281	40,725,919	4,640,000	9,958,380	2,710,770	132,168,488
Additions	-	-	-	141,000	87,000	228,000
<b>31 December 2022</b>	<b>66,713,281</b>	<b>40,725,919</b>	<b>4,640,000</b>	<b>10,099,380</b>	<b>2,797,770</b>	<b>132,396,488</b>
<b>Depreciation</b>						
At 1 January 2022	-	6,098,887	1,719,336	7,543,616	2,345,383	23,334,063
Charge for the period	-	764,167	730,166	98,038	135,716	1,990,948
<b>31 December 2022</b>	<b>-</b>	<b>6,863,054</b>	<b>2,449,502</b>	<b>7,641,654</b>	<b>2,481,099</b>	<b>25,325,011</b>
Net book Value						
<b>31 December 2022</b>	<b>66,713,281</b>	<b>33,862,865</b>	<b>2,190,498</b>	<b>2,457,726</b>	<b>316,671</b>	<b>107,071,477</b>
<b>2021</b>						
<b>Cost / Valuation</b>						
At 1 January 2021	66,713,281	40,614,469	2,740,000	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)
<b>31 December 2021</b>	<b>66,713,281</b>	<b>40,725,919</b>	<b>4,640,000</b>	<b>9,958,380</b>	<b>2,710,770</b>	<b>132,168,488</b>
<b>Depreciation</b>						
At 1 January 2021	-	5,316,079	2,086,908	7,440,274	2,188,789	22,378,622
Eliminated on disposal	-	-	(1,341,127)	-	-	(1,341,127)
Charge for the period	-	782,808	973,555	103,342	156,594	2,296,568
<b>31 December 2021</b>	<b>-</b>	<b>6,098,887</b>	<b>1,719,336</b>	<b>7,543,616</b>	<b>2,345,383</b>	<b>23,334,063</b>
Net book Value						
<b>31 December 2021</b>	<b>66,713,281</b>	<b>34,627,032</b>	<b>2,920,664</b>	<b>2,414,764</b>	<b>365,387</b>	<b>108,834,425</b>



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**10 INVESTMENT PROPERTIES**

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 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 center land	109,665,836	107,700,041	109,665,836	107,700,041
	<b>1,787,842,487</b>	<b>1,785,876,692</b>	<b>1,317,545,109</b>	<b>1,315,579,314</b>

Investment properties consist of land and buildings held for rental and investment purposes. AIH medical center land was acquired last 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

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>11 INVESTMENT IN JOINT VENTURE</b>				
Balance at 1 January	969,700,267	976,492,267	-	-
Addition during the year	-	-	-	-
Loss/profit from joint venture	(644,540)	(6,792,000)	-	-
Balance at 31 December	<b>969,055,727</b>	<b>969,700,267</b>	<b>-</b>	<b>-</b>

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.

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>12 GOODWILL</b>				
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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**13 INVESTMENTS IN SUBSIDIARY**

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 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	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 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	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
Cost of untransferred benefits at Kenyatta road plots	49,243,400	50,850,215	49,243,400	50,850,215
	49,243,400	50,850,215	49,243,400	50,850,215

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	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>a) Subsidiary company</b>				
Balance b/fwd	-	-	180,845,650	179,296,049
Additions	50,000	-	2,060,501	1,549,601
	50,000	-	182,906,151	180,845,650

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**16 TRANSACTIONS WITH RELATED PARTY (Cont'd)**

**b) Remuneration to key management and directors;**

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<i>Management;</i> Salary and other benefits	9,781,096	9,241,980	9,781,096	9,241,980
<i>Directors;</i> As executives	4,978,908	4,704,480	4,978,908	4,704,480
	14,760,004	13,946,460	14,760,004	13,946,460

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>17 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	42,448,856	48,135,750	29,294,606	35,001,505
Other receivables	1,944,972	714,715	1,783,633	553,375
Deposits and prepayments	71,798,881	70,197,181	71,384,881	69,783,181
Survey fees receivable	9,888,060	9,888,060	9,888,060	9,888,060
Share compensation	34,863,910	34,853,910	34,863,910	34,853,910
	160,944,679	163,789,616	147,215,090	150,080,031

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>18 CASH AND CASH EQUIVALENTS</b>				
Cash at bank	22,188,642	19,154,762	21,891,456	18,822,038
Fixed deposit	224,409,792	227,781,009	224,409,792	227,781,009
Cash in hand	319,156	306,781	319,156	306,781
	246,917,590	247,242,552	246,620,404	246,909,828

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19 SHARE CAPITAL	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>Authorised</b>				
1,000,000 ordinary shares of Kshs 100 each	100,000,000	100,000,000	100,000,000	100,000,000
<b>Issued and fully paid</b>				
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	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 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	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
Deposit for plots	72,128,471	70,898,471	72,128,471	70,898,471
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	378,806,574	378,946,574	378,806,574	378,946,574
	903,187,683	902,097,683	903,187,683	902,097,683

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

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

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
<b>22 BORROWINGS</b>				
Housing Finance loan 1	27,354,605	34,498,871	27,354,605	34,498,871
Housing Finance loan 2	50,842,480	61,617,383	50,842,480	61,617,383
	<b>78,197,085</b>	<b>96,116,254</b>	<b>78,197,085</b>	<b>96,116,254</b>
Payable after 12 months	66,891,790	84,810,959	66,891,790	84,810,959
Payable within 12 months	11,305,295	11,305,295	11,305,295	11,305,295
	<b>78,197,085</b>	<b>96,116,254</b>	<b>78,197,085</b>	<b>96,116,254</b>

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 13% (2021: 14%)

<b>23 DEFERRED TAX</b>	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	(552,849)	256,648		(296,201)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
	<b>(488,483,288)</b>	<b>256,648</b>	<b>-</b>	<b>(488,226,640)</b>

Deferred income tax on unutilised loss carried forward amounting to Kshs 92,986,892 (2021: Kshs 92,114,769) 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.

<b>24 PROVISIONS</b>	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
Provisions for bad debts	10,476,815	10,476,815	10,476,815	10,476,815
Provisions for staff leave	6,185,199	6,093,004	6,185,199	6,093,004
Gratuity provision	4,071,730	4,071,730	4,071,730	4,071,730
	<b>20,733,744</b>	<b>20,641,549</b>	<b>20,733,744</b>	<b>20,641,549</b>

In 2021 the company joined the umbrella staff retirement benefits scheme which is managed by ICEA Lion Life Assurance Company in a guaranteed fund. 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 which has not been remitted to the fund.

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

	Group		Company	
	2022	2021	2022	2021
<b>25 TRADE AND OTHER PAYABLES</b>				
	Kshs	Kshs	Kshs	Kshs
Trade payables	9,078,889	9,312,360	4,151,903	4,385,374
Accruals	12,888,524	19,096,497	12,255,607	18,463,580
Other payables	52,919,631	45,862,769	18,370,929	11,314,067
Survey fees deposit	12,013,885	12,013,885	12,013,885	12,013,885
Tenants deposits	66,880,945	62,747,912	66,880,945	62,747,912
	<b>153,781,874</b>	<b>149,033,423</b>	<b>113,673,269</b>	<b>108,924,818</b>

	Group		Company	
	2022	2021	2022	2021
<b>26 DIVIDEND PAYABLE</b>				
	Kshs	Kshs	Kshs	Kshs
Opening balance	61,421,343	40,983,295	61,421,343	40,983,295
Dividends declared in the year	13,817,388	26,752,076	13,817,388	26,752,076
Paid during the year	(5,766,799)	(6,314,028)	(5,766,799)	(6,314,028)
Balance at 31 December	<b>69,471,932</b>	<b>61,421,343</b>	<b>69,471,932</b>	<b>61,421,343</b>

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

**27 OPERATING LEASE ARRANGEMENTS**

**i) The company as lessee**

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

	Group		Company	
	2022	2021	2022	2021
	Kshs	Kshs	Kshs	Kshs
	812,795	820,623	812,795	812,795
	-	-	-	-
	<b>812,795</b>	<b>820,623</b>	<b>812,795</b>	<b>812,795</b>

**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 83,749,369 (2021: 75,970,709). The property held has committed tenants ranging between one and three years. At the balance sheet date, the company had contracted with tenants for the following future minimum lease payments.

	Group		Company	
	2022 Kshs	2021 Kshs	2022 Kshs	2021 Kshs
Within one year	83,750,000	75,970,700	83,750,000	75,970,700
In the second to third years	167,500,000	151,941,400	167,500,000	151,941,400
	<u>251,250,000</u>	<u>227,912,100</u>	<u>251,250,000</u>	<u>227,912,100</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;

	2022 Kshs	2021 Kshs
<b>Income</b>		
Sales of clay products	-	-
Sundry income	-	300,000
	<u>-</u>	<u>300,000</u>
<b>Expenses</b>		
Operating and administration expenses	1,862,539	2,795,217
Depreciation	143,028	130,878
	<u>2,005,567</u>	<u>2,926,095</u>
Loss from discontinued operations	<u>(2,005,567)</u>	<u>(2,626,095)</u>

**29 COMMITMENTS AND CONTINGENT LIABILITIES**

The subsidiary company together with HFDI limited entered into a joint venture through Claycity Limited for construction of residential and commercial houses in an area of 24.5 acres of its land in Kasarani. The Joint venture was initially to be owned 50% by each party but HFDI later requested to own only 33% and the company took the balance of 67%. The venture was registered in 2016 and the work on the construction of 5,200 house units started in 2017.

## **Notes to the financial statements(cont'd)**

### **29 COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)**

The project experienced a number of challenges including the Covid-19 pandemic which substantially delayed progress and increased the project costs. The first phase of the project composed of eighty units of three-bedroom houses were completed and commissioned in 2020. Due to escalation of costs the project was redesigned from the initial plan of mixed residential and commercial houses to the construction of the affordable low cost residential houses under the Government Big-4 Agenda to reduce cost and take advantage of the wide market in the sector. This new phase did not commence due logistical and economical challenges caused by Ukraine war which started during the year. The reporting period was an electioneering period with heated election campaign's which further delayed the project.

In an effort to address the delays and look for alternative ways of utilising the company resources the company agreed to acquire the stake of 33% held by HFDI in the joint venture at a cost of Kshs 490 million. This will make Claycity Limited to be a fully owned subsidiary enabling the company to fast track the decisions on best possible ways of utilising its land in Kasarani.

The company has budgeted to develop its upper hill plot at a cost of Kshs 800Million. The company expect to finance this partly from the proceeds of disposal of the Clayworks plots currently held under Claycity and partly from external financing.

The loan which the company had guaranteed in 2020 from Family Bank of Kshs 500,000 000 for capital use by the joint venture was fully repaid during the year.

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.

## **Notes to the financial statements(cont'd)**

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

#### *v) Credit risk and expected credit losses*

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 receivables and cash and bank balances. The management does not consider the credit risk exposure to be significant.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposit that can be held with each institution.

Credit risk on receivables is managed by ensuring that credit is extended to customers with established credit history and making prompt follow up of outstanding receivables. Credit history is determined by a number of factors including past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customers, The utilisation of credit limits and credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk default occurring on the financial asset at the reporting date with risk of default occurring on the financial asset at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increase in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due. For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggest that the debtor is unlikely to be able to meet its obligations.

If the company does not have reasonable and supportable information to identify significant increases in credit risk or to measure lifetime credit losses when there has been a significant increase in credit risk on individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes the groups financial assets on the basis of shared credit risk characteristics, such as type of the instrument, industry in which the debtor operates and other collateral.

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

*v) Credit risk and expected credit losses (cont'd)*

A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- Significant financial difficulty of the debtor
- a breach of contract
- Probability that the debtors will enter bankruptcy
- Disappearance of an active market for the financial assets because of financial difficulties

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
<b>31 December 2022</b>			
Trade receivables	7,808,555	34,640,301	42,448,856
Other receivables	-	1,944,972	1,944,972
Dues for plot surveying and demarcation	-	116,550,851	116,550,851
Cash and bank	246,598,434	-	246,598,434
	<u>254,406,989</u>	<u>153,136,124</u>	<u>407,543,113</u>
<b>31 December 2021</b>			
Trade receivables	13,495,449	34,640,301	48,135,750
Other receivables	-	714,715	714,715
Dues for plot surveying and demarcation	-	114,939,151	114,939,151
Cash and bank	246,935,771	-	246,935,771
	<u>260,431,220</u>	<u>150,294,167</u>	<u>410,725,387</u>

Dues for surveying and demarcation amounting to Kshs 116,550,851 (2021: Kshs 114,939,151) as indicated above are earmarked for offset by deposit for shares and plot sales indicated in note 21 once the return register is finalised and therefore the directors regard the risk to be low.

The age analysis of trade receivables at the end of the year was as follows;

	Current Kshs	30 to 90 days past due Kshs	Over 90 past due Kshs	Total Kshs
<b>31 December 2022</b>	<u>9,754,399</u>	<u>11,607,097</u>	<u>21,087,360</u>	<u>42,448,856</u>
<b>31 December 2021</b>	<u>10,760,618</u>	<u>13,872,692</u>	<u>23,502,440</u>	<u>48,135,750</u>

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

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

*v) Credit risk and expected credit losses (cont'd)*

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.

Financial assets for which the loss allowance has been measured at amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows;

- a) Financial assets for which credit risk has increased significantly since initial recognition but that are not impaired.
- b) Financial assets that are credit impaired at balance sheet date
- c) trade receivables, contract assets and lease receivables for which the loss allowance is

*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;

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

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

	Short-term portion Kshs	Long-term portion Kshs	Total Kshs
At 31 December 2022			
Trade payables	9,078,889	-	9,078,889
Other payables	-	47,921,210	47,921,210
Deposits	-	78,894,830	78,894,830
Accruals	12,888,524	-	12,888,524
Bank loan	11,305,295	66,891,790	78,197,085
	<u>33,272,708</u>	<u>193,707,830</u>	<u>226,980,538</u>
At 31 December 2021			
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
Bank loan	11,305,295	84,810,959	96,116,254
	<u>44,694,591</u>	<u>206,307,917</u>	<u>251,002,508</u>

Deposit for shares and plot sales which at 31 December 2022 amounted to Kshs 903,187,683 (2021: Kshs 902,097,683) have not been included above as in the directors opinion the exposure is remote..

**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 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.

**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 2022.

**36 INCORPORATION**

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

# AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC FORM OF PROXY

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The Company Secretary  
Agricultural and Industrial Holdings Plc  
P.O. Box 6399-00300  
**NAIROBI**

## FORM OF PROXY

I, We, .....of P. O. Box .....

Being Member/Members of Agricultural and Industrial Holdings Plc hereby appoint:

.....of Tel No.....

Email Address.....

or failing him..... of Tel No .....

Email Address.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held Virtually on 24th November 2023 and at any adjournment thereof. (\*Strike out as appropriate)

Signature(s)/Seal .....

.

Signed this..... day of ..... 2023

## 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, off Thika Superhighway, P.O Box 50124 - 00200, Nairobi or posted or emailed to proxy@candrgroup.coke, so as to reach the Secretary not later than 48 hours before the time fixed for the meeting or any adjournment thereof.





**AIH OFFICES- KASARANI**



**AIH - PLC STAFF**



**AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC**



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