

**2019
ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS**

MHASIBU INVESTMENT COMPANY LIMITED

Mugo & Co.
Certified Public Accountants (K)
6th Floor, Agip House
NAIROBI
www.mugo-co.com

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CORPORATE INFORMATION

DIRECTORS:

James Wambugu	-Chairman
Tom Gitogo	-Director
Ruth Gathee	-Director
Mhasibu Sacco Society Ltd	-Director
Pius Muchiri	-Director

COMPANY SECRETARY:

Jophece O. Yogo
P.O. Box 10532-00400
NAIROBI

BANKERS:

NIC Bank -NIC House Branch
KCB Bank -Kimathi House Branch
SCB Bank -Barclays Plaza
Family Bank - Family Bank Towers

AUDITORS:

Mugo & Co.
Certified Public Accountants of Kenya
P. O. Box 51820-00200
NAIROBI

LEGAL ADVISORS

Alice N.Kamau & Company Advocates
Bruce House
14th Floor, Door 1424
P.O Box 22829-00400
NAIROBI

CHAIRMAN'S REPORT

TO THE SHAREHOLDERS OF MHASIBU INVESTMENT COMPANY LIMITED

I am pleased to present to you the financial report for year 2019.

THE YEAR IN REVIEW

The year 2019 was another one of economic hardships for most people and businesses despite a near 6% growth in the economy. The growth in GDP in the recent past has been largely driven by government spending, telecommunications and construction especially of large public or private projects. Government spending has been driven by large infrastructure projects financed with huge loans and implemented by large foreign contractors with limited linkages to the local economy. Corruption, the resulting fight against corruption, aggressive tax collections, huge pending bills by government and reduced credit due to the interest rates law and banks' lending to government has starved the economy of cash flows. Real growth sectors have therefore continued to struggle.

As a result all the productive sectors from agriculture to manufacturing have been complaining of lack of liquidity and opportunities. Large companies have announced profit warnings, gone into financial difficulties or altogether gone under. Examples abound. SMEs have themselves struggled and the economic engine is not running on a broad base. A transition from public sector and corruption driven economy has to happen. This is taking too long. And then Covid-19 came along. The challenge has doubled and it is anyone's guess what the impact is going to be. Any recovery will now take much longer and meanwhile pain will remain.

Because of this state of the country many of our investments are not doing well. Opportunities for investments are also fewer and tricky. The real estate which has been our cash cow is greatly affected. With a glut of corruption fueled properties values have stagnated or receded. We have for the second year not recognized fair value gains on our real estate assets. The most affected is the Nyeri project where we have only sold a few plots. Maiyan by its specialized nature has fared well and we are proud of its progress. Cluster one of the main Maiyan has so far done well. The Swara Ranch project has been successful in sales and construction progress.

Last year we announced our change of focus to new economy away from declining sectors. Voltic the bus management and booking system has continued to grow. It now covers most of the large bus companies in the region and the number of trips booked through Voltic has continued to grow and in 2019 over 7 million tickets were booked through them..

OUR PERFORMANCE IN 2019

Despite these challenging times, MICL remains focused on the vision of delivering superior returns to shareholders. Our revenue has gone up to Kes.10.6 million from Kes.8.6 million. The increase is attributed to sale of the few remaining plots in Ruiru 1 Mhasibu

Housing Project. We have not recognized any gains in value of our main assets. We believe that once the economy re-ignites we shall realize some growth in these assets.

DIVIDEND AND BONUS ISSUE

The board has not proposed any dividends or bonus shares this year. Most of our reserves are in form of unrealized gains whose distribution would trigger compensating tax.

DIRECTORS

The list of directors is shown on page 1.

As promised in 2018 we brought into our Board Ms Felistus Karanjaa founder at Voltic Limited to bolster it with skills on the new economy into which we promised to turn our focus to. I would like to welcome Felistus to MICL and I look forward to a great contribution from her just like those who have come before her.

FUTURE PROSPECTS

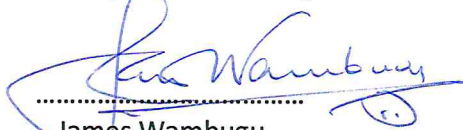
With our promise to retreat from basic real estate we will continue to pursue targeted real estate and the new economy. Maiyan and Voltic represent this future. Being in their early stage we do not expect miracle returns in 2020 but expect them to continue pointing to our future. We will continue to seek similar future opportunities and carefully select those with potential to grow.

In the meantime we must maximize our returns from the old assets. We continue to enhance the value of our current real estate investments as we focus on the Nyeri project. We will do this in collaboration with Twinmount Estate Management Limited. We continue to engage the county government. During the year we invited the Governor of Nyeri to preside over issuing of title deeds and as a result we expect improvement in the surrounding infrastructure that will lift the value of our investment there.

ACKNOWLEDGEMENTS

I would like to express my appreciation to the secretariat team for continued good work, to you our shareholders, for your unwavering support. I am also grateful to the MICL board of directors for their support and tireless dedication during the year.

I remain confident that our dedicated Board of directors and secretariat will steer this company to deliver great value and superior returns to shareholders.



James Wambugu
Chairman

Mhasibu Investment Company Limited (MICL)
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For the Year ended 31st December 2019

Shareholding Structure

Top 10 Shareholders as at 31-12-19

Name	FY 2019		Name	FY 2018	
	Number of Shares	Percentage Shareholding		Number of Shares	Percentage Shareholding
Tom M. Gitogo	266,284	11.48	Tom M. Gitogo	266,284	11.50
James Wambugu	159,462	6.88	James Wambugu	159,462	6.89
Julius Muchiri	145,256	6.26	Julius Muchiri	145,256	6.27
Mhasibu Sacco	129,234	5.57	Mhasibu Sacco	129,234	5.58
Bashir Mburu	121,040	5.22	Bashir Mburu	121,040	5.23
Ruth Waithera Gathee	119,729	5.16	Ruth Waithera Gathee	119,729	5.17
Joe Wamae Wangai	93,225	4.02	Joe Wamae Wangai	93,225	4.03
Stephen Okello	70,211	3.03	Stephen Okello	70,211	3.03
Mirie Mwangi	60,877	2.63	Mirie Mwangi	60,877	2.63
Hibiscus Company Ltd	60,000	2.59	Michael Matimu	58,482	2.53
Total	1,225,317	52.84	Total	1,223,800	52.84
Others	1,093,593	47.16	Others	1,092,110	47.16
Total Issued Shares	2,318,910	100.00	Total Issued Shares	2,315,910	100.00

Distribution of shareholding

Shareholding No. of Shares	No. of Shareholders	No. of Shares Held	Percentage Shareholding
Below 50	44	544	0.02
50-100	20	1438	0.06
101-200	10	1550	0.07
201-500	67	23328	1.01
501-1,000	41	28671	1.24
1,001-2,000	52	73475	3.17
2,001-5,000	69	227884	9.84
5,001-10,000	19	140791	6.08
10,001-20,000	14	180357	7.79
Above 20,000	23	1637872	70.72
Total	359	2,315,910	100.00

Corporate Governance Statement

Introduction

It is an established fact that Directors have a collective responsibility in law as a Board, and that this responsibility is shared equally by all Directors. Arising from this is the fact that Directors must also share collective responsibility for how the company is managed.

As a public company, Mhasibu Investment Company Limited (MICL) operates in full awareness of this collective action and responsibility for Directors to ensure collective compliance and accountability for the company's performance. The Board therefore works with a Strategic Plan that sets out strategic intentions aimed at achieving the company vision, supported by clear organizational policies.

MICL Board, like many boards operating under today's global challenges and complexities, is well aware that it must act responsibly but be prepared as well to accommodate some business risks to grow the company. The Board considers this to be an important pillar in its corporate governance practice.

The Board is continually reviewing its performance goals for both their relevance and sustainability. It also does this to help determine if the issues at hand have the potential to comprise the company's reputation, security or necessitating action for re-evaluation of strategic decisions previously taken. All of these actions are aimed at safeguarding long-term interest of the company because doing this ensures that all stakeholders' interests are given attention.

The Board Directors

In the year under review, the Board operated with six (6) non-executive directors. Each of the Board members brings to the table valuable skills and experience to support a small team at the secretariat who are responsible for day to day activities of the company. The secretariat team ensures that the Board will always have access to adequate, timely and quality information to support its decision-making.

The Directors are aware of their general duties set out in law which are owed by them to the company. They therefore take full responsibility for the overall management of the affairs of the company as envisaged in the company law.

The Board works within its calendar that enables it to meet at least four times a year supported by its committees.

In line with the Company's Articles of Association and global best practice, sitting members of the Board regularly subject themselves to re-election process to renew their mandate.

The Chairman of the Board

The Chairman of the Board is the leader of the team. In this role, he endeavours to harness the collective skills of the Board members and Board's committees for the benefit of the company and its stakeholders. He therefore ensures that members have an atmosphere for open and independent debate to issues tabled for discussions.

Shareholders

The company has provided a platform through which shareholders are regularly updated on the status of the business of the company. In addition, shareholders have been encouraged to share their ideas and any suggestions through emails or letters. Through this arrangement, the company continues to receive very useful contributions from shareholders, a lot of which find their way into the company's business plans. The company's annual general meetings provide additional platform to shareholders to put the Board to account.

As a tradition of the company, shareholders have continued to receive the company's audited financial results through their e-mails prior to annual general meetings. This has enabled many shareholders to raise any issues they may wish clarified ahead of such annual general meetings.

Board Committees

There are three main committees established by the Board under clear terms of reference, all of which report to the Board.

a) **Investment Committee**

Tom Gitogo - Chairman
Pius Muchiri
James Wambugu
Felistus Karanja
Michael Matimu

b) **Finance & Audit Committee**

Pius Muchiri – Chairman
Andrew Bulemi
Ruth Gathee

c) **Nominations Committee**

James Wambugu - Chairman
Tom Gitogo
Pius Muchiri

Mhasibu Investment Company Limited (MICL)
Annual Report and Audited Financial Statements
For the Year ended 31st December 2019

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31st December 2019 which show the state of affairs of the company.

ACTIVITIES

MICL is an investment company.

RESULTS AND DIVIDENDS

	<u>2019</u> <u>Kshs</u>	<u>2018</u> <u>Kshs</u>
Profit after tax	5,512,504	4,614,150
Proposed dividend	-	-
Retained profit transferred to reserves	<u>5,512,504</u>	<u>4,614,150</u>

The directors do not recommend a declaration of dividend for the year.

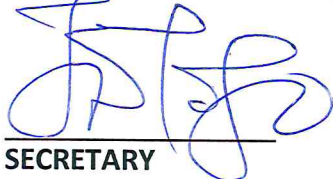
DIRECTORS

The directors who served during the year and to the date of this report are as shown on page 1.

AUDITOR

The auditors Mugo & Co. continue in office in accordance with the company's article of association and section 719(c) of the Companies Act 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and related fees.

BY ORDER OF THE BOARD


SECRETARY

DATED: 11-03-2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year of its results. It also requires the Directors to ensure that the Company keeps proper accounting records that discloses with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

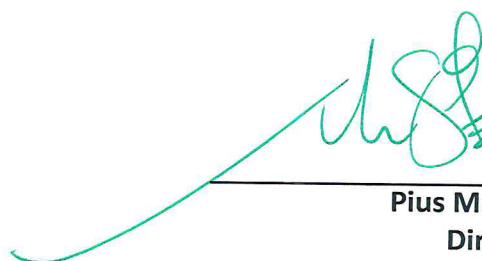
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its results for the year then ended. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on11-03-2020 and signed on its behalf by :-



James Wambugu
Chairman



Pius Muchiri
Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MHASIBU INVESTMENT COMPANY LIMITED

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at 31st December 2019 and the results of its operation and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

What we have audited

The financial statements of Mhasibu Investment Company Limited (the “Company”) are as set out on pages 11 to 23 and comprise:

- The statement of financial position as at 31st December 2019;
 - The statement of profit and loss and other comprehensive income;
 - The statement of changes in equity;
 - The statement of cash flows; and
 - The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with the board that, in our professional judgment, were of most significance in our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of investment properties (Refer to Note 9.2 of the financial statements)

Key audit matter

The company holds a portfolio of IP located in Nyeri, which accounted for 50% of the Company's total assets as at 31 December 2019.

These properties are measured at fair value in the financial statement and at every year-end; the change in fair value is reflected in comprehensive income and in profit and loss.

We identified this area as a key audit matter due to the significance of these assets to the financial statements and the judgement involved in their valuation.

The company has in the past adopted a revaluation model for subsequent measurement but that was not the case for the second year running.

The probability of fair value and accounting estimates not reflecting the current market condition exposes us to the risk of producing misstatements.

How our audit addressed the key audit matter

Our audit procedures to assess the valuation of IP included the following:

Confirming that the accounting policies applied to Investment property comply with IFRS, particularly IAS 40.

Testing the key controls identified and concluding on the effectiveness of their design and effectiveness of operation throughout the period.

Identifying the assertions for which they contribute significant assurance.

Reviewing Investment properties for reasonableness and consistency with previous years. Enquiring into and obtaining explanations for any deviation.

Challenging the assumptions and judgements applied by the management in estimating the fair value of the property, as we consider them likely to be important to users of the financial statements given the sensitivity of the valuations.

Other information

The directors are responsible for the other information. The other information comprise the directors' reports, business review reports, corporate governance reports and other statements included within the annual report (but does not include the auditor's report thereon), which we obtained prior to the date of this auditor's report.

The Directors' Responsibilities and those charged with governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal control as the directors determines is necessary to enable the preparation of consolidated 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 guarantee that an audit conducted in accordance with ISAs 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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks 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 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 control.
- Obtain an understanding of internal control 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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 consolidated 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 our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

We report to you, based on our audit, that these financial statements are prepared:

- i. in accordance with the provisions of the Kenyan Companies Act.
- ii. in accordance with the Company's objectives, and any other resolutions made by the Company at a general meeting.

The engagement partner responsible for the audit resulting in the independent auditor's report is CPA Edward Wanjohi Mugo - P/No 595


Mugo & Co.

Certified Public Accountants of Kenya

Dated March 16th 2020 in **NAIROBI**

Mhasibu Investment Company Limited (MICL)
Financial Statements
For the Year ended 31st December 2019

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

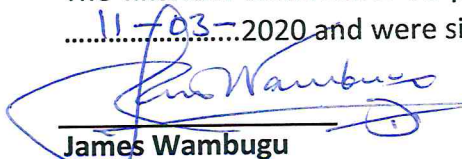
	Note	2019 Kshs	2018 Kshs
Revenue	21.	10,662,111	8,616,191
Administrative expenses	22.	(2,700,223)	(2,265,850)
Establishment expenses	22.	(1,891,231)	(1,279,890)
Operating Profit		6,070,657	5,070,451
Finance costs		(60,653)	(78,051)
Profit before tax	23.	6,010,004	4,992,400
Tax	3.	(497,500)	(378,250)
Profit after tax		5,512,504	4,614,150
Retained profit for the year	2.	5,512,504	4,614,150
Earnings per share	4.	2.38	1.99

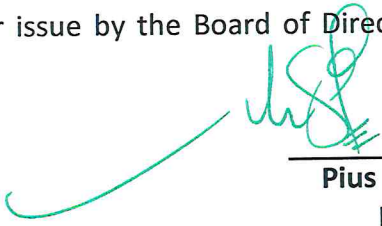
Mhasibu Investment Company Limited (MICL)
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STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2019

		2019	2018
		Kshs	Kshs
ASSETS	Note		
Non-current assets			
Quoted investments	7.	-	6,121,560
Unquoted investments	8.	77,053,024	74,459,087
Investment property	9.	470,280,196	472,873,875
Property and equipment	10.	309,847	366,489
		<u>547,643,067</u>	<u>553,821,011</u>
Current assets			
Deposits	11.	256,334	256,334
Trade and other receivables	12.	7,807,326	11,778,993
Inventory	13.	280,976,179	293,778,721
Current tax recoverable		-	205,478
Cash & cash equivalents	18.	776,669	305,772
		<u>289,816,508</u>	<u>306,325,298</u>
Total assets		<u>837,459,575</u>	<u>860,146,309</u>
FINANCED BY:			
Equity and reserves			
Share capital	5.	231,591,031	231,591,031
Revenue reserves	6.1	287,073,260	288,106,755
Revaluation reserve	6.2	742,858	(417,499)
Share premium	6.3	480,974	480,974
		<u>519,888,123</u>	<u>519,761,261</u>
Non-current liabilities			
Borrowings	17.	7,706,574	15,957,667
Current liabilities			
Trade and other payables	14.	302,446,789	317,051,230
Current tax payable		41,938	-
Borrowings	17.	7,376,151	7,376,151
		<u>309,864,878</u>	<u>324,427,381</u>
Total equity and liabilities		<u>837,459,575</u>	<u>860,146,309</u>

The financial statements on pages 11 to 23 were approved for issue by the Board of Directors on 11-03-2020 and were signed on its behalf by :-


James Wambugu
Chairman


Pius Muchiri
Director

Mhasibu Investment Company Limited (MICL)
Financial Statements
For the Year ended 31st December 2019

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Share Premium Kshs	Revenue Reserves Kshs	Revaluation Reserves Kshs	Total Kshs
At 1 st January 2019	231,591,031	480,974	288,106,755	(417,499)	519,761,261
Profit for the year	-	-	5,512,504	-	5,512,504
Fair value adjustment of investments	-	-	(6,545,999)	1,160,357	(5,385,642)
At 31st December 2019	231,591,031	480,974	287,073,260	742,858	519,888,123
At 1 st January 2018	220,236,768	8,130,219	286,425,505	5,623,197	520,415,689
Profit for the year	-	-	4,614,150	-	4,614,150
Fair value adjustment of investments	-	-	-	(1,840,696)	(1,840,696)
Reversal of revaluation for disposals	-	-	-	(4,200,000)	(4,200,000)
Bonus issues	11,003,300	(8,070,400)	(2,932,900)	-	-
Capitalization of dividends payable (Note 16)	350,963	421,155	-	-	772,118
At 31st December 2018	231,591,031	480,974	288,106,755	(417,499)	519,761,261

Mhasibu Investment Company Limited (MICL)
Financial Statements
For the Year ended 31st December 2019

STATEMENT OF CASH FLOWS

	Note	2019 Kshs	2018 Kshs
OPERATING ACTIVITIES			
Cash generated from operations	18.1	(1,897,642)	(5,952,653)
Tax paid		(250,084)	-
Provision for writeoffs		550,000	-
<i>Net cash generated from operating activities</i>		<u>(1,597,726)</u>	<u>(5,952,653)</u>
Investing activities			
Capital expenditure		(3,911,195)	(3,190,975)
Increase / Decrease in investment property		18,332,295	9,630,352
Purchase of fixed assets	10.	-	(50,000)
Proceeds from sale of shares/maturity of bonds		898,616	273,630
<i>Net cash used in investing activities</i>		<u>15,319,716</u>	<u>6,663,007</u>
Financing activities			
Borrowings		(8,251,093)	(7,160,638)
Purchase of quoted shares		-	(7,962,260)
Purchase of unquoted shares		(5,000,000)	-
<i>Net cash used in financing activities</i>		<u>(13,251,093)</u>	<u>(15,122,898)</u>
Increase/(Decrease) in cash and cash equivalents		470,897	(14,412,544)
Cash and cash equivalents at the beginning of the year		305,772	14,718,316
Cash and cash equivalents at the end of the year	18.2	<u><u>776,669</u></u>	<u><u>305,772</u></u>

Mhasibu Investment Company Limited (MICL)
Annual Report and Audited Financial Statements
For the Year ended 31st December 2019

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Basis of preparation

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS).

1.2 Basis of Accounting

The company prepares its financial statements on the historical cost basis except for the fair value adjustment of investments.

1.3 Revenue recognition

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers and related amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 introduces a 5-step approach to revenue recognition.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

1.4 Tax

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

1.5 Investments

Investments are stated at fair value.

*For equity instruments for which no active market exists, the company uses the price of a recent investment or the earnings multiple to estimate the fair value of these investments. As at the close of the year, there was no indication that these investments had any significant change in value.

UNQUOTED SECURITIES All amounts in Shs.	Initial Investment	No. of shares	Price per share	Capitalised costs	Fair value adjustments as at	Year end value
					31.12.2019	
Maiyan Holdings Ltd.	37,300,000	-	-	2,812,105	24,812,359	64,924,464
Mavuno Properties*	2,200,000	-	-	-	-	2,200,000
ACP Peponi*	1,100,000	-	-	-	-	1,100,000
Suntra Investment Bank Ltd.*	-	188,428	20	-	-	3,828,560
Voltic Kenya Ltd.*	5,000,000	3,334	1,500	-	-	5,000,000
Total	45,600,000			2,812,105	24,812,359	77,053,024

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (Continued)

**In the year 2019, as in the previous year, a revaluation of investment property was not carried out. In the past, the board has adopted a fair value model to revalue the property at every year end based on current market data available. In the year 2019 guided by economic trends and actual market information, the board continues to be of the opinion that there was no reason to believe that the property had risen in value and that the current book value is representative of the recoverable amount as at reporting date.

INVESTMENT PROPERTY All amounts in Shs.	No. of Plots	Initial Investment	Capitalised costs	Fair value adjustments as at 31.12.2017	Total
Kiserian**	10	5,600,000	500,000	900,000	7,000,000
Ruiru III**	3	9,700,000	450,000	-	10,150,000
Thindigua**	1	25,000,000	10,573,971	-	35,573,971
Nyeri**	223	56,601,319	102,767,766	258,187,140	417,556,225
Total		96,901,319	114,291,737	259,087,140	470,280,196

1.6 Furniture & Equipment

Equipment is stated at cost less accumulated depreciation.

Depreciation is calculated on the reducing balance basis charging a full depreciation during the year of acquisition and none during the year of disposal. The rates used are:

	<u>Rate</u>
Computers	30% p.a
Furniture & Equipment	12.50% p.a

1.7 Inventory

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. IAS 2 (17) and IAS 23 identify limited circumstances where borrowing costs are included in the cost of inventories.

1.8 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until paid.

1.9 Deferred Tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets is recognised to the extent that is probable that future taxable benefits will be available against which unused tax credits can be utilised.

1.10 Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Kenya shillings at the rates of exchange ruling at the statement of financial position date. Transactions during the year are translated at the rates ruling on the transaction dates. Differences on exchange are dealt with in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (Continued)

1.11 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.12 Financial risk management

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The key types of risk include:

- Market risk
- Credit risk
- Liquidity risk

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

1.13 Financial liabilities

Financial liabilities including borrowings, are initially measured at fair value net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowing costs related to a qualifying asset are capitalised to the extent that they are specifically incurred for the purpose of obtaining the qualifying asset.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

Changes in liabilities arising from financing activities - 2019

Bank Loan	Principal	Opening Balance	Cash flows	Balance 31st Dec 2019
Family Bank	38,000,000	23,333,818	(8,251,093)	15,082,725

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NOTES TO THE FINANCIAL STATEMENTS

2. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

Auditor's remuneration	81,200	81,200
Directors' expenses	94,000	48,000

And after crediting:

Dividend income	67,525	57,356
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3. TAXATION

Year 2019	Business Kshs	Rent Kshs	Interest Kshs	Capital Gain Kshs	Dividend Kshs	Total Kshs
Turnover	437,156	-	23,374	10,134,056	67,525	10,662,111
Expenses	(4,652,107)	-	-	-	-	(4,652,107)
Profit	(4,214,951)	-	23,374	10,134,056	67,525	6,010,004
ADJUSTMENT FOR TAX						
Profit on sale of shares	-	-	-	(184,056)	-	(184,056)
Interest on Kengen bond	-	-	(23,374)	-	-	(23,374)
Net taxable income	(4,214,951)	-	-	9,950,000	67,525	5,802,574
Tax @30%/10%/5%	-	-	-	497,500	-	497,500

Year 2018	Business Kshs	Rent Kshs	Interest Kshs	Capital Gain Kshs	Dividend Kshs	Total Kshs
Turnover	939,212	-	54,623	7,565,000	57,356	8,616,191
Expenses	(3,658,791)	(35,000)	-	-	-	(3,623,791)
Profit	(2,719,579)	(35,000)	54,623	7,565,000	57,356	4,992,400
ADJUSTMENT FOR TAX						
Interest on Kengen bond	-	-	(54,623)	-	-	(54,623)
Net taxable income	(2,719,579)	(35,000)	-	7,565,000	57,356	4,937,777
Tax @30%/10%/5%	-	-	-	378,250	-	378,250

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NOTES TO THE FINANCIAL STATEMENTS [Continued]

	2019 Kshs	2018 Kshs
4. EARNINGS PER SHARE		
The calculation on earnings per share is based on the following:		
Net profit for the year	5,512,504	4,614,150
Total shares at the reporting date	2,315,910	2,315,910
Basic Earnings per share	2.38	1.99
5. SHARE CAPITAL		
<u>Authorised:</u>		
3,000,000 ordinary shares par value of Kshs. 100 each	300,000,000	300,000,000
<u>Issued and fully paid:</u>		
2,315,910 ordinary shares par value of Kshs. 100 each (2018: 2,315,910)	231,591,031	231,591,031
6. EQUITY AND RESERVES		
6 REVENUE RESERVES		
Balance at 1st January	288,106,755	286,425,505
Retained Profit for the year	5,512,504	4,614,150
Reversal of Revaluation Ruiru I plots	(6,545,999)	-
Bonus issues	-	(2,932,900)
Balance as of 31st December	287,073,260	288,106,755
6 REVALUATION RESERVE		
Balance at 1st January	(417,499)	5,623,197
Fair value adjustment for the year	1,160,357	(1,840,696)
Reversal of Revaluation Ruiru I plots	-	(4,200,000)
Balance as of 31st December	742,858	(417,499)
6 SHARE PREMIUM ACCOUNT		
Balance at 1st January	480,974	8,130,219
Bonus issues	-	(8,070,400)
Members share premium	-	421,155
Balance at 31st December	480,974	480,974
7. QUOTED SHARES		
Quoted shares at valuation	-	6,121,560

NOTES TO THE FINANCIAL STATEMENTS [Continued]

	2019 Kshs	2018 Kshs
8. UNQUOTED SECURITIES		
These refer to private equity holdings and are stated at fair value (note 1.5*):		
Maiyan Holdings Ltd.	64,924,464	63,764,107
Mavuno Properties	2,200,000	2,200,000
Investeq Capital	-	550,000
ACP Peponi	1,100,000	1,100,000
KenGen Bond	-	250,000
Suntra Bank Ltd.	3,828,560	6,594,980
Voltic Kenya Ltd	5,000,000	-
	<u>77,053,024</u>	<u>74,459,087</u>
9. INVESTMENT PROPERTY		
9.1 Ruiru I plots	-	6,220,000
Kiserian plots	7,000,000	6,500,000
Ruiru III plots	10,150,000	9,700,000
Thindigua land	34,423,620	35,658,494
	<u>51,573,620</u>	<u>58,078,494</u>
9.2 Nyeri property	414,795,381	411,604,406
Direct costs capitalised during the year	3,911,195	3,190,975
	<u>418,706,576</u>	<u>414,795,381</u>
Fair value adjustment (note 1.5**)	-	-
Total Investment Property	<u>470,280,196</u>	<u>472,873,875</u>

10. PROPERTY & EQUIPMENT

	Computers Kshs 30%	Equipment Kshs 12.5%	Furniture Kshs 12.5%	Total Kshs
Year ended 31st December 2019				
COST				
At 1st January 2019	199,318	275,247	489,112	963,677
Additions	-	-	-	-
31st December, 2019	<u>199,318</u>	<u>275,247</u>	<u>489,112</u>	<u>963,677</u>
DEPRECIATION				
At 1st January 2019	137,426	160,073	299,689	597,188
Charge for the year	18,568	14,397	23,678	56,642
31st December, 2019	<u>155,993</u>	<u>174,469</u>	<u>323,367</u>	<u>653,830</u>
NET BOOK VALUE				
31st December, 2019	<u>43,325</u>	<u>100,777</u>	<u>165,745</u>	<u>309,847</u>
Year ended 31st December 2018				
COST				
At 1st January 2018	149,318	275,247	489,112	913,677
Additions	50,000	-	-	50,000
31st December, 2018	<u>199,318</u>	<u>275,247</u>	<u>489,112</u>	<u>963,677</u>
DEPRECIATION				
At 1st January 2018	110,901	143,619	272,629	527,149
Charge for the year	26,525	16,454	27,060	70,039
31st December, 2018	<u>137,426</u>	<u>160,073</u>	<u>299,689</u>	<u>597,189</u>
NET BOOK VALUE				
31st December, 2018	<u>61,892</u>	<u>115,175</u>	<u>189,423</u>	<u>366,489</u>

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NOTES TO THE FINANCIAL STATEMENTS [Continued]

	2019	2018
	Kshs	Kshs
11. DEPOSITS		
Rent security deposit	256,334	256,334
	<u>256,334</u>	<u>256,334</u>
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	4,382,341	4,121,208
Other receivables	3,424,985	7,657,785
	<u>7,807,326</u>	<u>11,778,993</u>
13. INVENTORY		
Nyeri Land qualifying costs to date	280,976,179	293,778,721
	<u>280,976,179</u>	<u>293,778,721</u>
14. TRADE AND OTHER PAYABLES		
Trade payables	905,605	3,031,520
Nyeri Land deposits	300,368,625	313,171,167
Other payables	1,172,559	848,543
	<u>302,446,789</u>	<u>317,051,230</u>
15. RELATED PARTY TRANSACTIONS		
The company transacted with related parties as follows:		
Commission on sale of Ruiru I plots	-	242,500
Interest paid towards directors loans	75,945	-
Directors allowances	94,000	48,000
	<u>169,945</u>	<u>290,500</u>
16. DIVIDENDS		
Balance at 1st January	-	772,118
Payments/Capitalisation during the year (Page 13)	-	(772,118)
Balance as of 31st December	-	-
17. BORROWINGS		
Split between:-		
Non-current		
Bank loan-due beyond 12 months	7,706,574	15,957,667
Current		
Bank loan- due within 12 months	7,376,151	7,376,151
Total borrowings	<u>15,082,725</u>	<u>23,333,818</u>

NOTES TO THE FINANCIAL STATEMENTS [Continued]

17. BORROWINGS (CONTINUED)

Borrowings are secured by:

- Original Title Deed and legal charges over Nyeri Property INO MICL
- Corporate guarantee by MHCL
- Directors' joint and several personal guarantees

18. NOTE TO THE STATEMENT OF CASH FLOWS

18.1 Reconciliation of profit before tax to cash generated from operations.

	2019 Kshs	2018 Kshs
Profit before tax	6,010,004	4,992,400
<i>Adjustment for:</i>		
Depreciation	56,642	70,039
Profit on sale of investment	(9,950,000)	(7,565,000)
Profit on sale of shares	(184,056)	-
Fair value gain	-	-
Operating profit before working capital changes:	(4,067,410)	(2,502,561)
(Increase) in trade and other receivables	3,971,667	(6,416,801)
Decrease in inventory	12,802,542	53,400,000
Decrease/(Increase) in trade and other payables	(14,604,441)	(50,433,291)
	(1,897,642)	(5,952,653)
<i>Cash generated from operations (Page 14)</i>	<u>(1,897,642)</u>	<u>(5,952,653)</u>
18.2 Analysis of balances of cash and cash equivalents		
Cash at bank	<u>776,669</u>	<u>305,772</u>

19. COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Kenyan Companies Act, Cap 486.

20. CURRENCY

The financial statements are expressed in Kenyan shillings (Kshs).

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NOTES TO THE FINANCIAL STATEMENTS [Continued]

	2019	2018
	Kshs	Kshs
21. REVENUE		
Interest income	23,374	54,623
Nyeri buyers loan interest income & penalties	279,559	626,166
Profit on sale of shares	184,056	-
Gain on sale of investments	9,950,000	7,565,000
Dividend income	67,525	57,356
Other income	107,131	49,200
Commission	50,466	263,846
Total Income	10,662,111	8,616,191
22. ADMINISTRATIVE EXPENSES		
Salaries and wages	362,400	347,400
Administration expenses	556,800	522,000
Accountancy fee	556,800	522,000
Meeting expenses	153,775	147,576
Office expenses	100,002	104,766
Directors' allowances	94,000	48,000
Company secretarial	50,000	50,000
Audit fees	81,200	81,200
Telephone & email	18,900	12,557
Legal fees	312,766	102,081
Computer repairs and networking	92,650	72,800
Commission expense	306,000	242,500
Transport and Delivery	14,930	12,970
Total administrative expenses	2,700,223	2,265,850
22. ESTABLISHMENT EXPENSES		
Rent	865,650	852,525
Service charge	197,664	197,664
Repairs and renovation	48,219	4,000
Provision for write-offs on investments	550,000	-
Depreciation	56,642	70,039
License and permits	39,600	39,500
Land rates & rent	100,245	-
Marketing and rebranding	-	43,811
Insurance	33,211	38,851
Title processing	-	33,500
Total establishment expenses	1,891,231	1,279,890
23. FINANCE COSTS		
Bank charges	39,941	78,051
Interest expense	20,712	-
Total finance costs	60,653	78,051