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Company Information

BOARD OF DIRECTORS

Lee Gituto Karuri
Benjamin Mbira Gikonyo
Geoffrey Mbugua Kamau
Njoroge Ng'ang'a
Lucie Wanjiku Maina
Dan Ochieng Awendo
Nyaga Boore Kithinji
Mbugua Gecaga
Jane Wambui Adam
Doris Murimi (Appointed 10 July 2014
Paul Nguru (Appointed 10 July 2014)
Ketan Shah (Appointed 10 July 2014)
Kenneth Wathome Mwatu (Resigned 10 July 2014)
Gilbert Kibe (Resigned 10 July 2014)

PRINCIPAL PLACE OF BUSINESS

Morningside Office Park
Ngong Road
P.O. Box 6254, 00100
NAIROBI

INDEPENDENT AUDITOR

PKF Kenya
Certified Public Accountants
NAIROBI

PRINCIPAL BANKERS

Kenya Commercial Bank Limited
NAIROBI

I&M Bank Limited
NAIROBI

Chase Bank (Kenya) Limited
NAIROBI

LEGAL ADVISORS

Muriu Mungai & Company Advocates
NAIROBI

Wainaina Ireri & Co. Advocates
NAIROBI

Robson Harris & Company Advocates
NAIROBI

SUBSIDIARIES

Home Afrika Communities Limited
NAIROBI

Mitini Scapes Development Limited
NAIROBI

Lake View Heights Development Limited
NAIROBI

Lango Development Limited
NAIROBI

Kikwetu Development Limited
NAIROBI

Smart Plots Limited
NAIROBI

Kivuli Golf Limited
NAIROBI

Suburban Limited
NAIROBI

Migaa management Limited
Nairobi

Moru ridge Limited
Nairobi

Notice of the Annual General Meeting

Notice is hereby given that an Annual General Meeting of Home Afrika Limited will be held at the Kenya School of Monetary Studies on 25th June 2015 from 10:00am to transact the following business.

AGENDA

1. Constitution of the Meeting

The Secretary to read the notice convening the meeting and determine if a quorum is present.

2. Confirmation of Minutes

To confirm the Minutes of the previous Annual General Meeting held on 26th June, 2014.

3. Ordinary Business

i) Report of the Auditors and Consolidated Financial Statements for the year ended 31st December 2014:
To receive, consider and approve the consolidated Financial Statements for the year ended 31st December 2014 together with the Directors' and Auditors' reports thereon.

ii) Election of Directors

a) Mr. Paul Nguru, a director retires by rotation in accordance with Article 92 of the Company's Articles of Association, and does not offer himself for re-election as a director.

b) Ms. Doris Murimi, a director retires by rotation in accordance with Article 92 of the Company's Articles of Association, and does not offer herself for re-election as a director.

c) To consider and elect 2 persons who are eligible for election as directors of the Company under Article 94 of the Articles of Association and whose notice has been duly given in accordance with Article 94 to replace the 2 directors who have retired.

iii) Appointment and Remuneration of Auditors:
To re-appoint Messrs. PKF Kenya, Auditors of the Company having expressed their willingness to continue in office in accordance with section 159 of the Companies Act (Cap 486) and to authorize the directors to fix their remuneration

4. Any Other Business

To transact any other business of which notice will have been duly received.

By Order of the Board

Esther Njiru-Omulele - Company Secretary
15 May 2015

Notice of the Annual General Meeting ....
(Continued)

Notes

1. A member entitled to attend and vote at the above meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member. A form of proxy may be obtained from the Company's website. To be valid, a form of proxy must be completed and signed by the member or his attorney duly authorized and must be lodged at the offices of the company or Company Registrar or be posted so as to reach the Company not later than 48 hours before the meeting or adjournment thereof. If the appointer is a corporation, the instrument appointing the proxy, shall be given under its common seal or under the hand of an officer or duly authorized attorney of that corporation.

2. Pursuant to Article 94 of the Articles of Association of the Company, no person, other than a director retiring at a meeting, shall be eligible for appointment as a director at the AGM, unless not less than seven nor more than twenty one days before the day of the AGM, there shall have been delivered to the Company Secretary a notice in writing signed by a Shareholder duly qualified to attend and vote at the AGM, of his intention to propose such person for election and the said notice in writing is also signed by the person to be proposed of his willingness to be elected.

3. Any member may, either, offer themselves for election or propose another person to be elected a director to fill one of the 2 vacant positions in the board of directors. Each member is only allowed to make one nomination. To nominate yourself or a nominee, send a duly completed and signed notice (the notice is available for download on www.homeafrika.com), a current Profile and Curriculum Vitae of yourself or your nominee to Home Afrika Offices, or send to nominations@homeafrika.com by 10:00am, Tuesday, 23rd June 2015. All persons who are eligible for election under Article 94 and whose notice has been duly given in accordance with Article 94 will be notified of their nomination and will be considered for election as directors at the AGM.

4. The resolution in respect of election of new directors shall be put to the vote of the meeting by way of a poll in accordance with Article 74 of the Articles of Association, and the following provisions of the Articles of Association shall apply to the poll:

   i. It shall be taken in such manner as the Chairman directs and the result of the poll shall be deemed to be the resolution of the meeting (Article 75);

   ii. In the event of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote (Article 76);

   iii. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll (Article 77); and

   iv. Every Shareholder present in person or by proxy or being a corporation shall have one vote for each share of which the Shareholder is the holder (Article 78).

5. All matters to be dealt with under 'Any Other Business' should be submitted no later than ten (10) days in advance of the meeting.
6. A copy of this notice, the entire Annual Report & Accounts may be viewed at the Company's website www.homeafrika.com.

Directors Profiles

LEE KARURI

Mr. Lee Karuri has been an architect for over 25 years. He obtained his Bachelor of Architecture from the University of Nairobi in 1989, and was thereafter registered as an Architect by the Board of Registration of Architects and Quantity Surveyors in 1993.

He has previously served as Chairman of the Kenya Private Sector Alliance (KEPSA) and is now the Vice Chairman of the Board of Trustees. He was honored by the state with the Order of the Grand Warrior (OGW) in 2004 for national services. He also served as a founder member of the National committee member of Vision 2013.

Mr. Karuri is also the founder chairman of Home Afrika Limited.

NJOROGE NGANGA

Njoroge holds a Master of Science Degree in Financial Management from the University of London and an undergraduate degree Majoring in Accounting & Financial Management from the and Ohio Wesleyan University. He is also a qualified Certified Public Accountant through the California State Board of Accountancy, and a member of the CFA Institute.

He has over 20 years experience in Strategic Business Initiatives, Development Financing & Funds Mobilization. Prior to joining Home Afrika, Njoroge worked in Uganda for the Housing Finance Bank as the General Manager Strategy and Investor Services which included fund mobilization with leading development organizations including AfDB, AFD, and EIB among many others.

He has also worked as the General Manager Dyer & Blair (Uganda) where he raised corporate finance for leading regional corporations. He also served at Development Finance Company of Uganda (DFCU) Bank as Head of Development Finance. He has served on Uganda's Securities Exchange Governing Council and on Makerere University Investment Advisory Committee.

Njoroge brings to Home Afrika a wealth of experience in the local and regional corporate arena finance, and investment banking, and driving strategic business initiatives.

MBIRA GIKONYO

Dr. Mbira Gikonyo has served as the Vice Chairman of Home Afrika since its founding in 2008. A Consultant Otolaryngologist in Nairobi, he runs several ENT Head & Neck Surgical Clinics in Nairobi. Dr. Mbira is the Board Chairman of Morningside Office Park, Morningside Management Ltd, Suburban Ltd, Migaa Utilities Ltd, and Runda Evergreen Association.

He also serves on the Boards of Home Afrika Communities Ltd, Institute of Surgical Medicine, Angel Capital, Ringsview Apartments and is also the founder Director of Danica Hearing Centre. Dr. Mbira chaired the listing committee of Home Afrika when the company became the first Real Estate Company to list on the Nairobi Securities Exchange in June, 2013.

Directors Profiles
(Continued)

MBUGUA KAMAU

Eng. Mbugua Kamau is one of the founder members of Home Afrika Ltd and he brings to the Board skills in Strategic Management, Project Management and Business development. He holds a Bachelor of Science Degree in Civil Engineering, and an MBA from Eastern and Southern Africa Management Institute.

He is the Chairman of Inaya Group Ltd (Project Management), Liberty Homes Ltd (Real Estate), Solimpexs Africa Ltd. (Renewable Energy), Lenana Capital Ltd. (Fund & Investment) and Home Afrika Communities Ltd (Migaa).

He is also a Director of Jacaranda Holdings Ltd (Hospitality), Osotua Tamarind Ltd (Hospitality), and Karume Holdings Ltd (Real Estate).

He has previously served as the Managing Director of Transfleet Ltd (EPZ), Business Development Manager at Mugoya Group, Sir Alex Gibb and Partners as well as Steel Structures Limited.

LUCY MAINA

Ms. Lucy Maina is one of the founder members of Home Afrika Limited. She is also a Founder member and the Executive Director of Angel Capital Limited, a mezzanine Finance Company mainly dealing with real estate developments in Nairobi.

With a BA in Economics from the College of Wooster, Ohio, USA, Lucie's expertise in the Real Estate sector in Kenya and her excellent Entrepreneurial, Managerial and funding skills are a great asset to the Company.

Aside from the main board, Lucie also serves in the Migaa board, Lakeview Heights Ltd, Home Afrika Foundation, Lenana Capital and is currently the Chair of Kivuli Golf Ltd.

Aside from her business engagements, Lucie is also passionately involved with the sport of Golf, her dedication to which has seen her hold various positions at the club level and within the Kenya Ladies Golf Union.

DAN AWENDO

Dan is a Certified Public Accountant, Management Consultant, Financial Analyst and an AMP graduate from Strathmore Business School in Kenya and IESE Business School in Spain.

Dan is the founder and CEO of InvesteQ Capital, a company that focuses on the unique environment of financing Small & Medium sized businesses in East Africa. InvesteQ Capital has spent the last 12 years developing and financing SMEs through the provision of innovative short-term trade and other related working capital finance as an alternative to traditional banking and/or capital market solutions. Through his leadership, InvesteQ Capital has won several significant local and continental awards over the last five years.

Mr. Awendo has over 20 years of post qualification experience in audit, accounting, management consultancy and corporate finance and has worked in senior management positions in both local and international companies and is a board member of various companies and learning institutions in Kenya.

Dan serves in the Finance & Administration committee at Home Afrika.

Directors Profiles
(Continued)

NYAGAH KITHINJI

Mr. Nyagah Kithinji is a practicing quantity surveyor and project manager. He has wide experience in training and dispute resolution in the construction industry.

MBUGUA GECAGA

Mr. Mbugua Gecaga is a Director at Mbambu Communications, Clomia Pty Ltd. Zimbawe and Uza Ubora Consultants.

A marketer by training, Mr. Gecaga has over 19 years of experience in the Marketing and Branding profession. Having worked with British American Tobacco in senior marketing positions in Kenya, Uganda, Ethiopia, Zimbabwe and the Indian Ocean Islands, Mr. Gecaga is well versed in strategic marketing.

Mr. Gecaga holds a BSc (Hons) from the University of Nairobi and an MBA from Henley Management College.

JANE ADAM

Jane Adam is a tourism entrepreneur with over 25 years experience and currently the Operations Director of Nature Expeditions Africa, a leading indigenous family owned tour operator in Kenya. She is also a partner in Travel Destinations, a travel agency which specializes in medical tourism and other travel products.

Jane serves as a Director on the Home Afrika board and is the Chairperson of its Foundation wing which coordinates Community Social Responsibility activities. She holds a Bachelor of Science degree in Hospitality and Tourism Management and a diploma in Hotel Management from Kenya Utalii College. She is a graduate of Leadership Development and Board competence modules from FKE in partnership with Oslo and Akershus University College of Applied Sciences (HiOA).

Jane is the National Treasurer of Kenya Association of Women in Tourism (KAWT) an organization that empowers women in the hospitality industry.

In 2014, she was awarded the Country and Regional winner of Africa's Most Influential Women in Business and Government – Tourism sector by the CEO (Celebrating Excellence in Organizations) based in South Africa that recognizes women's achievements in Africa.

Directors Profiles
(Continued)

She is a Board member of WITIA (Women in Tourism International Alliance) an organization founded in Australia that enhances networks for tourism stakeholders globally.

Jane Adam is an active Rotarian and has held various positions in the country. She actively participates in community service by being involved in training, mentoring and fund raising for Rotary projects.

She is married with one son and two daughters.

PAUL NGURU

Mr. Nguru holds a Bachelor of Commerce degree specialising in Finance. He has over 15 years of experience in capital markets, investment banking/corporate finance and private equity, where he has managed transactions for businesses along the entire business life cycle. Paul has worked at the Nairobi Stock Exchange, Deloitte Consulting, a leading Pan African Investment Bank and most recently with an East African private equity fund. Paul's skills in due diligence, valuation, deal structuring, business & strategic planning and corporate restructuring have been gained in the East and West African regional landscape.

DORIS MURIMI

Ms. Murimi is a management consultant with over 20 years work experience. Prior to this, she worked in Pretoria South Africa, for the Institute of Security Studies as Deputy Executive Director. Ms. Murimi has an MBA (Accounting & Finance) from Maastricht School of Management, Netherlands & ESAMI Tanzania; an MSc (HRM: Skills & Performance) from University of Leicester, UK; a Diploma in Financial Management from ACCA, UK; is a Certified Secretary and Professional Mediator. She is the Vice Chairperson of the Registration of Certified Public Secretaries Board (RCPSB), member of ICPSK, IHRM, PTAK and AMA. She brings to the Board her regional expertise on corporate governance, strategic management, finance and human resources management.

KETAN SHAH

Mr. Shah is a graduate of Western Michigan University, USA where he studied Bachelor of Arts. He is experienced in the Real Estate business having worked several years and is the founding director of Coral Property Consultants Ltd and Coral Property International, both of which are esteemed Real Estate consultancy firms whose main focus is on property valuation, sales & marketing and management. He has held business leadership positions in various firms including part owner of Packaging Manufacturing (K) Ltd. as well as the current Chairman of Llango, a subsidiary of Home Afrika Ltd. In addition, Mr. Shah has held leadership positions in the Rotary Club of Mombasa, as well as the Round Table Movement.

Executive Team Profile

Njoroge Nganga |

Group Chief Executive Officer

Njoroge holds a Master of Science Degree in Financial Management from the University of London and an undergraduate degree Majoring in Accounting & Financial Management from the Ohio Wesleyan University. He is also a qualified Certified Public Accountant through the California State Board of Accountancy, and a member of the CFA Institute.

He has over 20 years experience in Strategic Business Initiatives, Development Financing & Funds Mobilization. Prior to joining Home Afrika, Njoroge worked in Uganda for the Housing Finance Bank as the General Manager Strategy and Investor Services which included fund mobilization with leading development organizations including AfDB, AFD, and EIB among many others. He has also worked as the General Manager Dyer & Blair (Uganda) where he raised corporate finance for leading regional corporations. He also served at Development Finance Company of Uganda (DFCU) Bank as Head of Development Finance. He has served on Uganda's Securities Exchange Governing Council and on Makerere University Investment Advisory Committee.

Njoroge brings to Home Afrika a wealth of experience in the local and regional corporate arena finance, and investment banking, and driving strategic business initiatives.

Simon Gichini |

Group Chief Operating Officer.

Simon is a graduate of Moi University with a Bachelor degree in Business Management specializing in Finance and Banking. Mr. Gichini is a CPA (K) and a registered member with ICPAK. Simon is currently pursuing a Masters Degree in Strategic Management at the University of Nairobi. He has over 9 years experience having worked in audit, accounting, tax, and corporate finance. His responsibility at Home Afrika Limited including the subsidiary level is to ensure that resources are utilized in the most efficient manner, ensuring growth and goodwill of Home Afrika Limited.

Stephen Kagume |

General Manager - Projects

Kagume is the Head of Projects at Home Afrika having joined in 2010. He is a graduate of Jomo Kenyatta University of Agriculture and Technology with a Bachelors of Science degree in Construction Management and is currently pursuing an MBA in Strategic Management, a member of the Chartered Institute of Building as well as a Member of the Architectural Association of Kenya. Mr. Kagume is creative, practical and well informed having worked in construction for over 5 years. Mr. Kagume's areas of specialization include construction technology, structural design and project management. His responsibility is to ensure that projects are delivered on schedule, within budget and to the desired quality.

Executive Team Profile
(Continued)

Joshua Kihoro |
Head of Internal Audit

Joshua is a graduate of The Catholic University of Eastern Africa with a Bachelors degree in Commerce specializing in Finance and is a Certified Public Accountant, CPA (K). He is a Certified Information Systems Auditor, (CISA) and a member of the Institute of Internal Auditors, (IIA) as well as the Information System Audit and Control Association (ISACA). He is currently pursuing a Masters Degree in Strategic Management.

He has over 12 years experience in Finance and Audit. He previously worked with Equity Bank and Ernst & Young. His responsibility at Home Afrika Limited including the subsidiary level is to provide assurance on management's governance, risk management, and internal control processes as well as consulting activity designed to add value and improve the organization's operations.

Gladys Syokau Muema |
Legal Manager

Muema is an Advocate of the High Court of Kenya. She is a graduate of University of Nairobi, holds a Post Graduate diploma from the Kenya School of Law, and is a registered member of the Law Society of Kenya. She has over two years experience having worked for various firms and has extensive Commercial and Conveyance Law practice with various aspects. Her expertise is in handling variety of commercial matters, including but not limited to: drafting legal opinions, drafting and reviewing all types of Commercial Contracts and agreements, incorporation and registration of Companies and Businesses and conducting due diligence Drafting and reviewing contracts, Commercial Agreements, Banking securities and preparing various Conveyance instruments such as Leases, Transfers, Licenses, Sale Agreements among others.

Timothy Kamau |
Head of Investor Relations

Timothy is a graduate of Africa Nazarene University with a Bachelors degree in Commerce specializing in Finance and Banking. Mr. Kamau is ATS certified and has received extensive training in Customer Relationship Management through Real Options Consultants and completed his Arranging Notes Training with SITI. Timothy is currently pursuing a MBA Degree in Finance at the University of Nairobi. He has over six years experience having worked for various financial services firms including Standard Investment Bank, Mayfair Securities and prior to working with Home Afrika Limited; Timothy worked at NIC Securities Ltd as an Investment Analyst/Advisor. He brings a wide exposure to financial markets and strategic relationship management.

His responsibility including the subsidiary level is to ensure that there is effective communication between Home Afrika, its shareholders and the financial community.

Executive Team Profile
(Continued)

Paul Kanyi |
Head of ICT

Paul is a graduate of Makerere University with a Bachelors of Science degree specializing in Computer Science. Mr. Kanyi is also a Certified Microsoft Professional. Paul is currently pursuing a Master's of Science in Project Management at the Jomo Kenyatta University of Kenya. He has three years experience and has worked at Kenya Airports Authority and Makerere Community Church. His responsibility at Home Afrika Limited as well as at subsidiary level is to ensure streamlined operations of IT Systems and the development and maintenance of IT systems across the board. His responsibility for the alignment of IT systems is critical in achieving business objectives.

Faith Wanjiru Nguru |
HR & Administration Manager

Faith is a graduate of Kenya Methodist University in Bachelors of Business Administration specializing in Human Resource Management. Ms. Nguru holds a Post Graduate diploma in Human Resource Management and is a registered practitioner with HR Professionals in Kenya. She has over three years experience having worked for various firms. Her responsibility at Home Afrika Limited as well as subsidiary level is to ensure management of the organization's workforce, or human resources.

She is responsible for the attraction, selection, training, assessment and rewarding of employees, while also overseeing organizational culture and ensuring compliance, growth and goodwill of company.

Statement On Corporate Governance

One of the Group's core values is effective corporate governance. The Board of directors of Home Afrika Limited is at the core of Home Afrika's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Company. Good corporate governance is regarded as critical to the success of the business of the Company and the board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility- in all dealings by, in respect of and on behalf of the company.

The Board of Directors is the representative of the shareholders and has the duty of validating financial results and review of Group performance, protecting assets, counseling the CEO on strategy and nurturing the next generation of leaders. Directors are also responsible for ensuring proper and sound corporate governance within the Group.

As a public listed company, HAL is vigilant to uphold best practice in corporate governance. In this regard, the Board has entrenched company policies and guidelines in line with the regulatory framework of the Capital Markets Authority, Nairobi Securities Exchange and the Constitution of Kenya.

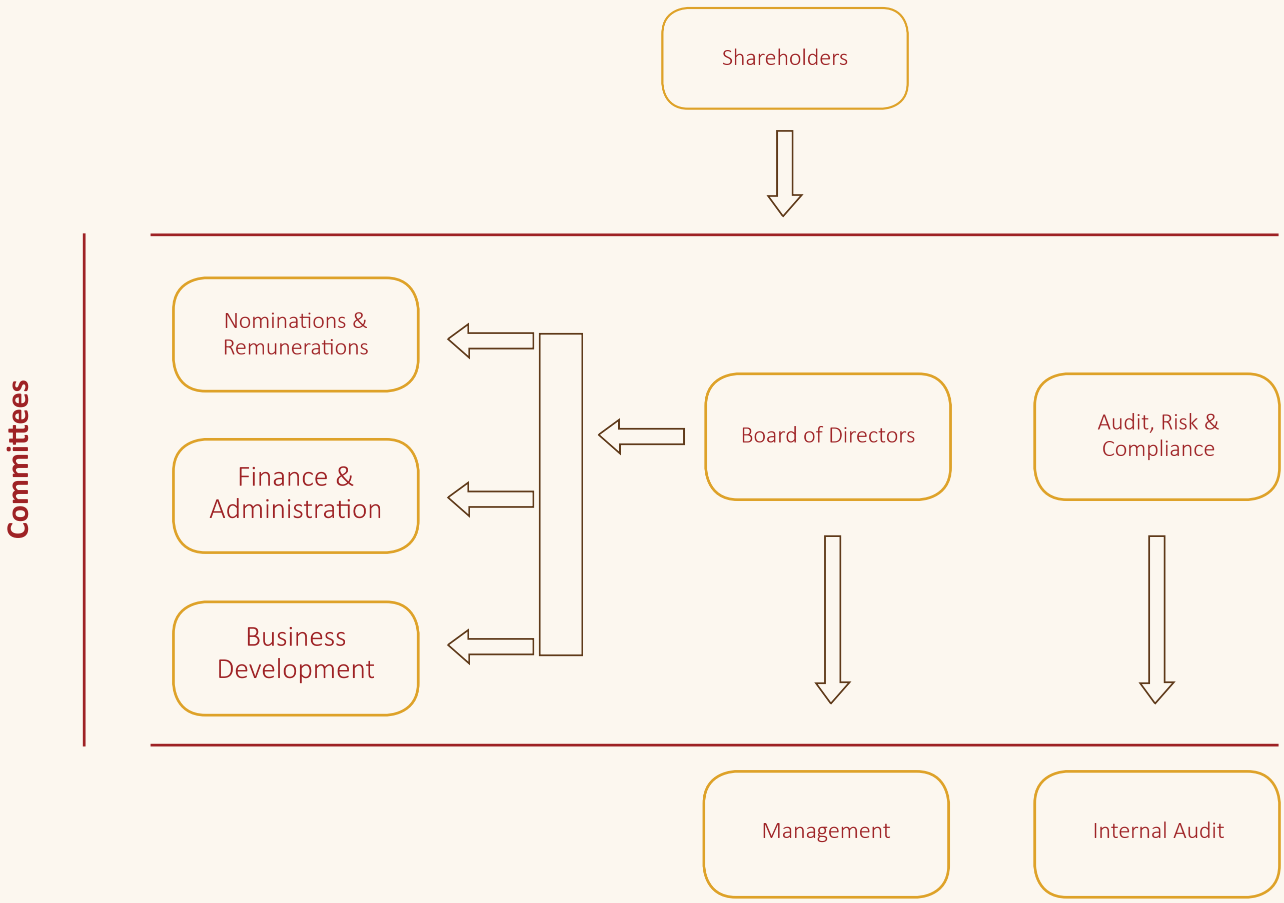
Corporate governance permeates all levels of management and this has guided HAL and created value for the benefit of shareholders.

BOARD OF DIRECTORS

The Board is the principal governance organ in the business of the company and the key roles of the Board are:

- To act as the custodian of Company's resources: The Board acknowledges that the fiduciary responsibility over the assets and actions of company lies with the Board of Directors. This promotes accountability to shareholders and transparency in disclosure of information.
- To provide leadership and business direction: The Board has continuously supported the Company's growth strategy and plays a prominent role in the strategy-development process. The Board participates in strategy formulation and has also supported management in realization of long-term and short-term strategies for the business by providing oversight in adequate resourcing, setting stretch targets and following up on the implementation of strategy objectives of the business.

HAL Governance structure is as shown below:



- To oversee risk management and responsible investment: The Board has been actively participating in risk management and to ensure business is conducted responsibly and that the internal control framework is all risks identified are mitigated. This has been through proactive management of financial, reputational and business risks. The Board evaluates the performance of top management staff in a bid to uphold high accountability standards.
- To grow resources for profit: The Board is actively involved in the evaluation of the company's growth agenda and steers the approval of investment opportunities, capital allocation and divestures.
- To ensure high compliance with relevant laws and regulation. Review and approve the publication of financial statements.

Board Composition

All Directors except the Chief Executive Officer are non-executive directors.

The Board includes a fair balance of independent directors with diverse skills and backgrounds so that no individual or company of individuals' interests will dominate the board's decision making process.

The Company secretary is present in all meetings and is responsible for ensuring all the board procedures are followed and plays an active role in the improvement and monitoring of corporate governance.

Division of Responsibilities

The roles of Chairman and Chief Executive Officer are separate. The Chairman leads the Board in agreeing on strategy, monitoring operational and financial performance and establishing the Group's risk appetite. The Chairman facilitates effective contribution of non-executive directors and constructive relations between the Executive Director and non executive Directors.

The Chief Executive Officer has the direct charge of day to day business of the Group and is accountable to the Board for the financial and operational performance of the group.

The non-executive directors constructively challenge and help develop proposals on strategy, review the performance of management in meeting the agreed objectives and monitor the reporting of performance. They seek assurance on the integrity of the financial information that the financial controls and systems of risk management are robust and defensible.

Board Structure

The complementary roles of and responsibilities for the Board are formally documented in the Board Charter. The Board focuses on material issues which impact on shareholder value creation and the long term sustainable growth of the business.
The Board has delegated certain functions to committees with approved formal terms of reference which are reviewed yearly without abdicating its ultimate responsibility. The terms of reference clearly identify matters reserved for the Board and Committees for decisions.

The Board develops and maintains reporting and meeting procedures for itself and its committees. The Board may form committees of its members and may delegate any of its powers to any such committee. The frequency of the committee meetings are determined by the individual committee, as stated in the terms of reference for each committee.

Delegated Authority

The board has approved the delegation of certain authorities to the board committees and to management. The various board committees have specific directives to ensure that relevant issues are attended to with the proper consideration.

Committees of the Board

The Board has established the following committees, whose mandates, terms of reference and memberships are spelt out as follows:

Audit, Risk and Compliance Committee

The committee provides independent oversight of the Group's financial reporting, regulatory compliance, risk management and internal controls by ensuring that checks and balances are in place and the Group has and adheres to sound policies, processes and procedures that deliver business strategic plans effectively.
The committee receives and reviews findings of internal and external audits and actions taken to address them. It is comprised of three non-executive directors. The Chair of the Committee is independent.

Doris Murimi- Chair
Nyagah Kithinji – Member
Peter Kanaiya – Co-opted Member

Finance & Administration Committee

This is the committee that has oversight on all financial issues at group level. During the year under review the committee played a critical role in overseeing the management of the company's financial resources, capital structure and financial risks

Statement On Corporate Governance
(Continued)

to effectively support the company's long range strategic and operational objectives while maintaining the company's sound financial position. The committee was also reconstituted during the year to consist of three members and the following members appointed:

Mr. Paul Nguru- Chair.
Dan Awendo – Member.
Eng.Mbugua Kamau – Member.

Nominations and Remunerations Committee

The role of the Nominations and Remunerations Committee is to develop and implement policies with respect to both the strategic priorities of the Board and human resources on matters of governance. Specifically, the committee assists the board of directors in identifying individuals qualified to serve as board members and discharges responsibilities relating to the compensation of the directors and executive officers of the company and its subsidiaries. Additionally it assists the Group Board in the implementation of sound corporate governance principles and practices. The composition of the committee is currently as follows:

Dr. Mbira Gikonyo- Chair
Doris Murimi- Member
Paul Nguru- Member

Business Development Committee

The Business Development Committee is a standing committee of the board and its purpose is to assist the board of Home Afrika Ltd. to come up with viable projects that fulfill financial, legal and technical due diligence. The Committee also spearheads the implementation of the "Go County" and "Go Afrika" strategies for and on behalf of Home Afrika Ltd.

Board Appointments and Re-election of Directors

During the year, thirteen directors served on the board and nine full board meetings were held.

Mr. Gilbert Kibe retired while Mr. Paul Nguru, Ms. Doris Murimi and Mr. Ketan Shah were elected to the Board at the Annual General Meeting on 26th June 2014.

The director's attendance for 2014 was as follows:

Name	Main Board	Audit, Risk & Compliance Committee	Finance & Administration Committee	Nominations & Remunerations Committee	Business Development Committee
	9	6	7	2	6
Number of meetings attended (maximum possible)					
Lee G. Karuri	9/9				
Dr. Mbira Gikonyo	3/9			2/2	
Njoroge Nganga	9/9				
Eng. Mbugua Kamau	8/9		4/7		5/6
Lucy Maina	9/9				
Dan Awendo	6/9		4/7		
Nyagah Kithinji ++	5/9	1/6			4/6
Mbugua Gecaga	8/9				6/6
Jane Adam	6/9				
Ketan Shah *++	4/9				3/6
Doris Murimi *++	3/9	2/6		2/2	
Paul Nguru *++	2/9		3/7		
Gilbert Kibe **	6/9				

* Appointed to the board on 26th June 2014.

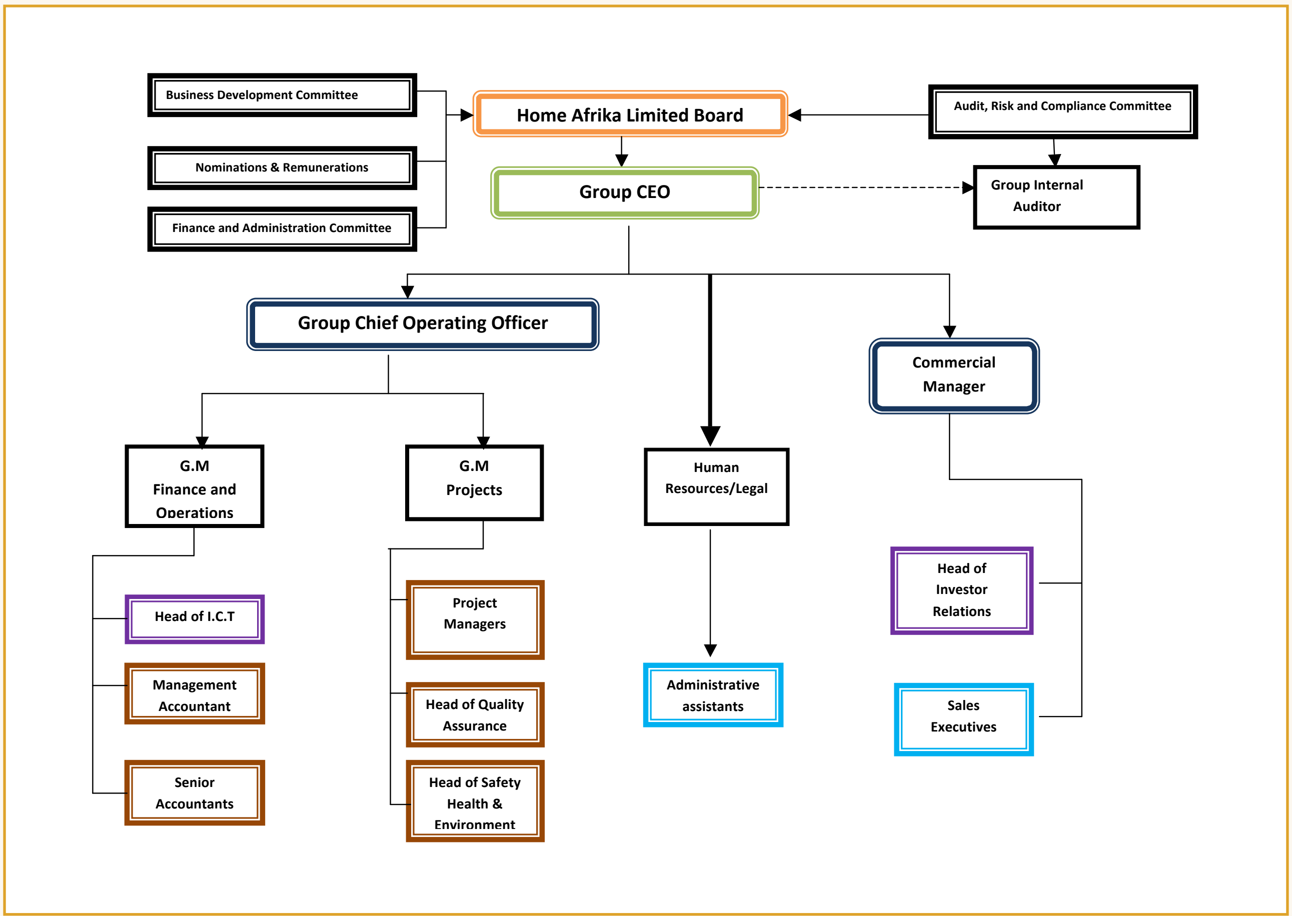
** Retired by rotation on 26th June 2014.

++ Joined Respective Board Committee Midyear.

Statement On Corporate Governance
(Continued)

ORGANIZATIONAL STRUCTURE:

There is a clearly defined organizational structure within specific responsibilities and authorities are identified in relation to the internal controls. This is complemented by policies and management operates the business in line with these policies. The Group Chief Executive chairs the executive team which deals with the operational matters and co-ordinates activities across the company's subsidiary companies and departments.



THE RISK MANAGEMENT FRAMEWORK

Home Afrika Limited Board of Directors is the primary risk supervisor, exercising its role through the Audit, Risk and Compliance Committee. The Board has delegated the day-to-day operations of the group to management but remains accountable for ensuring that operations are carried out in compliance with applicable laws and regulations that they are consistent with safe and sound practices.

The company has instituted an end-to-end, forward-looking framework for risk management. Within this framework all risks associated with the company's business and operations, and those specific to projects are actively owned and managed by the respective projects supported by an integrated risk management hierarchy. With the Risk Management function playing a monitoring and supporting role, this hierarchy utilizes, among other tools, a comprehensive risk register that records all extraordinary events (positive or negative) occurring across all departments and projects. This risk register is then coupled with a risk control self-assessment platform that enables area experts across the company to offer forecasts of risk; to be reconciled statistically with subsequently registered events, by risk function analysts. The combination of a historical register and a forward-looking assessment system enables the risk function's predictive analytics team to offer strategic guidance to the business function heads that leverages both operations and experience: blending quantitative and qualitative elements.

Chairman's Statement

2015 is a year that promises alot of consolidation in our various projects. We expect the first residents in Migaa with completion of Mitini Scapes Phase 1.

Dear Shareholders,
On behalf of the Board of Directors, I am pleased to present to you the Group's Annual Report and financial statements for the year ended 31st December, 2014.

The year under review marked an important milestone in the implementation of our 2013-2018 strategy. Notably, we commenced implementation of our 'Go County' strategy with the roll out of projects in two more counties. We also sought to diversify the sources of funding for our projects by tapping on the money markets and are at advanced stages of getting strategic partners for our various projects.

OVERVIEW OF OPERATING ENVIRONMENT

Macroeconomic Overview

The Kenyan economy is on a strong recovery path and was resilient in 2014. In the first three quarters of 2014, the economy grew by 4.5%, 5.7% and 5.5%, respectively, compared with growth of 6.3%, 7.3% and 6.2% in comparable quarters of 2013. Growth in the first three quarters of 2014 was largely supported by improved performance in the construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture sectors. The 12-month inflation eased to 7.0% in December 2014.

The Constitution of Kenya and the County Governments Act No. 17 of 2012 envisage that the 47 county governments will play an important role in Kenya's economic development. As the implementation of the devolution process continues to gather momentum, Home Afrika, through its '***Go County'*** *strategy*, continued to position itself to benefit from this government realignment by launching two more projects; ***Lakeview*** in ***Kisumu*** and ***Lango*** in ***Kwale*** counties respectively.

The short-term outlook is positive, with projected GDP growth reaching 5-6% over the next three years, mainly driven by higher private-sector investments and increased exports. Services, especially, finance, ICT and construction, are the expected drivers of GDP growth. The discovery of oil, gas and coal since 2012 might have the potential to boost Kenya's overall socio-economic development, but exact deposit quantities as well as fiscal and economic impacts are yet to be fully estimated.

Industry Overview

Africa is experiencing explosive demographic growth combined with a rapid urbanization. The African population currently is growing at the rate of 2.4% per year and it's also estimated that by 2030, 50% of Africans will live in cities.

Due to this growing middle class, we are seeing a shift from high end residential housing to affordable and middle income housing where there is currently a very big supply gap. We as Home Afrika have the vision and our focus is to be the leader in provision of planned communities across Africa.

Group Performance

Significant efforts went to the fund raising activities to enhance the level of completion of our projects. We therefore expect the impact of this funding and revenues earned to reflect in our 2015 financial and project completion results.

We are therefore very optimistic that the growth momentum will be reflected in the long term in line with the industry we are operating in.

CORPORATE GOVERNANCE

As a recently listed firm on the Growth Enterprise Market Segment (GEMS) on the Nairobi Securities Exchange (NSE), the board is committed to full compliance to the guidelines on corporate governance for listed companies issued by the Capital Markets Authority (CMA).

The company held its 6th Annual General Meeting (AGM) on the 26th June 2014 at Kenya School of Monetary studies (KSMS). This was the first AGM held as a listed company and was well attended by shareholders. We had an attendance of about 300 people (10% of the shareholder register as per the beginning of June 2014). In this AGM, we managed to achieve several milestones;

- The shareholders successfully approved several amendments which were made on the Memorandum and Articles of Association.
- The election of the new directors was conducted by Home Afrika's Independent Auditors, PKF who carried out the process and tallied the votes cast. Doris Murimi, Ketan Shah and Paul Nguru were elected as new Directors of Home Afrika.

The Home Afrika group has continued to observe a high level of corporate governance. This involves timely reporting and accountability to shareholders ensuring the company complies with the law and has a high standard of business ethics. The Board of Directors has regular meetings and they are well attended.

CORPORATE RE-BRANDING:

During the year, the company unveiled its new corporate identity that redefines its positioning in the property market. The new look is in line with the brand promise which is to provide quality, sustainable and affordable housing for Kenyans. It is founded on key principals of 'homes for all' and economic development.
The rebranding gala was graced by The Principal Secretary in the Ministry of Lands, Ms. Mariamu El Maawy, invited guests and partners.

LAUNCH OF FUND RAISING EXERCISE

A significant part of the 2nd half of 2014 was taken up by fund raising activities. The fund raising was a critical exercise towards funding infrastructure in order to meet the projects objectives and to generate new inventories for sale. The drive was launched on 27/11/2014 and we managed to eventually raise Kes 500 Million.

SHARE PERPORMANCE

Home Afrika was the first company to list in the Growth Enterprise Market Segment in the Nairobi Securities Exchange (NSE) in July 2013. The board felt the listing on the NSE would expose us to the public and be a good information platform of our company as well as help us participate in the capital markets giving the public different avenues to invest in our projects. Since then, 3 more companies; have joined us in this segment of the NSE.

Our number of shareholders grew by 6% from 5,981 to 6,352 by the end of 2014. The Counter is very active, and certainly the most active GEMS counter. We are therefore proud of our unique contribution to the Capital Markets.

As we continue our operations, we aim to expose the public to the dynamics of the real estate industry and the long term business aspect of our projects in a much more comprehensive way so that they understand the factors which dictate the industry.

The board does not recommend the payment of any dividends for the year ending December 2014.

2015 STRATEGIC OUTLOOK

2015 is a year that promises a lot of consolidation in our various projects. We expect the first residents in Migaa with the completion of Mitini Scapes Phase 1.

As proceeds from the fund raising efforts of 2014 are utilized, the percentage of completion in Migaa is expected to significantly increase. This will in turn enable us to generate sales, increase inventories, and recognize revenues and subsequently improve profitability.

APPRECIATION

Let me take this opportunity to acknowledge our almighty God as our provider in the success we have so far been able to achieve.
May you all be blessed and best wishes.

Arch. Lee Karuri
Chairman
Home Afrika Limited

CEO's Statement

The Group reported an increase in revenue to Kshs. 687 Million from Kshs. 651million representing a 6% growth from the previous year. Total assets grew to Kshs. 3.7 billion from Kshs. 3.1 billion in 2013

Dear Shareholders,

2014 was a year of positive growth of key performance indicators and activities, where the company has firmly positioned itself to significantly improve overall future performance. There was extensive activity in the finance space with fund raising efforts. The company also launched two (2) more projects; Lakeview in Kisumu and Llango in Kwale .

Crucially, the company set out on a reorganization process to achieve operational efficiency and a revamped commercially-oriented focus. The fund raising program has importantly opened the company further to the capital market funding to subsequently feature REITS, and rights issues. During the year, HAL and subsidiary projects registered notable achievements with commencement of Lakeview and Llango projects.

Progress on the flagship Migaa project included completion of the back 9 of the golf course and commencement of the front nine in the second quarter of 2015. Works on the spine and access roads commenced with construction of the 25 Km road network within the project, as well as the setting out and laying of the sewer lines to serve early residents. Externally, the fiber optic cable has been laid from Kiambu to Migaa, and negotiations commenced for the installation of street lighting from Kiambu to Migaa.

Construction at the various developments within Migaa progressed well with Mitini early residents expected to move in June 2015. Construction of the phase 1 of the 300 apartment units at Tamarind tree commenced and has progressed at a sustained pace.

Our other projects under our 'Go County' strategy made good progress with Infrastructure works on going at our Lakeview project in Kisumu. At our Lango project in Kwale, house and apartment designs were also complete and construction of the 100 sea fronting apartments is scheduled to commence in the third quarter of 2015.

FINANCIAL PERFORMANCE

The Group reported an increase in revenue to Kshs. 687 Million from Kshs. 651million representing a 6% growth from the previous year. The group launched 2 new projects in 2014; Lakeview Heights in Kisumu and Llango in Kwale. The increase in revenue is attributable to incremental revenues from the new projects as well as from the flagship Migaa project in Kiambu. Cost of sales significantly increased to Kshs. 447million from Kshs.262million in 2013 representing a 71% increase. This increase in cost of sales and the corresponding decrease in gross profit is on account of sales mix where in the year 2014 most of the sales were of residential properties compared to 2013 where a large portion of sales represented commercial properties achieving higher margins. The company embarked on raising finance through a debt issue since early 2014, the proceeds of which were only realized in late December 2014 and early 2015. As a consequence, the investment of such funds in the infrastructure development at the underlying projects of the group has been delayed which is the primary reason for the net profit achieved in 2014 of Kshs. 9 Million being lower than the 2013 profit of Kshs. 80 Million.

Total assets grew to Kshs. 3.7 billion from Kshs. 3.1 billion in 2013 on account of an increase in inventories from the new projects, the improved valuation of investment properties and cash receipts from the debt issue.

BUSINESS DEVELOPMENT & STRATEGIC INITIATIVES

During the year the company developed exciting business opportunities; Migaa is at advance discussion for a potential partnership with an investor to finance, develop, maintain and manage facilities including sports facilities and academies, club house with requisite facilities, and management of the golf course, injecting an estimated $23million.

Additionally, new exciting ventures were initiated including; a proposed 1,200 units middle income medium rise development on 34 acres within Migaa named Olgellai Drive. The design of the units, product mix and pricing for the development has been done. Phase 1 is scheduled for rollout in quarter 3 of 2015.

A second development set on 17 acres within Migaa named the "Migaa Centre Piece" is scheduled to commence in quarter 2 of 2015. The development will comprise commercial and retail centre, hotel with conference and Hotel Apartments, 50 Exclusive Family & Golf Villas, Office buildings and Residential apartments.

GROUP RESTRUCTURING & RATIONAL

To achieve operational efficiency and better harness the benefits of its listing on the Nairobi Securities Exchange (NSE), the company initiated a restructuring & reorganization of its group operating structure and business model with an end goal of achieving efficiency by the group. This exercise includes consolidation of the group's 10 subsidiaries.

In line with the above, a reorganization of the Group's human capital was carried out to align the business model with a lot of emphasis on being a commercially-oriented company. We have since reinforced our commercial department with experienced staff head hunted from the industry to lead this crucial business unit.

2015 OUTLOOK

2015 brings enormous opportunity to the company and much productive time will be dedicated to execution of our strategy. We expect revenue generation to be vastly improved with the incoming commercial unit team coupled with the anticipated progress in the various projects as we absorb the funds raised in the last year.

The group anticipates continued utilization of the proceeds from the Kshs. 500 million debt issue in project development over the first half of 2015 with resultant benefits in the form of revenue and profits to be generated in the second half of 2015.

Completion of the residential units in Mitini, within Migaa, is expected in May 2015. Key infrastructure works in Migaa including the roads network construction, golf course, water & sewer reticulation, power distribution and street lighting are accelerating from 2015 going forward for completion in 2017.

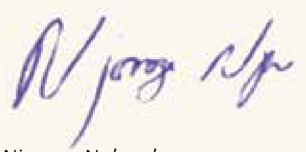
The group continues to have substantial amounts held as deferred income, inventories and deposits received for future sales which are expected to convert into revenue and profit as this development continues. To achieve this, the group has significantly increased its marketing efforts to achieve sales of residential and private developer sites at each of its projects and this is expected to start yielding results in the second half of 2015.

The management and board will also continue streamlining costs and increase efficiency to maximize shareholder return. The directors remain confident of the substantial underlying long term value and profit generation in the periods ahead.

APPRECIATION

In conclusion, I would like to express my sincere gratitude our Board of Directors for the guidance and continued support. We equally remain most grateful also to our shareholders, development and strategic business partners for trusting us with their resources. Lastly, to my fellow colleagues- the Group's staff, the above achievements would never have been possible without your passion and enthusiasm as each of you delivered on your respective areas of responsibilities. Thank you so much for your efforts, dedication and determination.

I eagerly look forward to an exciting and successful 2015.



Njoroge Ng'ang'a
Chief Executive Officer
Home Afrika Limited

Projects Report

The year 2014 was an eventful though challenging; we experienced substantial progress on planned milestones for the year across the projects.

1. MORNINGSIDE OFFICE PARK

Morningside Office Park is a commercial office property and was our first project to complete. It is ideally located along the busy Ngong Road, away from the congested Nairobi's Central Business District. It is a six-floor building with 36 modern and flexible office suites. It also features kitchenettes, roof top garden and conference facilities. It has basement and one-level above ground parking.

2. MIGAA

Migaa is an integrated Golf Estate on a 774-acre land. Located 20kms from Nairobi's Central Business District, within Kiambu County, and it is just 10 Kms from the Northern by-pass. The project features hospitality, commercial building, shopping centers/malls, sports complex and 18-hole golf course facilities. It shall also have education, medical and communal facilities. The Migaa philosophy is based on environmental sustainability; with one acre of green for each acre built.

Migaa offers a variety of plots for both home owners and investors, catering to different tastes, preferences and budgets. Residents will get to enjoy the scenic view of the golf course either from the front lawn or their back yard. All the developments on the plots are guided by a set of rules and regulations in a bid to maintain the aesthetics of the community.

Migaa is being developed by a Special Purpose Vehicle (SPV), Home Afrika Communities Ltd in which Home Afrika has 60% shareholding. The project is in progress and is expected to be complete in the next 3 years. Construction of the various infrastructure amenities within the project is underway, with completion projected for 2017.

Migaa Gatehouse

Projects Report
(Continued)

Overall progress of infrastructure works moved to 38.02% over the 12 month period. The specific progress for the infrastructure items are as follows:-

(i) Golf Course- back 9 Holes:

2014 saw tremendous progress on Holes 10-17 with all the back nine fairways, tees and planting on the greens complete. The irrigation system installation was completed and is scheduled for automation in Q2 2015. Continuous maintenance is ongoing with two golf course machinery ordered.

The back 9 is set to be open for playing in Q2 of 2015. The golf architect, renowned David Jones, has commended the works as done to international standards.

Migaa golf course and irrigation system

The front 9 hole course construction will commence Q2 2015 with a potential partnership with an investor.

(ii) Boundary Wall:

The Migaa perimeter wall was prioritized to provide a safe and secure environment. The erection of the solid wall is complete along the eastern, western boundaries, commercial centre and at Mitini Scapes save for the main entrance whole construction is ongoing. The installation of the electric fence is complete on the northern and southern sides of the development.

Migaa boundary wall

The electric fence is scheduled for commissioning and powering in Q2 2015.

Migaa electric fence

(iii) Roads Construction:

Works on the 25 Km road network within Migaa proceeded, this included earthworks on the spine road, murram to the main access and opening up of access roads. Road finishes works to the main access road and the spine road commenced in Q4 of 2014 and is scheduled to be complete up to paving blocks by end of 2015.

Migaa roads construction

(iv) Water Supply and Reticulation:

The drilling of the borehole at hole 18 and installation of the pump was done to supply water for early residents at Migaa. The design of the mains supply lines, design and order of high volume steel storage tanks were also done.

Migaa borehole and pump installation

Projects Report
(Continued)

Water reticulation on the entire site is scheduled to commence in Q1 2015 and complete within the year.

(v) Sewer Reticulation and Treatment:

The laying of the sewer lines and man holes construction was done with the southern side of the development prioritized. Works on the sewer treatment plant tank for the same commenced, with the treatment plant installation scheduled to commence in Q1 2015.

Sewer reticulation and installation of treatment plants to serve other development sites are scheduled to commence from Q3 2015.

(vi) ICT

Migaa in partnership with Telkom Kenya undertook to pull fiber optic cable from Kiambu to Migaa to enable voice and data connectivity to its residents. Discussions on connection to cable TV

(vii) Landscaping

All plots have been cleared and continue to be maintained. Planting of grass on the plots and Tree planting on the fairways and roughs is ongoing.

Landscaping along the roads and on the boundary wall is done with maintenance ongoing.

(vii) Home Owners Construction

2014 saw the plot buyers commence the construction process. This includes approval of drawings- of which 4 were done by end of 2015. Two plot buyers have commenced construction on their plots. We encourage plot owners to start construction on their plots as a key part of community building.

Home owner house construction

2015 work plan

The following infrastructure components are scheduled for execution in 2015;

a) Road construction including all roads to hardcore level and road finishes to paving blocks for main access and spine roads, and drainage.
b) Installation of remainder of electric fence and Boundary wall and commissioning
c) Street lighting from Kiambu road to Migaa and internally for access roads and Mitini Scapes
d) Sewer reticulation works and treatment plant installation
e) Water reticulation works within the entire site and erection of steel water tanks to supply plots with domestic water. This includes drilling of 2 additional boreholes.
f) Golf course and dam construction works
g) Irrigation system installation for entire golf course
h) Power supply works- building of substation and reticulation works for the site
i) ICT and MATV installation- through fiber optic cable, multi access and cable TV.
j) Club House and sports academies- Phase 1 construction include the clubhouse and sports academies and requisite facilities.

3. MITINI SCAPES

Mitini Scapes, located within Migaa Golf Estate on a 14.88 acre piece of land, currently has elegantly designed cottages and apartments that introduce a contemporary luxury living against a backdrop of abundant landscaping and green open spaces.

Mitini Scapes, Migaa

The development is planned around a variety of amenities including golf, sporting and recreational facilities, hospitality services, education and medical facilities in Migaa. This makes it an ideal place to raise a family and also for the discerning real estate investor as it offers the best in style, elegance and serenity.

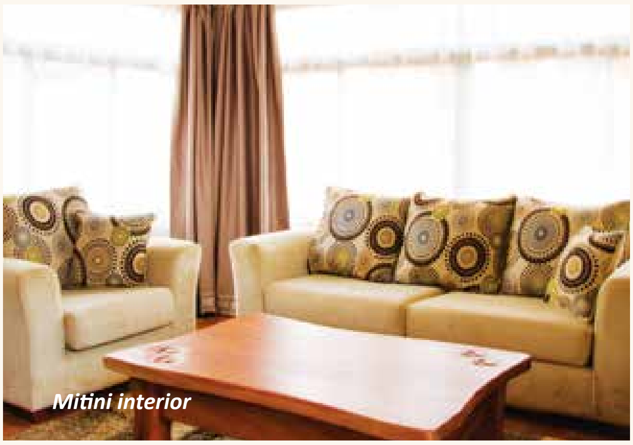
The completed Phase 1 comprises of 82 units; 12 cottages and 70 apartments. This residential development consists of various house types including Deluxe Apartments, Value Cottages, Superior Value Cottages as well as spacious one bedroom Apartments.

Mitini cottages

Mitini Apartments

Construction at the premier housing development in Migaa progressed well with overall progress in 2014 at 95% for cottages and 90% for Apartments. The pending and ongoing works include services installation and testing.

29 units achieved practical completion in 2014, completion of all units is scheduled for Q2 2015 with handover of the units to the buyers planned to commence in May 2015.



Mitini interior

4. TAMARIND TREE RESIDENCE

Migaa project in partnership with the Tamarind Group is developing Tamarind Tree Residence, a contemporary residence on a 14 acre site in North West of Migaa comprising 300 apartments developed over 3 phases.

Located on the lower eastern side of Migaa and with great views of the undulating green terrains, Tamarind Tree Residence will enjoy a variety of features in Migaa including the 18 hole golf course, luxury hotel, commercial centre, hospital, conference facilities, a sports complex and a population of 4,000 Migaa residences.

Tamarind Tree Residence, Migaa

The construction of the 100 apartment units in 4 blocks making phase 1 commenced and has progressed at a sustained pace. Overall Project progress at 2014 moved from 8% to 35% with the various blocks at various stages.

Tamarind Tree Residence, Construction

Projects Report
(Continued)

The show house apartment is ready for fit out and is scheduled to be complete by April 2015. Phase 1 is scheduled for completion in December 2015.


Tamarind Tree Residence Show Unit

5. LAKEVIEW HEIGHTS

Lakeview Heights is an integrated mixed use development planned on 96 acres located on RIAT Hills in Kisumu County. The project is situated on RIAT Hills along the Kisumu-Kakamega Road and just 10 minutes drive from the city centre. It is only 3 Kms away from the airport and enjoys good connectivity with several modes of transport. Its elevation offers scenic views of Lake Victoria, Kisumu International Airport and Kisumu City.

The project is anchored on conferencing and hospitality with an estimated population of 500 homes developed over 24 months from 2015.


Lakeview Heights Apartments

The project was launched in March 2014 and balloting for plots done in June 2014 pending registration of the master plan and cadastral survey.

The project has secured Change of User and NEMA approval is at comments stage. Detailed design for the rest of the items (roads, water and sewer) is ongoing with construction scheduled to commence in Q2 2015.

The Infrastructure works commenced in July 2015 with the boundary wall and gatehouse construction ongoing, the boundary wall is at 20% with over 1km done, the 1st gatehouse progress is at 50%.


Lakeview Heights Gatehouse


Lakeview Heights Boundary Wall

Detailed design for the houses and apartments is ongoing with phase 1 construction earmarked to begin Q3 2015.

The following works are scheduled for execution in 2015;

a) Infrastructure Works- Gate house and boundary wall
b) Master plan registration, Survey of Plots & Beaconing
c) Earthworks, road construction and drainage
d) Water supply and reticulation
e) Sewer reticulation and treatment
f) Power supply and reticulation
g) Construction (Phase 1- 72 units in 2 sub phases)

Projects Report
(Continued)

6. LANGO

Llango is a mixed use development ideally located in Tiwi, Kwale on a 21 acre piece of land, with a 125m frontage to the Indian Ocean and 2km off Mombasa-Lunga Lunga Highway. The Project is anchored on hospitality; an estimated 200 housing units will be developed over the entire development.
The project is easily accessible via the Mombasa-Nairobi and Mombasa-Lunga Lunga highways using the Dongo Kundu bypass which is currently under construction. This presents a great opportunity for growth due to investor interest owing to its strategic location between Mombasa and Diani.

Lango is set on three deck levels that slope towards the beach frontage, the master plan was designed to leverage this and to lay out plots into interlinked court yards each offering open public spaces. Change of use and NEMA for the development has been secured.


Lango Gatehouse

The project was launched in June and plot allocation done in July 2014. The infrastructure design commenced with the boundary wall and gatehouse whose designs are approved. The contract for the boundary wall and gate house was awarded with construction earmarked to begin in Q1 2015.


Lango boundary construction

House typo designs and apartment designs were done in 2014 with construction of the 100 sea fronting apartments scheduled to commence in Q3 2015 in 2 phases.


Lango Apartments

The project has the following planned key milestones planned for 2015:

a) Infrastructure Works- Gate house and boundary wall
b) Master plan registration, Survey of Plots & Beaconing
c) Earthworks and road construction
d) Water supply and reticulation
e) Sewer reticulation and treatment
f) Power supply and reticulation
g) Construction (Phase 1 apartments & club house)

7. SMART PLOTS- KANTAFU

The Smart Plots program was conceived and planned in 2014 with Kantafu Gardens as the 1st project.

Kantafu Gardens is an 80 acre project offering serviced 1/8 acre plots with chain link perimeter fencing, borehole for water provision, internal road network constructed to murram standards and power supply to the site.

Change of User has been secured for the subdivision scheme, awaiting approval of subdivision scheme.


Kantafu Gardens, Ruai

Contracts for the roads, gatehouse and perimeter fence have been awarded with works scheduled to commence in Q2 2015.

8. UPCOMING PROJECTS IN 2015

In 2014, the following projects have been evaluated, shortlisted and approved for implementation:

8.1 Migaa Centre Piece: Migaa centre Piece is a comprehensive mixed use development on 17 acres for Hotel, retail, Commercial and residential use with a total built up area of about 61,000SM. The development will comprise commercial and retail centre, hotel with conference and Hotel Apartments, 50 Exclusive Family & Golf Villas, Office buildings and Residential apartments. Phase 1 (Villas and part of retail) scheduled to commence Q3 of 2015.

Migaa Centerpiece

8.2 Olgellai Drive: this is proposed middle income medium rise development on Northern PDS (34 acres) in Migaa for approx 1,000 units in phases. Phase A of 190 units (in 2 sub phases) is scheduled for rollout in Q3 2015. The design of the units, and the product mix and pricing for the development has been done.

Olgellai drive apartments

Corporate Social Responsibility

In line with our commitment on development of the communities we operate in, HAL through the HAL foundation continued to spear head activities aimed at achieving our promise to these groups of stakeholders.

The activities of the foundation as envisioned in HAL's Strategic Plan focus on:

- Health
- Education
- Orphans
- Water & Sanitation
- Mentorship
- Sports
- Social Welfare for HAL Shareholders

Vision

Inspiring and Equipping Communities for better living

Mission

Improving Lives through partnerships

Home Afrika Foundation was been involved in various CSR events including:

a) Continued support to the needy students of Stars of Jesus Children's Home with School Fees and Foodstuff donations.

b) Continued support to the needy students of Morning Star & Stars for Jesus Ministries with School Fees and Foodstuff donations.

Report Of The Directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2014, which disclose the state of affairs of the group.

PRINCIPAL ACTIVITY

The principal activity of the group is that of real estate development in housing and commercial properties.

RESULTS

	Group		Company	
	2014	2013	2014	2013
	Shs	Shs	Shs	Shs
Profit/(loss) before tax	47,774,671	183,464,609	(58,905,804)	9,043
Tax (charge)/credit	(38,818,642)	(102,834,652)	74,456	(1,359,939)
Profit/(loss) for the year	8,956,029	80,629,957	(58,831,348)	(1,350,896)

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2013: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 2.

In accordance with the company's Articles of Association, a minimum of three and maximum of five directors will retire every 2 years by rotation.

INDEPENDENT AUDITOR

The company's auditor, PKF Kenya, has indicated willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

BY ORDER OF THE BOARD

DIRECTOR
NAIROBI

28 April 2015

Statement Of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the company and its subsidiaries (the 'group') as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the group maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the group. The directors are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting and applying appropriate accounting policies; and

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group as at 31 December 2014 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on 28 April 2015 signed on its behalf by:

DIRECTOR

DIRECTOR

Report Of The Independent Auditor

To The Members Of Home Afrika Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of Home Afrika Limited (the "company") and its subsidiaries (collectively referred to as the "group"), set out on pages 32 to 65 which comprise the consolidated and company statements of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's responsibility for the consolidated financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act (Cap 486), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit. 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and company financial position of Home Afrika Limited as at 31 December 2014, and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Cap. 486).

Report on other legal requirements

As required by the Companies Act (Cap. 486) 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 belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the group, so far as appears from our examination of those books; and

(iii) the company and group's consolidated statement of financial position and the group's consolidated statement of profit and loss and other comprehensive income are in agreement with the books of account.

PKF Kenya

Certified Public Accountants
NAIROBI
28 April 2015
The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Chaudhry Mohamed Asif- P/No. 2059.

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

	Notes	2014 Shs	2013 Shs
Revenue	3	687,300,740	650,577,657
Cost of sales		(447,026,877)	(261,692,754)
Gross profit		240,273,863	388,884,903
Other operating income	4	114,878,350	107,565,148
Selling and distribution expenses		(53,983,001)	(63,784,282)
Administrative expense		(213,113,280)	(212,222,659)
Other operating expenses		(27,704,325)	(27,104,801)
Operating profit	5	60,351,607	193,338,309
Finance costs	7	(12,576,936)	(9,873,700)
Profit before tax		47,774,671	183,464,609
Tax charge	8	(38,818,642)	(102,834,652)
Profit for the year		8,956,029	80,629,957
Total comprehensive income for the year		8,956,029	80,629,957
(Loss)/profit attributable to:			
-Owners of the parent		(17,876,737)	19,015,020
-Non-controlling interest		26,832,766	61,614,937
		8,956,029	80,629,957
(Loss)/earnings per share			
- basic and diluted	9	(0.04)	0.05

The notes on pages 37 to 65 form an integral part of these financial statements.

Report of the independent auditor- page 31.

Consolidated Statement Of Financial Position

	Notes	As at 31 December 2014 Shs	2013 Shs
EQUITY			
Share capital	10	405,255,320	405,255,320
Share premium	11	68,842,038	68,842,038
Accumulated deficit		(185,170,322)	(167,293,585)
Equity attributed to owners of the company		288,927,036	306,803,773
Non-controlling interest		59,455,433	32,622,667
Total equity		348,382,469	339,426,440
Non-current liabilities			
Preference share capital	12	-	75,000,000
Deposit for shares	13	221,932,298	184,041,701
Borrowings	14	214,548,863	123,251,930
Corporate bond	15	278,597,346	-
Deferred tax	16	149,579,632	117,464,572
		864,658,139	499,758,203
		1,213,040,608	839,184,643
REPRESENTED BY			
Non-current assets			
Property and equipment	17	55,496,443	77,427,230
Investment property	18	691,456,981	555,920,050
Intangible assets	19	3,692,385	4,457,363
Financial assets	21	2,000	2,000
		750,647,809	637,806,643
Current assets			
Inventories	22	2,481,657,003	2,192,792,104
Trade and other receivables	23	177,463,299	210,457,131
Cash and cash equivalents	24	308,867,974	23,392,763
		2,967,988,276	2,426,641,998
Current liabilities			
Deferred income	25	711,474,619	313,253,184
Trade and other payables	26	1,419,306,985	1,766,478,884
Borrowings	14	370,113,960	136,273,051
Tax payable		4,699,913	9,258,879
		2,505,595,477	2,225,263,998
Net current assets		462,392,799	201,378,000
		1,213,040,608	839,184,643

The financial statements on pages 32 to 65 were approved and authorised for issue by the Board of Directors on 28 April 2015 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 37 to 65 form an integral part of these financial statements.
Report of the independent auditor- page 31.

Company Statement Of Financial Position

	Notes	2014 Shs	2013 Shs
		As at 31 December	
EQUITY			
Share capital	10	405,255,320	405,255,320
Share premium	11	68,842,038	68,842,038
Retained earnings		(79,348,057)	(20,516,709)
		394,749,301	453,580,649
Non-current liabilities			
Borrowings	14	20,799,810	25,620,556
Corporate bond	15	278,597,346	-
		299,397,156	25,620,556
		694,146,457	479,201,205
REPRESENTED BY			
Non-current assets			
Property and equipment	17	63,137,029	111,716,935
Investment property	18	55,000,000	-
Intangible assets	19	3,533,815	4,140,460
Investment in subsidiaries	20	76,986,247	74,846,247
Financial assets	21	2,000	2,000
Trade and other receivables	23	267,900,000	267,900,000
Deferred tax	16	124,033	49,577
		466,683,124	458,655,219
Current assets			
Inventories	22	136,000,000	140,500,000
Trade and other receivables	23	144,373,285	135,384,707
Cash and cash equivalents	24	298,112,829	6,252,655
		578,486,114	282,137,362
Current liabilities			
Trade and other payables	26	343,790,463	253,143,826
Borrowings	14	7,232,318	7,060,438
Tax payable		-	1,387,112
		351,022,781	261,591,376
Net current assets		227,463,333	20,545,986
		694,146,457	479,201,205

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DIRECTOR

DIRECTOR

The notes on pages 37 to 65 form an integral part of these financial statements.
Report of the independent auditor- page 31.

Consolidated Statement Of Changes In Equity

	Ordinary Share capital Shs	Share premium Shs	Retained earnings Shs	Proposed dividend Shs	Total Shs	Non controlling interests Shs	Total equity Shs
Year ended 31 December 2013							
At start of year	405,255,320	68,842,038	(186,308,605)	19,756,000	307,544,753	(29,040,270)	278,504,483
Total comprehensive income for the year	-	-	19,015,020	-	19,015,020	61,614,937	80,629,957
Transactions with owners:							
Issue of shares	-	-	-	-	-	48,000	48,000
Dividend: -Final for 2011(paid)	-	-	-	(19,756,000)	(19,756,000)	-	(19,756,000)
At end of year	405,255,320	68,842,038	(167,293,585)	-	306,803,773	32,622,667	339,426,440
Year ended 31 December 2014							
At start of year	405,255,320	68,842,038	(167,293,585)	-	306,803,773	32,622,667	339,426,440
Total comprehensive (loss)/income for the year	-	-	(17,876,737)	-	(17,876,737)	26,832,766	8,956,029
At end of year	405,255,320	68,842,038	(185,170,322)	-	288,927,036	59,455,433	348,382,469

The notes on pages 37 to 65 form an integral part of these financial statements.

Report of the independent auditor- page 31.

Consolidated Statement Of Cash Flows

	Notes	2014 Shs	2013 Shs
Operating activities			
Cash (used in) operations	27	(245,951,086)	(276,985,716)
Interest paid		(12,576,936)	(9,873,700)
Tax paid		(11,262,548)	(5,313,572)
Net cash (used in) operating activities		(269,790,570)	(292,172,988)
Investing activities			
Cash paid for purchase of property and equipment	17	(2,751,950)	(12,410,716)
Cash paid for purchase of intangible assets	19	(1,159,997)	(4,615,460)
Additions to investment property	18	(8,977,452)	(7,259,516)
Proceeds from disposal of property and equipment		51,500	150,468
Interest received	4	1,477,895	453,444
Net cash (used in) investing activities		(11,360,004)	(23,681,780)
Financing activities			
Dividend paid		-	(19,756,000)
Proceeds from:			
-corporate bond		278,597,346	-
-borrowings		462,950,371	241,581,417
-deposits for shares		37,890,597	143,463,701
-issue of share capital		-	48,000
Repayment:			
-borrowings		(134,335,379)	(176,074,563)
-finance lease		(3,477,150)	(3,053,913)
-preference share capital		(75,000,000)	-
-shareholders loan		-	(40,000)
Net cash from financing activities		566,625,785	186,168,642
Increase/(decrease) in cash and cash equivalents		285,475,211	(129,686,126)
Movements in cash and cash equivalents			
At start of year		23,392,763	153,078,889
Increase/(decrease)		285,475,211	(129,686,126)
At end of year	24	308,867,974	23,392,763

The notes on pages 37 to 65 form an integral part of these financial statements.

Report of the independent auditor- page 31.

Notes

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the fair valuation of investment property as explained in the accounting policy below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the group is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the group is set out in the statement of financial position. Disclosures in respect of risk management and capital management are set out in note 29 and 30 to the financial statements.

During the year ended 31 December 2014, the group realised a smaller net profit of Shs. 8.9 million compared to Shs. 80 million in 2013. The group has a net current asset position of Shs. 462 million (2013: Shs. 201 million). As indicated in the statement of cash flows, whilst the group had a deficiency in cash generated from operations of Shs. 246 million (2013: deficiency of Shs. 277 million), during 2014 the group was successful at raising net cash from financing activities of almost Shs. 570 million. A large part of this was made up of an initial tranche of the privately placed corporate bond of Shs. 300 million with a further Shs. 200 million received on 30 January 2015. The group had sought such funds earlier in 2014 which were delayed for various reasons and it is management's view that had these funds been received earlier, the operating results and cash generation there from would have been significantly better. The group also has access to undrawn borrowing facilities of Shs. 207 million as at 31 December 2014 (Note 14). The group maintains a good ongoing relationship with its banks as well as having access to over 88 acres of prime land valued at over Shs 2.3 billion within its projects to act as security for further borrowing.

Whilst the current borrowing facilities are not in themselves sufficient to finance the completion of the ongoing projects, the cash received from borrowings in late 2014 and 2015 to date is sufficient to progress infrastructure and other construction to a level where there will be significant market buyer interest resulting in pre-sales and booking deposits to fully finance such project completion as supported by detailed cash flow projections prepared by the group. The further borrowing potential mentioned above is a contingency buffer that is also available to fill in any shortfall.

The group has remained within the overall project timelines and cost estimates and is confident of profitable and net cash positive project completion within the original planned periods. There are no other material contingencies facing the group.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Kenyan Companies Act. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

New and amended standards adopted by the group

The following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements:

- Amendments to IFRS 2 in respect of definitions.
- Amendments to IFRS 3 in respect of accounting for contingent consideration.
- Amendments to IFRS 10,12 and IAS 27 in respect of definition of Investment Entity and the requirements for an entity that meets this definition not to consolidate it's subsidiaries but instead measure them at fair value through profit or loss.
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities clarifying the meaning of current legal enforceable right of set off and simultaneous realisation and settlement.
- Amendments to IAS 36 in respect of recoverable amount disclosures for non financial assets.
- Amendments to IAS 39 in respect of Novation of Derivatives and Continuation of Hedge Accounting.
- IFRIC Interpretation 21 - Levies which deals with recognition of liability to pay imposed by a Government.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- IFRS 5 in respect of guidance on reclassifications which will be effective for the accounting periods beginning on or after 1 July 2016.
- IFRS 7 in respect of guidance on service contracts representing continuing involvement in a transferred asset which will be effective for the accounting periods beginning on or after 1 July 2016.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 19 in respect of Defined Benefit Plans: Employee Contributions which will be effective for accounting periods beginning on or after 1 July 2014.
- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 July 2014 as follows:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not effective (continued)

- IFRS 2- Definition of vesting conditions
- IFRS 3- accounting for contingent consideration in a business combination
- IFRS 8 - Aggregation of operating segments and reconciliation of total reportable segment assets to entity's assets
- IFRS 13 - Carrying of short term receivables and payables at invoiced amounts
- IAS 16 and IAS 38 - Proportionate restatement of depreciation/amortisation accumulated on revaluation
- IAS 24 - Management fee paid to a management entity
- IFRS 3- Scope exclusions for joint ventures
- IAS 40- Application of IAS 40 vs. IFRS 3 on acquisition of investment property

The directors expect that the future adoption of IFRS 15 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above from their effective dates noted above.

b) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively

The directors have made the following assumptions that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- **Investment property** - The company holds land that is for designated development and sale and land that is as of the balance sheet date not designated for any specific future use. Under the requirement of IAS 40 on Investment Property, land that is held without any designated future use is classified as Investment Property and measured at fair value in accordance with the accounting policy set-out below.
- **Impairment of trade receivables** - the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.
- **Useful lives of property and equipment** - Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.
- **Fair value measurement and valuation process** - In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the group makes use of financial models or engages third party qualified valuers to perform the valuation techniques and inputs to the model.

c) Significant judgements made by management in applying the company's accounting policies

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Revenue recognition** - Revenue in respect of the sale of property is recognised at a value representing the fair value of the land as at the date of the transaction with the remainder of the sales proceeds being recognised as the common infrastructure gets developed using the percentage of completion method based on an estimate of total project costs determined by an independent professional quantity surveyor.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant judgements made by management in applying the company's accounting policies (continued)

- **Fair value of investment property** - Fair valuation gains and losses on investment property are based on professional valuations performed by an independent valuer of the land assuming project completion has taken place. To reflect the current value of such land given actual project development status, a discount reflecting the percentage of completion is applied to such fair values. The percentage of completion used is consistent as described under revenue recognition above.

- **Control of subsidiaries, associates and joint ventures** - The directors asses whether or not the group has control over any entity based on whether or not the group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the directors considered the groups absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of property and provision of services in the ordinary course of business and is stated net of rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The company evaluates each transaction to determine whether there are any separately identified components. Revenue is recognised as follows:

i) Revenue from sale of land is recognised when the transaction with the buyer is substantively complete which coincides with the transfer to the buyer of the significant risks and rewards of ownership and the entity retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over land. Remaining revenue relating to infrastructure construction is recognised using the percentage of completion method.

ii) Interest income is recognised on a time proportion basis using the effective interest method.

iii) Dividend income is recognised if declared before the financial statements are authorised for issue.

iv) Rental income is accrued by reference to time on a straight line basis over the lease term.

e) Investment in subsidiaries/consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the trustee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

Intra-group balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary and adjustments are made to financial statements of subsidiaries to align their accounting policies with the group.

f) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment (continued)

All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Buildings	2.50 (straight line)
Motor vehicles	25.00
Tractor	37.50
Furniture and fittings	12.50
Office equipment	12.50
Computer equipment	30.00

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

g) Investment property

Investment property is long-term investments in land and building that are not occupied substantially for own use. Land held with an undetermined future use and buildings held for rental purposes are also classified as investment property. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date. Changes in fair value are recorded in profit or loss based on the percentage of completion as described in note (c) on critical assumption.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.
Gains and losses on disposal of investment property is determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

h) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 3 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

i) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

- **Financial assets**

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

- **Financial assets (continued)**

  The company's financial assets fall into the following categories:

- **Available-for-sale:** financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the reporting date. Subsequent to initial recognition, they are carried at fair value with gains or losses are recognised in other comprehensive income, net of deferred tax.

  Interest on available-for-sale securities is calculated using the effective interest method and is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are also recognised in profit or loss as part of other income when the group's right to receive payments is established.

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the statement of comprehensive income under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/ impaired are credited to profit or loss/other comprehensive income in the year in which they occur.

Unquoted investments are classified as 'available-for-sale' financial instruments. Where fair values cannot be reliably measured these investments are carried at cost less provision for impairment.

Cash in hand and balances with financial institutions, trade and other receivables and tax recoverable and are classified as loans and receivables and are carried at amortised cost.

Management classify the fair values of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

- **Level 1:** where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.

- **Level 2:** where fair values are based on adjusted quoted prices and observable prices of similar financial assets.

- **Level 3:** where fair values are not based on observable market data.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

- **Financial liabilities**

- Financial liabilities measured at amortised cost : These include borrowings, current tax and trade and other payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

  Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

j) Inventories

Inventories comprise of land and developments held for sale and is stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) basis and comprises all costs attributable to purchase of the land and direct cost for the development of common amenities and related service costs including finance costs.

k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

l) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Deposits received for ordinary and preference shares are also classified as liabilities. On allotment of ordinary shares, the amounts are reclassified to equity.

m) Share premium

Share premium represents the amount received by the company over the par value of the ordinary shares issued.

n) Dividend

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liability in the period in which they are approved by the group's shareholders.

o) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

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. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Accounting for leases

The group as lessee

Leases of assets where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the contingent rentals are recognised as expenses in the periods in which they are incurred.

Such property and equipment is depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised as a liability and reduction of the rental expense on a straight line basis.

The group as lessor

Assets leased to third parties under operating leases are included in property and equipment in the statement of financial position.

Leased assets representing land and/or buildings are recognised as investment property.

Gains and losses on disposal of leased assets are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

q) Retirement benefit obligations

The group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The company has no further obligation once the contributions have been paid.

r) Borrowing costs

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset based either on actual cost on specific borrowings or, in the the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

s) Comparatives

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

2. Segmental reporting

The group is engaged in the business of development and sale of real estate and related activities. This business is conducted through different subsidiaries representing separate projects of the group. The basis of reporting the performance of the group for resource allocation purposes to the board of directors (which represents the chief operating decision maker for the purposes of segmental reporting) is on a company by company basis.

While certain group companies are involved in post real-estate development activities such as provision of services to occupiers etc, these activities are not material to the group as a whole and therefore not separately disclosable.

In respect of the primary operations of real estate development and sale, all activities of the group are carried our within a single economic area being Kenya and are therefore subject to common economic characteristics. These operations are therefore aggregated together, along with the immaterial related activities discussed in the preceding paragraph such that the group's activities comprises a single operating segment. The financial results for the operations of the group are presented to the board are the same as the measures of operating profit and profit before tax as presented in the statement of profit or loss and other comprehensive income. All the assets and liabilities of the group represent the single overall aggregated segment.

As its geographic operations are confined to a single country, no disclosures by geography are applicable. All revenue, costs, assets and liabilities arise and are held in Kenya.

During the year, there was no sales to one single customer which represents more than 10% of the total group turnover (2013: Shs. 305 million).

3. Revenue

	Group	
	2014	**2013**
	Shs	**Shs**
Revenue from sale of property	687,300,740	650,577,657

4. Other operating income

	2014 Shs	2013 Shs
Fair value gain on investment property (Note 18)	109,029,279	100,815,534
Rental income	2,901,957	3,328,800
Interest income	1,477,895	453,444
Other income	1,440,426	2,956,170
Gain on disposal of property and equipment	28,793	11,200
	114,878,350	107,565,148

5. Operating profit

The following items have been charged in arriving at operating profit:

	2014 Shs	2013 Shs
Depreciation on property and equipment (Note 17)	7,129,830	7,999,866
Amortisation of intangible assets (Note 19)	1,924,975	394,600
Auditors' remuneration		
- current year	3,580,000	3,554,000
- underprovision in prior years	591,596	152,039
Directors' remuneration	2,892,857	20,145,217
Staff costs (Note 6)	113,966,424	89,871,763

Notes
(Continued)

6. Staff costs

	Group	
	2014	2013
	Shs	Shs
Salaries and wages	107,102,013	82,656,453
Other staff costs	6,668,411	7,027,710
Pension costs:		
- National Social Security Fund	196,000	187,600
	113,966,424	89,871,763

7. Finance costs

Interest expense:		
- interest on bank loan	5,003,243	8,344,872
- interest on preference shares	6,615,000	-
- interest on finance leases	958,693	1,528,828
	12,576,936	9,873,700

8. Tax

Current tax	6,703,582	10,376,455
Deferred tax (Note 16)	32,115,060	92,458,197
Tax charge	38,818,642	102,834,652

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

Profit before tax	47,774,671	183,464,609
Tax calculated at a tax rate of 30% (2013: 30%)	14,332,401	55,039,383
Tax effect of:		
- income and expenses not taxable/allowable	(1,892,216)	2,518,966
- tax losses on which deferred tax has not been recognised	32,398,355	25,676,978
- effect of taxes on intra-group profits	5,330,206	21,194,674
- effect of lower tax rate on capital gains	(9,367,450)	-
- over provision in prior years	(1,982,654)	(1,595,349)
Tax charge	38,818,642	102,834,652

9. (Loss)/earnings per share

Basic group (loss)/earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2014	2013
	Shs	Shs
Net (loss)/profit attributable to shareholders	(17,876,737)	19,015,020
Weighted average number of ordinary shares	405,255,320	405,255,320
(Loss)/earnings per share- basic and diluted	(0.04)	0.05

10. Share capital

	Group and company	
	2014	**2013**
	Shs	**Shs**
Authorised:		
500,000,000 (2013:500,000,000) ordinary shares of shs. 1 (2013: Shs. 1) each	500,000,000	500,000,000
Issued and fully paid:		
405,255,320 (2013: 405,255,320) ordinary shares of Shs. 1 (2013: shs.1) each	405,255,320	405,255,320

11. Share premium

	2014 Shs	2013 Shs
At start and end of the year	68,842,038	68,842,038

12. Preference share capital

	2014 Shs	2013 Shs
Cumulative redeemable 750,000 preference shares of Shs. 100 each	-	75,000,000

The preference shares were fully redeemed during the year 2014.

13. Deposit for shares

	2014 Shs	2013 Shs
- Deposits for preference shares pending issue	125,748,748	87,746,151
- Deposits for ordinary shares pending allotment	96,183,550	96,295,550
	221,932,298	184,041,701

The deposits for preference shares pending issue relate to Home Afrika Communities Limited and Kikwetu Development Limited which are both subsidiaries of the parent company.

(i) Deposits for preference shares pending issue- Home Afrika Communities Limited

- The members passed an ordinary resolution on 24 June 2013 authorising the issue of 1,000 preference shares of Shs. 600,000 each.
- The tenure of the preference shares is 3 years with the right to receive a cumulative dividend at a rate of 20.5% p.a. to be paid together with capital upon redemption and rank in priority over ordinary shares in re-The preference shares are secured by a first legal charge over property unit L.R. No. 29059 (I.R No.133694) measuring 25.31 acres valued at approximately Shs 650,000,000.

(ii) Deposits for preference shares pending issue- Kikwetu Development Limited

- The company issued preference shares at a subscription price of Shs. 500,000 each.
- The tenure of the preference shares is 3 years with the right to receive dividend at a rate of 18% per annum.

(iii) Deposit for ordinary shares pending allotment relates to amounts received with respect to the reservation of shares to minority interest in the subsidiary companies. No shares had been allotted as at the statement of financial position date.

14. Borrowings

The borrowings are made up as follows:	Group 2014 Shs	2013 Shs	Company 2014 Shs	2013 Shs
Non-current				
Bank loans	213,353,544	117,808,552	20,218,811	24,107,134
Finance leases	1,195,319	4,083,378	580,999	1,513,422
Shareholders' loan	-	1,360,000	-	-
	214,548,863	123,251,930	20,799,810	25,620,556
Current				
Bank loans	367,706,033	133,276,033	6,428,580	6,428,580
Finance leases	2,407,927	2,997,018	803,738	631,858
	370,113,960	136,273,051	7,232,318	7,060,438
	584,662,823	259,524,981	28,032,128	32,680,994

14. Borrowings (continued)

The borrowings are secured by the following:

(i) I & M Bank Limited Loan

- Joint and several personal guarantees and indemnities of an amount of Shs. 45,000,000 each by the directors of Home Afrika Limited.
- First legal charge/mortgage for an amount of Shs.45,000,000 over property known as Office Suite 2 (Penthouse), 5th floor on L.R. No. 2/704, Ngong Road, Nairobi.
- Joint and several personal guarantees and indemnities of an amount of Shs. 325,000,000 each by the directors of Mitini Scapes development Limited.
- Corporate guarantee and indemnity from Home Afrika Limited for an amount of Shs. 325,000,000.
- A fixed and floating debenture for an amount of Shs. 325,000,000 over all the assets of Mitini Scapes Development Limited.
- First legal charge/mortgage for an amount of Shs. 325,000,000 over the sublease unit PDS 503 on L.R. No. 29059, Nairobi registered in the name of Mitini Scapes Development Limited.

(ii) Kenya Commercial Bank Limited

- Legal charge of Shs. 47,880,000 over title no. Kisumu/Dago/755 in the name of Lakeview Heights Development Limited.
- Corporate guarantee and indemnity from Home Afrika Limited for an amount of Shs. 47,880,000.

(iii) Ecobank Kenya Limited

- First legal charge for an amount of Shs. 400,000,000 over property known as unit no. M0014 situated on L.R. No. 29059, Kiambu.
- Corporate guarantee and indemnity from Home Afrika Communities Limited, Home Afrika Limited, Tulip Trustee Limited and Linyanti Limited for an amount of Shs. 400,000,000.

14. Borrowings (continued)

Weighted average effective interest rates at the reporting date were:

	Group		Company	
	2014	2013	2014	2013
	Shs	Shs	Shs	Shs
Bank borrowings	18.6%	18.8%	18.0%	18.0%
Finance lease liabilities	21.2%	22.5%	21.6%	21.6%

In the opinion of the directors, the carrying amounts of borrowings and lease obligations approximate to their fair value.

The carrying amounts of the company's borrowings are denominated in Kenya shillings.

	Group		Company	
Maturity based on the repayment structure of non-current borrowings (excluding finance lease liabilities and shareholders loan) is as follows:	2014 Shs	2013 Shs	2014 Shs	2013 Shs
Between 1 and 2 years	205,991,893	106,558,578	12,857,160	12,857,160
Between 2 and 5 years	7,361,651	11,249,974	7,361,651	11,249,974
	213,353,544	117,808,552	20,218,811	24,107,134

	Group	
	2014	2013
Undrawn facilities as at the reporting date were as follows:	Shs	Shs
Bank borrowings	206,865,267	231,298,583

	Group		Company	
	2014	2013	2014	2013
	Shs	Shs	Shs	Shs
Gross finance lease liabilities- minimum lease payments				
Not later than 1 year	3,730,200	4,426,080	1,068,720	1,068,720
Later than 1 year and not later than 5 years	2,021,010	5,751,210	1,068,720	2,137,440
Total gross finance leases	5,751,210	10,177,290	2,137,440	3,206,160
Future interest expense on finance leases	(2,147,964)	(3,096,894)	(752,703)	(1,060,880)
Present value of finance leases	3,603,246	7,080,396	1,384,737	2,145,280
Present value of finance leases- minimum lease payments				
Not later than 1 year	2,407,927	2,997,018	803,738	631,858
Later than 1 year and not later than 5 years	1,195,319	4,083,378	580,999	1,513,422
	3,603,246	7,080,396	1,384,737	2,145,280

Notes
(Continued)

15. Corporate bond

	Group and company	
	2014	2013
	Shs	Shs
Corporate bond	301,100,030	-
Expenses attributable to the issuing of the corporate bond	(22,502,684)	-
	278,597,346	-

In 2014, the company raised Shs. 301,100,030 through the issue of a 5 year private placement bond. Interest on the corporate bond is at 17% per annum payable semi-annually in arrears.

The Notes are issued in denominations of Shs. 100,000. The final maturity of the Notes will be 16 December 2019. However, there is early redemption option any time after 18 December 2017 by the issuer in whole or in part on any interest payment date on provision of a notice period of no more than 90 days or less than 30 days.

The Notes are partially secured by first legal charge on land, Unit Number PDS W01 situated on L.R. No 29059, Kiambu included within inventories.

16. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2013: 30%). The movement on the deferred tax account is as follows:

Group

	2014	2013
	Shs	Shs
At start of year	117,464,572	25,006,375
Charge to profit or loss (Note 8)	32,115,060	92,458,197
At end of year	149,579,632	117,464,572

Group

Deferred tax liabilities and (assets) and deferred tax charge/(credit) in profit or loss are attributable to the following items:

	At start of year Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities			
Fair value gain on investment property	137,814,447	22,022,498	159,836,945
Deferred tax (assets)			
Property and equipment	(883,854)	(631,434)	(1,515,288)
Tax losses carried forward	(19,466,021)	10,723,996	(8,742,025)
	(20,349,875)	10,092,562	(10,257,313)
Net deferred tax liabilities	117,464,572	32,115,060	149,579,632

16. Deferred tax (continued)

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. Deferred tax assets amounting to Shs. 32,398,355 (2013: Shs. 25,676,978) in respect of tax losses carried forward amounting Shs. 107,994,517 (2013: Shs. 85,589,927) that can be carried forward against future taxable profits have not been recognised as there is no certainty of recoverability of such losses. Carried forward tax losses expire as follows:

	Shs	Expiry
- tax losses arising in 2012	16,205,533	31 December 2016
- tax losses arising in 2013	85,589,927	31 December 2017
- tax losses arising in 2014	35,339,120	31 December 2018

Company

	2014 Shs	2013 Shs
At start of year	(49,577)	(78,635)
(Credit)/charge to profit or loss	(74,456)	29,058
At end of year	(124,033)	(49,577)

	At start of year Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities			
Fair value gain on investment property	-	554,654	554,654
Deferred tax (assets)			
Property and equipment	(49,577)	(417,145)	(466,722)
Intangible assets	-	(211,965)	(211,965)
	(49,577)	(629,110)	(678,687)
Net deferred tax (assets)	(49,577)	(74,456)	(124,033)

Deferred tax assets amounting to Shs. 17,270,869 (2013: Nil) in respect of tax losses carried forward amounting to Shs.57,569,564 (2013: Nil) that can be carried forward against future taxable profit have not been recognised as there is no certainty of recoverability of such losses.

17. Property and equipment

Group

	Buildings Shs	Tractor Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Year ended 31 December 2014							
Cost							
At start of year	52,616,104	4,457,686	9,240,860	4,717,250	12,517,380	13,280,966	96,830,246
Transfer to investment property	(19,478,000)	-	-	-	-	-	(19,478,000)
Disposal	-	-	-	(66,200)	-	-	(66,200)
Additions	-	-	-	462,560	633,450	1,655,940	2,751,950
At end of year	33,138,104	4,457,686	9,240,860	5,113,610	13,150,830	14,936,906	80,037,996
Depreciation							
At start of year	4,586,772	1,671,632	3,851,157	2,564,783	3,747,770	2,980,902	19,403,016
Transfer to investment property	(1,947,800)	-	-	-	-	-	(1,947,800)
Disposal	-	-	-	(43,493)	-	-	(43,493)
Charge for the year	1,315,403	1,044,770	1,347,426	752,348	1,175,383	1,494,500	7,129,830
At end of year	3,954,375	2,716,402	5,198,583	3,273,638	4,923,153	4,475,402	24,541,553
Net book value	29,183,729	1,741,284	4,042,277	1,839,972	8,227,677	10,461,504	55,496,443
Year ended 31 December 2013							
Cost							
At start of year	52,616,104	-	7,850,860	3,202,520	10,372,182	10,517,134	84,558,800
Disposal	-	-	-	(139,270)	-	-	(139,270)
Additions	-	4,457,686	1,390,000	1,654,000	2,145,198	2,763,832	12,410,716
At end of year	52,616,104	4,457,686	9,240,860	4,717,250	12,517,380	13,280,966	96,830,246
Depreciation							
At start of year	3,291,586	-	2,084,590	1,734,277	2,495,862	1,796,835	11,403,150
Charge for the year	1,295,186	1,671,632	1,766,567	830,506	1,251,908	1,184,067	7,999,866
At end of year	4,586,772	1,671,632	3,851,157	2,564,783	3,747,770	2,980,902	19,403,016
Net book value	48,029,332	2,786,054	5,389,703	2,152,467	8,769,610	10,300,064	77,427,230

17. Property and equipment (continued)

Company

Year ended 31 December 2014

	Buildings Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Cost						
At start of year	105,332,467	4,984,860	3,076,395	10,035,136	4,490,308	127,919,166
Transfer to investment property	(48,337,940)	-	-	-	-	(48,337,940)
Disposal	-	-	(66,200)	-	-	(66,200)
Additions	-	-	172,300	42,882	343,150	558,332
At end of year	56,994,527	4,984,860	3,182,495	10,078,018	4,833,458	80,073,358
Depreciation						
At start of year	8,480,302	1,897,751	1,640,790	3,226,498	956,890	16,202,231
Transfer to investment property	(4,431,020)	-	-	-	-	(4,431,020)
Disposal	-	-	(43,493)	-	-	(43,493)
Charge for the year	2,633,312	771,777	462,511	856,440	484,571	5,208,611
At end of year	6,682,594	2,669,528	2,059,808	4,082,938	1,441,461	16,936,329
Net book value	50,311,933	2,315,332	1,122,687	5,995,080	3,391,997	63,137,029
Year ended 31 December 2013						
At start of year	105,332,467	3,594,860	2,178,395	9,384,936	2,738,024	123,228,682
Disposal	-	-	(83,000)	-	-	(83,000)
Additions	-	1,390,000	981,000	650,200	1,752,284	4,773,484
At end of year	105,332,467	4,984,860	3,076,395	10,035,136	4,490,308	127,919,166
Depreciation						
At start of year	5,867,207	898,715	1,148,334	2,253,836	739,486	10,907,578
Charge for the year	2,613,095	999,036	492,456	972,662	217,404	5,294,653
At end of year	8,480,302	1,897,751	1,640,790	3,226,498	956,890	16,202,231
Net book value	96,852,165	3,087,109	1,435,605	6,808,638	3,533,418	111,716,935

Buildings amounting to Shs. 50,311,933 have been pledged as security against borrowings as disclosed in Note 14.

All the additions made during the year were made through cash payments.

Included in property and equipment are the following assets where the company is a lessee under a finance lease:

	Motor vehicle	
	2014	**2013**
	Shs	**Shs**
Cost	3,594,860	3,594,860
Accumulated depreciation	2,078,278	1,572,751
Net book value	1,516,582	2,022,109

The company leases motor vehicles under non-cancellable finance lease arrangements. The lease terms are 5 years and the ownership of the assets lies with the company.

Notes
(Continued)

18. Investment property

Group

Year ended 31 December 2014	**Buildings Shs**	**Land Shs**	**WIP Shs**	**Total Shs**
At start of year	-	530,458,369	25,461,681	555,920,050
Transfers from property and equipment	17,530,200	-	-	17,530,200
Additions	-	-	8,977,452	8,977,452
Fair value gains	37,469,800	71,559,479	-	109,029,279
At end of year	55,000,000	602,017,848	34,439,133	691,456,981
Year ended 31 December 2013				
At start of year	-	429,642,835	18,202,165	447,845,000
Additions	-	-	7,259,516	7,259,516
Fair value gains	-	100,815,534	-	100,815,534
At end of year	-	530,458,369	25,461,681	555,920,050

Company

Year ended 31 December 2014	**Buildings Shs**	**Total Shs**
At start of year	-	-
Transfers from property and equipment	43,906,920	43,906,920
Fair value gain	11,093,080	11,093,080
At end of year	55,000,000	55,000,000

The fair value of company investment property was determined by reference to the market prices of similar properties of the type and in the area in which the property is situated. The valuation was carried out by Advent Valuers Limited an independent professional valuer with recent experience in the location and category of the investment property being valued.

The fair value of the group's investment properties are determined annually at the reporting date by an independent professionally qualified valuer adjusted by management to reflect the current stage of completion of the project. In determining the valuations the valuer refers to current market conditions including recent sales transactions of similar properties. In estimating the fair value of the properties, the highest and best use of the property is their use at the end of the project development adjusted by the completion factor to reflect the condition as of the balance sheet date. There has been no change in the valuation technique used during the year. Other than the fair value gains, there are no amounts included in profit or loss relating to the investment property.

Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Group:	**Shs**	**Shs**	**Shs**	**Shs**
Land and building held as investment property	-	-	691,456,981	691,456,981
Company:				
Building held as investment property	-	-	55,000,000	55,000,000

There were no transfers between Levels 1, 2 and 3 during the year

18. Investment property (continued)

Level 3 valuation - Group

The fair valuation of the investment property is included as a level 3 valuation based on a significant non-observable input being the stage of completion of the project development within which the investment property resides which therefore has a material impact on the fair valuation as of the date of the statement of financial position. The % stage of completion used for this valuation is 38.02% as at 31 December 2014 (32.2% as at 31 December 2013). Management does not expect there to be a material sensitivity to the value of the investment property as the percentage of completion is based on qualified professional assessments of the project development.

The table above presents the changes in the carrying value of the investment property arising from these fair valuation assessments.

19. Intangible assets

Group

	Computer Software	Website costs	Total
Year ended 31 December 2014	**Shs**	**Shs**	**Shs**
Cost			
At start of year	4,140,460	1,183,800	5,324,260
Additions	1,159,997	-	1,159,997
At end of year	5,300,457	1,183,800	6,484,257
Accumulated amortisation			
At start of year	-	866,897	866,897
Amortisation for the year	1,766,642	158,333	1,924,975
At end of year	1,766,642	1,025,230	2,791,872
Net book value	3,533,815	158,570	3,692,385

Year ended 31 December 2013	**WIP (Software)**	**Website costs**	**Total**
Cost	**Shs**	**Shs**	**Shs**
At start of year	-	708,800	708,800
Additions	4,140,460	475,000	4,615,460
At end of year	4,140,460	1,183,800	5,324,260
Accumulated amortisation			
At start of year	-	472,297	472,297
Amortisation for the year	-	394,600	394,600
At end of year	-	866,897	866,897
Net book value	4,140,460	316,903	4,457,363

19. Intangible assets (continued)

Company

	Computer Software 2014 Shs	WIP (Software) 2013 Shs
Cost		
At start of year	4,140,460	-
Additions	1,159,997	4,140,460
At end of year	5,300,457	4,140,460
Amortisation		
At start of year	-	-
Amortisation for the year	1,766,642	-
At end of year	1,766,642	-
Net book value	3,533,815	4,140,460

20. Investments in subsidiaries

Company

Name	Country of incorporation	Company Holding 2014	2013	2014 Shs	2013 Shs
Suburban Limited	Kenya	50%	50%	74,334,247	74,334,247
Mitini Scapes Development Limited	Kenya	100%	100%	100,000	100,000
Lakeview Heights Development Limited	Kenya	100%	100%	100,000	100,000
Lango Development Limited	Kenya	100%	100%	100,000	100,000
Kikwetu Limited	Kenya	100%	100%	100,000	100,000
Smart Plots Limited	Kenya	100%	-	100,000	-
Home Afrika Communities Limited	Kenya	60%	60%	2,100,000	60,000
Migaa Management Limited	Kenya	52%	52%	52,000	52,000
				76,986,247	74,846,247

20. Investments in subsidiaries (continued)

The composition of the group is as follows:

Name	Country of incorporation	Proportion of ownership interest 2014	Proportion of ownership interest 2013	Proportion owned via subsidiary companies 2013	Proportion owned via subsidiary companies 2014	Principal Activities	Wholly or non-wholly owned subsidiary
Mitini Scapes Development Limited	Kenya	100%	100%	-	-	Development and sale of real estate	Wholly
Lakeview Heights Development Limited	Kenya	100%	100%	-	-	Development and sale of real estate	Wholly
Lango Development Limited	Kenya	100%	100%	-	-	Development and sale of real estate	Wholly
Kikwetu Limited	Kenya	100%	100%	-	-	Development and sale of real estate	Wholly
Smart Plots Limited	Kenya	100%	-	-	-	Development and sale of real estate	Wholly
Home Afrika Communities Limited	Kenya	60%	60%	-	-	Development and sale of real estate	Non-wholly
Suburban Limited	Kenya	50%	50%	-	-	Development and sale of real estate	Non-wholly
Migaa Management Limited	Kenya	52%	52%	-	-	Development and sale of real estate	Non-wholly
Moru Ridge Limited	Kenya	-	-	60%	60%	Development and sale of real estate	Non-wholly
Kivuli Golf Limited	Kenya	-	-	60%	60%	Development and sale of real estate	Non-wholly
Migaa PDS Limited	Kenya	-	-	60%	60%	Development and sale of real estate	Non-wholly

Details of non-wholly owned subsidiaries that have material non-controlling interests is shown below:

Name	Proportion of ownership interest held by non-controlling interest 2014	Proportion of ownership interest held by non-controlling interest 2013	Profit/loss allocated to non-controlling interest 2014 Shs	Profit/loss allocated to non-controlling interest 2013 Shs	Accumulated non-controlling interests 2014 Shs	Accumulated non-controlling interests 2013 Shs
Suburban Limited	50%	50%	(10,586,018)	13,167,641	(44,357,489)	(33,771,471)
Home Afrika Communities Limited	40%	40%	40,513,512	57,294,141	120,426,892	79,913,381
Moru Ridge Limited	40%	40%	(2,576,367)	(7,351,497)	(13,689,526)	(11,113,158)
Kivuli Golf Limited	40%	40%	(376,114)	(364,003)	(1,698,853)	(1,322,740)
Migaa Management Limited	48%	48%	(142,247)	(1,131,345)	(1,225,591)	(1,083,345)
			26,832,766	61,614,937	59,455,433	32,622,667

20. Investments in subsidiaries (continued)

The group owns 50% equity shares of Suburban Limited. The remaining 50% is held by unrelated shareholders. An assessment of control was performed by the group based on whether the group has the practical ability to direct the relevant activities unilaterally and it was concluded that the group was involved in active day to day management and therefore had a dominant powers to direct the relevant activities of Suburban Limited.

Summarised financial information

Summarised financial information in respect of each of the group's subsidiaries that has a material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Home Afrika Communities Limited		Suburban Limited		Moru Ridge Limited	
	2014 Shs	2013 Shs	2014 Shs	2013 Shs	2014 Shs	2013 Shs
Current assets	1,400,185,484	1,523,189,278	102,111,491	271,650,852	713,517,147	396,322,332
Non-current assets	642,110,343	563,179,857	1,160,786	1,396,900	69,700	-
Current liabilities	(1,439,145,828)	(1,630,803,455)	(148,959,511)	(138,704,811)	(565,328,737)	(442,203,229)
Non-current liabilities	(249,398,712)	(184,382,918)	-	(150,000,000)	-	-
Equity attributable to wners of the company	229,824,395	191,169,380	(819,550)	1,929,423	(31,287,097)	(16,769,739)
Non-controlling interests	120,426,892	79,913,381	(44,357,489)	(33,771,471)	(13,689,526)	(11,113,158)
Revenue	488,720,380	737,438,531	77,217,200	142,990,484	-	-
Expenses	(409,551,854)	(531,765,528)	(87,303,540)	(111,397,723)	(17,093,726)	(27,882,897)
Profit/(loss) for the year	79,168,526	205,673,003	(10,086,340)	31,592,761	(17,093,726)	(27,882,897)
Profit/(loss) attributable to owners of the company	38,655,014	148,378,862	499,678	18,425,120	(14,517,359)	(20,531,400)
Profit/(loss) attributable to the non-controlling interests	40,513,512	57,294,141	(10,586,018)	13,167,641	(2,576,367)	(7,351,497)
Profit/(loss) for the year	79,168,526	205,673,003	(10,086,340)	31,592,761	(17,093,726)	(27,882,897)
Net cash in flow/(out) from operating activities	52,998,206	(62,346,376)	(6,933,061)	(4,837,751)	(187,304,357)	147,995
Net cash (out) flow from investing activities	(9,496,202)	(13,835,480)	-	-	(82,000)	100,000
Net cash (out)/in flow from financing activities	(40,419,858)	36,918,570	-	(48,613,444)	193,134,733	-
Net cash in/(out) flow	3,082,146	(39,263,286)	(6,933,061)	(53,451,195)	5,748,376	247,995

Significant restrictions

There are no significant restrictions on the company's or subsidiary's ability to access or use the assets and settle the liabilities of the group.

21. Financial assets

Available-for-sale	Incorporation		Group and company 2014 Shs	2013 Shs
Morningside Office Park Limited	Kenya	12%	2,000	2,000

The carrying amount of the investment above is not expected to be materiality different from its fair value.

22. Inventories

	Group 2014 Shs	Group 2013 Shs	Company 2014 Shs	Company 2013 Shs
Plots held for sale	256,800,765	957,415,398	136,000,000	140,500,000
Units held for sale	14,646,558	67,839,882	-	-
Work in progress	2,210,209,680	1,167,536,824	-	-
	2,481,657,003	2,192,792,104	136,000,000	140,500,000

Inventory with a cost amounting to Shs. 106,878,163 have been pledged as security against preference shares as disclosed in Note 13.

Inventory with a cost amounting to Shs. 36,405,588 have been pledged as security against corporate bond as disclosed in Note 15.

23. Trade and other receivables

	Group 2014 Shs	Group 2013 Shs	Company 2014 Shs	Company 2013 Shs
Non current				
Receivables from related parties (Note 29(iv))	-	-	267,900,000	267,900,000
Current				
Trade receivables	71,250,000	72,250,000	5,250,000	5,250,000
Other receivables	16,534,545	65,009,357	873,208	873,208
Deposits and prepayments	50,540,181	7,329,845	775,244	239,739
Due from directors	5,735,500	5,735,500	-	-
Receivables from related parties (Note 29(iv))	33,403,073	60,132,429	137,474,833	129,021,760
	177,463,299	210,457,131	144,373,285	135,384,707
	177,463,299	210,457,131	412,273,285	403,284,707

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The group's credit risk arises primarily from trade receivables. 91% of the outstanding trade receivables are held by a single customer. This represents a significant concentration of credit risk.
The carrying amounts of the group's/company's trade and other receivables are denominated in Kenya shillings.

As of 31 December 2014, trade receivables amounting to Shs. 70,250,000 (2013: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.
The ageing analysis of these trade receivables is as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
Over 12 months	70,250,000	-	5,250,000	-

24. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	Shs	Shs	Shs	Shs
Cash at bank and in hand	308,867,974	23,392,763	298,112,829	6,252,655

The company's cash and bank balances are held with major Kenyan financial institutions and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be limited.

The carrying amounts of the group's/company's cash and cash equivalents are denominated in Kenya shillings.

25. Deferred income

	Group	
	2014	2013
	Shs	Shs
Deferred income	711,474,619	313,253,184

Deferred income represents unrecognised revenue on account of ongoing construction.

26. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	Shs	Shs	Shs	Shs
Trade payables	197,783,459	183,026,405	36,405,335	199,973
Accruals	93,051,322	66,553,841	14,061,697	3,705,616
Deposit from sale of plots	985,819,956	1,434,514,529	6,730,000	9,050,000
Deposit for service charge	29,880,250	46,302,702	-	-
Other payables	29,428,619	30,786,307	28,782,235	23,088,996
Payable to related parties (Note 28(iv))	83,343,379	5,295,100	257,811,196	217,099,241
	1,419,306,985	1,766,478,884	343,790,463	253,143,826

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the group's/company's trade and other payables are denominated in Kenya shillings.

The maturity analysis of the group's trade and other payables is as follows:

Year ended 31 December 2014

	0 to 1 month	2 to 3 months	4 to 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	50,431,507	13,778,949	133,573,003	197,783,459
Accruals	57,649,935	-	35,401,387	93,051,322
Deposit from sale of plots	-	-	985,819,956	985,819,956
Deposit for service charge and shares	-	-	29,880,250	29,880,250
Other payables	-	29,428,619	-	29,428,619
Payable to related parties (Note 28(iv))	-	-	83,343,379	83,343,379
	108,081,442	43,207,568	1,268,017,975	1,419,306,985

Year ended 31 December 2013

	0 to 1 month	2 to 3 months	4 to 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	-	-	183,026,405	183,026,405
Accruals	66,553,841	-	-	66,553,841
Deposit from sale of plots	-	-	1,434,514,529	1,434,514,529
Deposit for service charge and shares	-	-	46,302,702	46,302,702
Other payables	-	30,786,307	-	30,786,307
Payable to related parties (Note 28(iv))	-	-	5,295,100	5,295,100
	66,553,841	30,786,307	1,669,138,736	1,766,478,884

Notes
(Continued)

26. Trade and other payables (continued)

The maturity analysis of the company's trade and other payables is as follows:

Year ended 31 December 2014

	0 to 1 month	2 to 3 months	4 to 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	22,626,386	13,778,949	-	36,405,335
Accruals	14,061,697	-	-	14,061,697
Deposit from sale of plots	-	-	6,730,000	6,730,000
Other payables	-	10,242,490	18,539,745	28,782,235
Payable to related parties (Note 29(iv))	-	-	257,811,196	257,811,196
	36,688,083	24,021,439	283,080,941	343,790,463

Year ended 31 December 2013

	0 to 1 month	2 to 3 months	4 to 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	199,973	-	-	199,973
Accruals	3,705,616	-	-	3,705,616
Deposit from sale of plots	9,050,000	-	-	9,050,000
Other payables	-	8,108,286	14,980,710	23,088,996
Payable to related parties (Note 29(iv))	-	-	217,099,241	217,099,241
	12,955,589	8,108,286	232,079,951	253,143,826

27. Cash (used in) operations

	Group	
	2014	2013
Reconciliation of profit before tax to cash (used in) operations:	Shs	Shs
Profit before tax	47,774,671	183,464,609
Adjustments for:		
Depreciation on property and equipment (Note 17)	7,129,830	7,999,866
Amortization intangible assets (Note 19)	1,924,975	394,600
Fair value gain on investment property (Note 4)	(109,029,279)	(100,815,534)
Interest expense (Note 7)	12,576,936	9,873,700
Gain on disposal of property and equipment	(28,793)	(11,200)
Interest income (Note 4)	(1,477,895)	(453,444)
Changes in working capital:		
- inventories	(288,864,899)	(500,503,566)
- trade and other receivables	32,993,832	(97,985,698)
- trade and other payables	(347,171,899)	9,251,937
- deferred income	398,221,435	211,799,014
Cash (used in) operations	(245,951,086)	(276,985,716)

28. Related party transactions and balances

The following transactions were carried out with related parties:

i) Sale of goods and services

	Group	
	2014	**2013**
	Shs	**Shs**
Project management fees charged to subsidiary companies	44,000,000	71,497,000
Sale of plots and office suites to other related parties e.g directors and shareholders and companies related by virtue of common directors and shareholders	226,500,000	110,206,897

ii) Purchase of goods and services

	Company	
	2014	**2013**
	Shs	**Shs**
Plots purchased from subsidiary company	-	100,000,000

iii) Key management personnel compensation

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Shs	**Shs**	**Shs**	**Shs**
Short term employee benefits	51,654,303	52,249,676	39,429,903	14,168,730

iv) Outstanding balances arising from payments to/received from related parties

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Shs	**Shs**	**Shs**	**Shs**
Receivable from related parties (Note 23)	33,403,073	60,132,429	405,374,833	396,921,760
Receivables from related parties can be analysed as follows:				
- Subsidiaries	-	-	404,071,975	395,317,983
- Other related parties e.g. Directors, shareholders and companies related thereto	33,403,073	60,132,429	1,302,858	1,603,777
	33,403,073	60,132,429	405,374,833	396,921,760

The amounts receivable from related parties are interest free, have no specific dates of repayment and are unsecured.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Shs	**Shs**	**Shs**	**Shs**
Payable to related parties (Note 26)	83,343,379	5,295,100	257,811,196	217,099,241
Payables from related parties can be analysed as follows:				
- Subsidiaries	-	-	252,516,096	210,279,745
- Other related parties e.g. Directors, shareholders and companies related thereto	83,343,379	5,295,100	5,295,100	6,819,496
	83,343,379	5,295,100	257,811,196	217,099,241

The amounts payable to related parties are interest free, have no specific dates of repayment and are unsecured.

29. Risk management objectives and policies

Financial risk management

The group's activities expose it to a variety of financial risks; market risk (including interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies and evaluates financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

(a) Market risk

- Interest rate risk

The group's exposure to interest rate risk arises from non-current borrowings/current borrowings. Financial assets and liabilities obtained at different rates expose the company to interest rate risk.

The effect on post tax profit had interest rate been 1 percent point different would not be material. The finance cost from borrowings is capitalised to work in progress hence there is no significant impact to profit/ loss.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing have been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the group by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 14 and 26 disclose the maturity analysis of borrowings and trade and other payables respectively.

29. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The following table details the group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to settle the liability.

Year ended 31 December 2014

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	18.8%	437,128,932	253,464,010	-	690,592,942
- Corporate bond	17.0%	-	325,958,895	-	325,958,895
- Finance leases	22.5%	3,730,200	2,021,010	-	5,751,210
Non-interest bearing liabilities					
- Deposit for shares	-	-	100,582,084	121,350,214	221,932,298
- Trade and other payables	-	1,419,306,985	-	-	1,419,306,985
		1,860,166,117	682,025,999	121,350,214	2,663,542,330

Year ended 31 December 2013

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	18.8%	158,331,927	139,956,559	-	298,288,486
- Finance leases	22.5%	4,426,080	5,751,210	-	10,177,290
Non-interest bearing liabilities					
- Shareholders' loan	-	-	1,360,000	-	1,360,000
- Preference share capital	-	-	75,000,000	-	75,000,000
- Deposit for shares	-	-	87,746,151	96,295,550	184,041,701
- Trade and other payables	-	1,766,478,884	-	-	1,766,478,884
		1,929,236,891	309,813,920	96,295,550	2,335,346,361

Company
Year ended 31 December 2014

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	18.0%	7,585,724	23,858,197	-	31,443,921
- Corporate bond	17.0%	-	325,958,895	-	325,958,895
- Finance leases	21.6%	1,068,720	1,068,720	-	2,137,440
Non-interest bearing liabilities					
- Trade and other payables	-	343,790,463	-	-	343,790,463
		352,444,907	350,885,812	-	703,330,719

29. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Year ended 31 December 2013

Interest bearing liabilities

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
- Bank loans	18.0%	7,585,724	28,446,418	-	36,032,143
- Finance leases	21.6%	1,068,720	2,137,440	-	3,206,160
Non-interest bearing liabilities					
- Trade and other payables	-	253,143,826	-	-	253,143,826
		261,798,270	30,583,858	-	292,382,129

30. Capital management

Internally imposed capital requirements

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the group's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The group sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Consistently with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital, share premium and other reserves retained earnings).

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group		Company	
	2014 Shs	2013 Shs	2014 Shs	2013 Shs
Total borrowings	1,085,192,467	443,566,682	306,629,474	32,680,994
Less cash and cash equivalents (Note 24)	308,867,974	23,392,763	298,112,829	6,252,655
Net debt	776,324,493	420,173,919	8,516,645	26,428,339
Total equity	348,382,469	339,426,440	394,749,301	453,580,649
Gearing ratio	2.2:1	1.2:1	0:1	0.1:1

31. Incorporation

Home Afrika Limited is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya.

32. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

Company Statement Of Profit Or Loss And Other Comprehensive Income

	2014 Shs	2013 Shs
Revenue	65,322,413	137,123,563
Cost of sales	(4,500,000)	(4,500,000)
Gross profit	60,822,413	132,623,563
Other operating income	11,981,873	11,200
Selling and distribution	(8,161,814)	(5,965,175)
Administrative expenses	(105,598,454)	(109,318,115)
Other operating expenses	(12,638,403)	(10,869,726)
Operating (loss)/profit	(53,594,385)	6,481,747
Finance costs	(5,311,419)	(6,472,704)
(Loss)/profit before tax	(58,905,804)	9,043
Tax credit/(charge)	74,456	(1,359,939)
(Loss) for the year	(58,831,348)	(1,350,896)
Total comprehensive (loss) for the year	(58,831,348)	(1,350,896)
(Loss) per share		
- Basic	(0.15)	(0.00)

Schedule Of Expenditure

1. SELLING AND DISTRIBUTION EXPENSES

	Group 2014 Shs	Group 2013 Shs	Company 2014 Shs	Company 2013 Shs
Marketing fees	30,851,022	36,926,161	6,077,174	3,965,175
Commissions	6,629,800	14,032,034	410,000	2,000,000
Advertising and sales promotion	16,502,179	11,802,024	1,674,640	-
Meeting expenses	-	1,024,063	-	-
Total selling and distribution expenses	53,983,001	63,784,282	8,161,814	5,965,175

2. ADMINISTRATIVE EXPENSES

	Group 2014 Shs	Group 2013 Shs	Company 2014 Shs	Company 2013 Shs
Employment:				
Salaries and wages	107,298,013	82,844,053	57,495,966	30,715,005
Medical expenses	4,137,796	3,717,030	2,493,415	891,745
Staff training and welfare	2,530,615	3,310,680	1,089,669	1,622,900
Total employment costs	113,966,424	89,871,763	61,079,050	33,229,650
Other administrative expenses:				
Directors and Committee allowance	2,892,857	27,280,497	428,571	14,054,000
Meetings expenses	5,410,250	7,371,773	4,927,672	7,274,293
Legal and professional fees	70,752,520	66,386,418	28,528,734	41,271,495
Vehicle running	1,232,983	2,050,307	705,541	1,378,096
Office expenses	2,396,292	2,361,204	1,420,230	1,150,831
Postages and telephones	2,230,566	1,800,937	2,111,418	1,538,875
Audit fees				
- current year	3,580,000	3,554,000	600,000	464,000
- under provision in prior years	591,596	152,039	305,014	6,950
Travelling and accommodation	6,447,750	6,605,799	3,256,123	5,490,898
Donations	592,562	1,623,451	342,562	1,397,451
Computer expenses	1,224,423	686,681	566,008	147,990
Printing and stationery	995,490	1,520,206	913,656	1,337,690
Bank charges and commissions	511,610	514,524	125,918	132,836
Secretarial fees	287,957	443,060	287,957	443,060
Total other administrative expenses	99,146,856	122,350,896	44,519,404	76,088,465
Total administrative expenses	213,113,280	212,222,659	105,598,454	109,318,115

3. OTHER OPERATING EXPENSES

	Group 2014 Shs	Group 2013 Shs	Company 2014 Shs	Company 2013 Shs
Establishment:				
Depreciation on property and equipment	7,129,830	7,999,866	5,208,611	5,294,653
Repairs and maintenance	849,930	1,687,368	256,576	47,230
Service charge	2,371,105	2,811,240	2,371,104	2,811,240
Insurance	3,385,277	2,905,340	2,309,452	2,150,433
Security	8,175,533	6,119,539	-	-
Amortization intangible asset	1,924,975	394,600	1,766,642	-
Electricity	1,639,507	1,877,930	560,043	280,275
Rent	1,673,252	1,313,095	-	-
Licence and subscriptions	554,916	1,995,823	165,975	285,895
Total other operating expenses	27,704,325	27,104,801	12,638,403	10,869,726

Notes

Proxy Form

I/We, ……………………………………………….. of ……………………………………., being a member of the above-named company, hereby appoint ………………………………………………of P.O. Box ……………………………………………………. as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on the 25th day of June 2015, and at any adjournment thereof.

As witness my/our hand this ……………………………… day of ……………………………2015.

Sign: Member ……………………………………………

Proxy ……………………………………………….

Note:

1. A form of proxy must be completed and signed by the member or the member's attorney duly authorized in writing. In the case of a member being a limited liability company, this form must be completed under its common seal or under the hand of an attorney duly authorized in writing.

2. Proxies must be received by the Company Secretary on info@homeafrika.com not later than Five (5) days before the time of holding the meeting or adjourned meeting.

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