

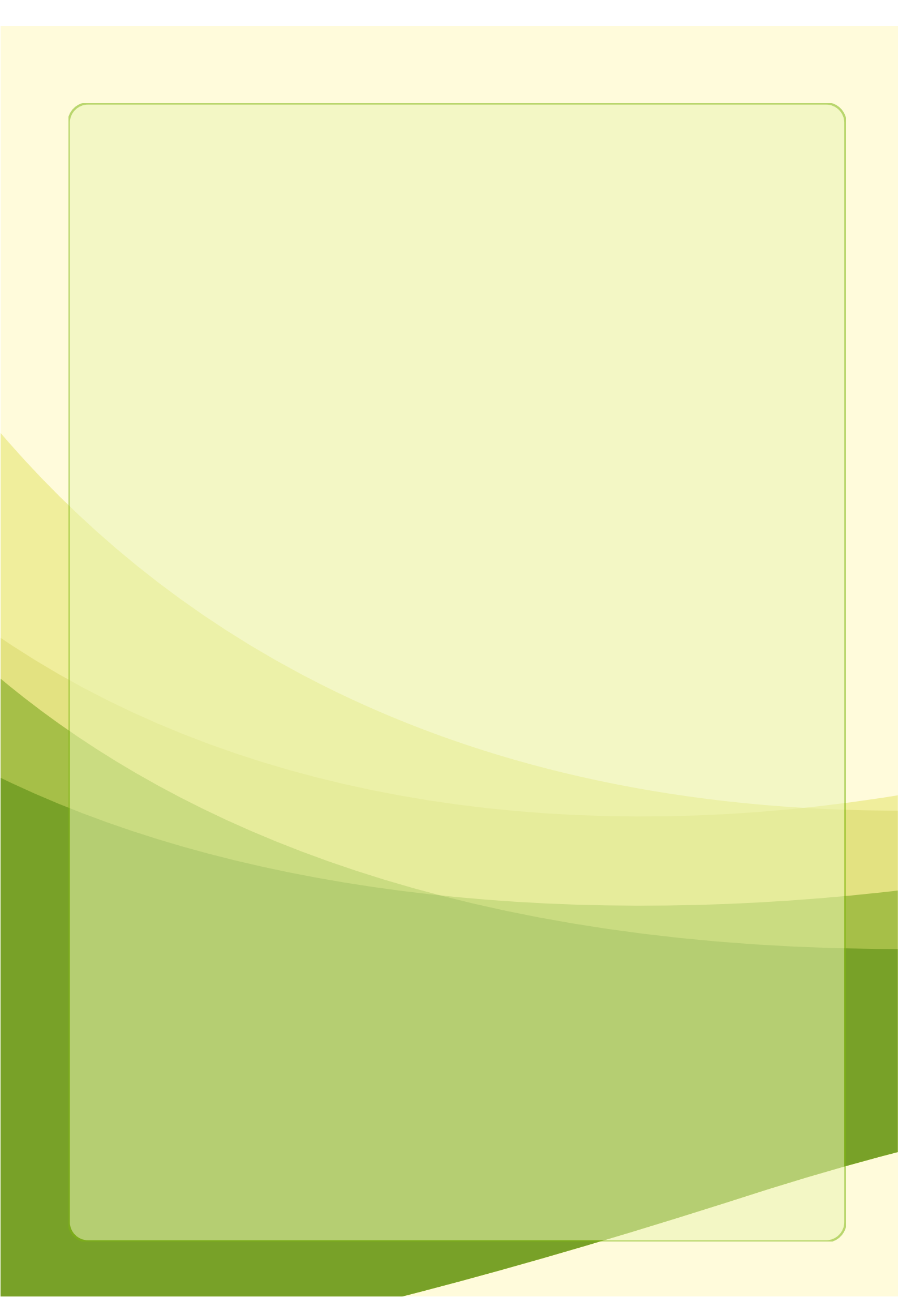


AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC



2023

**ANNUAL REPORT & GROUP
FINACIAL STATEMENTS**



AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
For the year ended 31 December 2023

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CORPORATE INFORMATION

DIRECTORS

Hon Ngengi Muigai	-	Chairman
Dr. Patricia W Gathia		
Dr. Peter Munga		
Mr. Joseph M Gichuru		
Mr. Michael M Mbarire		
Rev. Joseph Kihara		
Mr. Henry K Njagi		
Mr. Martin Njeru		

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Kasarani, Thika Road
P.O.Box 50124 - 00200
Nairobi

PRINCIPAL BANKERS

Family Bank
Kilimani Branch
P.O.Box 74145-00200
Nairobi

Housing Finance
Rehani Branch
P.O.Box 30088
Nairobi

Standard Chartered Bank (K) Ltd.
Moi Avenue Branch
P.O.Box 3003 - 00100
Nairobi

Equity Bank Limited
Moi Avenue Branch
P.O.Box 75104-00200
Nairobi

LEGAL ADVISORS

J Ngaii Gikonyo Advocates
Suraj Plaza, 3rd floor,
Limuru Road
P. O. Box 62097 - 00200
Nairobi

COMPANY SECRETARY

Lucy Kibera
Certified Public Secretary
Leading Secretaries
P.O.Box 6399 - 00300
Nairobi

COMPANY AUDITORS

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held via electronic communication on Wednesday 11th December, 2024 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 24 th November, 2023.
4. To consider and, if thought fit, adopt the audited Financial Statements for the year ended 31 st December 2023, together with the Chairman's, Directors' and Auditors' reports thereon.

Proposed Resolution

That the audited Final Statements for the year ended 31 st December 2023, 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.27 per paid-up share of Kshs.100/= each amounting to Kshs. 14,348,826/= (Kenya Shillings Fourteen Million Three Hundred and Forty Eight Thousand Eight Hundred and Twenty Six only) in respect of the financial year ended 31 st December 2023.

Proposed Resolution

That a first and final dividend of Kshs.27 per paid-up share of Kshs.100/= Kshs. 14,348,826/= (Kenya Shillings Fourteen Million Three Hundred and Forty Eight Thousand Eight Hundred and Twenty Six only)) be declared in respect of the financial year ended 31 st December 2023.

6. To elect Directors:

(i) In accordance with Article 8(b) of the Company's Articles of Association, Mr. Martin Njeru, Mr. Michael Mbarire and Dr. Peter Munga 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. Martin Njeru, Mr. Michael Mbarire and Dr. Peter Munga, 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 st December 2023.

Proposed Resolution.

That the Directors' remuneration as indicated in the audited Financial Statements for the year ended 31 st December 2023 be and is hereby approved.

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

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

Proposed Resolution

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

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

BY ORDER OF THE BOARD



Lucy W. Kibera
Company Secretary
Nairobi
Date: 15 th November, 2024

NOTES:

1) A member is entitled to attend and vote at the meeting and whoever 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 Friday 6 th December, 2024.

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

Chairman's Report



Hon. Ngenji 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 31st December 2023. We thank the Almighty God for keeping us safe and healthy to participate in today's proceedings.

FINANCIAL PERFORMANCE

The company made a profit before tax of Kshs.51,366,082 compared to year 2022 Ksh.37,118,374 the profits increased by Ksh.14,247,708.

Let me now report on the performance of the trading activities and progress of the company.

MOIAVENUE PLOT (AGRHO HOUSE)

Agrho House remains our company flagship project offering rental spaces to small shop traders focusing on Youth, Small and Medium Enterprises (SMEs), Beauty Salons, offices, Food Courts and Colleges offering post-secondary school education.

By design the colleges occupied about 60% of the rentable space, to target by then parallel University degree admissions both for regular and evening classes. This strategy worked well for the building but later on, its occupancy was affected negatively when the main anchor University tenant opted to leave the building due to low admission after the National collapse of the Private Students Parallel Degree Programme.

The management has been struggling to find suitable tenants to occupy all the spaces. Luckily the tertiary colleges offering diploma and technical courses took about 40% of the space occupied by the University leaving about 20% unoccupied. Note that many Nairobians are now trading and shopping outside the CBD. We will continue to market the empty spaces.

In spite of all these adversities Agrho house is an investment that we should continue to hold as our key asset. This investment made AIH profitable.

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Outside view of Agrho House



Inside view of Agrho House

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 HFCKBank), jointly formed and registered for the purpose of developing a residential housing Estate on the 24.5acres 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. For that reason, Claycity Board decided to stop further construction until the Country/world would recover from these adversities.

Last AGM we reported that our partners on this project HFDI had 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.

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The transition is running on smoothly with expectation that by February/ March 2025 HFDI will exit.

On completion of this exercise, it is expected that proceeds shared by AIH 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 what will improve profits and cash flow for your company.



Clay city Roads upgrading



AIH Staff overseeing Roads upgrading at Clay city

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SUB-DIVISION OF LAND (KEKOPEY & NAROK RANCH)

Pursuance to the resolution you passed at an Annual General Meeting on 2nd April 1989 under Minute No.6/89, that resolved the two Ranches (Kekopey and Narok), should be subdivided into plots. Nearly all members are now allocated plots and issued with Government title deeds for their parcels of land.

KEKOPEY RANCH:

All the Land at Kekopey was 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 their welfare e.g. Security, Education, and Jobs etc.



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.



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Donated land for public Utility



NAROK RANCH:

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

For those of you who want to settle in Narok Ranch, I am happy to inform you that most of facilities are available e.g the schools (Mary mother Catholic School is available to admit all the learners at Narok ranch).The company has donated more land to build schools, Markets, shopping centers, police stations and police rapid response Centre managed by the Kenya Police Service.



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Donated land for public Utility

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 the other 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.



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Kindly I urge members to take possession of their land in Narok Ranch. The land is very fertile and good soil.

**Some of
tomato farms
at the ranch**



FAMILY BANK SHARES

The company bought 788,800 ordinary shares in family Bank Ltd as investment at a cost of Ksh.19,393,600. In the last AGM the shareholders were not happy with the Dividends paid by Family Bank of Ksh.621,958.80, they requested the Board to dispose the shares. Unfortunately, Family Bank shares are not quoted at the Nairobi Stock Exchange and for that reason it's not easy to sell.

Dividends paid for year 2023 is Ksh.464,603. The Board will continue to look for a buyer.

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.

APATANAINVESTMENTS LTD

To refresh our minds AIH Plc bought shares in Apatana Investment Ltd an investments company that invested in the local company Lufthansa German In flight Catering Company, a company that offers catering services to the Airlines. The later has set up an international catering facility at JKIA which is now fully operational.

With the resumption of International Flights that were previously suspended by the ravages of Covid 19, it is projected that the investment will start making profit from year 2024 going forward.

AIH UPPER HILL MEDICAL CENTRE

As our vision is now to focus on real estate, I wish to remind members that we acquired a plot at upper hill, Nairobi next to Kenyatta National Hospital.

The plan is to put up a modern Medical Centre, which is the most lucrative investment due to its proximity to KNH, Nairobi hospital and several other medical facilities. The facility will comprise the following: -

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- Doctors' consultation rooms
- Inpatients services
- Outpatient facilities
- Pharmacy
- X-rays and MRI
- Dialysis
- Theatres
- Piped oxygen plant
- Incinerator
- Common solid waste collection unit
- Food courts, budget hotel to offer accommodation for patient's relatives bringing patients to the facility and neighboring facilities
- Water borehole
- Two stand-by-generators
- Parking for 100 cars

In the last AGM, it was agreed that AIH will remain the landlord.
We already have approved drawings for the project, and now we are looking for



funds to start the construction which is scheduled to start any time in 2025.



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

In the last AGM, it was agreed that the project will be financed from the proceeds received from investments in Claycity, AIH fixed deposits and the shortfall from bank loan. This is the finance strategy that we want to use to raise the funds for the project.

COMPANY SHARES

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

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

OVER COUNTER TRADING (OTC) - AIH SHARES

For those shareholders who want to trade in their shares “Buying and Selling” the counter is now set. A stock broker was appointed by the company, who can be reached on the address shown below: -

Francis Drummond & Co. Ltd
Finance House
14th Floor, Loita Street, Nairobi
Email: info@drummond.co.ke
Website: www.drummond.co.ke

DIVIDENDS

The Directors propose to pay a dividend of Kshs14,348,826 at Ksh.27.00 per share for the year ended 31st December 2023.

CORPORATE SOCIAL RESPONSIBILITY

The Company corporate social responsibility included activities such as: -

1. Tree planting by assisting the community with seedlings and planting activity. This helped the community in improving water catchment areas where they are able to get enough water for domestic and livestock use.



Planting trees for environmental conservation at Karunguru and Kekopey Ranch

2. The company donated 20-acres plot to National Police Service, to build a security response center that will oversee security in the whole area and environs of Narok Ranch.

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DIGITAL TRANSFORMATION:

Members can access company information on our company Website:

Website: 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



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



Members Following meeting



Members Receiving Dividend

DIRECTORS

Our directors have a lot of experience and knowledge in the running of affairs of our company. They are also involved in the company ongoing projects, initiated by them and Myself, I have received a lot of support from them. For this reason and many others, I request the shareholders to retain this Board.

Chairman



Hon. Ngengi Muigai



Rev. Joseph Kihara



Mr. Martin Njeru



Dr. Peter Munga



Mr. Henry K. Njagi



Mr. Michael M. Mbarire



Dr. Patricia W. Gathia



Mr. Joseph M. Gichuru

MANAGEMENT TEAM



Managing Director
Hon. Ngengi 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.

FUTURE OF THE COMPANY

The Board is optimistic that the company is headed in 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 company shareholders for continuous 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 on course despite the headwinds faced by the company investments.

God bless us all.
“Merry Christmas and Happy new year 2025”



.....
HON. NGENGI MUIGAI
CHAIRMAN.

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The directors submit their report together with the audited group financial statements for the year ended 31 December 2023, 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:	2023 Kshs	2022 Kshs
Profit for the year before tax	51,366,082	37,118,374
Tax charge	<u>(13,463,812)</u>	<u>(12,589,073)</u>
Profit for the year after tax	<u>37,902,270</u>	<u>24,529,301</u>
Discontinued operation		
Loss before depreciation	(1,639,467)	(1,862,539)
Depreciation	<u>(138,730)</u>	<u>(143,028)</u>
Loss for the year before tax	(1,778,197)	(2,005,567)
Tax charge	<u>-</u>	<u>-</u>
	<u>(1,778,197)</u>	<u>(2,005,567)</u>
Group net profit after tax	<u>36,124,073</u>	<u>22,523,734</u>

3 DIVIDENDS

The directors have proposed to pay a dividend of Kshs 27 per share amounting to Kshs 14,348,826 for the shares outstanding at 31 December 2023 subject to the approval by the shareholders at the annual general meeting. In 2022 a dividend of Kshs 26 per share amounting to Kshs 13,817,388 was declared.

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.

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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 **15 November 2024**

By order of the board



Lucy Kibera
Leading secretaries
Certified Public Secretaries
SECRETARY

Date: **15 November 2024**

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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.

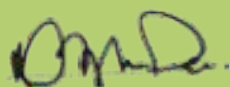
The directors accept the responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimate in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies 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, the project costs highly escalated due to the effects of covid-19 which together with other economical challenges made the initial envisaged project design difficult to implement. A number of other options were considered including the low cost affordable houses and finally the company agreed to acquire the stake held by HFDI in the joint venture and dispose of the land to venture into other lucrative projects.

The directors are cognitive that the world economy continue to be affected by the geopolitical activities especially the war in Ukraine and the instability in the Middle East. Locally we have come from the anxiety of an electioneering year in 2022 and the post election political realignment. The cost of living continue to be high and there has been unpredictability in tax policies. The directors have put appropriate mechanism to address these challenges and are optimistic that the company will remain resilient and continue to grow even 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 **15 November 2024** and signed on its behalf by;



.....
Hon. Ngengi Muigai
Chairman



.....
Michael M. Mbarire
Director

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

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 2023. These financial statements comprise of the group and parent company statement of financial position as at 31 December 2023, 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 2023 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 2023 of Kshs 75,943,257 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.

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

Consolidation

The company fully owns Clayworks Limited and through Clayworks Limited co-owns Claycity Limited a joint venture, with HFC Limited. The share of loss from the joint venture recognised in the year is from unaudited financial statements for the year. The latest audited financial statements of the venture availed to us were for year 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 geopolitical activities with the war in Ukraine and instability in the Middle East has interfered with global supply chains leading to economical downturn, inflation and increased cost of doing business. We have come from the anxiety of the electioneering period held last year and have entered a period of high taxes and unpredictability of the tax policies. 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)

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 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, the project costs highly escalated due to the effects of covid-19 which together with other economical challenges made the initial envisaged project design difficult to implement. A number of other options were considered including the low cost affordable houses and finally the company agreed to acquire the stake held by HFDI in the joint venture and dispose of the land to venture into other lucrative projects.

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.

We discussed with the management about the progress of the land disposal and intended new project.

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.

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

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)

Auditors responsibilities for the audit of the financial statements

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

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

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

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: **15 November 2024**



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

	Note	2023 Kshs	2022 Kshs
INCOME			
Turnover	2	104,305,270	86,354,369
Direct cost of sales	3	<u>(4,280,883)</u>	<u>(1,657,775)</u>
		<u>100,024,387</u>	<u>84,696,594</u>
Other Income	4	<u>23,470,086</u>	<u>21,907,104</u>
		<u>23,470,086</u>	<u>21,907,104</u>
		<u>123,494,473</u>	<u>106,603,698</u>
EXPENSES			
Operating and administration expenses	5	40,620,095	39,690,395
Staff costs	6	18,243,032	17,609,773
Finance costs	7	9,045,604	11,540,616
Share of loss from joint venture		<u>4,219,660</u>	<u>644,540</u>
		<u>72,128,391</u>	<u>69,485,324</u>
Profit before tax from continuing operations		51,366,082	37,118,374
Tax charge	8(a) i	<u>(13,463,812)</u>	<u>(12,589,073)</u>
Profit after tax for continuing operations		37,902,270	24,529,301
Discontinued operations			
Loss before depreciation		(1,639,467)	(1,862,539)
Depreciation		<u>(138,730)</u>	<u>(143,028)</u>
Loss from discontinued operations	28	<u>(1,778,197)</u>	<u>(2,005,567)</u>
Tax charge on discontinued operations	8(a) ii	<u>-</u>	<u>-</u>
Loss after tax for discontinuing operations		(1,778,197)	(2,005,567)
Profit after tax for the year		36,124,073	22,523,734
Dividends:			
Proposed dividend Kshs 27 (2022: Kshs 26) per share		<u>14,348,826</u>	<u>13,817,388</u>
		<u>14,348,826</u>	<u>13,817,388</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
For the year ended 31 December 2023

Statement of comprehensive income - Group

Note	2023 Kshs	2022 Kshs
Profit for the year after tax	<u>36,124,073</u>	<u>22,523,734</u>

Other comprehensive income - Group

Items that will not be classified to income statements;

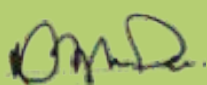
Increase in fair value of investment properties	<u>-</u>	<u>-</u>
Deferred tax	<u>-</u>	<u>-</u>
Net other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>36,124,073</u></u>	<u><u>22,523,734</u></u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
For the year ended 31 December 2023

Statement of financial position at 31 December 2023 - Group

ASSETS	Note	2023	2022
		Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(a)	70,486,912	70,610,572
Investment properties	10	1,804,691,207	1,787,842,487
Investment in joint venture	11	964,836,067	969,055,727
Goodwill	12	17,878,491	17,878,491
Other investments	14	108,113,742	108,113,742
		<u>2,966,006,419</u>	<u>2,953,501,019</u>
Current assets			
Inventory	15	45,258,518	49,243,400
Amount due from related party	16	50,000	50,000
Trade and other receivables	17	161,942,745	160,944,679
Tax recoverable	8(c)	768,469	2,854,047
Cash and bank balances	18	283,727,200	246,917,590
		<u>491,746,932</u>	<u>460,009,716</u>
Total assets		<u>3,457,753,351</u>	<u>3,413,510,735</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	53,143,800
Capital reserves	20	1,735,847,450	1,735,847,450
Revenue reserve		(66,772,788)	(89,079,473)
		<u>1,722,218,462</u>	<u>1,699,911,777</u>
Non current liabilities			
Deposit for plots and shares	21	903,344,683	903,187,683
Bank loan	22	46,531,461	66,891,790
Deferred tax	23	488,562,376	488,226,640
		<u>1,438,438,520</u>	<u>1,458,306,113</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	21,202,061	20,733,744
Trade and other payables	25	188,645,756	153,781,874
Dividend payable	26	75,943,257	69,471,932
		<u>297,096,369</u>	<u>255,292,845</u>
Total capital and liabilities		<u>3,457,753,351</u>	<u>3,413,510,735</u>

These financial statements were approved for issue by the board of directors on **15 November 2024** and signed on its behalf by;



.....
Chairman
Hon. Ngenji Muigai



.....
Michael M. Mbarire
Director

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
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Statement of financial position at 31 December 2023 - Parent company

		2023	2022
ASSETS	Note	Kshs	Kshs
Non-current assets			
Property, plant & equipment	9(b)	107,086,548	107,071,477
Investment properties	10	1,334,393,829	1,317,545,109
Investment in subsidiary	13	28,737,571	28,737,571
Other investments	14	108,113,742	108,113,742
		<u>1,578,331,690</u>	<u>1,561,467,899</u>
Current assets			
Inventory	15	45,258,518	49,243,400
Amount due from related party	16	148,814,217	182,906,151
Trade and other receivables	17	148,213,157	147,215,090
Taxation	8(c)	760,657	2,846,235
Cash and bank balances	18	283,181,415	246,620,404
		<u>626,227,963</u>	<u>628,831,280</u>
Total assets		<u>2,204,559,653</u>	<u>2,190,299,179</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	53,143,800	53,143,800
Capital reserve	20	600,652,135	600,652,135
Revenue reserve		218,003,508	189,698,966
		<u>871,799,443</u>	<u>843,494,901</u>
Non current liabilities			
Deposit for plots and shares	21	903,344,683	903,187,683
Bank loan	22	46,531,461	66,891,789
Deferred tax		161,876,302	161,540,566
		<u>1,111,752,445</u>	<u>1,131,620,038</u>
Current liabilities			
Bank loan	22	11,305,295	11,305,295
Provisions	24	21,202,061	20,733,744
Trade and other payables	25	112,557,152	113,673,269
Dividend payable	26	75,943,257	69,471,932
		<u>221,007,765</u>	<u>215,184,240</u>
Total capital and liabilities		<u>2,204,559,653</u>	<u>2,190,299,179</u>

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
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Statement of cash flows - Group	Note	2023 Kshs	2022 Kshs
Profit before taxation for continuing operations		51,366,082	37,118,374
Loss before taxation for discontinued operations		<u>(1,778,197)</u>	<u>(2,005,567)</u>
		49,587,885	35,112,807
Adjustments for:			
Depreciation	9(a)	2,324,082	2,133,979
Profit on disposal of fixed assets		-	-
		<u>51,911,967</u>	<u>37,246,786</u>
Changes in working capital			
Inventories	15	3,984,882	1,606,815
Amount due from related party		-	(50,000)
Trade and other receivables	17	(998,066)	2,844,937
Provisions	24	468,317	92,195
Trade and other payables	25	<u>34,863,882</u>	<u>4,748,451</u>
Net cash flow from operating activities		90,230,982	46,489,184
Tax paid	8(c)	<u>(11,042,498)</u>	<u>(22,505,423)</u>
		79,188,484	23,983,761
Cash flow from investing activities			
Purchase of properties and equipment	9(a)	(2,200,422)	(391,500)
Proceeds from disposal of motor vehicle		-	-
Additions to investment properties		(16,848,720)	(1,965,795)
Changes in value of investment in the joint venture	11	<u>4,219,660</u>	<u>644,540</u>
		<u>(14,829,482)</u>	<u>(1,712,755)</u>
Cash flow from financing activities			
Loan repayment	22	(20,360,329)	(17,919,169)
Deposit received for plots and shares	21	157,000	1,090,000
Dividend paid during the year	26	<u>(7,346,063)</u>	<u>(5,766,799)</u>
		<u>(27,549,392)</u>	<u>(22,595,968)</u>
Increase in cash & cash equivalents		36,809,610	(324,962)
Cash and cash equivalent at start of the year		<u>246,917,590</u>	<u>247,242,552</u>
Cash and cash equivalent at end of the year		<u>283,727,200</u>	<u>246,917,590</u>
Comprising			
Bank balances	18	179,399,747	22,188,642
Fixed deposit	18	104,109,751	224,409,792
Cash in hand	18	<u>217,702</u>	<u>319,156</u>
		<u>283,727,200</u>	<u>246,917,590</u>

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

	Share capital Kshs	Capital reserves Kshs	Revenue reserves Kshs	Dividends Kshs	Total Kshs
2022					
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			(13,817,388)	13,817,388	-
Dividend paid	26	-	-	(5,766,799)	(5,766,799)
At 31 December 2022	53,143,800	1,735,847,450	(89,079,473)	69,471,932	1,769,383,709
2023					
At 1 January 2023	53,143,800	1,735,847,450	(89,079,473)	69,471,932	1,769,383,709
Profit for the year	-	-	36,124,073	-	36,124,073
Dividend declared in the year	26	-	(13,817,388)	13,817,388	-
Dividend paid	26	-	-	(7,346,063)	(7,346,063)
At 31 December 2023	53,143,800	1,735,847,450	(66,772,788)	75,943,257	1,798,161,719

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
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Statement of changes in equity - Parent company

	Share capital Kshs	Capital reserves Kshs	Revenue reserves Kshs	Dividends Kshs	Total Kshs
2022					
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
At 31 December 2022	53,143,800	600,652,135	189,698,966	69,471,932	912,966,833
2023					
At 1 January 2023	53,143,800	600,652,135	189,698,966	69,471,932	912,966,833
Dividend declared in the year	-	-	(13,817,388)	13,817,388	-
Dividend paid	-	-	-	(7,346,063)	(7,346,063)
Profit for the year	-	-	42,121,930	-	42,121,930
At 31 December 2023	53,143,800	600,652,135	218,003,508	75,943,257	947,742,700

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
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Notes to the financial statements

1 Accounting policies

The following are the accounting policies that were material in their operation adopted in the preparation of these financial statements;

a) Basis of preparation

These financial statements have been prepared in compliance with the International Financial Reporting Standards. They are presented in Kenya Shilling and are prepared in accordance with measurement basis prescribed by International Financial Reporting Standards.

The preparation of the financial statements in conformity with the International Financial Reporting Standards require the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying these policies. The areas where the estimates were significant to the financial statements, are disclosed in note 30.

b) Adoption of new and revised standards

The group has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) that are relevant to its operations and effective for the current reporting. These are:

- IAS 8 Amendments: Helps entities to distinguish between accounting policies and accounting estimates. Effective from 1 January 2023
- IFRS 17 Insurance contracts: Introduces an internationally consistent approach to accounting for insurance contracts. It replaces IFRS4 which had diversity in application. It was issued in 2017 and become effective from 1 January 2023.
- IAS 1 Presentation of financial statements: amendment to IAS 1 and IFRS S2 requires entities to disclose accounting policies that are material in their operations rather than significant accounting policies.

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

- IFRS S1 Requirement for disclosure of sustainability related financial information. Effective from 1 January 2024
- IFRS S2 Climate related disclosures effective from 1 January 2024

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
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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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
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Notes to the financial statements(cont'd)

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

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

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

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

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

e) Investment properties

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

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

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
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Notes to the financial statements(cont'd)

f) Goodwill

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

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

g) Cash and cash equivalent

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

h) Foreign currencies transactions

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

i) Financial instruments

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

Trade and other receivables

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

Trade payables

Trade payables are stated at their nominal value

Bank borrowings

Bank borrowings are measured at amortised costs.

j) Provisions

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
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Notes to the financial statements(cont'd)

k) Impairment

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

l) Accounting for leases

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

m) Intangible assets

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

n) Taxation

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

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

o) Retirement benefit cost

i) Contribution to National Social Security Fund

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
Annual report and group financial statements
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Notes to the financial statements(cont'd)

p) Consolidation

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

q) Loans and borrowings

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

r) Discontinued operations

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

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC

Annual report and group financial statements

For the year ended 31 December 2023

Notes to the financial statements(cont'd)

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
2 INCOME				
Rent receivable	84,800,400	83,749,369	84,800,400	83,749,369
Sales of land and plots	19,504,870	2,605,000	19,504,870	2,605,000
	104,305,270	86,354,369	104,305,270	86,354,369
3 DIRECT COST				
Cost of plots sold	(4,280,883)	(1,657,775)	(4,280,883)	(1,657,775)
4 OTHER INCOME				
Interest	20,631,078	18,832,442	20,631,078	18,832,442
Other income	2,839,008	3,074,662	2,839,008	3,074,662
	23,470,086	21,907,104	23,470,086	21,907,104
5 OPERATING AND ADMINISTRATION EXPENSES				
Travelling expenses	1,012,553	1,338,894	1,012,553	1,338,894
Professional fee	139,513	251,102	139,513	251,102
Land rent and rates	825,551	812,795	825,551	812,795
Telephone and postage	398,208	482,948	398,208	482,948
Directors fees	5,194,928	4,978,908	5,194,928	4,978,908
Directors expenses	2,106,869	1,724,861	2,106,869	1,724,861
Depreciation	2,185,352	1,990,948	2,185,351	1,990,948
Audit fees	210,000	210,000	210,000	210,000
Other expenses	2,548,833	1,907,710	2,548,833	1,907,710
Insurance and licenses	2,188,517	1,930,972	2,188,517	1,930,972
Security	2,570,207	2,628,621	2,570,207	2,628,621
Repairs and maintenance	5,058,924	4,692,680	5,058,924	4,692,680
AGM expenses	2,485,300	2,063,439	2,485,300	2,063,439
Donations	-	3,022,550	-	3,022,550
Marketing	123,280	49,710	123,280	49,710
Bank charges	97,066	76,740	97,066	76,740
Property management commission	4,507,360	4,789,426	4,507,360	4,789,426
Sales commission	308,201	124,275	308,201	124,275
Water and electricity	8,659,433	6,613,816	8,659,433	6,613,816
	40,620,095	39,690,395	40,620,094	39,690,395
6 STAFF COSTS				
Salaries	16,806,173	16,268,807	16,806,173	16,268,807
NSSF	73,023	28,800	73,023	28,800
Contributions to retirement benefits	1,363,836	1,312,166	1,363,836	1,312,166
	18,243,032	17,609,773	18,243,032	17,609,773

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Notes to the financial statements(cont'd)

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
7 FINANCE COST				
Loan interest	9,045,604	11,540,616	9,045,604	11,540,616
	9,045,604	11,540,616	9,045,604	11,540,616
8 TAXATION				
a) Charge to profit and loss				
i Continuing operations				
Current tax	13,128,076	12,343,878	13,128,076	12,343,878
Prior period under provision	-	501,843	-	501,843
Deferred tax	335,736	(256,648)	335,736	(256,648)
	13,463,812	12,589,073	13,463,812	12,589,073
ii Discontinued operations				
Deferred tax	-	-	-	-
Total	13,463,812	12,589,073	13,463,812	12,589,073
b) Reconciliation of accounting profit to tax expense				
Profit from continuing operations	51,366,082	37,118,374	55,585,742	37,762,914
Loss from discontinued operations	(1,778,197)	(2,005,567)	-	-
	49,587,885	35,112,807	55,585,742	37,762,914
Tax @ 30%	14,876,366	10,533,842	16,675,723	11,328,874
Under provision in the previous year	-	539,624	-	539,624
Effect of non allowable expense	710,885	720,575	710,885	720,575
Effect of non taxable income	(3,922,796)	-	(3,922,796)	-
Effect of loss from joint venture	1,265,898	193,362	-	-
Effect on tax loss of subsidiary	533,459	601,670	-	-
	13,463,812	12,589,073	13,463,812	12,589,073
c) Tax recoverable				
Balance b/fwd	(2,854,047)	6,805,655	(2,846,235)	6,813,467
Under provision in the previous year	-	501,843	-	501,843
Provision for the year	13,128,076	12,343,878	13,128,076	12,343,878
Payment	(11,042,498)	(22,505,423)	(11,042,498)	(22,505,423)
	(768,469)	(2,854,047)	(760,657)	(2,846,235)

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Notes to the financial statements(cont'd)

9(a) PROPERTY, PLANT AND EQUIPMENT - GROUP

2023	Land Kshs	Buildings Kshs	Motor vehicles Kshs	Furniture and Equipment Kshs	Generator Kshs	and water installations Kshs	Computers Kshs	Total Kshs
Cost / Valuation								
At 1 January 2023	23,818,881	50,793,969	4,640,000	2,414,543	5,261,095	9,958,380	2,792,770	99,679,638
Additions	-	348,270	1,780,000	-	-	-	72,152	2,200,422
31 December 2023	23,818,881	51,142,239	6,420,000	2,414,543	5,261,095	9,958,380	2,864,922	101,880,060
Depreciation								
At 1 January 2023	-	10,593,421	2,449,502	1,785,659	4,149,762	7,609,623	2,481,099	29,069,066
Charge for the period	-	879,738	992,625	103,687	138,292	93,093	116,647	2,324,082
31 December 2023	-	11,473,159	3,442,127	1,889,346	4,288,054	7,702,716	2,597,746	31,393,148
Net book Value								
31 December 2023	23,818,881	39,669,080	2,977,873	525,197	973,041	2,255,664	267,176	70,486,912
2022								
Cost / Valuation								
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
31 December 2022	23,818,881	50,793,969	4,640,000	2,414,543	5,261,095	9,958,380	2,792,770	99,679,638
Depreciation								
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
31 December 2022	-	10,593,421	2,449,502	1,785,659	4,149,762	7,609,623	2,481,099	29,069,066
Net book Value								
31 December 2022	23,818,881	40,200,548	2,190,498	628,884	1,111,333	2,348,757	311,671	70,610,572

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

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Notes to the financial statements(cont'd)

9(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

2023	Land Kshs	Buildings & fittings Kshs	Motor vehicles Kshs	Machinery Kshs	Generator Kshs	Electrical and water installations Kshs	Computers Kshs	Total Kshs
Cost / Valuation								
At 1 January 2023	66,713,281	40,725,919	4,640,000	2,164,043	5,256,095	10,099,380	2,797,770	132,396,488
Additions	-	348,270	1,780,000	-	-	-	72,152	2,200,422
31 December 2023	66,713,281	41,074,189	6,420,000	2,164,043	5,256,095	10,099,380	2,869,922	134,596,910
Depreciation								
At 1 January 2023	-	6,863,054	2,449,502	1,739,940	4,149,762	7,641,654	2,481,099	25,325,011
Charge for the period	-	752,983	992,625	91,711	138,292	93,093	116,647	2,185,351
31 December 2023	-	7,616,037	3,442,127	1,831,651	4,288,054	7,734,747	2,597,746	27,510,362
Net book Value								
31 December 2023	66,713,281	33,458,152	2,977,873	332,392	968,041	2,364,633	272,176	107,086,548
2022								
Cost / Valuation								
At 1 January 2022	66,713,281	40,725,919	4,640,000	2,164,043	5,256,095	9,958,380	2,710,770	132,168,488
Additions	-	-	-	-	-	141,000	87,000	228,000
Disposal	-	-	-	-	-	-	-	-
31 December 2022	66,713,281	40,725,919	4,640,000	2,164,043	5,256,095	10,099,380	2,797,770	132,396,488
Depreciation								
At 1 January 2022	-	6,098,887	1,719,336	1,635,127	3,991,714	7,543,616	2,345,383	23,334,063
Charge for the period	-	764,167	730,166	104,813	158,048	98,038	135,716	1,990,948
31 December 2022	-	6,863,054	2,449,502	1,739,940	4,149,762	7,641,654	2,481,099	25,325,011
Net book Value								
31 December 2022	66,713,281	33,862,865	2,190,498	424,103	1,106,333	2,457,726	316,671	107,071,477

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10 INVESTMENT PROPERTIES

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 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	126,514,556	109,665,836	126,514,556	109,665,836
	1,804,691,207	1,787,842,487	1,334,393,829	1,317,545,109

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.

11 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Balance at 1 January	969,055,727	969,700,267	-	-
Addition during the year	-	-	-	-
Loss/profit from joint venture	(4,219,660)	(644,540)	-	-
Balance at 31 December	964,836,067	969,055,727	-	-

Clayworks Limited a fully owned subsidiary of the company has invested in a joint venture through contribution of land in Kasarani for development of residential and commercial houses. The above is the cost of the investment in the joint venture accounted for using the equity method.

12 GOODWILL

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Acquisition of subsidiary	17,878,491	17,878,491	-	-

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

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Notes to the financial statements(cont'd)

13 INVESTMENTS IN SUBSIDIARY

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 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	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 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	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Cost of untransferred benefits at Kenyatta road plots	45,258,518	49,243,400	45,258,518	49,243,400
	45,258,518	49,243,400	45,258,518	49,243,400

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	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
a) Subsidiary company				
Balance b/fwd	50,000	-	182,906,150	180,845,649
Additions	-	50,000	(34,091,933)	2,060,501
	50,000	50,000	148,814,217	182,906,150

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16 TRANSACTIONS WITH RELATED PARTY (Cont'd)

b) Remuneration to key management and directors;

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
<i>Management;</i> Salary and other benefits	10,166,178	9,781,096	10,166,178	9,781,096
<i>Directors;</i> As executives	5,194,928	4,978,908	5,194,928	4,978,908
	15,361,106	14,760,004	15,361,106	14,760,004

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Trade receivables	41,530,194	42,448,855	28,375,944	29,294,606
Other receivables	308,162	1,944,973	146,823	1,783,633
Deposits and prepayments	84,942,447	81,686,941	84,528,447	81,272,941
Share compensation	35,161,942	34,863,910	35,161,942	34,863,910
	161,942,745	160,944,679	148,213,156	147,215,090

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Cash at bank	179,399,747	22,188,642	178,853,962	21,891,456
Fixed deposit	104,109,751	224,409,792	104,109,751	224,409,792
Cash in hand	217,702	319,156	217,702	319,156
	283,727,200	246,917,590	283,181,415	246,620,404

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19 SHARE CAPITAL	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Authorised				
1,000,000 ordinary shares of Kshs 100 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
531,438 ordinary shares of Kshs 100 each	53,143,800	53,143,800	53,143,800	53,143,800

20 CAPITAL RESERVES	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 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	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Deposit for plots	73,385,471	72,128,471	73,385,471	72,128,471
Deposit for Kasarani plots	452,252,638	452,252,638	452,252,638	452,252,638
Deposit for sale of land	377,706,574	378,806,574	377,706,574	378,806,574
	903,344,683	903,187,683	903,344,683	903,187,683

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

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	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
22 BORROWINGS				
Housing Finance loan 1	19,256,413	27,354,605	19,256,413	27,354,605
Housing Finance loan 2	38,580,343	50,842,480	38,580,343	50,842,480
	57,836,756	78,197,085	57,836,756	78,197,085
Payable after 12 months	46,531,461	66,891,790	46,531,461	66,891,790
Payable within 12 months	11,305,295	11,305,295	11,305,295	11,305,295
	57,836,756	78,197,085	57,836,756	78,197,085

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% (2022: 13%)

23 DEFERRED TAX	Balance At the start of the year Kshs	Charge to profit and loss account Kshs	Charge to Equity Kshs	Balance at the end of the year Kshs
Accelerated depreciation	(296,201)	(335,736)		(631,937)
Fair value adjustment on investment properties	(487,930,439)	-	-	(487,930,439)
	(488,226,640)	(335,736)	-	(488,562,376)

Deferred income tax on unutilised loss carried forward amounting to Kshs 93,380,003 (2022: Kshs 92,986,892) 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.

	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
24 PROVISIONS				
Provisions for bad debts	10,476,815	10,476,815	10,476,815	10,476,815
Provisions for staff leave	6,653,516	6,185,199	6,653,516	6,185,199
Gratuity provision	4,071,730	4,071,730	4,071,730	4,071,730
	21,202,061	20,733,744	21,202,061	20,733,744

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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25 TRADE AND OTHER PAYABLES	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Trade payables	9,057,481	9,078,889	4,150,495	4,151,903
Accruals	13,758,157	12,888,524	13,125,240	12,255,607
Other payables	51,875,929	52,919,631	17,327,229	18,370,929
Claycity Limited	36,000,000	-	-	-
Survey fees deposit	12,013,885	12,013,885	12,013,885	12,013,885
Tenants deposits	65,940,304	66,880,945	65,940,304	66,880,945
	188,645,756	153,781,874	112,557,153	113,673,269

26 DIVIDEND PAYABLE	Group		Company	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Opening balance	69,471,932	61,421,343	69,471,932	61,421,343
Dividends declared in the year	13,817,388	13,817,388	13,817,388	13,817,388
Paid during the year	(7,346,063)	(5,766,799)	(7,346,063)	(5,766,799)
Balance at 31 December	75,943,257	69,471,932	75,943,257	69,471,932

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	
2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
825,551	812,795	825,551	812,795
-	-	-	-
825,551	812,795	825,551	812,795

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Notes to the financial statements(cont'd)

27 OPERATING LEASE ARRANGEMENTS(cont'd)

ii) The company as a lessor

Property rental income earned during the year was Kshs 84,800,800 (2022: 83,749,369). 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	
	2023 Kshs	2022 Kshs	2023 Kshs	2022 Kshs
Within one year	84,800,000	83,750,000	84,800,000	83,750,000
In the second to third years	169,600,000	167,500,000	169,600,000	167,500,000
	<u>254,400,000</u>	<u>251,250,000</u>	<u>254,400,000</u>	<u>251,250,000</u>

28 DISCONTINUED OPERATIONS OF THE SUBSIDIARY

The subsidiary company, Clayworks Limited stopped its core business of clay production in 2014 and partnered with other property developers in a joint venture, Claycity limited which is now undertaking real estate projects.

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;

	2023 Kshs	2022 Kshs
Income		
Sales of clay products	-	-
Sundry income	-	-
	<u>-</u>	<u>-</u>
Expenses		
Operating and administration expenses	1,639,467	1,862,539
Depreciation	138,730	143,028
	<u>1,778,197</u>	<u>2,005,567</u>
Loss from discontinued operations	<u>(1,778,197)</u>	<u>(2,005,567)</u>

29 COMMITMENTS AND CONTINGENT LIABILITIES

i) Commitments with the joint venture

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 and electioneering period in 2022.

In an effort to address the delays and optimise the utilisation of 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 and dispose of the land at Clayworks to venture into other lucrative projects.

ii) Budgeted capital projects

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.

iii) Contingent liability

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

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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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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
31 December 2023			
Trade receivables	6,889,893	34,640,301	41,530,194
Other receivables	-	308,162	308,162
Dues for plot surveying and demarcation		120,104,389	120,104,389
Cash and bank	283,509,498	-	283,509,498
	<u>290,399,391</u>	<u>155,052,852</u>	<u>445,452,243</u>
31 December 2022			
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>

The amount receivable for surveying and demarcation amounting to Kshs 120,104,389 (2022: Kshs 116,550,851) 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 reconciled. The risk is classified as 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
31 December 2023	<u>6,898,371</u>	<u>12,156,982</u>	<u>22,474,841</u>	<u>41,530,194</u>
31 December 2022	<u>9,754,399</u>	<u>11,607,097</u>	<u>21,087,360</u>	<u>42,448,856</u>

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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 22,474,841 (2022: Kshs 21,087,360) 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.

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;

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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 2023			
Trade payables	9,057,481	-	9,057,481
Other payables	-	87,875,929	87,875,929
Deposits	-	77,954,189	77,954,189
Accruals	13,758,157	-	13,758,157
Bank loan	11,305,295	46,531,461	57,836,756
	<u>34,120,933</u>	<u>212,361,579</u>	<u>246,482,512</u>
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>

Deposit for shares and plot sales which at 31 December 2023 amounted to Kshs 903,344,683 (2022: Kshs 903,187,683) 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.

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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.

AGRICULTURAL AND INDUSTRIAL HOLDINGS PLC
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Notes to the financial statements(cont'd)

35 CURRENCY RISK

The group operates wholly in Kenya and its assets and liabilities are reported in the local currency. It therefore held no significant foreign currency exposure at 31 December 2023.

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

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 11th December 2024 and at any adjournment thereof.
(*Strike out as appropriate)

Signature(s)/Seal

.

Signed this..... day of 2024

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 Staff



AIH Office Garden View



AIH Office - Kasarani

2025 CALENDER

January						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October						
S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			



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