HOME AFRIKA

Houses Become Homes

Annual Report

& Consolidated Financial Statements

For the Year Ended 31st December 2016

HOME AFRIKA

Houses Become Homes

Contents

Company Information

BOARD OF DIRECTORS
Linus Gitahi
Mbugua Gecaga
Peter Nduati
Rachel Mbai
Dan Awendo
Caroline Kigen
Ketan Shah

PRINCIPLE PLACE OF BUSINESS
Morningside Office Park
Ngong Road
P.O. Box 6254, 00100
NAIROBI

INDEPENDENT AUDITOR
PKF Kenya
Certified Public Accountants
P.O. Box 14077, 00800
NAIROBI

PRINCIPAL BANKERS
Kenya Commercial Bank Limited
NAIROBI

I&M Bank Limited
NAIROBI

Chase Bank (Kenya) Limited
NAIROBI

NIC Bank Limited
NAIROBI

LEGAL ADVISORS
Muriu Mungai & Company Advocates.
NAIROBI.

Wainaina Ireri & Co Advocates
NAIROBI

Robson Harris & Co Advocates
NAIROBI

SUBSIDIARIES
Home Afrika Communities Limited
NAIROBI

Mitini Scapes Development Limited
NAIROBI

Migaa Management Limited
NAIROBI

Lake View Heights Development Limited
NAIROBI

Llango Development Limited
NAIROBI

Kikwetu Development Limited
NAIROBI

Kivuli Golf Limited
NAIROBI

Suburban Limited
NAIROBI

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Home Afrika Limited will be held at the **Kenya Institute of Curriculum Development, Desai Road – off Muranga Road, Nairobi** on **Thursday, 15th June 2017 at 10:00am** to transact the following business:

AGENDA

1. Constitution of the Meeting

To read the notice convening the meeting and determine if a quorum is present.

2. Confirmation of the Minutes

To confirm the Minutes of the previous Annual General Meeting held on 30th June 2016.

3. Financial Statements for the Year ended 31st December 2016

To receive, consider and if thought fit, adopt the Audited Consolidated Financial Statements for the year ended 31st December 2016 together with the Directors' and Auditors' reports thereon.

4. Election of Directors

a) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Board Audit Committee be elected to continue to serve as members of the said Committee:

b) i. Ms. Caroline Kigen (Chairperson)

ii. Ms. Rachel Mbai

iii. Mr. Ketan Shah

5. Remuneration of Directors

To authorise the Board to fix the remuneration of the Directors.

6. Appointment and Remuneration of Auditors

To re-appoint Messrs PKF Kenya, Auditors of the Company having expressed their willingness to continue in office and to authorise the Board to fix the remuneration of the Auditors.

7. Any Other Business of which due notice has been given.

By Order of the Board

Violet Kibera Kimotho

Company Secretary

22nd May 2017

Note 1: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is provided with this report must be duly completed by the member or his attorney duly authorised and must be lodged at the offices of the Company or the Company Registrar to be posted so as to reach the Company not later than 48 hours before the meeting or adjournment thereof, if the appointor is a corporation, the instrument appointing the proxy, shall be given under the common seal or under the hand of an officer or duly authorized attorney of that corporation.

Note 2: A copy of this notice, proxy form and the entire Annual Report and Accounts may be viewed on and downloaded from the Company's website at www.homeafrika.com

Directors Profiles

LINUS GITAHI
(CHAIRMAN)

Linus Wang'ombe Gitahi is currently the Executive Chairman of Tropikal Brands Afrika Limited and Chairman at Oxygene Marketing Communications. He serves on the boards of Simba Corp and Allianz Insurance (K) Ltd., and is a trustee of United States International University

Mr. Gitahi served as Group CEO of Nation Media Group (NMG), the biggest media firm in Kenya, Uganda, Tanzania and Rwanda from 2006 to 2015.

He had joined NMG after a long career with pharmaceutical giant GlaxoSmithKline, having served as Marketing Director East Afrika (1994-1998), Marketing Director Africa (1998-2000), Commercial Director Cyprus (2001), general Manager East Africa and Indian Ocean Islands (2001-2003), and CEO West Africa (2003/2006).

Mr. Gitahi has been awarded the Fellow Award by The Kenya Institute of Management, and Moran of the Burning Spear (MBS) by the Government of Kenya for starting and supporting Baraka Foundation which educates bright kids from poor backgrounds.

Mr. Gitahi holds a Bachelor of Commerce (Accounts Major) from the University of Nairobi, a Master of Business Administration from the United States International University and a Diploma in Management from the Kenya Institute of Management.

DAN AWENDO
(MANAGING DIRECTOR)

Dan is an accounting and finance professional with over 25 years of post qualification experience in audit, accounting, management consultancy and corporate finance advisory. He is a Certified Public Accountant, a Financial Analyst and a graduate of the Advanced Management Program (AMP) from Strathmore Business School and the IESE Business School of Spain.

Dan is one of the founders and currently the Managing Director of Home Afrika Limited, a real estate development company listed on the Nairobi Securities Exchange where he's leading a change management process to turn around the company into an efficient, profitable and valuable investment vehicle for its shareholders and other stakeholders.

Dan is also the founder and immediate past Chief Executive of Investeq Capital and currently sits on its board as non-executive Chairman. Dan has a keen understanding of the unique environment of SME finance in Africa given his travels in the continent consulting and training bankers on SME and Structured Trade Finance. During his tenure as CEO, Dan led Investeq to win both local and continental awards in Strategy, Leadership, Customer Orientation, Financial Performance and Entrepreneurship.

He has also worked in senior management positions in both local and international companies. Before founding Investeq Capital, Dan was the General Manager for Loita Capital Partners and Loita Asset Management and was Group Financial Controller before becoming responsible for the group's East African Corporate Finance business.

Other Engagements

Dan is a board member of a telecommunications infrastructure group and a mid & high cost group of schools.

He has also been a founding board member of the Youth Enterprise Development Fund, a KShs. 5billion fund established by the Kenyan government to fund entrepreneurial development amongst the youth in Kenya. Dan has also been a board member and country treasurer of the Kenya Institute of Management, Chairman of the Enablis Loan Fund Investment Committee and a member of an SME Think Tank organized by the Financial Sector Deepening Fund (FSD).

Dan has also previously been named by The Business Daily as amongst Kenya's "High Impact Entrepreneurs" and also amongst Kenya's "CEO's with Golden Hands". He has also been profiled by The Standard Newspaper as a "Captain of Industry".

MBUGUA GECAGA

Mr. Mbugua Gecaga is a Director at Mbambu Communications and Uza Ubora Consultants.

A marketer by training Mr. Gecaga has over 20 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.

Mr. Gecaga is currently serving in the Finance Committee for Home Afrika Ltd and oversees the business development opportunities for Home Afrika Ltd.

He also ensures that Home Afrika Ltd is aligned strategically in relation to brand presence in the market.

PETER NDUATI

A Master's degree holder in Economics and Insurance, Peter Nduati is a chartered insurer with over 25 years' experience in the Kenyan Insurance Industry. He is pursuing a doctorate programme focusing in Entrepreneurship in Kenya.

Peter Nduati is the founder and Chief Executive Officer of Resolution Group Limited (formerly Resolution Health East Africa). The group has subsidiaries in Kenya (Resolution Insurance Company), Uganda (IAA-Resolution Health) and Tanzania (Resolution Insurance).

He was named Entrepreneur of the Year 2013 in the East Africa round of the Johnnie Walker Blue Label CNBC Africa All Africa Business Leaders Awards. The continent's most prestigious business awards, the AABLAs recognize innovators and pioneers in a variety of categories, reflecting the diversity of the African business environment.

He was also admitted as a Global Fellow in the Africa Leadership Institute, the ASPEN initiative. The Africa

Leadership Initiative (ALI) is a collaborative effort of seven partner organizations in Africa and the United States to foster values-based, action-oriented leadership in Africa. ALI Fellows are highly successful, entrepreneurial individuals from business, government and civil society.

Formerly CEO of Metropolitan Heath Group, a South African Health insurance group and was Managing Director of AAR Health Services Tanzania. He sits in the boards of Home Afrika Limited, Absolute Security Limited, Phoenix Aviation Limited, Pine Creek Limited, First Benefits Ltd, and Brown Oak Ltd, an investment holding company.

RACHEL MBAI

Rachel Mbai is a Kenya Advocate, Commissioner of Oaths and Notary Public.

After admission as an Advocate of the High Court of Kenya, she joined Kaplan & Stratton in 1991 and is a partner in the firm.

Her work encompasses property acquisition/disposal and development, property laws, property finance and loan securities and private client work.

The 2016 Chambers and Partners Guide to the World's Leading Lawyers describe Rachel as: "a talented real estate specialist and go-to practitioner in the field." Rachel is a well-known name in the real estate sector.

KETAN SHAH

Mr. Ketan 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, management developing and related profitable investment solutions.

He has a sturdy track record of originating, developing, and executing various gainful business ventures.

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 being a past President of the Round Table Movement.

CAROLINE KIGEN

Caroline J. Kigen is a professional accountant and governance and financial management specialist.

She has served as the Chair of the Professional Accountancy Organization (PAO) Development Committee from 2014 to 2016 and as a member of the Compliance Advisory Panel from 2008 to 2012 and its Deputy Chair in 2013 nominated by the Institute of Certified Public Accountants of Kenya (ICPAK). Both of these are Committees of the International Federation of Accountants, the global body of accountants.

Ms. Kigen has also served as the Chief Executive Officer and Secretary to the council of the ICPAK, a position she held from 2006 to 2014.

Previously Mrs. Kigen was Director of Professional Services and Deputy to the Chief Executive Officer of the ICPAK. Mrs. Kigen has also worked in academia, having served as a lecturer of accounting at the University of Nairobi and Strathmore University for more than five years, as well as working within the Audit and Assurance department of PwC.

She has also had extensive experience in the boardroom having served in various boards and committees, including KASNEB, the body that examines the professional CPA examinations in Kenya among others.

Her academic and professional qualifications include a Masters in Business Administration specializing in Accounting and a Bachelor of Commerce (Accounting) from the University of Nairobi, 2000. She is also a Certified Public Accountant and a Member and Fellow of ICPAK.

VIOLET KIMOTHO
(COMPANY SECRETARY)

Violet Kimotho is an advocate specializing in company secretarial services and passionate about governance and corporate law.

Through her firm, Azali Certified Public Secretaries LLP, she assists companies set up and maintain their corporate governance structures focusing on enhancing the capacity and operations of their boards. She enjoys working with small and medium size enterprises and by helping them apply corporate governance principles, she participates in driving their strategic growth and development.

Violet has over fifteen (15) years legal and company secretarial experience spanning various industry sectors. As a commercial lawyer she has been involved in offering legal advisory services to clients in various aspects of commercial and property transactions.

She previously worked in the Company Secretary department of Jubilee Holdings Limited a company listed on the Nairobi Stock Exchange. She has also been a Business Law Lecturer at the United States International University (USIU).

Violet currently serves as Company Secretary on numerous boards offering advisory and secretarial services relating to corporate governance best practices, statutory and regulatory compliance, terms of reference for boards, board recruitment, board evaluation and the conduct of board and shareholder meetings. She also conducts training on various aspects of corporate governance.

Violet holds a Bachelor of Laws degree (LLB) and a Masters degree in International Business Law (LLM). She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

Management Team Profiles

DAN AWENDO
(MANAGING DIRECTOR)

Dan is an accounting and finance professional with over 25 years of post qualification experience in audit, accounting, management consultancy and corporate finance advisory. He is a Certified Public Accountant, a Financial Analyst and a graduate of the Advanced Management Program (AMP) from Strathmore Business School and the IESE Business School of Spain.

Dan is one of the founders and currently the Managing Director of Home Afrika Limited, a real estate development company listed on the Nairobi Securities Exchange where he's leading a change management process to turn around the company into an efficient, profitable and valuable investment vehicle for its shareholders and other stakeholders.

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Dan has also previously been named by The Business Daily as amongst Kenya's "High Impact Entrepreneurs" and also amongst Kenya's "CEO's with Golden Hands". He has also been profiled by The Standard Newspaper as a "Captain of Industry".

JOSHUA KIHORO
(CHIEF FINANCE OFFICER)

Joshua, is an Accounting & Finance professional with over 13 years of experience in Accounting, internal and external audit. He has a deep understanding of computer aided auditing techniques (CAAT) and working in an ERP environment. Joshua is credited with establishing the audit department at Home Afrika through developing its audit charter, procedure manuals and risk based audit plan.

Prior to holding his current position within Home Afrika, Joshua was the Internal Audit Manager at Equity Bank where he spearheaded the successful implementation of audit softwares and revision of policies & manuals for the Bank.

During Joshua's time at Ernst & Young, he successfully oversaw the successful design and eventual implementation of the accounting system of New Nyanza Group of Companies.

Joshua holds a Bachelor of Commerce (Finance), Catholic University Of Eastern Africa, is a Certified Public Accountant of Kenya (Vision Institute of Professionals), holds a Certificate in Computerized Accounting (Vision Institute of Professionals), he is a Certified Information Systems Auditor (CISA), Information System Audit and Control Association (ISACA)

DAVID ABUORO
(PROJECT MANAGER)

David, a Lic. Architect by profession, has over 12 years of extensive experience in project management. In his current role as Head of Projects at Home Afrika, David is responsible for initiating new projects, planning, implementation, monitoring and closing out all of Home Afrika's projects. He has successfully overseen the rollout of three projects with a collective value of USD $30 Mn.

Prior to holding his current role, David worked at the Ministry of Land, Housing and Urban Development and assisted in facilitating efficient land administration and management. Their key mandate involved urban planning and ensuring that their were adequate and affordable housing, social and physical infrastructure for national development. He was directly involved in over 20 projects such as the constructions of institutions of higher learning, office blocks and research facilities

David holds a Bachelors of Science in Project Planning and Management - Moi University and a Diploma in Architecture - Kenya Institute of Highways and Building Technology and a member of the Architectural Association of Kenya.

NATASHA MURGOR
(HR, ADMIN & MARKETING MANAGER)

Natasha, has extensive training, and a broad and versatile skill base that enables her to oversee three key departments within Home Afrika.

As the Head of Human Resources she spearheads the recruitment process, reviews and develops relevant policies, handling any grievances and implementing disciplinary procedures. In her dual role as Head of Administration, she oversees the support staff, manages service contracts and the office space, while also leading the implementation of new office administrative procedures and policies.

She is also the head of marketing, where she works closely with the the commercial team to market and sell existing business, and identify and pursue new business opportunities for Home Afrika's products and services.

Prior to holding her current role she was the Executive Assistant to the CEO.

Natasha is a graduate of Africa Nazarene University with a Bachelors of Commerce degree specializing in Marketing and Management. Ms. Murgor also holds a Post Graduate diploma in Human Resource Management.

BRUNO OBODHA
(COMMERCIAL MANAGER – DIRECT SALES)

Bruno has a wealth of experience in sales across various industries. Bruno acquired most of his training and experience in sales from the banking industry where he started as a Sales representative and rose to become the regional sales manager in Faulu Kenya, a micro-finance institution.

Prior to joining Home Afrika Ltd he was the Country sales & Partnership Manager at PayKonnect Kenya where he was instrumental in developing and implementing its National Commercial Strategy. Under his leadership he was responsible for steering the company towards achieving a profitable sales volume. He has held similar roles in other institutions such as Ringier Kenya Ltd which runs various ecommerce sites and Kenya's premier job application site, BrighterMonday.

Bruno holds a Masters in Project Management- University of Nairobi, a Bachelors of Science in Economics- Bugema University and a Post graduate diploma- Kenya Institute of Management

BRIAN MAWANDA
(COMMERCIAL MANAGER – INDIRECT SALES)

Brian Mawanda brings 10 years experience in Business Development and Corporate Relationship Management with various banks, including; Standard Chartered Bank, NIC Bank and Chase Bank.

He brings on board business process improvement in sales, sales operations management, and cross-functional team leadership skills.

His responsibility at Home Afrika Limited; is to ensure revenue growth, and development of strategic business partnerships.

Brian holds a Bachelors Degree in Communication and Business Administration from Daystar University. He is currently pursuing a Masters Degree in Strategic Management.

DICKSON WANJOHI
(GENERAL MANAGER - MIGAA)

Dickson has over 8 years of experience having worked for various organisations including Taxplan Consulting Associates, Oldonyo Laro Group Ltd and has in-depth experience working with Audit, Accounting, Tax and Financial Reporting.

His responsibility involves the daily management of Home Afrika Communites Limited (Migaa) - a subsidiary of Home Afrika Limited - where he ensures profitability, growth and goodwill as well as resources being utilized in the most efficient manner.

Dickson holds a Masters Degree in Strategic Management from the University of Nairobi and a Bachelors degree in Business Management specializing in Finance and Banking from Moi University.

Dickson is a CPA (K) and registered member with ICPAK.

Statement on Corporate Governance

The Board and management of Home Afrika Limited ("the Company") continue to be dedicated to applying good corporate governance practices in the management of the Company. The Directors believe that the maintenance and consistent application of corporate governance best practices is a key contributor to the long-term success of the Company.

In 2016, the Capital Markets Authority introduced the Code of Corporate Governance Practices of Issuers of Securities to the Public, 2015. As a listed entity, the Company is committed to achieving full compliance with the code.

Board of Directors

The Board is made up of seven (7) members each of whom with the exception of the Managing Director is independent and elected by the Company's shareholders. The Board is responsible for the overall governance of the Company including its strategic direction, controlling its affairs and assets, establishing goals for management and monitoring the achievement of these goals. The Directors have diverse skills, experience and competencies appropriate for effective management of the Company's business.

No.	Director	Industry Experience
1.	Linus Gitahi	Business management, strategy, financial advisory
2.	Ketan Shah	Real estate development and consultancy, business management
3.	Mbugua Gecaga	Marketing, brand strategy and business management
4.	Rachel Mbai	Legal advisory, property law, property finance
5.	Caroline Kigen	Audit, accounting and financial advisory
6.	Peter Nduati	Business management, entrepreneurship and business management.
7.	Dan Awendo	Audit, accounting, corporate finance and management consultancy

Board Committees

The Board has delegated certain responsibilities to its Committees which assist the Board discharge its duties. The Committees are guided by their Terms of Reference which are approved by the Board.

1. Audit and Risk Committee

The Audit and Risk Committee reviews the contents of the Company's financial reports to ensure that the Board is satisfied with the integrity of the financial statements and the basis on which they are reported. The Committee also receives and reviews the findings of the internal and external auditors as well as monitoring the effectiveness of the Company's internal control environment. The Committee is also charged with monitoring, reviewing and making recommendations to the Board on the adequacy of the Company's risk management systems.

2. Finance, Procurement and Strategy Committee

The Committee's mandate is to ensure the Company's sustainability by reviewing the Company's annual business plan with respect to profitability, liquidity and capital expenditure in order to assess the feasibility of achieving the Company's goals. The Committee reviews the operational performance of the Company against the objectives and strategy.

3. Nomination, Governance, Human Resource and Administration Committee

The Committee is responsible for considering matters relating to the succession planning for the Board and senior management; monitoring and evaluation of the Board's effectiveness and ensuring that the procedure for the effective recruitment and selection of Directors is in place.

Board and Committee Meetings

The Board meets 4 times a year and Board Committees also meet quarterly. Ad hoc Board and Committee meetings are also convened to consider particular matters when necessary.

The attendance at the Board meetings at the Board and Committee meetings for the year 2016 are set out below:

	Board	Audit and Risk	Finance, Procurement & Strategy	Nomination, Governance, HR & Administration
No of Meetings	5	4	4	4
Linus Gitahi*	2	-	-	2
Ketan Shah	5	2	4	-
Mbugua Gecaga	5	-	4	-
Rachel Mbai*	4	2	-	2
Caroline Kigen**	2	2	-	2
Peter Nduati*	2	-	2	-
Dan Awendo	4	4	4	4

*Appointed on 1st April 2016

** Appointed in 6th June 2016

Board Evaluation

The Board conducted an internal review of its performance in 2016. The process involved evaluating the performance of the Board as a whole, the Board Chairman, the Managing Director, the individual Directors and the Company Secretary. Directors answered questions relating to the following areas:

(a) Mission and purpose

(b) Board Committees

(c) Board organization

(d) Board meetings

(e) Board membership

(f) Performance of the Chairman, Managing Director and Company Secretary

(g) Performance of individual directors

Feedback from the evaluation is to be incorporated in the Board development programme which will be reviewed periodically to monitor progress.

Company Secretary

The Company Secretary is the Board's governance advisor and ensures that the Board applies corporate governance best practices and that the Board procedures and regulations are followed. The Company Secretary provides practical support and guidance required for the Board to discharge its responsibilities. The Company Secretary also co-ordinates the flow of information between the Board and management ensuring that the flow of information is timely and appropriate. Each Board member has direct access to the Company Secretary.

Conflict of interest

The Company has adopted a conflict of interest policy which applies to the Directors, Employees, Company officers and their respective affiliates. All persons governed by the policy are under the obligation to avoid and disclose ethical, legal, financial, or other conflicts of interest involving the Company, and remove themselves from a position of decision-making authority with respect to any conflict situation involving the Company. Any person who has a material personal interest in a particular matter and who is able to influence the decision will not vote on the matter when it is being discussed or considered.

Insider Trading

The Company has a policy on insider trading which aims at preventing the improper communication of material undisclosed information regarding the Company as well as trading in securities of the Company, by establishing procedures to guide the Company's Directors and Employees in understanding and complying with their obligations relating to insider trading.

A Director or an Employee who deals in any of the Company's securities shall notify the Company Secretary in writing of all dealings and the timings, the number and the value of the securities involved. The Company Secretary shall prepare quarterly reports of all transactions undertaken by a Director or an Employee dealing in the Company's securities for presentation to the Board of Directors.

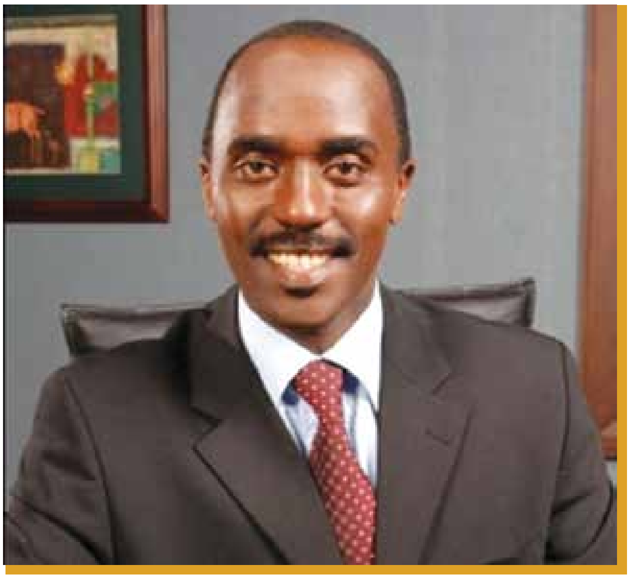
Board Compensation Report

The Shareholders at the Annual General Meeting authorizes the Board to fix the remuneration of the Directors. The aggregate amount of remuneration and fees paid to the directors for the financial year ended 31st December 2016 was Kshs 4,721,428 This is disclosed in Note 5 of the financial statements.

Remuneration of senior management is based on market rates and performance as provided in the Company's policies on remuneration and in the individual employment contracts.

	HOME AFRIKA LIMITED		
	OWNERSHIP STRUCTURE AS AT 31-12-2016		
	SHAREHOLDER CATEGORY		
RANK	**FOREIGN INVESTOR**	**SHARES HELD**	**% HELD**
1	CF STANBIC NOMINEES LTD A/C NR1030790	20,261,907	5.00
2	MR ZEYUN YANG	13,245,600	3.27
3	ROSIE MUKAMI KARIUKI	2,000,000	0.49
4	RIYAZ HUSSEIN MOHAMED RAJABALI	999,600	0.25
5	MR IKEOTUONYE ALBAN IKE	500,000	0.12
6	DINESH PREMCHAND RANMAL SHAH & VIVEK SHAH	390,600	0.10
7	KANAIYALAL MANSUKHLAL SHAH & LALITABEN KANAIYALAL SHAH	311,500	0.08
8	CYRILLE TRAKIZA MUTSINZI	295,900	0.07
9	AJIT SINGH BHOGAL	260,000	0.06
10	VINU KURJI DEVJI PATEL & SHANTABEN VINU PATEL	240,800	0.06
	SUBTOTAL	38,505,907	9.50
	OTHERS	1,448,500	0.36
	TOTAL	**39,954,407**	**9.86**
RANK	**LOCAL INDIVIDUAL INVESTORS**	**SHARES HELD**	**% HELD**
1	NYAGAH BOORE KITHINJI & LILIAN WANJIKU KITHINJI	10,062,600	2.48
2	HIRJI KHIMJI BHIMJI SEYANI & KARSAN KHIMJI SEYANI	10,000,000	2.47
3	PAUL WANDERI NDUNGU	6,856,600	1.69
4	PATRICK RICHARD DIVINE	6,000,000	1.48
5	LEE GITUTO KARURI & CONSOLATA NJERI GITUTO	5,522,000	1.36
6	NARAN KHIMJI AND VIRJI KHIMJI HIRANI	4,579,200	1.13
7	EUNICE MORAA MARANYA	4,071,000	1.00
8	SANJEEV JYOTI SHARMA	4,000,000	0.99
9	MWARI MBUGUA & ALEXANDER MUGANE MBUGUA	4,000,000	0.99
10	ROBERT KANDA NYASIMI	3,995,000	0.99
	SUBTOTAL	59,086,400	14.58
	OTHERS	201,246,503	49.66
	TOTAL	**260,332,903**	**64.24**
RANK	**LOCAL INSTITUTIONAL INVESTORS**	**SHARES HELD**	**% HELD**
1	HOME AFRIKA INVESTMENTS LIMITED	10,384,000	2.56
2	YCEO HOLDINGS LIMITED	10,010,000	2.47
3	HANSAN INVESTMENT LIMITED	9,125,500	2.25
4	STIMELA CO-OPERATIVE SAVING AND CREDIT SOCIETY	7,559,700	1.87
5	DALE FARM AND INVESTMENTS LIMITED	6,000,000	1.48
6	WAKINI LIMITED	5,758,100	1.42
7	HOME AFRIKA CONTINENTAL LIMITED	4,000,000	0.99
8	HASS CONSULT LIMITED	4,000,000	0.99
9	ASAT LIMITED	4,000,000	0.99
10	PLANFAM COMPANY LIMITED	4,000,000	0.99
	SUBTOTAL	**64,837,300**	**16.00**
	OTHERS	**40,130,710**	**9.90**
	TOTAL	**104,968,010**	**25.90**
	TOTAL ISSUED SHARES	**405,255,320**	**100.00**
	TOTAL NUMBER OF SHAREHOLDERS	**7,295**	
	CO-OP BANK SHARE REGISTRAR SERVICES 2017		

Chairman's Statement



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, 2016 and updates on our 3 year Home Afrika 2.0 strategic plan.

2016/18 STRATEGY (Home Afrika 2.0)

Focus on the 3 strategic pillars of our new strategic plan period 2016 – 2018 dubbed Home Afrika 2.0. continues to reward us with an improved financial and commercial performance. Our losses reduced by over 56%. This improved financial performance demonstrates the effect of the changed business model and group restructuring we have instituted. We expect this improved performance to replicate in the coming periods too.

We remain steadfast in our vision of providing dignified, planned communities across this country. We now have a model that creates investment opportunities for investors, land owners and other players in the real estate sector keen in partnering with us towards provisioning of the dignified planned communities. We made several partnerships in this front including research collaboration on affordable housing.

Our 3 key themes for Home Afrika over the next 3 years registered commendable milestones. Notably;

- We got the shareholders' approval and went into the market seeking strategic partners to diversify the sources of capital for our projects. This process has progressed well. Fundraising road shows have started with a view to close by the end of the year, 2017.
- The new board of directors that joined us in 2016 has settled in well and is committed to steering your company to the level projected by Home Afrika 2.0 strategic plan. This is in line with our efforts to have a strong corporate governance structure.
- The implementation of our internal restructuring & reorganization of our group governance, operating structure and business model has taken root and the improved performance is reflective of this fact. The goal of growing shareholders' value is well on course.

OVERVIEW OF OPERATING ENVIRONMENT

Macroeconomic Overview

The country's real Gross Domestic Product (GDP) is estimated to have maintained growth momentum for the third consecutive year to expand at 5.8% in 2016 compared to a revised growth of 5.7% in 2015. The economy experienced a relatively conducive environment for growth during the first three quarters of 2016. However, the last quarter's growth was undermined by drought that impacted negatively on the agriculture sector and led to a slower growth.

GDP growth is expected to slow this year, as the interest rate cap continues to choke business and investment. In addition, political uncertainty around the August County, Senatorial, Parliamentary and Presidential elections could dampen business sentiment. Panelists now expect GDP growth to slow down to 5.4% in 2017, before picking up slightly to 5.7% growth in 2018.

The annual inflation decelerated from 6.6% in 2015 to 6.3% in 2016. The easing of inflation was largely due to reduced costs of petroleum products and tight monetary policies.

Commercial banks interest rates on loans and advances declined to 13.67% as at December 2016 from 17.45% in December 2015. The period witnessed the amendment of the Banking Act, which introduced capping of interest rates on loans in the fourth quarter.

The above statistics give a positive short-term outlook. The completion of the standard gauge railway (SGR), the continued discovery of oil, gas and coal might have the potential to boost Kenya's overall socio-economic development. The full extents of this potential as well as fiscal and economic impact will be determined as the railway operations commence mid this year and commercial production of oil and gas is actualized in the near future.

Industry Overview

The building and construction industry registered a slower growth of 9.2% in 2016 compared to 13.9% in 2015. The activities in the industry were partly attributed to the continued activities of SGR construction works as well as road works by both National and County Governments. The sector is envisioned to remain buoyant over a 10-year forecast period. Advancement in regional transport integration including the SGR, will be the main drivers of this growth.

The country's annual housing demand remained high at 500,000 units (200,000 units in the urban areas and 300,000 units in the rural areas) against a supply of 50,000 units. The bulk of this demand is in the growing middle class. This continues to present very enticing growth opportunities for our company.

Due to this growing middle class, we are seeing a shift from high end residential housing to low and middle income housing where there is currently a very big supply gap. Home Afrika has the vision to be the leader in provision of planned communities across Kenya to meet this growing demand.

SHARE PERPORMANCE

The equities markets continued to register a depressed performance. The Nairobi Securities Exchange NSE 20-Share index recorded an increase to 3,982 points in the first quarter of 2016 but declined through to the fourth quarter to record 3,186 points in December 2016, representing a drop of 21.1 per cent compared to December 2015. The total number of shares traded dropped from 6.8 billion in 2015 to 5.8 billion in 2016 resulting in a corresponding drop in equity turnover from KSh 209 billion in 2015 to KSh 147 billion in 2016. Our share was not spared by this bearish market.

Despite our depressed share price, our total assets grew from Kes 3.86 billion as at 31 December 2015 to Kes 3.93 billion at the end of 2016. We know it as factual that our market capitalization is not reflective of our balance sheet size especially if the current land market values are factored in.

As we continue our operations, we will continue 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 and subsequently our market valuation.

The board does not recommend the payment of any dividends for the year ending December 2016.

2017 STRATEGIC OUTLOOK

The first quarter of 2017 was somehow not favoured by the prolonged droughts; key crop growing regions received late and inadequate rains. The performance of Kenya's economy in 2017 is likely to be determined largely by internal factors especially the forthcoming elections and the continuing limited credit available from banks to the consuming public and investors.

The exchange rate is expected to remain stable due to significant level of reserves, the continued growth in emigrant remittances and sustainability of the current account deficit. The construction industry is expected to continue supporting the growth due to the ongoing public infrastructure development and continued investment in residential and nonresidential assets by the private sector.

Other key macroeconomic indicators are expected to remain stable and supportive of growth in 2017.

At Home Afrika, we will continue to march forward confidently as we continue to address the housing needs in Africa, deliver sustainable shareholders value and contribute to the country's economic development.

2017 promises good progress in our projects especially as we continue our fund raising exercise toward the second half of the year.

APPRECIATION

I would like to express my sincerest gratitude to you, Home Afrika shareholders, for the continued support to our Company. I recognize the contribution of my fellow Directors and the Management team for the continuous delivery to the promise of building an extraordinary business anchored on a solid vision.

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.

Linus Gitahi
Chairman
Home Afrika Ltd.

Managing Director's Statement

Dear Shareholders,

I am pleased to present you with the financial results for the year ended 31st December 2016; this being the first full year of the implementation of our restructuring plan and Home Afrika 2.0 strategic plan.

2016 PERFORMANCE REVIEW

The group reported a significantly lower loss of Shs 168 million in 2016 compared to a loss of Shs 390 million in 2015 – an improvement of over 56%. The improved financial performance demonstrates the effect of cost reduction measures instituted by management in 2016 as part of the group's restructuring exercise as well as a renewed focus on profitable sales.

The book value of the group's sellable land and other inventory increased from Shs 2.9 billion in 2015 to over Shs 3 billion in 2016. This signifies continued investment into the various projects in an effort to bring them to completion. This investment helps improve the market value of the land bank as the land becomes more desirable period to period. The Group's strong assets base notably the inventory and deferred revenue is an indicator of the huge profitability potential held by the group and which is expected to actualize into the bottom-line of the financial reporting periods of the near future.

The group improved the percentage of completion, especially at its Migaa Golf Estate project, the premier golf estate development in Kiambu County, to 43.16% in 2016 from 40% in 2015. This signifies an investment of Shs 158 million in the project most of which was spent on kick-starting roads construction in Migaa. This investment was only made possible from the month of November 2016 once a delivery contractor had been identified and contract terms negotiated and agreed upon. The average projects' percentage of completion, which determines how much deferred revenue is booked as sales of the group, will continue increasing over time, especially as current road and other infrastructure works are implemented.

The deferred revenue & deposits from sales of plots grew from Shs 1.8 billion in 2015 to Shs 2 billion in 2016. In line with our accounting policy, these amounts are carried as current liabilities in the balance sheet but will over the next two years convert to revenues as we increase the investment in the projects and thereby increase the rate of percentage of completion. With the road works at our Migaa Golf Estate now well underway, we estimate to have completed this and other project infrastructure works by the end of 2019. This will effectively see a majority of the deferred revenue and deposits from sales of plots translate to revenue between 2017 and 2019.

PROGRESS IN KEY STRATEGIC INITIATIVES

We continued to make huge strides in the implementation of our key strategic initiatives notably;

a) Group Restructuring and Management Changes

Significant changes have already been implemented at board, management and projects level that are already bearing favorable fruits, the results of which we will continue to see in the financials in 2017 and 2018 as has been the case in 2016.

Besides the new team of Board of Directors that is fully in place and working diligently, we enhanced the leadership capacity in our various departments especially our commercial department. Bruno Obodha joined our team as the Commercial Manager in charge of direct sales. He has a wealth of experience in sales across various industries including banking and Information technology sectors. Prior to joining Home Afrika, Bruno was the Country Sales & Partnership Manager at PayKonnect Kenya. He has held similar roles in other institutions such as Ringier Kenya Ltd which runs various ecommerce sites and Kenya's premier job application site, BrighterMonday.

The Finance Department has also been significantly overhauled and restructured with the objective of making it a robust financial control and information provision pillar that supports quicker, better considered decision making. Dickson Wanjohi, formerly the Chief Financial Officer was promoted to become General Manager of Migaa Golf Estate.

He was replaced by Joshua Kihoro who was promoted from his previous position of Internal Auditor. The Department has also seen new entrants coming in to take charge of a refreshed functional and organizational structure to make the department more attuned to the changing organizational needs.

a) Business Model restructuring

To strengthen our commercial department, we also introduced an 'indirect sales' team, comprising of independent sales agents. The agents will support our selling efforts without necessarily increasing the costs associated with hiring extra commercial team members. This arm is now headed by a full scale Home Afrika commercial manager (Brian Mawanda). The agents are currently contributing up to 40% of all our new sales.

We deepened our quest to deliver affordable housing by partnering with Legacy Realty in a research that is aimed to deliver a million houses in Africa in the next ten years. Acceptability of the use of technology in developing housing units will be critical in this endeavor. We continue to seek more partnerships in this area.

We also ventured into real estate agency and estate management services as an addition to our real estate projects development business in a bid to diversify our revenue and cash flow streams and boost operating profitability.

We have already built-up a substantial portfolio of third party properties that we are now selling on behalf of other developers and property owners. This new initiative, while will take some time to grow, we believe will be a significant contributor to annuity income and cashflows that will underwrite Home Afrika future expenses.

b) New projects

Kerobi Plains is our newest project. It offers a master planned subdivision of residential and commercial plots in Kajiado County located right on the proposed bypass of Konza City and Isinya Town. It sits on a 140 acre parcel of land situated 10 Km from the Konza ICT City and 5 Km from the Standard Gauge Railway.

We expect to originate similar master planned projects in the near future to boost Home Afrika ability to generate quicker, more predictable cashflows. We take this opportunity to invite shareholders who may have strategically located land parcels and who might be willing to enter into joint venture partnership with Home Afrika with a view to developing possible joint venture projects whether at master planning or at building development level.

c) Fund raising

The fundraising effort that was approved during the 2016 AGM and which is being spearheaded by Pamoja Capital Group to raise up to Kshs. 5 Billion to inject in various Home Afrika projects including Migaa Golf Estate, Moru Ridge in Migaa, Llango in Kwale & Lakeview Heights in Kisumu, is progressing well.

The Teaser, Financial Model and Information Memorandum are ready and have been shared with various prospective local and international investors. A number of these investors had expressed a strong investment interest before the information memorandum was finalized. We expect to get into detailed discussions now that they have all received the investment packages for their review. Fundraising road shows have also started with a view to close by the end of the year, 2017. We trust God that this will go as planned.

OUTLOOK

The elections fever in Kenya has significantly reduced investment activity within the real estate industry. We expect this activity to be boosted immediately we cross over the elections season, and particularly if we do so safely. With a stable political environment, we expect continued growth in Real Estate sector on the back of improved macroeconomic conditions, sustainable high returns, and a changing operational landscape as developers strive to satisfy the high housing deficit.

The industry however continues to face challenges such as high land and infrastructure development costs which lead to high development costs and reduced affordability of real estate products.

We expect revenue generation to be vastly improved with the strengthening of the commercial team coupled with the anticipated progress in the various projects.

The group continues to have substantial amounts held as deferred income, inventories and deposits received for sales which are expected to convert into revenue in our profit and loss statements and therefore profit as these projects register more progress.

The management and board will also continue to streamline costs and increase efficiency to

maximize shareholder return. The directors remain confident of the substantial underlying long term value and profit generation capacity in the periods ahead.

APPRECIATION

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

I look forward to an exciting and successful 2017.

DAN AWENDO
MANAGING DIRECTOR
HOME AFRIKA LIMITED

PROJECTS REPORT

The year 2016 marked the beginning of the implementation of the turnaround not only on the projects department but on the organization as a whole. We were able to bring one of our projects to a close while also put a halt on others to progress in the coming year.

1. MORNINGSIDE OFFICE PARK

Morningside Office Park, the head quarter of Home Afrika Limited and the first project that was developed at its inception is an ultra-modern office block situated along Ngong Road, Kilimani and accessible from both Ngong road and Kilimani road. It comprises 36 office suites, 200No. Two level Parking spaces at the basement and Lower Ground floor, roof top garden and conference facilities. The project was completed within limits of budget, timeframe and on scope. Morningside office park is fully occupied.

Figure 1. Morningside Office Park

2. MIGAA

Migaa is a gated community development with an integrated Golf Estate on 774 acres of land in Kiambu, North of Nairobi 20kms from Nairobi's Central Business District, within Kiambu County, and it is just 10 km from the Northern by-pass is being developed by a special purpose vehicle (SPV) Home Afrika Communities Limited, 60% owned by Home Afrika Limited is a unique project of its kind in Kenya.

Figure 2. Migaa Master Plan.

This is a mixed-use development anchored on an 18-hole golf course christened Kivuli Golf, the back nine i.e hole 10-18 already completed, playable and well maintained. There are other amenities that includes but not limited to; - residential estates i.e Mitini Scapes by Home Afrika, Tamarind Tree Residence by Home Afrika Communities, commercial; virtual offices, ICT incubators, shopping centre and conferencing, community, recreational, education both primary and secondary, hotels, hospital (Ubora).

The development is fully serviced with ongoing paving of roads, water reticulation done at 95%, dedicated Telkom fibre connection from Telkom Orange. Migaa has entered into partnership with Wadi Degla, a multifaceted holding company that comprises sports facilities, telecommunication, real estate developments and industrial projects. Our partnership has zeroed in the provision, maintenance and management of Sports facilities within the Migaa community.

i. Golf Course- back 9 Holes

The back 9 i.e hole 10 to hole 18 are complete, playable and well maintained.

Figure 3. Migaa Golf Course

Since the inauguration of the Golf course in 2015, there have been numerous mini tournaments for invitees and those who own property in Migaa. The golf architect, renowned David Jones, has commended the works as done to International standards and will be looking forward to the front 9 completion scheduled for the year 2018.

ii. Boundary Wall

Migaa boundary comprises a mix of solid masonry wall along the eastern, western boundaries & commercial centre and an electric fence on the borders with water features. This is to provide a safe and secure environment for the whole development within.

Figure 5. Migaa Masonry Wall with palisades.

Figure 6. Migaa Electric fence

iii. Roads Construction:

The road works contract was awarded to Lexis international. They are to complete the works to paving standards. Phase 1 of the works has the paving done to 46% with the hardcore at 96%. The road works are projected to be complete at the close of 2018.

Figure 7. Migaa Paved Road works.

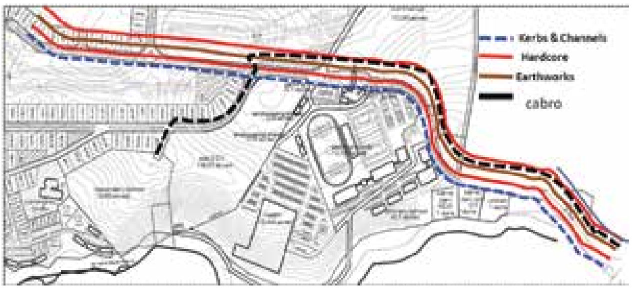


Figure 8. Migaa Road works status.

iv. Water Supply and Reticulation:

Water supply and reticulation is at 95%.

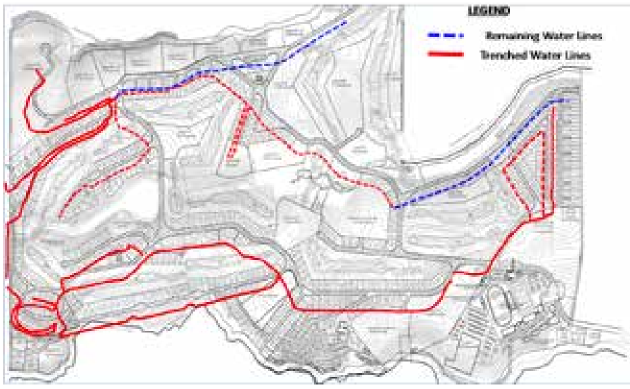


Figure 9. Migaa Water reticulation status.

v. Sewer Reticulation and Treatment:

The sewer treatment plant is operational with no hitches since commissioning. It is currently serving Mitini Scapes Development.

Figure 10. Migaa Sewer treatment plant

Figure 11. Migaa Sewer treatment plant

vi. ICT & MATV

Migaa is served by fibre internet connectivity with high speeds from a dedicated line from Orange Telkom. Mitini Scapes development is internet ready. Over and above the internet connection it also has multiple access television installed.

vii. Club House and Sports Facilities

Wadi degla having signed up with Migaa had a ground breaking ceremony in March, 2016 that marked the beginning of the construction works to be undertaken.

Figure 12. Club House Master Plan.

Figure 13. Sports Clomplex Master Plan.

The event was graced by several dignitaries chief guest being the Cabinet Secretary for Sports, Culture & the Arts, Hon. Hassan Wario and the Deputy Governor, County Government of Kiambu, Wadi degla President, their CEO based in Kenya, other colleagues, sports ambassador, Wakihuri, the Migaa fraternity as well as home owners, media personalities and invited guests.

Figure 14. L-R: Migaa Chairman, CS. Hon. Wario, Dep. Gorvenor, County Government of Kiambu, Wadi Degla President.

viii. 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. The plot owners shall be expected to ted to their properties.

Figure 15. Landscaping with trees

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

Figure 16. Golf Maintenace

ix. Ubora Hospital

Ubora Hospital, a Cardio-metabolic hospital and joint venture by local and international doctors is set to be one of the best in Sub-Saharan Africa providing world class healthcare. The proposed 200 bed hospital will have modern equipment, amenities and expertise offering high end medical facilities to the Kenyan people and the East African community as a medical tourism initiative

Figure 17. Ubora Hospital Perspective

x. Home Owners Construction

Home owners have submitted their house plans for approval to Migaa infrastructure committee, out the submissions, five home owners had embarked on construction with 3 of the units' complete ready for occupation. The other two are at advanced stages of construction. Many intend to commence their construction in the year 2017.

Figure 18. Home Owners residence

Figure 19. Home Owners residence

Figure 20. Home Owners residence

xi. 2017 work plan

The following infrastructure components are scheduled for execution in 2016;

a) Road construction phase 1 to be complete upto paving block level, Phase 2 and three to be at hardcore level.

b) The front nine golf course construction to commence

c) Irrigation system installation for entire golf course

d) Power reticulation

e) Ubora Hospital are to commence construction

f) Club house refurbishment, alterations and extensions.

g) Commencement of sports facilities construction

3. MITINI SCAPES

Mitini Scapes development was the first housing development initiated in Migaa Golf estate. The first phase set on 6Acre part of 14.88 Acre parcel of Land being construction of 82No. Units comprise:

- 12No. cottages; 3 bedroom plus dsq and 4 bedroom plus dsq:

Figure 21. Mitini Scapes Cottages

- 70No. Apartment units of 1 Bedroom units and 3 Bedroom units.

Figure 22. Mitini Scapes Apartments

The number of residents living in has grown to seventeen while others are planning to take possession in the year 2017.

The second phase comprised plot subdivision to be developed by the owners. Two owners have already put up their houses and will be moving in the year 2017.

Figure 23. Mitini Scapes Development

Figure 24. Mitini Scapes Home Owners development

4. TAMARIND TREE RESIDENCE

Migaa is developing 100 high-end hotel apartments under Moru Ridge SPV and have partnered with Tamarind Group to be the managers on completion of the project.

The project is located on the lower eastern side of Migaa overlooking a seasonal river.

In the first phase, there are 100 apartments under construction in 4 Blocks that is a mix of 1 bedroom, 2 bedroom, 3 bedroom, duplexes and a pent house on each block.

The project has been limited to the 4 Blocks and the rest of the undeveloped land is subdivided in 1 acre parcel and earmarked as private developer sites.

Figure 25. Tamarind Tree Residence Development

5. LAKEVIEW HEIGHTS

Lakeview Heights is planned on a scenic 97 acre plot in 6 parcels of land situated along the Kisumu-Kakamega Road, 3 Km away from the airport and just 10 minutes drive from the city centre.

The Development Strategy is as below

- Convention centre and Hotel on approx. 5-acre commercial plot.
- 140 serviced plots for sale
- Develop up to 600 homes for sale through a joint venture

The project is anchored around conferencing and hotel, of which there is huge demand in Kisumu

The project was also granted Environmental Impact Assessment License by N.E.M.A.

The activities on site were reduced to allow for replanning of the project with a decision to offload at least 26 Acres as a block on market rates. The 1st gatehouse progress is at 50%

Figure 26.Lakeview heights project photos

6. LLANGO

Llango project is planned on 21Acres with 125m Ocean frontage, located 2km off Mombasa – Lunga Lunga highway, 0.5km North of Maweni Beach Cottages in Kwale County. Set on three deck levels, the Master Plan was designed to leverage this and to lay out plots into interlinked court yards each offering open public spaces.

The project is set as a gated community with 59 No. Individual ¼ Acre plots and development of one hundred apartments of one and two bedroom units as well as a club house all of which will have an unobstructed view of the Indian Ocean.

Figure 27. Llango Project photos

The overall project has already commenced and is set to be complete in the year 2017 – 2018.

The activities on site were reduced as a way of restructuring the project. The project requires additional capital to have it fully developed as envisaged.

PROPOSED PROJECTS - 2017

The following projects have been evaluated, shortlisted and approved for design:

MIGAA

a) Migaa Centre Piece: Migaa centre piece is a 17 acre property that will be subdivide into two portions i.e 2 Acres and 15 Acres; the former will be demarcated for Hotel Development while the later is to be further subdivided into plots measuring approximately 0.06Ha.

b) Olgellai Drive: this is proposed middle income medium rise development on Northern PDS (approx. 34 acres) in Migaa for approx 1,200 units in 10No. Phases.

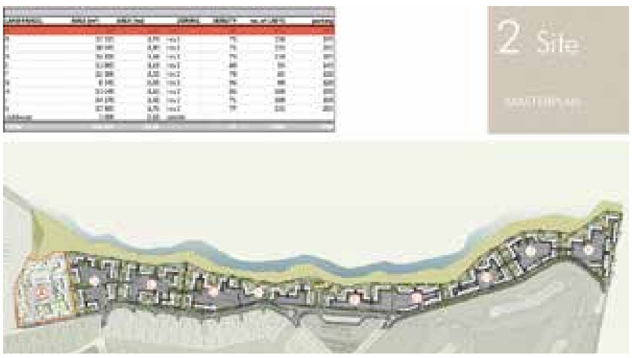


Figure 28. Olgelai Drive Zoned Master Plan

c) Commercial: this is a proposed commercial centre to cater for the residents and visitors to Migaa. The PDS measures 18.96 Acres and is to be developed by a strategic investor solely or in partnership with Home Africa Communities Limited. The property has been negotiated with a private developer for provision of all the road works within Migaa development.

d) Sports Complex, front nine golf course and Club House: Wadi Degla broke ground on 2nd March, 2016 for the development of the three combined projects to be undertaken in phases. Wadi Degla have been doing value engineering on their proposition before full scale commencement of works.

MIGAA ORANGE PDS's (Private Developer Sites)

a) PDS F08 (Mugumo Ridge)

The PDS lying on the Eastern side of Migaa next to hole 13 is set for subdivision to 0.0505 Ha. plots, with some overlooking the fairway and others on backrow. The plots are to be sold to individuals and they make their own development.

Figure 29. Mugumo Ridge, left of the Fairway

b) Other PDS's

Propositions shall be developed for the different PDS's to give the presumed options on what can be put up on them.

KEROBI PLAINS

Kerobi Plains is a 140 Acre property situated in Isinya, Kajiado County. Approximately 20 km from Isinya Town. Isinya Town is approximately 53Km from Nairobi Central Business District.

The proposed property is served with proper road network easily accessible from the Greater Southern By pass road and it is about 5km from the Standard Gauge Railway line. It is also 10 Km from Konza Techno City. The property can also be accessed through Mombasa Road 20km away.

There are over 1,000No. 0.04Ha Commercial and Residential plots properly planned with Schools, Health Facility, Police Post, Worship area and play ground sites.

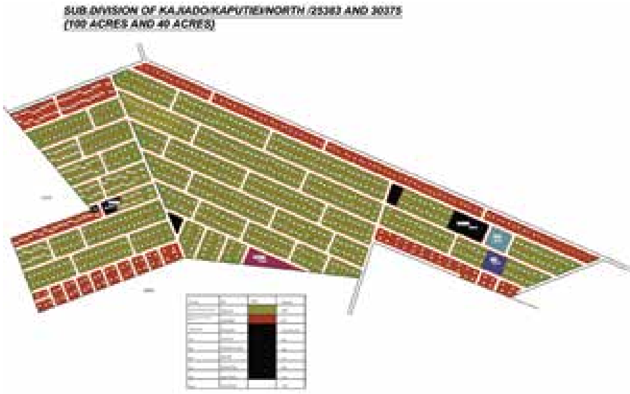


Figure 30. Kerobi Plains Scheme Plan

Figure 31. Kerobi Plains Site Photo

LAKEVIEW HEIGHTS DEVELOPMENT & LLANGO DEVELOPMENT PROJECTS

Fundraising to kick start both these projects is earmarked for Q2 of 2017 having gotten approval from shareholders in the AGM held in 2016. The successful fundraising shall be of essence in progressing with the Construction of the residential apartments and the convention centre that did not take place as had been envisaged due to restructuring of the projects as advised by the board.

Report of the Directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2016, which disclose the state of affairs of the group.

In accordance with Section 42 of the Sixth Schedule of the Companies Act, 2015, Transitional and Savings Provisions, this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

PRINCIPAL ACTIVITY

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

RESULTS		**Group**		**Company**
	2016 Shs	**2015 Shs**	**2016 Shs**	**2015 Shs**
(Loss) before tax	(207,006,886)	(410,799,371)	(108,993,421)	(116,720,061)
Tax credit/(charge)	38,548,525	20,708,035	(1,088,038)	(840,534)
(Loss) for the year	(168,458,361)	(390,091,336)	(110,081,459)	(117,560,595)

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2015: 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 the Companies Act, 2015.

BY ORDER OF THE BOARD

DIRECTOR
NAIROBI

26 April 2017

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the group and the company; that disclose, with reasonable accuracy, the financial position of the group and company and that enable them to prepare financial statements of the group and the company that comply with International Financial Reporting Standards and the requirements of the Kenya Companies

Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of there financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. 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 financial statements give a true and fair view of the financial position of the group and of the company as at 31 December 2016 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 Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the group's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the group and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 26th April 2017 signed on its behalf by:

DIRECTOR

DIRECTOR

Report of the Independent Auditor to the Members of Home Afrika Limited

Opinion

We have audited the statements of Home Afrika Limited ("the company") and its subsidiaries (collectively referred to as the "group") and set out on pages 39 to 71 which comprise the consolidated and company statements of financial position as at 31st December 2016, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company financial position as at 31 December 2016, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which indicates that the group's incurred a net loss of Shs. 168,458,361 (2015:390,091,336) during the year ended 31st December 2016 and, as of that date, the group's current liabilities exceeded its current assets by Shs.770,171,741 (2015: 69,704,461) and there was a deficiency in shareholders' funds of Shs.210,167,228 (2015: Shs.41,408,867). These conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the company's and group's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

The accounting policy adopted by the group in recognizing revenue is described in Note 1 (d) to the financial statements and the significant judgments in this respect are described under note 1 (c). The amount of revenue recognized in the year on the sale of land and the related infrastructure development is dependent on the assessment of whether or not the infrastructure development element is linked to or separate from the contract for sale of land.

Significant judgment is applied in selecting the accounting policy of the group and in applying the same using material estimates of the value of the separately identified land sale component of the contract and in relation to the stage of completion of the infrastructure development and the costs to completion. Revenue recognition is significant to our audit based on the significant difference in timing between the execution of the contractual agreement and the timing for the recognition of revenue particularly related to the infrastructure development, the estimation of fair values used in recognizing the sale of land component and the reliance on estimates of future costs to completion used to determine the percentage of completion of infrastructure development.

Our audit procedures to address the risk of material misstatement relating to revenue recognition included:

- Detailed testing on sales made during the period with comparison against the related contracts;
- Review and testing for reasonability of fair values of land as determined by management's external expert used in recognizing revenue related to the land sale component of the contract;
- Detailed testing on actual costs incurred on infrastructure development as well as review and testing for reasonability of the anticipated costs to completion as determined by management's external expert and by verification to contractual agreements. We also physically inspected the significant project sites;
- Re-computation of the percentage of completion applied by management to determine revenue to be recognized on the infrastructure development component of the contract; and
- Overall reasonability review of the revenue and the timing of its recognition based on expectations derived from our industry knowledge and external market data, following up variances (if any) from our expectations.

Valuation of investment property and inventory

The accounting policy for recognition and measurement of investment property is described in note 1 (g). Notes 1 (b) and (c) describe the estimation uncertainties and judgments applied in the measurement of investment property. Note 1 (j) describes the accounting policy for inventory. The fair valuation of investment property is dependent on external valuations performed by management's expert as well as the determination of the percentage of completion of infrastructure works on the project sites within which such investment property resides.

As described under revenue recognition above, these estimates are subject to significant judgment and reliance on future estimates of costs to be incurred and fair values. In carrying inventory at the lower of cost and net realizable value, the estimation of net realizable value also relies on similar estimates. For these reasons the valuation of investment property and inventory are determined to be significant to our audit.

Our audit procedures to address the risk of material misstatement relating to valuation of investment property and inventory included:

- Review and testing for reasonability of fair values of the investment property as determined by management's external expert;
- Detailed testing on actual costs incurred on inventory including original cost of acquisition of land and the subsequent infrastructure development. We also physically inspected the significant project sites; and
- Comparison of actual recent sales history for inventory, including subsequent to the year-end sales with the carrying value of inventory to determine whether such inventory is correctly carried at the lower of cost and net realizable value. We also used this actual recent sales experience to validate the fair values determined for the investment property.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the company statement of profit or loss and other comprehensive income and the schedule of expenditure (but does not include the financial statements and out auditor's report thereon), which we obtained prior to the date of this auditor's report, and the statement on corporate governance, chairman's statement and managing director's statement and projects report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the statement on corporate governance, chairman's statement and managing director's statement and projects report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, 2015 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 group's statement of financial position and statement of profit or loss and other comprehensive
income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Chaudhry Mohamed Asif – P/No. 2059.

PKF Kenya.

Certified Public Accountants
Nairobi
<u>28. April 2017</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2016 Shs	2015 Shs
Revenue	3	222,187,420	259,773,044
Cost of sales		(160,278,109)	(233,493,419)
Gross profit		61,909,311	26,279,625
Fair value gain on investment property	11	(8,646,099)	26,615,782
Other operating income	4	13,182,509	18,930,997
Selling and distribution expenses		(19,887,365)	(30,562,039)
Administrative expenses		(100,476,404)	(290,762,396)
Other operating expenses		(31,779,154)	(28,581,915)
Operating (loss)	5	(85,697,202)	(278,079,946)
Finance costs	7	(121,309,684)	(132,719,425)
(Loss) before tax		(207,006,886)	(410,799,371)
Tax credit	8	38,548,525	20,708,035
(Loss) for the year		(168,458,361)	(390,091,336)
Total comprehensive (loss) for the year		(168,458,361)	(390,091,336)
(Loss) attributable to:			
- Owners of the parent		(156,079,195)	(367,646,022)
- Non-controlling interest		(12,379,166)	(22,445,314)
		(168,458,361)	(390,091,336)
(Loss) per share - basic and diluted	9	(0.39)	(0.91)

The notes on pages 39 to 71 form an integral part of these financial statements.
Report of the independent auditor - pages 30 to 33

Consolidated Statement of Financial Position

	Notes	As at 31 December 2016 Shs	2015 Shs
Non-current assets			
Property and equipment	10	61,234,419	68,647,673
Investment property	11	685,622,528	730,601,603
Intangible assets	12	218,540	2,164,411
Financial assets	14	2,000	2,000
		747,077,486	801,415,687
Current assets			
Assets classified as held-for-sale	15	41,500,000	-
Inventories	16	3,068,296,691	2,910,285,575
Trade and other receivables	17	65,150,396	84,141,264
Cash and cash equivalents	18	7,986,209	66,473,170
		3,182,933,296	3,060,900,009
Total assets		3,930,010,782	3,862,315,696
Current liabilities			
Deferred income	19	919,126,518	871,659,513
Trade and other payables	20	648,001,907	596,763,412
Deposit from sale of plots and units	20	1,096,076,016	883,597,915
Borrowings	21	679,706,916	704,853,776
Private placement bond	22	488,418,287	-
Deposit for shares	23	111,334,998	67,671,665
Current tax		10,440,395	6,058,189
		3,953,105,037	3,130,604,470
Net current (liabilities)		(770,171,741) -	(69,704,461)
Non-current liabilities			
Deposit for shares	23	96,253,550	153,786,882
Borrowings	21	7,388,962	12,060,267
Private placement bond	22	-	482,653,859
Deferred tax	24	83,430,461	124,919,085
		187,072,973	773,420,093
Total liabilities		4,140,178,010	3,904,024,563
Net (liabilities)		(210,167,228)	(41,708,867)
EQUITY			
Share capital	25	405,255,320	405,255,320
Share premium	26	68,842,038	68,842,038
Accumulated deficit		(708,895,539)	(552,816,344)
Equity attributed to owners of the company		(234,798,181)	(78,718,986)
Non-controlling interest		24,630,953	37,010,119
Total equity		(210,167,228)	(41,708,867)

The financial statements on pages 34 to 71 were approved and authorised for issue by the Board of Directors on **26th April 2017** and were signed on its behalf by:

_______________ DIRECTOR _______________ DIRECTOR

The notes on pages 39 to 71 form an integral part of these financial statements.
Report of the independent auditor - pages 30 to 33.

Company Statement of Financial Position

	Notes	As at 31 December 2016 Shs	2015 Shs
Non-current assets			
Property and equipment	10	60,773,698.575	64,520,907
Investment property	11	-	55,000,000
Intangible assets	12	218,540	2,164,411
Investment in subsidiaries	13	76,986,247	76,986,247
Financial assets	14	2,000	2,000
Trade and other receivables	17	567,900,000	542,400,000
Deferred tax	24	824,324	530,565
		706704810	741,604,130
Current assets			
Assets classified as held-for-sale	15	41,500,000	-
Inventories	16	115,000,000	133,000,000
Trade and other receivables	17	250,839,627	226,509,293
Cash and cash equivalents	18	2,842,897	30,143,710
		410,182,524	389,653,003
Total assets		1,116,887,334	1,131,257,133
Current liabilities			
Trade and other payables	20	416,418,109	343,748,928
Deposit from sale of plots and units	20	28,497,287	7,494,940
Borrowings	21	6,428,580	6,863,367
Private placement bond	22	488,418,287	-
Current tax		2,628,864	1,247,066
		942,391,127	359,354,301
Net current (liabilities)/assets		(532,208,603)	30,298,702
Non-current liabilities			
Borrowings	21	7,388,962	12,060,267
Private placement bond	22	-	482,653,859
		7,388,962	494,714,126
Total liabilities		949,780,089	854,068,427
Net assets		167,107,245	277,188,706
EQUITY			
Share capital	25	405,255,320	405,255,320
Share premium	26	68,842,038	68,842,038
Accumulated deficit		(306,990,113)	(196,908,652)
Total equity		167107245	277188706

The financial statements on pages 34 to 71 were approved and authorised for issue by the Board of Directors on 26 April 2017 and were signed on its behalf by:

_______________ DIRECTOR _______________ DIRECTOR

The notes on pages 34 to 71 form an integral part of these financial statements.
Report of the independent auditor - pages 30 to 33.

Consolidated Statement of Changes in Equity

	Ordinary Share capital Shs	Share premium Shs	Retained earnings Shs	Total Shs	Non controlling interests Shs	Total equity Shs
Year ended 31 December 2015						
At start of year	405,255,320	68,842,038	(185,170,322)	288,927,036	59,455,433	348,382,469
Total comprehensive (loss) for the year	-	-	(367,646,022)	(367,646,022)	(22,445,314)	(390,091,336)
At end of year	405,255,320	68,842,038	(552,816,344)	(78,718,986)	37,010,119	(41,708,867)
Year ended 31 December 2016						
At start of year	405,255,320	68,842,038	(552,816,344)	(78,718,986)	37,010,119	(41,708,867)
Total comprehensive (loss) for the year	-	-	(156,079,195)	(156,079,195)	(12,379,166)	(168,458,361)
At end of year	405,255,320	68,842,038	(708,895,539)	(234,798,181)	24,630,953	(210,167,228)

The notes on pages 39 to 71 form an integral part of these financial statements.

Report of the independent auditor - pages 30 to 33.

Consolidated Statement of Cash flows

	Notes	2016 Shs	2015 Shs
Operating activities			
Cash from/(used in) operations	27	100,791,331	(416,095,806)
Interest paid		(115,545,257)	(132,719,425)
Tax paid		-	(2,594,227)
Net cash (used in) operating activities		(14,753,926)	(551,409,458)
Investing activities			
Cash paid for purchase of property and equipment	10	(71,700)	(21,438,345)
Additions to investment property	11	(5,167,024)	(12,528,840)
Cash paid for purchase of intangible assets	12	-	(596,123)
Proceeds from disposal of property and equipment		-	1,190,000
Interest received		5,193,853	6,553,979
Net cash (used in) investing activities		(44,871)	(26,819,329)
Financing activities			
Proceeds from:			
- private placement bond		-	204,056,513
- borrowings		66,563,214	173,077,489
- deposits for shares		-	1,506,250
Repayment:			
- borrowings		(73,671,363)	(59,933,039)
- finance lease		(727,913)	(2,875,333)
- deposits for shares		(13,869,999)	(1,980,000)
Net cash (used in) financing activities		(21,706,061)	313,851,880
(Decrease) in cash and cash equivalents		(36,504,858)	(264,376,907)
Movements in cash and cash equivalents			
At start of year		44,491,067	308,867,974
(Decrease)		(36,504,858)	(264,376,907)
At end of year	18	7,986,209	44,491,067

The notes on pages 39 to 71 form an integral part of these financial statements.
Report of the independent auditor - pages 30 to 33.

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 as indicated otherwise 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, capital management are set out in note 29 and 30 to the financial statements.

During the year ended 31 December 2016, the group recognised a net loss of Shs. 168 million (2015: Shs.390 million). The statement of financial position also indicates a deficiency in shareholders' funds of Shs.210 million (2015: Shs.42 million) and net current liabilities of Shs.770 million (2015: Shs.70 million).

The group has signed significant joint venture agreements in respect of its Migaa project with a globally recognised sporting and recreational facilities company which will undertake the final development of these facilities at the project. This in turn is expected to significantly enhance the sales potential of the remaining land and facilities at the project. The group has also successfully negotiated flexible payment terms with construction suppliers which has seen a significant increase in development activity in late 2016 that is expected to continue into 2017.

Whilst the company has to date met its key project milestones, significant development effort and financing is necessary at each of 3 projects over the course of the next 12 - 24 months to achieve overall delivery deadlines.

Notes (Continued)

1. Significant Accounting Policies (Continued)

a.) Basis of preparation (continued)

Going Concern (continued)

The group has substantial access to real estate inventory at each of its three projects, which if realized, would provide cash inflows significantly in excess of the cash outflow needs above. The group also secured mandate from its shareholders to raise further capital of up to Shs. 5 billion and is currently actively embarking on first phase capital raise of Shs. 1.5 billion to Shs. 2 billion. However, the achievement of sales and the success of the capital raise are dependent on a number of factors including factors such as the overall economic environment which are not in control of the management of the company. Therefore, this does represent a material uncertainty which may in the short term cast doubt about the entities ability to meet its cash flow needs.

The directors are however confident that the redeveloped strategy and new governance team will continue to deliver positively and will unlock the substantial sales and cash flow potential of the company's projects including delivering a successful capital raise exercise.

Based on the factors above and the group's risk management policies, the directors are of the opinion that the group remains well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the group

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements.

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:

- Amendments issued in January 2016 to IAS 7 ' Statement of Cash Flows' to improve information provided about an entity's changes in liabilities from financing activities through disclosure (as applicable) of: (i) changes from financing cash flows; (ii) changes from obtaining cash flows; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other charges. There amendments are effective for annual periods beginning on or after 1 January 2017.

- Amendments issued in January 2017 to IAS 12' Income Taxes' that are effective for annual periods beginning on or after 1 January 2017 clarify that unrealised losses on debt instruments that are carried at fair value give rise to a deductible temporary difference on which deferred tax arises where they are carried as cost for tax purposes.

- Amendments issued in June 2016 to IFRS 2 ' Share - based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.

- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

Notes (Continued)

1. Significant Accounting Policies (Continued)

a.) Basis of preparation (continued)

Going Concern (continued)

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The directors expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 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 entity 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes (Continued)

1. Significant Accounting Policies (Continued)

b) Key sources of estimation uncertainty (continued)

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, plant and equipment-Management reviews the useful lives and residual values of the items of property, plant 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 values to perform the valuation and provide inputs to the model issue.

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

Directors have made the following judgments that are considered to have the most significant effect on the amounts recognized 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 recognized 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.

Fair value of investment property - Fair value gains and losses on investment property are based are based on professional valuations performed by and 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 assess 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.

Notes (Continued)

1. Significant Accounting Policies (Continued)

d) Revenue recognition (continued)

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

i. Revenue from sale of land is recognized when the transaction with the buyer is substantially 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 the land. Remaining revenue relating to infrastructure construction is recognized using the percentage of completion method.

ii. Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

iii. Dividend income is recognized when the shareholders right to receive payment has been established

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 adjustments are made to financial statements of subsidiary to bring their accounting policies into line with the groups accounting policy.

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 recognized 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. 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	30.00
Office equipment	12.50
Computer equipment	12.50

Notes (Continued)

1. Significant Accounting Policies (Continued)

f) Property and equipment (continued)

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 that are not occupied substantially for own use. Land held with an undetermined future use is 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) above.

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.

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.

Notes (Continued)

1. Significant Accounting Policies (Continued)

i) Financial instruments (continued)

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 recognized 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.

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.

Notes (Continued)

1. Significant Accounting Policies (Continued)

i) Financial instruments (continued)

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 and deposits for such shares are classified as liabilities.

m) Share premium

Share premium represents the amount received by the company over the par value of the ordinary shares issued. Deposits received for ordinary and preference shares are also classified as liabilities. On allotment of ordinary shares, the amounts are reclassified to equity.

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.

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

Notes (Continued)

1. Significant Accounting Policies (Continued)

P) Accounting for leases (continued)

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.

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 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 to 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 is no single customer who represents more than 10% of the total group turnover (2015: Nil)

Notes (Continued)

3. Revenue

	Group	
	2016 Shs	2015 Shs
Revenue from sale of property	222,187,420	259,773,044

4. Other operating income

Rental income	7,944,656	6,621,061
Interest income	5,193,853	11,553,979
Other income	44,000	347,832
Gain on disposal of property and equipment	-	408,125
	13,182,509	18,930,997

5. Operating (loss)

	Group	
The following items have been charged in arriving at operating (loss):	2016 Shs	2015 Shs
Depreciation on property and equipment (Note 10)	7,484,954	7,505,240
Amortization of intangible assets (Note 12)	1,945,871	2,124,097
Auditors' remuneration		
- current year	3,580,000	3,580,000
- under provision in prior years	270,121	758,058
Directors' emoluments	4,721,428	45,852,500
Staff costs (Note 6)	79,953,589	83,776,047

6. Staff costs

	Group	
	2016 Shs	2015 Shs
Salaries and wages	71,129,267	78,287,665
Other staff costs	8,609,522	5,300,782
Pension costs:		
- National Social Security Fund	214,800	187,600
	79,953,589	83,776,047

7. Finance costs

Interest expense:		
- bank borrowings	75,351,119	72,001,392
- other borrowings	-	15,345,230
- private placement bond	41,048,314	39,344,792
- preference shares	4,860,000	5,787,288
- finance leases	50,251	240,723
	121,309,684	132,719,425

Notes (Continued)

8. Tax

Current tax	4,382,195	3,952,512
Over provision of current tax in prior years	(1,442,096)	-
Deferred tax credit (Note 24)	41,488,624)	(24,660,547)
Tax credit	(38,548,525)	(20,708,035)

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

(Loss) before tax	(207,006,886)	(410,799,371)
Tax calculated at a tax rate of 30% (2015: 30%)	(62,102,066)	(123,239,811)
Tax effect of:		
- income and expenses not taxable/allowable	(9,964,042)	11,532,255
- tax losses on which deferred tax has not been recognised	34,959,679	90,609,428
- (Over)/under provision in prior years	(1,442,096)	390,093
Tax credit	(38,548,525)	(20,708,035)

9. (Loss) per share

- *Basic*

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

	Group	
	2016 Shs	**2015 Shs**
Net (loss) attributable to shareholders	(156,079,195)	(367,646,022)
Weighted average number of ordinary shares	405,255,320	405,255,320
(Loss) per share - basic and diluted	(0.39)	(0.91)

Notes (Continued)

10. Property and equipment

Group

Year ended 31 December 2016	Building Shs	Tractor Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Cost							
At start of year	33,138,104	4,457,686	7,850,860	5,275,610	20,186,601	29,177,480	100,086,341
Additions	-	-	-	-	-	71,700	71,700
At end of year	33,138,104	4,457,686	7,850,860	5,275,610	20,186,601	29,249,180	100,158,041
Depreciation							
At start of year	5,490,014	3,369,383	5,401,338	3,870,540	6,798,449	6,508,945	31,438,668
Charge for the year	1,535,639	408,114	612,380	417,831	1,673,519	2,837,471	7,484,954
At end of year	7,025,653	3,777,497	6,013,718	4,288,371	8,471,968	9,346,416	38,923,622
Net book value	26,112,451	680,189	1,837,142	987,239	11,714,634	19,902,765	61,234,419

Year ended 31 December 2015	Building Shs	Tractor Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Cost							
At start of year	33,138,104	4,457,686	9,240,860	5,113,610	13,150,830	14,936,906	80,037,996
Disposal	-	-	(1,390,000)	-	-	-	(1,390,000)
Additions	-	-	-	-	7,035,771	14,240,574	21,438,345
At end of year	33,138,104	4,457,686	7,850,860	5,275,610	20,186,601	29,177,480	100,086,341
Depreciation							
At start of year	3,954,375	2,716,402	5,198,583	3,273,638	4,923,153	4,475,403	24,541,553
Disposal	-	-	(608,125)	-	-	-	(608,125)
Charge for the year	1,535,639	652,981	810,880	596,902	1,875,296	2,033,542	7,505,240
At end of year	5,490,014	3,369,383	5,401,338	3,870,540	6,798,449	6,508,945	31,438,668
Net book value	27,648,090	1,088,303	2,449,522	1,405,070	13,388,153	22,668,536	68,647,673

Notes (Continued)

10. Property and Equipment (continued)

Company

Year ended 31 December 2016

	Building Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Cost						
At start of year	56,994,527	3,594,860	3,344,495	16,330,513	4,840,766	85,105,161
Additions	-	-	-	-	60,700	60,700
At end of year	56,994,527	3,594,860	3,344,495	16,330,513	4,901,466	85,165,861
Depreciation						
At start of year	8,218,233	2,440,548	2,445,215	5,613,885	1,866,374	20,584,254
Charge for the year	1,535,639	288,578	269,784	1,339,579	374,328	3,807,908
At end of year	9,753,872	2,729,126	2,714,999	6,953,464	2,240,702	24,392,162
Net book value	47,240,655	865,734	629,497	9,377,049	2,660,764	60,773,699

Year ended 31 December 2015

	Building Shs	Motor vehicles Shs	Computer equipment Shs	Furniture and fittings Shs	Office equipment Shs	Total Shs
Cost						
At start of year	56,994,527	4,984,860	3,182,495	10,078,018	4,833,458	80,073,358
Disposal	-	(1,390,000)	-	-	-	(1,390,000)
Additions	-	-	162,000	6,252,495	7,308	6,421,803
At end of year	56,994,527	3,594,860	3,344,495	16,330,513	4,840,766	85,105,161
Depreciation						
At start of year	6,682,594	2,669,528	2,059,809	4,082,938	1,441,461	16,936,329
Disposal	-	(608,125)	-	-	-	(608,125)
Charge for the year	1,535,639	379,145	385,406	1,530,947	424,913	4,256,050
At end of year	8,218,233	2,440,548	2,445,215	5,613,885	1,866,374	20,584,254
Net book value	48,776,294	1,154,312	899,281	10,716,628	2,974,392	64,520,907

Buildings amounting to Shs. 47,240,655 have been pledged as security against borrowings as disclosed in Note 21 . All additions made during the year were made through cash payments.

Notes (Continued)

11. Investment Property

Group Year ended 31 December 2016	Buildings Shs	Land Shs	WIP Shs	Total Shs
At start of year	55,000,000	628,633,630	46,967,973	730,601,603
Additions	-	-	5,167,024	5,167,024
Fair value (loss)/gain	(13,500,000)	4,853,901	-	(8,646,099)
Transfers to Assets classified as held-for-sale	(41,500,000)	-	-	(41,500,000)
At end of year	-	633,487,531	52,134,997	685,622,528

Year ended 31 December 2015	Buildings Shs	Land Shs	WIP Shs	Total Shs
At start of year	55,000,000	602,017,848	34,439,133	691,456,981
Additions	-	-	12,528,840	12,528,840
Fair value gains	-	26,615,782	-	26,615,782
At end of year	55,000,000	628,633,630	46,967,973	730,601,603

	Company 2016 Shs	 2015 Shs
At start of year	55,000,000	55,000,000
Fair value loss	(13,500,000)	-
Transfers to Assets classified as held-for-sale	(41,500,000)	-
At end of year	-	55,000,000

The fair value of 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 Acumen 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 Group:	Level 1 Shs	Level 2 Shs	Level 3 Shs	Fair value Shs
Land held as investment property	-	-	685,622,528	685,622,528

Notes (Continued)

11. Investment Property (continued)

Level 3 valuation

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 43.16% as at 31 December 2016 (40.66% as at 31 December 2015). 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.

12. Intangible assets

Group

	Computer Software Shs	Website costs Shs	Total Shs
Year ended 31 December 2016			
Cost			
At start and end of year	5,896,580	1,183,800	7,080,380
Accumulated amortisation			
At start of year	3,732,169	1,183,800	4,915,969
Amortisation for the year	1,945,871	-	1,945,871
At end of year	5,678,040	1,183,800	6,861,840
Carrying amount	218,540	-	218,540

Year ended 31 December 2015	Computer Software Shs	Website costs Shs	Total Shs
Cost			
At start of year	5,300,457	1,183,800	6,484,257
Additions	596,123	-	596,123
At end of year	5,896,580	1,183,800	7,080,380
Accumulated amortisation			
At start of year	1,766,642	1,025,230	2,791,872
Amortisation for the year	1,965,527	158,570	2,124,097
At end of year	3,732,169	1,183,800	4,915,969
Carrying amount	2,164,411	-	2,164,411

Company	Computer software	
	2016 Shs	2015 Shs
Cost		
At start of year	5,896,580	5,300,457
Additions	-	596,123
At end of year	5,896,580	5,896,580
Amortisation		
At start of year	3,732,169	1,766,642
Amortisation for the year	1,945,871	1,965,527
At end of year	5,678,040	3,732,169
Net book value	218,540	2,164,411

Notes (Continued)

13. Investment in Subsidiaries

Company

Name	Country of incorporation	Holding 2016	Holding 2015	Company 2016 Shs	Company 2015 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%	100,000	100,000
Home Afrika Communities Limited	Kenya	60%	60%	2,100,000	2,100,000
Migaa Management Limited	Kenya	52%	52%	52,000	52,000
				76,986,247	76,986,247

The composition of the group is as follows:

Name	Country of incorporation	Proportion of ownership interest 2016	Proportion of ownership interest 2015	Proportion owned via subsidiary companies 2016	Proportion owned via subsidiary companies 2015	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%	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

Notes (Continued)

13. Investment 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 power 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	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Current assets	1,248,684,343	1,396,568,992	93,292,185	92,082,354	933,119,675	932,771,140
Non-current assets	729,874,947	693,225,166	814,094	969,833	28,126	40,180
Current liabilities	(1,382,997,114)	(1,362,636,901)	(137,721,044)	(138,431,892)	(1,147,107,605)	(1,045,735,248)
Non-current liabilities	(400,816,717)	(456,615,326)	-	-	-	-
Equity attributable to owners of the company	80,056,627	164,208,685	860,961	(1,151,333)	(196,163,195)	(96,733,530)
Non-controlling interests	91,594,994	104,183,530	(44,575,724)	(46,328,372)	(17,896,609)	(16,290,398)

Notes (Continued)

13. Investment in Subsidiaries (continued)

Summarized Financial Information (continued)

Summarised financial information (continued)

	Home Afrika Communities Limited		Suburban Limited		Moru Ridge Limited	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Revenue	81,666,240	263,191,910	8,326,166	3,328,800	-	-
Expenses	(178,406,833)	(343,423,464)	(1,838,917)	(7,270,566)	(101,035,876)	(68,035,004)
Profit or (loss) for the year	(96,740,593)	(80,231,554)	6,487,249	(3,941,766)	(101,035,876)	(68,035,004)
Profit or (loss) attributable to owners of the company	(84,152,057)	(63,066,366)	4,734,602	(1,970,883)	(99,429,665)	(65,439,052)
Profit or loss attributable to the non-controlling interests	(12,588,536)	(17,165,189)	1,752,647	(1,970,883)	(1,606,211)	(2,595,952)
Net cash (out)/in flow from operating activities	(9,049,942)	(242,244,542)	(18,340)	(1,149,086)	(44,464,805)	(175,670,408)
Net cash (out) flow from investing activities	(5,178,024)	(26,720,616)	-	-	-	-
Net cash in/(out) flow from financing activities	12,856,877	269,224,868	-	-	41,063,214	173,077,489
Net cash (out)/in flow	(1,371,089)	259,710	(18,340)	(1,149,086)	(3,401,591)	(2,592,919)

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.

Notes (Continued)

14. Financial Assets

Available-for-sale	Incorporation		2016 Shs	2015 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.

15. Assets Classified as Held-For-Sale

Assets classified as held-for-sale	Group and company	
	2016 Shs	2015 Shs
Transfers from investment property	41,500,000	-

Building previous held as investment property has been classified as held for sale after it was put up for sale on 14 November 2016. The building has subsequent to the year end been sold for the carrying amount above.

16. Inventories

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Plots held for sale	286,827,708	258,475,310	115,000,000	133,000,000
Units held for sale	532,214,272	14,646,558	-	-
Work in progress	2,249,254,711	2,637,163,707	-	-
	3,068,296,691	2,910,285,575	115,000,000	133,000,000

Inventory with a cost amounting to Shs. 106,878,163 have been pledged as security against preference shares as disclosed in Note 23. Inventory with a cost amounting to Shs. 36,405,588 have been pledged as security against private placement bond as disclosed in Note 22.

17. Trade and other Receivables

Trade and other receivables	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Non current				
Receivables from related parties (Note 28(iv))	-	-	567,900,000	542,400,000
Current				
Trade receivables	25,098,126	27,011,211	1,098,126	611,221
Less: impairment provision	(24,000,000)	(25,000,000)	-	-
Net trade receivables	1,098,126	2,011,211	1,098,126	611,221
Other receivables	2,691,165	24,317,440	175,808	873,208

Deposits and prepayments	32,677,839	111,785,260	2,500,529	1,437,454
Less: impairment provision	-	(78,884,000)	-	-
Shareholders account	500,000	500,000	-	-
Receivables from related parties (Note 28(iv))	28,183,266	30,146,853	247,065,164	223,587,410
Less: impairment provision	-	(5,735,500)	-	-
	65,150,396	84,141,264	250,839,627	226,509,293
	65,150,396	84,141,264	818,739,627	768,909,293

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 receivables from related parties. The directors are of the opinion that the company's exposure is limited because the debt is widely held.

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

Trade receivables that are aged past 90 days are considered past due.

Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations.

The other classes within trade and other receivables do not contain impaired assets.

18. Cash and Cash Equivalents

Cash and cash equivalents	**Group**		**Company**	
	2016 Shs	**2015 Shs**	**2016 Shs**	**2015 Shs**
Cash at bank and in hand	7,986,209	41,473,170	2,842,897	30,143,710
Short term bank deposits	-	25,000,000	-	-
	7,986,209	66,473,170	2,842,897	30,143,710

For the purpose of the statement cash flow, the year end cash and cash equivalents comprise the following:

	Group		**Company**	
	2016 Shs	**2015 Shs**	**2016 Shs**	**2015 Shs**
Cash and bank balances	7,986,209	66,473,170	2,842,897	30,143,710
Bank overdraft (Note 12)	-	(21,982,103)	-	-
	7,986,209	44,491,067	2,842,897	30,143,710

Short term bank deposits amounting to Shs. 25,000,000 were placed under lien as a collateral for an equivalent amount of bank overdraft.

The company's cash and bank balances are held with a major Kenyan financial institution 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.

19. Deferred income

	Group	
	2016 Shs	2015 Shs
Deferred income	919,126,518	871,659,513

Deferred income represents unrecognised revenue on account of ongoing construction

20. Trade and other payables

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Current				
Trade payables	182,390,040	269,618,646	17,300,311	12,620,479
Accruals	262,275,680	158,419,155	93,402,394	30,252,775
Deposit for service charge and shares	17,290,000	16,216,248	-	-
Other payables	86,947,092	34,254,131	71,250,872	29,583,288
Payable to related parties (Note 28(iv))	99,099,095	118,255,232	234,464,532	271,292,386
	648,001,907	596,763,412	416,418,109	343,748,928
Deposit from sale of plots and units	1,096,076,016	883,597,915	28,497,287	7,494,940
Total trade and other payables	1,744,077,923	1,480,361,327	444,915,396	351,243,868

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 2016	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	9,630,592	78,297,699	94,461,749	182,390,040
Accruals	67,321,404	83,151,572	111,802,704	262,275,680
Deposit from sale of plots and units	-	94,280,205	1,001,795,811	1,096,076,016
Deposit for service charge and shares	-	2,452,720	14,837,280	17,290,000
Other payables	-	14,637,799	72,309,293	86,947,092
Payable to related parties (Note 28(iv))	11,312,382	-	87,786,713	99,099,095
	88,264,378	272,819,995	1,382,993,550	1,744,077,923

Year ended 31 December 2015

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Accruals	40,663,320	50,225,022	67,530,813	158,419,155
Deposit from sale of plots and units	-	76,003,663	786,444,252	883,597,915
Deposit for service charge and shares	-	2,300,400	13,915,848	16,216,248
Other payables	-	5,766,784	28,487,347	34,254,131
Payable to related parties (Note 28(iv))	13,499,098	-	104,756,134	118,255,232
	89,548,871	250,039,687	1,140,772,769	1,480,361,327

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

Year ended 31 December 2016

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	9,992,646	6,216,100	1,091,565	17,300,311
Accruals	11,346,192	29,211,363	52,844,839	93,402,394
Deposit from sale of plots	3,802,203	24,695,084	-	28,497,287
Other payables	-	6,321,427	64,929,445	71,250,872
Payable to related parties (Note 28(iv))	-	-	234,464,532	234,464,532
	25,141,041	66,443,974	353,330,381	444,915,396

Year ended 31 December 2015

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	7,289,579	4,534,610	796,290	12,620,479
Accruals	3,675,000	9,461,479	17,116,296	30,252,775
Deposit from sale of plots	1,000,000	6,494,940	-	7,494,940
Other payables	-	2,624,650	26,958,638	29,583,288
Payable to related parties (Note 28(iv))	2,436,598	-	268,855,788	271,292,386
	14,401,177	23,115,679	313,727,012	351,243,868

Notes (Continued)

21. Borrowings

The borrowings are made up as follows:	Group 2016 Shs	Group 2015 Shs	Company 2016 Shs	Company 2015 Shs
Non-current				
Bank loans	7,388,962	12,060,267	7,388,962	12,060,267
Current				
Bank loans	679,706,916	682,143,760	6,428,580	6,428,580
Finance leases	-	727,913	-	434,787
Bank overdraft	-	21,982,103	-	-
	679,706,916	704,853,776	6,428,580	6,863,367
	687,095,878	716,914,043	13,817,542	18,923,634

The borrowings are secured by the following:

(i) I & M Bank Limited

- 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 of 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 S03 on L.R. No. 29059, Nairobi registered in the name of Mitini Scapes Development Limited.

(ii) Eco Bank Kenya Limited

- Legal charge of Shs. 400,000,000 over property known as unit No. MO014 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.
- First loss payee in respect of all insurance proceeds payable to the company under an all risk insurance policy for the assets charged as security as well as any proceeds payable under the all risk contractor's policy taken out by the company in connection with the construction.

Notes (Continued)

21. Borrowings (continued)

Weighted average effective interest rates at the reporting date were:		Group		Company
	2016	**2015**	**2016**	**2015**
	Shs	**Shs**	**Shs**	**Shs**
Bank borrowings	19.5%	18.9%	18.8%	18.0%
Finance lease liabilities	-	19.5%	-	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.

Maturity based on the repayment structure of non-current borrowings (excluding finance lease liabilities and shareholders loan) is as follows:		Group		Company
	2016	**2015**	**2016**	**2015**
	Shs	**Shs**	**Shs**	**Shs**
Between 1 and 2 years	7,388,962	5,631,687	7,388,962	11,250,015
Between 2 and 5 years	-	6,428,580	-	810,252
	7,388,962	12,060,267	7,388,962	12,060,267

Undrawn facilities as at the reporting date were as follows:		Group
	2016	**2015**
	Shs	**Shs**
Bank borrowings	-	117,769,796

Gross finance lease liabilities - minimum lease payments		Group	Company	
	2016	**2015**	**2016**	**2015**
	Shs	**Shs**	**Shs**	**Shs**
Not later than 1 year		832,162		534,360
Later than 1 year and not later than 5 years	-	-	-	-
Total gross finance leases	-	832,162	-	534,360
Future interest expense on finance leases	-	(104,249)	-	(99,573)
Present value of finance leases	-	727,913	-	434,787
Present value of finance leases - minimum lease payments				
Not later than 1 year	-	727,913	-	434,787
Later than 1 year and not later than 5 years	-	-	-	-
	-	727,913	-	434,787

Notes (Continued)

22. Private Placement Bond

	Group and company	
	2016	**2015**
Non-Current	**Shs**	**Shs**
Bond	-	482,653,859
Current		
Bond	488,418,287	-
Total	488,418,287	482,653,859

	Group and company	
	2016	**2015**
	Shs	**Shs**
Bond	500,000,000	500,000,000
Expenses attributable to the issuing of the bond	(11,581,713)	(17,346,141)
	488,418,287	482,653,859

In 2014, the company raised Shs. 500,000,000 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 any time after 18 December 2017 by the issuer in whole or in part on any interest payment date on provision of a notice 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.

23. Deposit for Shares

	Group	
	2016	**2015**
Non current	**Shs**	**Shs**
- Deposits for preference shares pending issue	3,050,000	59,583,332
- Deposits for ordinary shares pending allotment	93,203,550	94,203,550
	96,253,550	153,786,882
Current		
- Deposits for preference shares pending issue	111,334,998	67,671,665
	207,588,548	221,458,547

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 shall be 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 ordinaryshares in repayment.
- The preference shares are secured by a first legal charge over property unit L.R. No. 29059 PDS W01 (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 intends to issue preference shares at a subscription price of Shs. 500,000 each.
- The tenure of the preference shares shall be 3 years with the right to receive cumulative 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.

24. Deferred Tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2015: 30%). The movement on the deferred tax account is as follows:

	Group	
	2016 Shs	2015 Shs
At start of year	124,919,085	149,579,632
Charge to profit or loss (Note 8)	(41,488,624)	(24,660,547)
At end of year	83,430,461	124,919,085

Group

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

Notes (Continued)

24. Deferred Tax (continued)

	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	167,267,026	1,456,170	168,723,196
Deferred tax assets			
Property and equipment	(1,176,577)	(246,195)	(1,422,772)
Tax losses carried forward	(41,171,364)	(42,698,599)	(83,869,963)
	(42,347,941)	(42,944,794)	(85,292,735)
Net deferred tax liability	124,919,085	(41,488,624)	83,430,461

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. 166,709,482 (2015: Shs. 131,749,803) in respect of tax losses carried forward amounting to Shs. 555,698,274 (2015: Shs. 370,282,020) that can be carried forward against future taxable profits have not been recognised. These tax losses expire as follows:

	Shs	Expiry
- tax losses arising in 2012	16,205,533	31 December 2021
- tax losses arising in 2013	85,589,927	31 December 2022
- tax losses arising in 2014	35,339,120	31 December 2023
- tax losses arising in 2015	302,031,430	31 December 2024
- tax losses arising in 2016	116,532,264	31 December 2025

	Company 2016 Shs	Company 2015 Shs
At start of year	(530,565)	(124,033)
Credit to profit or loss	(293,759)	(406,532)
At end of year	(824,324)	(530,565)

Deferred tax (assets)	At start of year Shs	(Credit) to profit or loss Shs	At end of year Shs
Property and equipment	(82,737)	(63,794)	(146,531)
Intangible assets	(447,828)	(229,965)	(677,793)
	(530,565)	(293,759)	(824,324)

24. Deferred Tax (continued)

Deferred tax assets amounting to Shs. 73,681,011 (2015: Shs. 51,111,819) in respect of tax losses carried froward amounting to Shs. 245,603,371 (2015: Shs. 170,372,728) that can be carried forward against future taxable profits have not been recognised as there is no certainty of recoverability of such losses. These tax losses expire as follows:

	Shs	Expiry
- tax losses arising in 2014	56,993,897	31 December 2023
- tax losses arising in 2015	113,378,831	31 December 2024
- tax losses arising in 2016	75,230,643	31 December 2025

25. Share capital

	Group and company	
	2016	2015
	Shs	Shs
Authorised:		
500,000,000 (2015:500,000,000) ordinary shares of shs. 1 (2015: Shs. 1) each	500,000,000	500,000,000
Issued and fully paid:		
405,255,320 (2015: 405,255,320) ordinary shares of Shs. 1 (2015: shs.1) each	405,255,320	405,255,320

26. Share Premium

	Group and company	
	2016	2015
	Shs	Shs
At start and end of the year	68,842,038	68,842,038

27. Cash (used in) operations

	Group	
	2016	2015
Reconciliation of (loss) before tax to cash from/(used in) operations:	Shs	Shs
(Loss) before tax	(207,006,886)	(410,799,371)
Adjustments for:		
Depreciation on property and equipment (Note 10)	7,484,954	7,505,240
Amortization intangible assets (Note 12)	1,945,871	2,124,097
Fair value (gain) on investment property	8,646,099	(26,615,782)
Interest expense (Note 7)	121,309,684	132,719,425
Gain on disposal of property and equipment	-	(408,125)
Interest income (Note 4)	(5,193,853)	(6,553,979)
Changes in working capital:		
- inventories	(158,011,116)	(428,628,572)
- trade and other receivables	18,990,868	93,322,025
- trade and other payables	265,158,705	61,054,342
- deferred income	47,467,005	160,184,894
Cash from/(used in) operations	100,791,331	(416,095,806)

28. Related Party Transactions and Balances

The nature of related parties is through common directorship and shareholding.

The following transactions were carried out with related parties:

i. Key management personnel compensation

	Group		Company	
	2016	2015	2016	2015
	Shs	Shs	Shs	Shs
Short term employee benefits	37,579,010	86,672,508	34,507,582	49,880,158

ii. Outstanding balances arising from payments to/received from related parties

	Group		Company	
	2016	2015	2016	2015
	Shs	Shs	Shs	Shs
Receivable from related parties (Note 23)	28,183,266	30,146,853	814,965,164	765,987,410

Receivables from related parties can be analysed as follows:

Subsidiaries	-	-	812,510,525	763,936,106
Other related parties - minority interests	28,183,266	30,146,853	2,454,639	2,051,304
	28,183,266	30,146,853	814,965,164	765,987,410

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

	Group		Company	
	2016	2015	2016	2015
	Shs	Shs	Shs	Shs
Payable to related parties (Note 26)	99,099,095	118,255,232	234,464,532	271,292,386
Payables from related parties can be analysed as follows:				
- Subsidiaries	-	-	231,404,601	246,909,197
- Other related parties e.g. Directors, shareholders	99,099,095	118,255,323	3,059,931	24,383,189
	99,099,095	118,255,323	234,464,532	271,292,386

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.

As at 31 December 2015, if interest rates at that date had been 1 percentage point lower with all other variables held constant, post-tax loss for the year would have been Shs. 6,870,958 (2015: 3,895,748) lower, arising mainly as a result of lower interest expense on variable rate borrowings. The effect would be the opposite were interest rates to be 1% higher. 1% represents the maximum expected change in rates.

(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 21 and 20 disclose the maturity analysis of borrowings and trade and other payables respectively.

The following table details the group's remaining contractual maturity for its non-derivative 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 pay.

Notes (Continued)

29. Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

Group

Year ended 31 December 2016

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	19.5%	812,249,765	8,829,810	-	821,079,575
- Private placement bond	17.0%	500,000,000	-	-	500,000,000
- Bank overdrafts	19.5%	0		-	0
Non-interest bearing liabilities					
- Deposit for shares	-	111,334,998	96,253,550	-	207,588,548
- Trade and other payables	-	1,744,077,923	-	-	1,744,077,923
		3,167,662,686	105,083,360	-	3,272,746,046

Year ended 31 December 2015

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	18.9%	811,068,931	14,339,657	-	825,408,588
- Private placement bond	17.0%	340,000,000	500,000,000	-	840,000,000
- Finance leases	19.5%	869,856	-	-	869,856
- Bank overdrafts	19.5%	21,982,103	-	-	21,982,103
Non-interest bearing liabilities					0
- Deposit for shares	-	67,671,665	153,786,882	-	221,458,547
- Trade and other payables	-	1,480,361,327	-	-	1,480,361,327
		2,721,953,882	668,126,539	-	3,390,080,421

Company

Year ended 31 December 2016

	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities					
- Bank loans	19.5%	7,682,153	8,829,810	-	16,511,963
- Corporate bond	17.0%	500,000,000	-	-	500,000,000
Non-interest bearing liabilities				-	
- Trade and other payables		444,915,396	-	-	444,915,396
		952,597,549	8,829,810	-	961,427,359

29. Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

Year ended 31 December 2015

	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	14,231,115	-	21,816,839
- Corporate bond	17.0%	340,000,000	500,000,000	-	840,000,000
- Finance leases	21.6%	528,701	-	-	528,701
Non-interest bearing liabilities					
- Trade and other payables	-	351,243,868	-	-	351,243,868
		699,358,293	514,231,115	-	1,213,589,408

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; and
- to maintain a strong asset base to support the development of business.
- 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). Due to accumulated losses, the group is entirely funded by its lenders.

31. Contingent Liabilities

The group is in receipt of certain claims for damages and other remuneration from former employees. Amounts payable based on agreement entered into with the former employees as of the date of approval of these financial statements have been provided for where material. Disputed amounts have not been provided for as the company does not believe that these are payable based on legal and other advice received. It is not possible to predict with certainty any further amounts that may be payable following completion of the ongoing discussions in this regard.

Home Afrika Communities Limited (a subsidiary) received preliminary claims from the Kenya Revenue Authority. The company has disputed the assessment and lodged a formal objection through their tax consultant. There has been no further development in this regard. No provision for this has been recognised in these financial statements based on defences available against such claims. It is not possible to determine with certainty the amounts that may be payable.

32. Incorporation

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

33. Presentation Currency

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

Company Statement of Profit or Loss and Other Comprehensive Income

	2016 Shs	2015 Shs
Revenue	80,000,000	21,000,000
Cost of sales	(18,000,000)	(3,000,000)
Gross profit	62,000,000	18,000,000
Fair value loss	(13,500,000)	-
Other operating income	4,605,990	7,565,011
Selling and distribution	(5,182,301)	(3,644,036)
Administrative expenses	(103,181,425)	(87,575,936)
Other operating expenses	(9,190,511)	(11,556,200)
Operating (loss)	(64,448,247)	(77,211,161)
Finance costs	(44,545,174)	(39,508,900)
(Loss) before tax	(108,993,421)	(116,720,061)
Tax (charge)	(1,088,038)	(840,534)
(Loss) for the year	(110,081,459)	(117,560,595)
Total comprehensive (loss) for the year	(110,081,459)	(117,560,595)
(Loss) per share		
- Basic	(0.27)	(0.29)

Schedule of Expenditure

1. SELLING AND DISTRIBUTION EXPENSES	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Marketing fees	5,062,354	14,682,573	2,327,124	3,180,376
Commissions	13,092,645	7,073,376	925,000	210,000
Advertising and sales promotion	1,732,366	8,806,090	1,930,177	253,660
Total selling and distribution expenses	19,887,365	30,562,039	5,182,301	3,644,036
2. ADMINISTRATIVE EXPENSES				
Employment:				
Salaries and wages	71,344,067	78,475,265	36,146,387	41,956,789
Medical	5,519,962	3,541,108	2,872,263	1,509,674
Staff training and welfare	3,089,560	1,759,674	461,900	287,600
Total employment costs	79,953,589	83,776,047	39,480,550	43,754,063
Other administrative expenses:				
Directors and Committee allowance	4,721,428	45,852,500	1,650,000	19,560,000
(Reversal)/additional provision for doubtful debts	(63,900,000)	109,619,500	-	-
Meetings expenses	2,487,642	902,936	2,459,270	902,936
Legal and professional fees	65,918,814	34,377,625	54,996,342	16,823,684
Vehicle running	834,460	923,009	343,030	451,872
Office expenses	1,925,370	2,835,679	874,503	737,891
Postages and telephones	1,662,246	1,804,308	1,637,036	1,742,978
Audit fees				
- current year	3,580,000	3,580,000	600,000	600,000
- under provision in prior years	270,121	758,058	-	344,580
Travelling and accommodation	239,886	1,977,187	38,950	348,954
Donations	823,478	421,530	323,478	-
Computer expenses	753,937	1,024,456	130,100	433,565
Printing and stationery	164,224	1,995,060	14,800	1,520,333
Bank charges and commissions	488,329	671,741	158,786	112,320
Secretarial fees	552,880	242,760	474,580	242,760
Total other administrative expenses	20,522,815	206,986,349	63,700,875	43,821,873
Total administrative expenses	100,476,404	290,762,396	103,181,425	87,575,936

3. OTHER OPERATING EXPENSES

Establishment:				
Depreciation on property and equipment	7,484,954	7,505,240	3,807,908	4,256,050
Repairs and maintenance	2,314,068	613,042	12,350	277,042
Service charge	1,234,620	2,384,171	1,234,620	2,384,171
Insurance	1,966,644	2,280,284	1,115,501	1,775,170
Security	12,335,821	9,957,554	-	-
Amortization intangible asset	1,945,871	2,124,097	1,945,871	1,965,527
Electricity	2,264,134	2,289,996	488,761	532,040
Rent	835,700	896,231	-	-
Licence and subscriptions	1,397,342	531,300	585,500	366,200
Total other operating expenses	31,779,154	28,581,915	9,190,511	11,556,200

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 15th day of June 2017, and at any adjournment thereof.

As witness my/our hand this ______________day of ________________________ 2017.

Sign: Member __________________________

Proxy ________________________________

Notes

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 at info@homeafrika.com or 5th floor Morningside office Park, Ngong Road, not later than Five (5) days before the time of holding the meeting or adjourned meeting.

HOME AFRIKA

Houses Become Homes

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