# INTEGRATED
## ANNUAL REPORT AND FINANCIAL STATEMENT
# 2017

HOME AFRIKA


Asia
Europe
Africa
America
100
75
50
25
0
April
May
June
July
America
France
Japan
Germany
29%
78
July

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# ABOUT THIS REPORT

Home Afrika Group, in 2017 began this exciting journey of Integrated reporting.

Home Afrika Limited is pleased to present its 2017 Integrated Report. The Group began this exciting Integrated Reporting journey in 2017 and this is the maiden report. The Group views integrated reporting as a means of communicating with its stakeholders and providing insight into the Group's governance, strategy, and performance and future prospects.

## SCOPE AND BASIS FOR PREPARATION AND PRESENTATION FRAMEWORKS

This Integrated report has been prepared for the period 1 January 2017 to 31 December 2017 and covers the activities of the company and its subsidiary companies. It has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework (<IR> Framework). Home Afrika has applied the principles contained in the IFRS, Companies Act, Capital Market Authority (CMA) Code of Corporate Governance, and the Nairobi Securities Exchange (NSE) listing requirements.

The report consciously communicates how Home Afrika's strategy, governance, performance and prospects lead to value creation for our stakeholders and Investors over the short, medium and long term.

## TARGET AUDIENCE AND MATERIALITY

This report is prepared principally for our current and prospective investors to support their capital allocation assessments. The report is also relevant for any other stakeholder who has an interest in our performance and prospects.This report focuses on material matters that affect our ability to create and sustain value and deliver on our strategy.

Material matters are those factors that have the most impact on our ability to create value. They have an impact on our performance and relationships with our stakeholders. These matters influence the strategic approach adopted in steering the group in the short, medium and long term.

## BOARD RESPONSIBILITY

The Board of director confirms their responsibility to ensure the integrity of the report. In their opinion, this report provides true position of the group activities, material issues and performance.

2017 Integrated Annual Report and Group Financial statements were approved by the Board of Directors on the 28th April 2018

## ASSURANCE

The Annual Financial Statements for the year ended December 31, 2017 were audited by PKF

*Certain statements in this report may constitute 'forward-looking statements'. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Home Afrika Limited and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the Group's auditors.*


Mitini Villas

# 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

Equity Bank
NAIROBI

Eco Bank Kenya Limited

NIC Bank Limited
NAIROBI

## LEGAL ADVISORS

Muriu Mungai & Company Advocates.
NAIROBI.

Wainaina Ireri & Co Advocates
NAIROBI

Robson Harris & Co Advocates
NAIROBI

## COMPANY SECRETARY

Violet Kimotho (Deceased Dec. 2017)
Madren Oluoch-Olunya

## SUBSIDIARIES

SMART PLOTS LTD
CREATING HOME OPPORTUNITIES

MITINI SCAPES
Capture the dream

MIGAA

KIKWETU

Lakeview Heights

Llango

SUBURBAN LIMITED

Migaa Golf Course

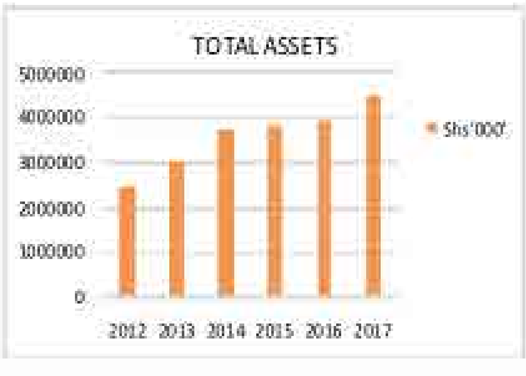
# OUR PURPOSE AND VALUES

**MISSION**
To address the housing need in Africa

**VISION**
To be the leader in the provision of dignified planned communities across Africa

**SLOGAN**
Houses Become Homes

# PERFORMANCE REVIEW







## Core Values:

The Company's business development, internal interactions as employees and external interactions are driven and defined by our core values. These are :


### Passion

Passion for the job is every employee's emotional connection to their duties and their individual commitment to fulfilling their respective clients' needs.

Passion for the organization is the employee's and company leadership's collective commitment to fulfilling the company's vision for success.

Passion is a tenant of the Company's core values because it encourages the employees to remain committed to their work and to own their respective duties while serving internal and external clients.

### Respect

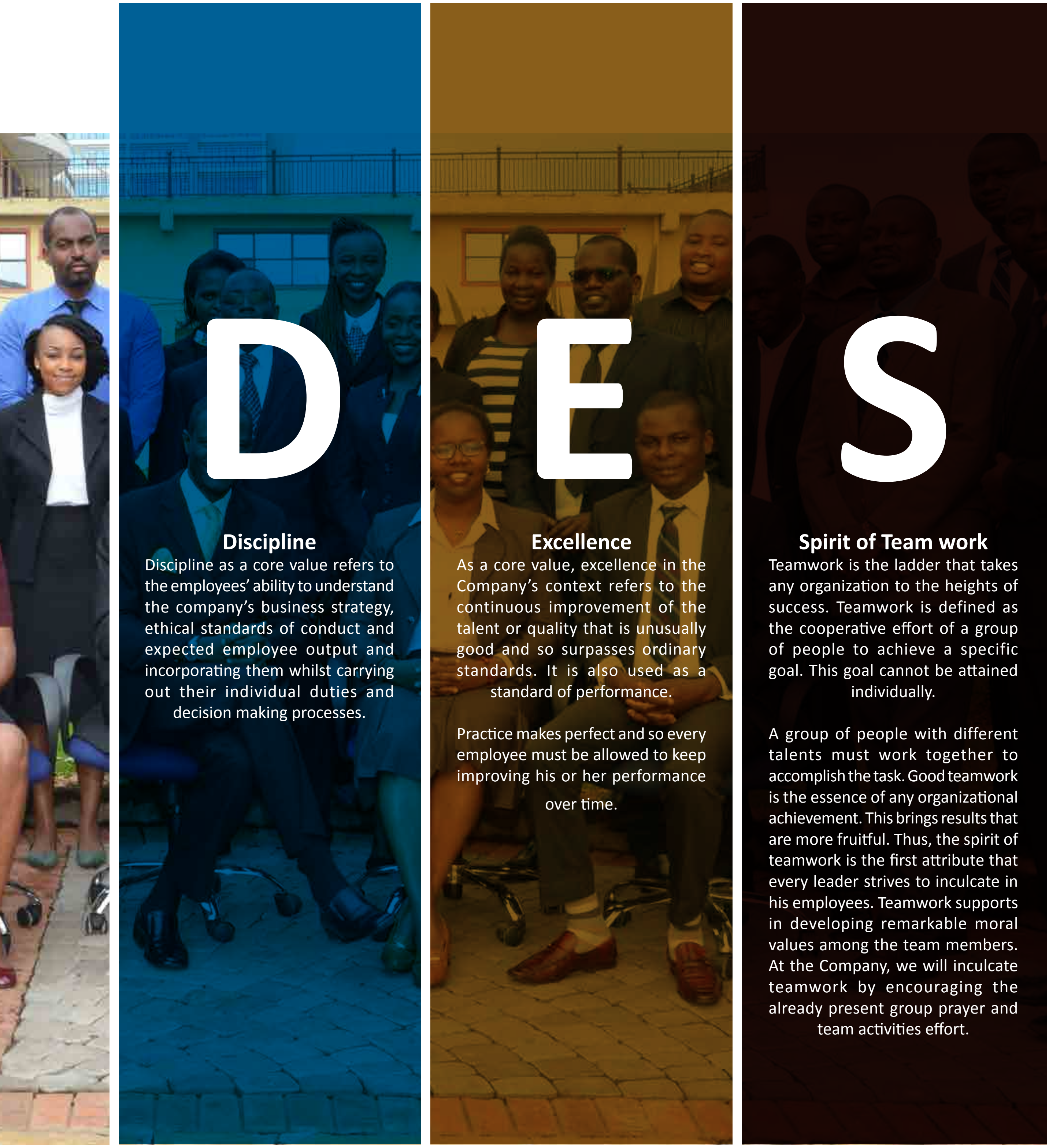
Respect as a company value in this instance refers to the ability to consider other people in work related interactions. The platinum rule regarding respect is if an employee requires it from others, they must also be respectful.

The Company currently has a diverse client base and its interactions with them are defined by non-discrimination in all its forms and dignity of all persons. Respect amongst employees and the Company's leadership means consideration of their privacy, physical space and belongings; different viewpoints, philosophies, physical ability, beliefs and personality.

### Innovation

Innovation is the development of new values through solutions that meet new requirements, inarticulate needs, or old customer and market needs, in value adding new ways.

The Company remains committed to discussing and implementing employees' ideas for more effective policies, processes and methodologies. Employees are encouraged to engage their creative selves and contribute to the improvement of service delivery to internal and external clients.



## Discipline

Discipline as a core value refers to the employees' ability to understand the company's business strategy, ethical standards of conduct and expected employee output and incorporating them whilst carrying out their individual duties and decision making processes.

## Excellence

As a core value, excellence in the Company's context refers to the continuous improvement of the talent or quality that is unusually good and so surpasses ordinary standards. It is also used as a standard of performance.

Practice makes perfect and so every employee must be allowed to keep improving his or her performance over time.

## Spirit of Team work

Teamwork is the ladder that takes any organization to the heights of success. Teamwork is defined as the cooperative effort of a group of people to achieve a specific goal. This goal cannot be attained individually.

A group of people with different talents must work together to accomplish the task. Good teamwork is the essence of any organizational achievement. This brings results that are more fruitful. Thus, the spirit of teamwork is the first attribute that every leader strives to inculcate in his employees. Teamwork supports in developing remarkable moral values among the team members. At the Company, we will inculcate teamwork by encouraging the already present group prayer and team activities effort.

# HISTORY AND BACKGROUND OF HOME AFRIKA

Home Afrika is a publicly quoted Real Estate company incorporated in 2008 and founded on a mission to address the housing need in Africa.

Home Afrika was listed on the Growth Enterprise Market Segment (GEMS) of the Nairobi Securities Exchange (NSE) in July 2013.

Home Afrika Limited seeks to create communities around Africa by providing quality, sustainable and affordable housing.

## Key Milestones over the years: -

**2008:**
In July 2008, the company is registered under the name Home Afrika Limited, with a capital outlay of Ksh. 200 Million and 128 shareholders

**2010:**
Home Afrika Limited is invited to partner in the Migaa Development Project set to be the largest gated community in kenya.

**2013:**
Home Afrika Limited lists on the Growth Enterprise Market Segment of the NSE

**2009:**
Home Afrika Limited gets its first major project, Morningside Office Park at a cost of Ksh. 1 Billion set to be completed in 2010.

**2011 – 2012:**
Home Afrika Limited initiates two new projects including Lakeview Heights in Kisumu County and Llango in Kwale County

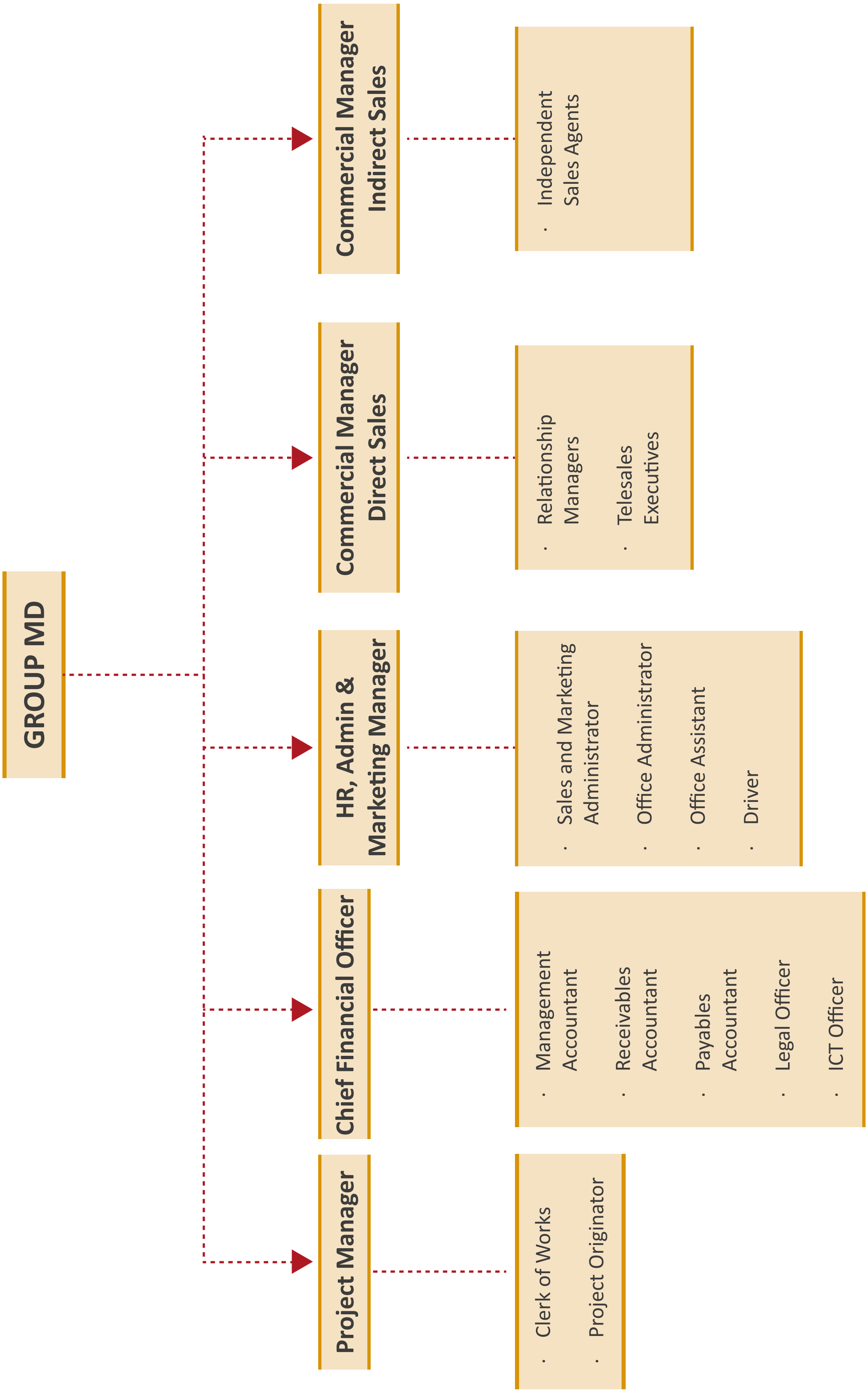
We follow the principle of long term positive societal impact, creating synergies in our partnerships, integrity, fairness and discipline.

Our goal is to meet the huge demand for housing in Kenya and the rest of Africa.

**2015 - 2018:**
Home Afrika Limited embarks on a restructuring process aimed at strengthening institutional capacity, utilizing a focused results based business model, and growing shareholder value.

**2014:**
Home Afrika Rebrands as it positions to roll out new developments over the next five years.

# ORGANIZATIONAL STRUCTURE

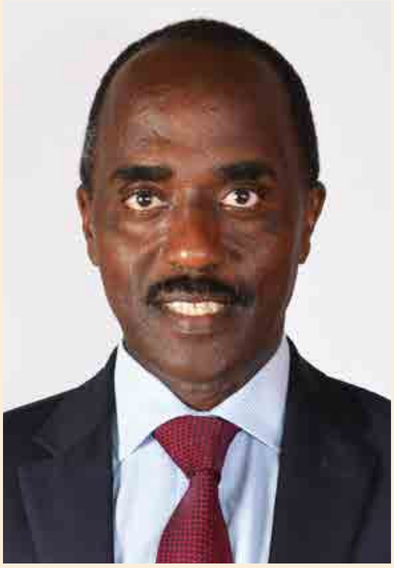


# DIRECTORS PROFILES

## Linus Gitahi

**Chairman**

**Years in Industry: 25+**



**Education**

- Master of Business Administration(MBA)-United States International University
- Bachelors of Commerce –University of Nairobi
- Post-graduate Diploma-Kenya Institute of Management

**Industry**

Business management, strategy and financial advisory

**Summary Experience**

Mr. Gitahi is a seasoned corporate executive who most recently served as Group CEO of Nation Media Group, the biggest media firm in East and Central Africa from November 2006 to June 2015. He joined Nation Media Group after a long career as a senior executive with pharmaceutical giant GlaxoSmithKline in East and West Africa, the Middle East and Europe. He was the Managing Director of GlaxoSmithKline for West Africa from 2003 and prior to this position worked as the GM of Consumer Healthcare for East Africa and the Indian Ocean Islands.

Before GSK Linus was the head of African Consumer Marketing where he also held other positions within marketing. Throughout his longstanding career Mr. Gitahi has served in numerous board positions including being the national chairman of the Federation of Kenya Employers (FKE) Board, Director of Equity Bank Limited , Trustee of Street Families Rehabilitation, Board Member of Africa Media Initiative and Board Director of Property Development Management (PDM).

## Dan Awendo

**Managing Director**

**Years in Industry: 20+**

**Education**

- AMP from Strathmore Business School and IESE Business School in Spain
- Certified Public Accountant, Strathmore University

**Industry**

Audit, accounting, corporate finace and management consultancy

**Summary Experience**

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

Dan is the founder and previously the CEO of Investeq Capital, a company that focuses on the unique environment of financing Small & Medium sized business in East Africa. Dan led Investeq Capital to win both local and continental awards in Strategy, Leadership, Customer Orientation, Financial Performance and Entrepreneurship.

He 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."

# DIRECTORS PROFILES

## Ketan Shah
**(Non Executive Director)**

**Years in Industry: 10+**

**Education**
- Bachelors of Arts, Western Michigan University

**Industry**
Real estate developement and consultancy in business management

**Summary Experience**
Mr. Ketan Shah has extensive experience in the Real Estate business having worked several years within the Industry. He 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 Round Table Movement.

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## Rachel Mbai
**(Non Executive Director)**

**Years in Industry: 25+**

**Education**
- Kenya School of Law–Bar Qualifying Examinations
- University of Nairobi, Kenya: LLB Honours

**Industry**
Legal advisory, property law and property finance

**Summary Experience**
Rachel is an Advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public of 25 years standing and is currently a partner at the law firm Kaplan & Stratton. Her work encompasses property acquisition/disposal and development, property laws, property finance and loan securities and private client work. She is a well-known name in the real estate sector, and frequently acts on real estate developments, leasing and conveyancing matters. Some of her recent transactions include:

i. Acted for Overseas Private Investment Corporation, in US$ 9,600,000 project financing for erection of a housing complex and assisted in recovery of the loan proceeds (sale of security);
ii. Acted for AAR Healthcare Holdings Limited in property due diligence and transaction documents for the acquisition of property on Kiambu Road for construction of a hospital;
iii. Acted for Quadco Two Hundred and Fifty Four Limited in the leasing of two properties in Ridgeways for the purposes of development of two iconic hospitals and acquisition of an equity stake;
iv. Acted for EA Breweries Limited in the sale of 21 Acres of Land at Ruaraka, deal valued at USD 19.5 million;
v. Acted for IBRD and IFC (World Bank) in the acquisition of its Nairobi headquarters;
vi. Acted for the Kenya Power and Lighting Company Limited Staff Retirement Benefits Scheme Registered
Trustees - Development of 39 high-end residential houses.

# DIRECTORS PROFILES

## Mbugua Gecaga
**(Non Executive Director)**

**Years in Industry: 20+**

**Education**
- MBA-Henley Management College
- Bachelors of Science-University of Nairobi

**Industry**
Marketing, brand strategy and business management

**Summary Experience**
A marketer by training Mr. Gecaga has over 20 years of experience in the Marketing and Branding profession. Having worked with British American Tobacco, the region's largest supplier of tobacco related products, in senior marketing positions in Kenya, Uganda, Ethiopia, Zimbabwe and the Indian Ocean Islands, Mbugua is well versed in strategic marketing, and he brings on-board important skillsets for the execution of the Company's marketing and sales strategies.

Mbugua is currently serving in the Finance, Procurement, Admin & Strategy Committee for Home Afrika Ltd where among others he oversees the Group's financial performance and strategy. Aside from his role in the committee, drawing from his years of experience in marketing, he ensures that Home Afrika Ltd is aligned strategically in relation to brand presence and market.

## Peter Nduati
**(Non Executive Director)**

**Years in Industry: 25+**

**Education**
- Masters of Arts, Aberdeen University, Scotland
- BA Economics, Government DAV College, Punjab University, Chandigarh India

**Industry**
Business management and enterpreneurship

**Summary Experience**
Peter Nduati is the current Group CEO of Resolution Health. Prior to his current role, he was the CEO of Metropolitan Heath Group, a South African Health insurance group and prior to that he was the Managing Director of AAR Health Services Tanzania. An entrepreneur at heart, Peter has founded two companies, namely Absolute Security Ltd where he is the founder, anchor shareholder and Redwood Capital, a private equity fund with a concentration in the technology industry where he has 100 percent ownership.

Among his other roles, Peter is a director of First Benefits Ltd, Pine Creek Holdings and Brown Oak Ltd an investment holding company. He also sits on the Board of Governors of Dagoretti High School.

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

# DIRECTORS PROFILES

## Caroline Kigen
**(Non Executive Director)**

**Years in Industry: 15+**

**Education**
- Master in Business Administration (Accounting)
- Bachelors of Commerce–University of Nairobi

**Industry**
Audit, accounting and financial advisory

**Summary Experience**
Caroline, a member of the Institute of Certified Public Accountants of Kenya (ICPAK), is also the current chair of the Professional Accountancy Organization (PAO) Development Committee.

A role that she has served faithfully since January 2014. She previously served as a member of the Compliance Advisory Panel from 2008 to 2012 and its deputy chair in 2013; as the Chief Executive Officer and Secretary to the Council of the ICPAK, a position she held from 2006 to 2014. Mrs. Kigen has also held the role of Director of Professional Services and Deputy to the Chief Executive Officer of the ICPAK.

Caroline also has experience working within the academic world, 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. Mrs. Kigen has extensive experience in the boardroom having served in various boards and committees, including KASNEB, the body that examines the professional CPA examinations in Kenya.

## Madren Oluoch-Olunya
**(Company Secretary)**

**Years in Industry: 20+**

**Education**
Madren holds various qualifications including a Master of Law Degree (LL.M) from the London School of Economics and Political Science, UK. She is an Advocate of the High Court of Kenya, a Certified Public Secretary (Kenya) and is also an alumnus of Strathmore Business School, Kenya and IESE Business School, Spain. She is a founder Board Director of the Institute of Directors (Kenya) where she has been a member since inception in 2004.

**Summary Experience**
Madren Oluoch-Olunya is the Managing Partner of Azali Certified Public Secretaries LL.P. a premium provider of board secretarial and corporate governance advisory services. She is a multi-skilled professional with extensive management and consulting experience gained over twenty (20) years in Board, Legal and Human Resource practice. She has worked in both the public and private sectors and across finance, hospitality and fast-moving consumer goods industries within Africa. She has consulted for various clients including the IFC Africa Corporate Governance Program.

Madren works with various organizations to implement international best practices related to corporate governance and build capacity for the sustainability of these interventions. She has developed various corporate governance tools, facilitated training workshops, conducted governance assessments and board evaluations, led director searches, induction and provided general governance and HR advisory services in emerging markets. Madren is an experienced Board director and Pension trustee and she participates as a speaker/panelist in several professional forums.

She is also an accredited governance auditor.

**The Board of Directors holds widespread industry knowledge and practical experience from its more than 150 years of collective work experience.**

# MANAGEMENT PROFILES

## Dan Awendo

**Managing Director**

**Years in Industry: 20+**

**Education**

- AMP from Strathmore Business School and IESE Business School in Spain
- Certified Public Accountant, Strathmore University

**Summary Experience**

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

Dan is the founder and previously the CEO of Investeq Capital, a company that focuses on the unique environment of financing Small & Medium sized business in East Africa. Dan led Investeq Capital to win both local and continental awards in Strategy, Leadership, Customer Orientation, Financial Performance and Entrepreneurship.

He 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 Financial Officer)**

**Years in Industry: 15+**

**Education**

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

**Summary Experience**

Joshua, an accountant with over 15 years of experience in Accounting, both 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.

# MANAGEMENT PROFILES

## David Abuoro
**Project Manager**

**Years in Industry: 12+**

**Education**
- Bachelors of Science in Project Planning and Management - Moi University
- Diploma in Architecture - Kenya Instituteof Highways and Building Technology

**Summary Experience**
David, an 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.

## Natasha Murgor
**(HR, Admin and Marketing Manager)**

**Years in Industry: 10+**

**Education**
- Bachelors of Commerce - African Nazerene University
- Post Graduate Diploma - Institute of Human Resource Management

**Summary Experience**
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.

# MANAGEMENT PROFILES

## Dickson Wanjohi
**(General Manager Migaa)**

**Years in Industry: 10+**

**Education**
- Masters Degree in Strategic Management from the University of Nairobi
- Bachelors degree in Business Management (Finance and Banking), Moi University
- CPA (K) and registered member with ICPAK

**Summary Experience**
Dickson has over 10 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 HAL, where he ensures profitability, growth and goodwill as well as resources being utilized in the most efficient manner.

## Brian Mawanda
**(Commercial Manager – Indirect Sales)**

**Years in Industry: 14+**

**Education**
- Bachelor in Communication and Business Administration from Daystar University

**Summary Experience**
Brian Mawanda brings 14 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 is currently pursuing a Masters Degree in Strategic Management.

# MANAGEMENT PROFILES

## Bruno Oguda

**(Commercial Manager – Direct Sales )**

**Years in Industry: 15+**

**Education**

- PHD in Project Planning and Management (M&E) - Ongoing
- Masters in Project Management - University of Nairobi
- Bachelors of Science in Economics - Bugema University
- Post graduate diploma - Kenya Institute of Management

**Summary Experience**

Bruno Obodha is a seasoned General Sales Manager with vast experience in team management, sales planning, sales process, negotiations and corporate partnerships.

He has over 15 Years experience in Sales Management, having worked in various institutions in different capacities; Kenya Commercial Bank(KCB) as a Sales Manager, Faulu Kenya Ltd as a Regional Sales Manager, Select Management Services as a Regional Sales Manager, Ringier Kenya Ltd as Head of Sales, paykonnect Ltd as Country sales Manager and Africa118 inc as Sales Director-East Africa.

He holds a masters degree in Project Planning and Management from the University of Nairobi and a bachelor's degree in Mathematics and Economics from Bugema University.

He brings onboard wealth of experience in Sales process Management, Corporate partnerships development, Team and processes development, sales operations and General Management skills.

His responsibility at Home Afrika is to ensure revenue growth and strategic corporate partnerships formation.

# CHAIRMAN'S STATEMENT

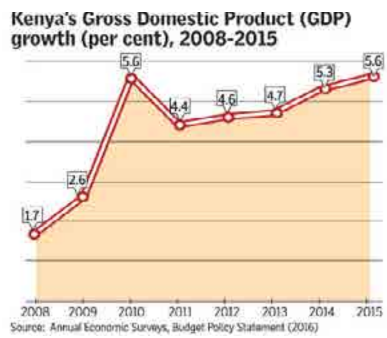
## Dear Shareholder,

I am pleased to report that the company has once again delivered a solid performance despite the challenges in the operating environment in 2017. The company reported an 18% increase in revenues while the group's sellable land and other inventory increased from Shs 3.1 billion in 2016 to over Shs 3.7 billion in 2017.

## An overview

Economic growth in Kenya was adversely affected by the prolonged electioneering period and persistent drought which saw the overall GDP growth drop to 4.7% from an initial high of 5.8% in 2016. Inflation stood at 7.98% for the year 2017, an increase from 6.31% in 2016. Specific challenges the company faced in 2017 included heightened inflation on the back of the drought, the prolonged electioneering period and the effects of interest rate capping in the banking sector.

Under the circumstances however, the company remained resilient and exhibited good robust




growth. This was catalyzed by the robust governance structure which helped us weather the myriad challenges and led to improved underlying performance for the business.

At the board level, we instituted key measures that resulted in a growth-focused business grounded on solid fundamentals. As we continued to oversee policy formulation for the Group and improvement of the governance structures in our subsidiaries, the management and staff must be commended for executing the strategies that saw the business thrive even in the turbulent operating environment.

## Board Operations

During the year, the Board was very stable, there were no changes in the board membership.

We also rolled out implementation of the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public which was gazetted into law in March 2016 and became fully applicable at Group level effective March 2017.

Public Listed Companies are required to fully comply with the code and align their governance structures and reporting arrangements to the requirements of the Code. We are happy to report that we are significantly compliant with the requirements of the code. We are in the process of implementing the few outstanding issues

## 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 commercial performance. Despite a marginal increase in our financial losses by 8%, our gross sales increased by 8% to Shs 921M from Shs 849million in 2016. Adjusted for percentage of completion of our projects at 48%, the revenues booked in our books increased from Shs 222 million in 2016 to Shs 263 million in 2017.

This improved financial performance demonstrates the effect of the changed business model and group restructuring we have instituted. We expect this improved performance to be maintained in the coming periods too.

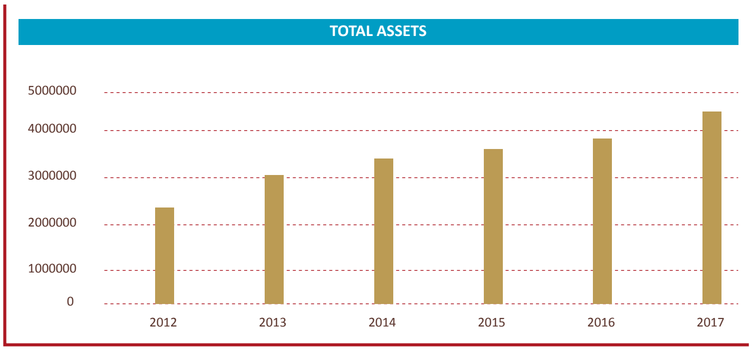
We remain steadfast in our vision of providing dignified, planned communities across this country. We now have a model that creates investment opportunities for investors, land owners and other players in the real estate sector keen in partnering with us towards provisioning of the dignified planned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

Our 3 key themes for Home Afrika over that period also registered commendable milestones. Notably;


## Share Performance

Despite our depressed share price, our total assets grew from Kes 3.9 billion as at December 2016 to Kes 4.5 billion at the end of 2017. 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. This is because our inventory in the balance sheet is carried at cost and not the market value. This is in line with IFRS reporting requirements.

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 group's board and management will continue to streamline costs and increase efficiency to improve profitability and grow shareholder value.




## Dividends

The board does not recommend the payment of any dividends for the year ending December 2017.

## 2018 Strategic Outlook

Although the economy appears to have picked up steam, weak private sector credit growth due to the cap on commercial bank lending rates continues to restrain momentum.

Against the backdrop of increased political stability, the economy should be buoyed this year by higher agricultural output amid more favorable weather conditions, an upturn in construction activity for planned infrastructure projects, and an expansion in investment. While President Kenyatta has announced that the interest rate cap could be modified or scrapped, the timing is still unclear. Analysts project GDP growing 5.5% in 2018. The government's pronouncement of Affordable housing as one of the four growth pillars over the next five years provides exciting opportunities for Home Afrika as a company.

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.

2018 promises good progress in our projects especially as we conclude on our fund-raising exercise.

## Appreciation

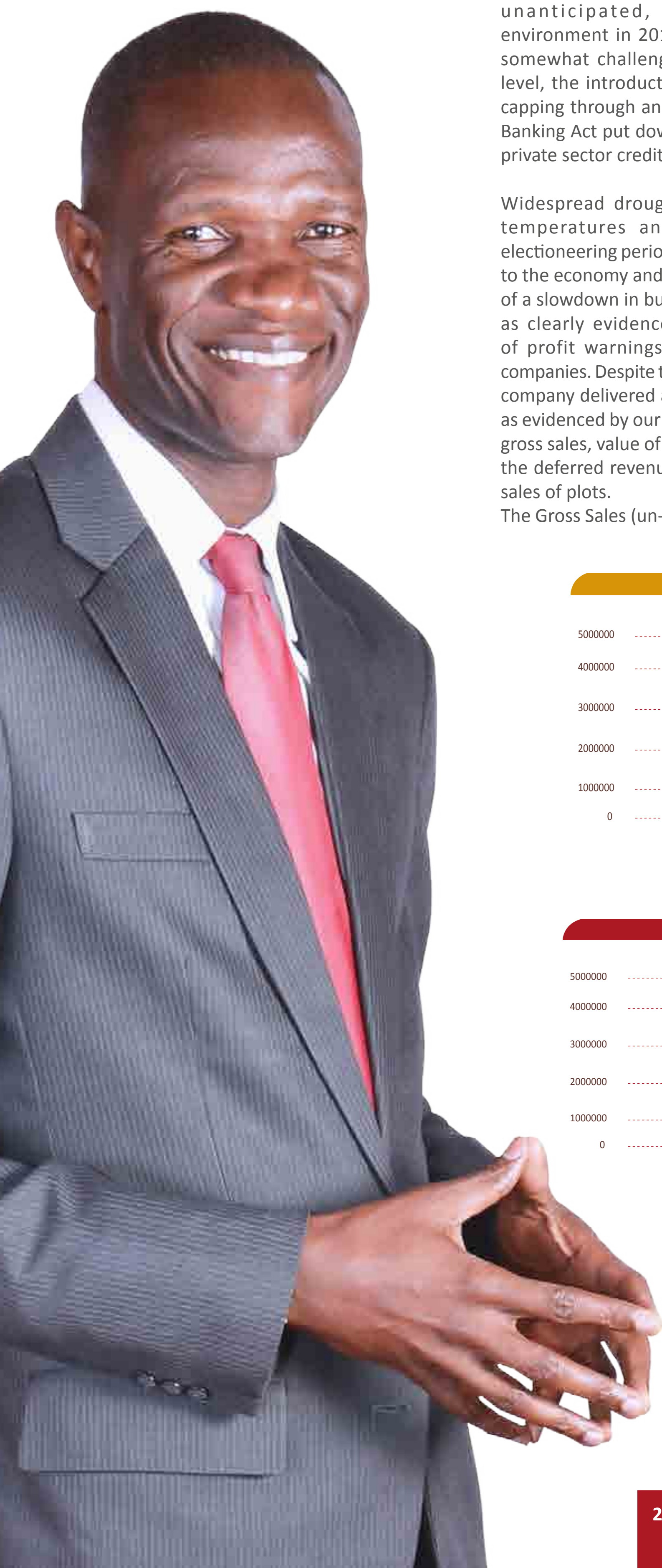
I would like to express my sincerest gratitude to you, Home Afrika shareholders, for the continued support to our Company. I recognize the contribution of my fellow Directors and the Management team for the continuous delivery to the promise of building an extraordinary business anchored on a solid vision.

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

# MD'S STATEMENT



## 2017 Performance Review

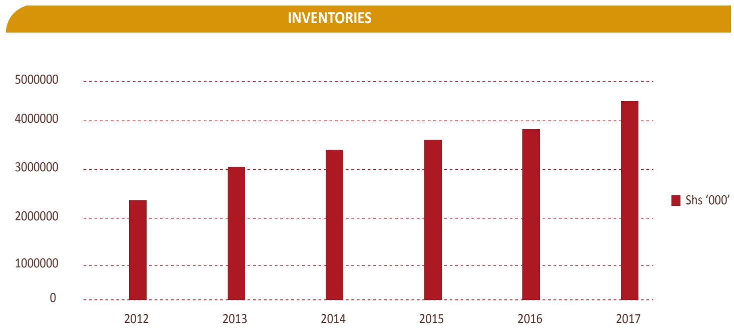
Even though it was not entirely unanticipated, the operating environment in 2017 continued to be somewhat challenging. At the macro level, the introduction of interest rate capping through an amendment to the Banking Act put downward pressure on private sector credit growth.

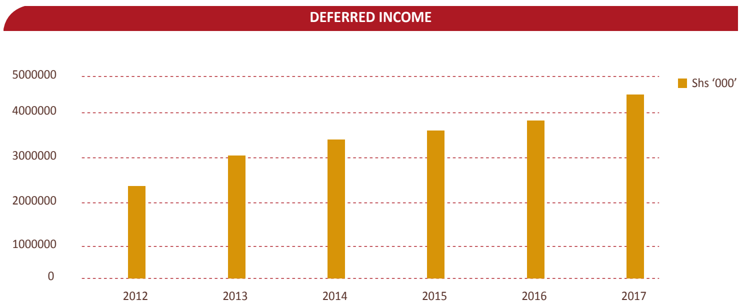
Widespread drought, rising political temperatures and the prolonged electioneering period acted as a damper to the economy and triggered the onset of a slowdown in business performance as clearly evidenced by the number of profit warnings by publicly listed companies. Despite these challenges, the company delivered a solid performance as evidenced by our sustained growth in gross sales, value of inventory as well as the deferred revenues & deposits from sales of plots.

The Gross Sales (un-adjusted for project stage of completion) for the year to Dec 2017 increased by 8% to Shs 921M from Shs 849million in 2016. The improvement is attributable to a robust sales and marketing team coupled with the fruits of the reorganization of the group's business model and revenue diversification strategy the company embarked on from 2016.

The group reported an 18% increase in revenues from Shs 222 million in 2016 to Shs 263 million in 2017. Cost of sales increased by 43% from Shs 160 million in 2016 to Shs 229 million in 2017. The group has reported a slightly higher loss of Shs 181 million in 2017 compared to a loss of Shs 168 million in 2016, an 8% increase.

The group improved the stage of completion, especially at its Migaa Golf Estate project, the premier golf estate



development in Kiambu County, to 48% in 2017 from 43.16% in 2016.

This signifies an investment of about Shs 100 million in the project most of which was spent on roads construction, water reticulation and street lighting in Migaa. The average projects' stage of completion, which determines how much deferred revenue is moved from the balance sheet and therefore booked as sales of the group in the profit and loss statement, will continue increasing over time, especially as current road and other works are implemented.

The deferred revenue & deposits from sales of plots grew from Shs 2.0 billion in 2016 to Shs 2.35 billion in 2017. In line with IFRS requirements, these amounts are carried as current liabilities in the balance sheet but will over the next few years convert to revenues as we increase the investment in the projects and thereby increase the percentage or stage of projects completion. We estimate to have completed this and other project infrastructure works by the end of 2020. This will effectively see a majority of the deferred revenue and deposits from sales of plots translate to revenue over that period.

The book value of the group's sellable land and other inventory increased from Shs 3.1 billion in 2016 to over Shs 3.7 billion in 2017. 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.

## PROGRESS IN KEY STRATEGIC INITIATIVES

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

### Business Model restructuring

Continued strengthening of our commercial department; The independent sales agents 'indirect sales' team, we introduced to supplement the existing internal commercial team has continued to perform well. The agents support our selling efforts without necessarily increasing the costs associated with hiring extra commercial team members. The agents have been very instrumental in delivering the improved commercial performance.

We deepened our quest to deliver affordable housing through our partnership with Legacy Realty in a research that is aimed to deliver a million affordable houses in Africa in the next ten years.

This endeavor has been further boosted by the recent national government's pronouncement of Affordable housing as one of the four growth pillars over the next five years. We are exploring the exciting opportunities that this presents for Home Afrika as a company with the aim of partnering with the government on this front.

We continue to seek more partnerships in this area including with other private entities.

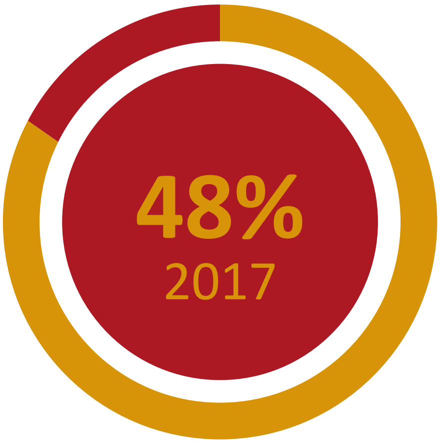
Our foray into real estate agency, estate management services and third party properties that we are now selling on behalf of other developers and property owners as an addition to our real estate projects is taking shape and we strongly believe these new initiatives, while they may take some time to grow, will be a significant contributor to annuity income and cash flows that will underwrite Home Afrika future expenses.

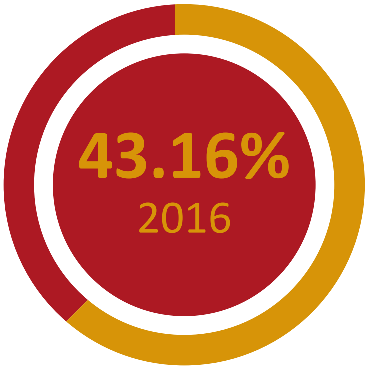
### Group Restructuring and Management Changes

We continue to solidify and reap from the significant changes we have implemented at board, management and projects level. These changes are now bearing good fruits, the results of which are evidenced in our continually improving commercial performance. We will continue to see these improved performances in the coming years.

### New projects

We continued to partner with land vendors who have strategically located land parcels to develop and sell master planned projects to boost Home Afrika ability to generate quicker, more predictable cash flows. In this respect we have a number of these projects in the Kajiado County and we keep seeking more partnership across the country.



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.

## Fund raising

We have progressed well with the fundraising process that was approved during the 2016 AGM. We continued discussions with potential strategic investors who have expressed interest.

We are optimistic to close that exercise in 2018. We trust God that this will go as planned.

## OUTLOOK

With the electioneering period now behind us, we expect continued growth in the Real Estate sector on the back of improved macroeconomic conditions, sustainable high returns, and a changing operational landscape as developers and now the government strive to satisfy the high housing deficit.

We expect prospects for 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 value and profit generation capacity in the periods ahead evidenced by the growing value of land bank held by the company.

## 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 2018.

**DAN AWENDO**

**MANAGING DIRECTOR**
HOME AFRIKA LIMITED

“We continue to make significant strides in the implementation of our key strategic initiatives to create value.”

# THE COMPANY'S BUSINESS MODEL

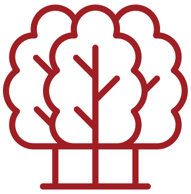
## INPUT

### HUMAN CAPITAL
- Skilled, motivated employees
- Strong leadership team
- Experienced team

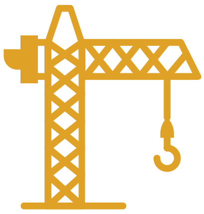
### FINANCIAL CAPITAL
- Debt equity financing
- 425M market capitalization

### STAKEHOLDERS
- Cooperation from government & legislators e.g CMA/KRA
- Positive supplier relationships
- Good staff relations
- Positive relationship with the trade unions

### INTELECTUAL CAPITAL
- The only listed real estate company
- Our brand & reputation



### NATURAL CAPITAL
- Energy, Fuel & Water
- Sewer treatment
- Garbage re-cycling



### MANUFACTURED CAPITAL
- Buildings
- Site office
- Tractor (equipment)
- Vehicles

## VALUE CREATION PROCESS

### SUPPORTING ACTIVITIES
- Legal
- Finance
- ICT
- HR & Admin


### CORE ACTIVITIES
- Land purchase
- Development & Financing
- Construction
- Marketing & sales

## OUTPUT

- Commercial & Residential property
- Conference facility
- Land :-Mitini
  Kerobi
  Migaa

## OUTCOME

- Brand Loyalty
- Customer Satisfaction
- Brand Visibility

**OUR REVENUES**
- Sale of commercial and residential property
- Hire of conference & Virtual Offices
- Commission from third party sales

**OUR COSTS**
- Infrastructure costs
- Finance costs
- Sales & Marketing Costs
- Human Resource & Administrative costs

# BUSINESS MODEL ACTIVITIES


## Land purchase

In-depth market knowledge is a key strength for Home Afrika, which significantly helps during the first step of the property development cycle – the market screening to identify a viable and promising site location. This process involves a number of research areas including:

- Attractiveness and potential of the physical location;
- Land rates in the given area;
- Comparable projects – both evaluating the success of projects already executed and researching for any upcoming similar competing projects in the same area that might pose a threat for the set project;
- Local government perception of the project type;
- Potential target buyers / off takers and the current demand and supply within the market.
- Once a promising site location has been identified, a detailed feasibility study will be carried out, which will also include detailed planning of the construction phases, costs and sales projections.
- Upon a positive conclusion from the feasibility study, an additional legal and financial due diligence will be carried out before any land is acquired.
- After having purchased undeveloped land, Home Afrika will acquire a change of use license there-after the next phase can commence.

## Planning and Pre-commercialization

The next phase involves careful design planning, permitting and engineering where the fully integrated model of Home Afrika again helps to ensure an efficient process, that all processes are aligned through the continuous feedback loop that takes place and the execution risk is ultimately reduced.

Targeted clients expected requirements are also included in the process to ensure that the commercial side is always aligned to the planning and designing of the project.

Monitoring new construction regulation on a continuous basis and by carrying out a detailed advance study of the existing master plan also helps to improve the chance of receiving all necessary approvals in due time.

## Development and Financing

Once the land purchase and planning has been completed the actual development of the project can begin. HAL only procures high quality material that also lives up to all current environmental requirements and is therefore known in the market for only developing projects of the highest quality.

Through economies of scale and by having strong relationships to key suppliers it is still possible to keep costs at a minimum.

Securing the needed funding for a project in due course and on an affordable basis is another extremely important factor for a successful property developer. Typical funding structure normally includes equity, debt and pre-sales.

Over the years, Home Afrika has managed to improve its relationships with various financial players in the market spanning from commercial banks, potential equity investors and new commercial partnerships (e.g. its established partnerships with the Tamarind Group and Wadi Degla).

Home Afrika is cognisant that securing adequate funding on a timely matter has previously presented some challenges. It is for this reason that a central part of Home Afrika's new Short to Medium Term Strategy "Home Afrika 2.0" is looking to on-board a new strategic investor with substantial financial capacity. Home Afrika will additionally continue to seek new commercial partnerships as well as building its relationships with key commercial banks in order to further strengthen this area.

## Construction

Home Afrika has agreements with a number of large and reputable contractors in the market, which helps to optimize the construction process and ensure HAL's high quality standards continue to be met.

All new projects contain fixed pricing agreements to minimize cost overruns.

HAL will retain full control of the construction process on all sites for its projects with in-house engineers and site coordinators present at the building sites every day.

The engineers and coordinators will additionally be in direct contact with other internal teams such as the business development department and the finance department making the process very streamlined and creating a continuous feedback loop that works towards lowering costs and securing the highest possible quality for future occupiers.

Feedback from future tenants/occupiers on specific requirements will also be included in the integrated work approach of Home Afrika.

Fine tuning of budgets, the choice of construction techniques and material and the construction price is carried out on a constant basis.

## Sale

The commercialization process of the project is also run in-house.

The Commercial sales team will develop a detailed marketing strategy early in the process that will identify the most optimal sales channels to reach its identified target clients as well as provide a detailed plan on the sales process.

The team utilizes its large internal client data base (containing both current and potential clients), while also working closely together with a number of reputable real estate agencies in the market.

# THE BUSINESS MODEL BREAKDOWN

| CAPITALS | INPUTS | OUTCOMES | BUSINESS ACTIVITIES TO ENHANCE OUTCOMES | CHALLENGES | COMPETITIVE ADVANTAGE OF THIS CAPITALS |
|---|---|---|---|---|---|
| **1. OUR PEOPLE** | | | | | |
| Human Capital<br>• At Home Afrika Group, the expertise, wellbeing and motivation of employees, contractors and service providers are a key factor to generating value.<br>• We ensure provision of a safe working environment, and invest in training of our employees. We further ensure fair labour practice. | • 70 Skilled and motivated employees<br>• 100 Casual Workers<br>• 9 Indirect sales team<br>• An experienced and diverse Board guided by the company values | • Kes.3,371,270 was invested in training of employees; and general staff welfare<br>• 40% of women in the workforce | • The strength of our corporate culture, the appreciation based on meritocracy and the investments in our employees' professional development are some of the initiatives that add value over time.<br>• Home Afrika has developed a capable and engaged workforce while ensuring a clear succession plan for its staff<br>• We further ensure a safe workplace and promote the health and wellbeing of our employees<br>• The Home Afrika Board provides leadership through responsible citizenship | • Cost of acquisition of competent staff and their retention implies relatively high cost<br>• Staff exits<br>• Law suits - with regards the exiting staff | • The diverse backgrounds and professional training of our staff at HAL ensure that we are a leader at the Real estate market.<br>• At HAL, we are an equal opportunity employer without regard to race, national origin, religion, gender, age, sexual orientation, veteran status, physical or mental disability or other basis protected by law. While the Company is committed to following this principle in every facet of employment, all employees share in the responsibility to promote and foster a favorable work environment. |

**Home Afrika Limited Staff**

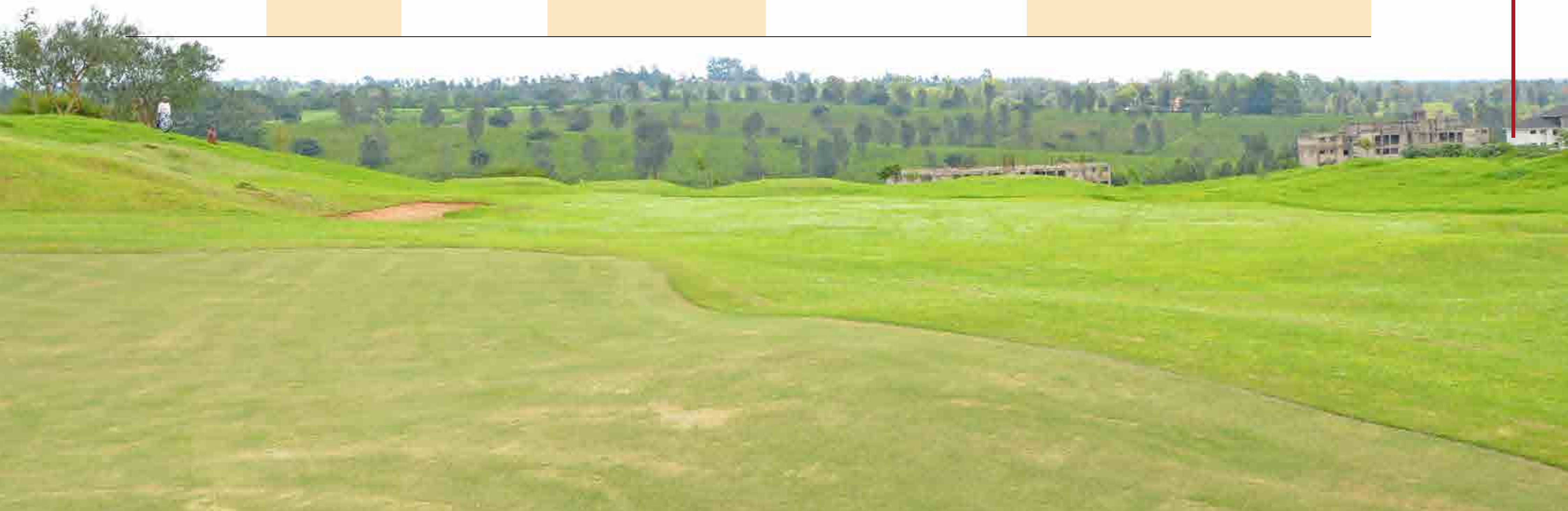
## Home Afrika Communities Limited Staff

# THE BUSINESS MODEL BREAKDOWN

| CAPITALS | INPUTS | OUTCOMES | BUSINESS ACTIVITIES TO ENHANCE OUTCOMES | CHALLENGES | COMPETITIVE ADVANTAGE OF THIS CAPITALS |
|---|---|---|---|---|---|
| **2. STAKEHOLDERS** | | | | | |
| Social Capital<br><br>• Developing and maintaining trusted relationships is a foundation for value creation. This has taken on added significance given the recent negative reviews on real estate firms. The challenging and competitive price environment has required us to take actions that have tested many of our relationships. | • Positive relationship with our Customers.<br><br>• 7602 No. of shareholders (Share structure table pg 96)<br><br>• Positive supplier relationships<br><br>• Cooperation from government and regulators.<br><br>• Positive relationship with unionised and non-unionised workforce. | • 40% women in workforce<br><br>• Amicable Project close out for Lango, Lakeview,Kikwetu & Kantafu projects<br><br>• Delivery of social benefits to the community | • Timely communication with our stakeholders<br><br>• Ensuring full compliance with all the regulators<br><br>• Upholding highest social standards<br><br>• Making a positive social contribution through our CSR (Full report on Pg 90) | • Long term nature of the projects at HAL leading to unease with clientele<br><br>• Share price is dictated by market forces since HAL is a publicly listed company, leading to share price fluctuations. As a result, the share value doesn't necessarily potray the book worth of the company.<br><br>• Not all clients are acceptable to the project close outs leading to lawsuits<br><br>• Stringent regulations from the government | • The trust we have developed over time has been crucial in facilitating an effective communication channel informed by a common appreciation of the challenging context.<br><br>• Better credit terms for the suppliers |

# THE BUSINESS MODEL BREAKDOWN

| CAPITALS | INPUTS | OUTCOMES | BUSINESS ACTIVITIES TO ENHANCE OUTCOMES | CHALLENGES | COMPETITIVE ADVANTAGE OF THIS CAPITALS |
|---|---|---|---|---|---|
| **3. NATURAL RESOURCES** | | | | | |
| Natural Capital | • We use borehole water for all our complete projects,Migaa and Morningside Office park<br>• Solar usage in our residential properties. i.e. Mitini | • We have adopted a 50% green concept in Migaa, where for every 1 acre of build, we have 1 acre of green<br>• Garbage recycling in Morningside Office park<br>• Sewer Treatment plant at Migaa | • Provide leadership through responsible citizenship<br>• Conducting energy audits | | • At HAL, the 1 acre of green for every one acre of build is a unique concept that's been incorporated at our Migaa project. It ensures that we conserve green space, and is one of a kind in Kenya |



# THE BUSINESS MODEL BREAKDOWN

| CAPITALS | INPUTS | OUTCOMES | BUSINESS ACTIVITIES TO ENHANCE OUTCOMES | CHALLENGES | COMPETITIVE ADVANTAGE OF THIS CAPITALS |
|---|---|---|---|---|---|
| **4. MANUFACTURED CAPITAL** | | | | | |
| Buildings, Equipment and Infrastructure<br>• Our investment property include buildings ,roads, and equipment | • Investment property of Kshs 623 Million<br>• Plant and equipment of Kshs 57.8 Million<br>• At Migaa, infrastructure works include road network, water and sewer reticulation, MATV and Internet fiber cabling, and the boundary wall.<br>• Adoption of smart metering<br>• IT System | • Capital Expenditure of Ksh 636,546,011 Million on plant & Equipment<br>• Plant and Machinery impairment of Kshs 6,809,065 Million<br>• Total infrastructure works done are at 48.64%<br>• Total Land area=Kes. 744 Acres<br>• Location-Kiambu | | • High tax implication due to fair value gains on investment property<br>• High cost of acquisition and maintenance of plant and equipment | |


Morningside Office Park

# THE BUSINESS MODEL BREAKDOWN

| CAPITALS | INPUTS | OUTCOMES | BUSINESS ACTIVITIES TO ENHANCE OUTCOMES | CHALLENGES | COMPETITIVE ADVANTAGE OF THIS CAPITALS |
|---|---|---|---|---|---|
| **5. FINANCIAL CAPITAL** | | | | | |
| • Funding is the capital that Home Afrika Group derives from either debt or equity. This is utilised to implement our strategy of acquisition , development and management, a high quality properties. | • Kshs 425,518,086 Million Market Capitalization as at Dec 2017<br>• Kshs 636,546,011 Million Utilized for Capital expenditure | • Dividends to be reinstated at the appropriate time | • 16.5% reduction in controllable costs (including capital) | • Interest cap has had an effect on the interest income attainable from deposits | |
| **6. OUR INNOVATIONS** | | | | | |
| • Home Afrika was listed on the Growth Enterprise market Segment (GEMS) on the Nairobi Securities Exchange (NSE) Currently implementing its "Go County" strategy. Home Afrika is involved in major projects in various Counties . | • Values driven Company Culture | | | | |

**“ 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. “**

# BUSINESS ENVIRONMENT AND OPERATING CONTEXT

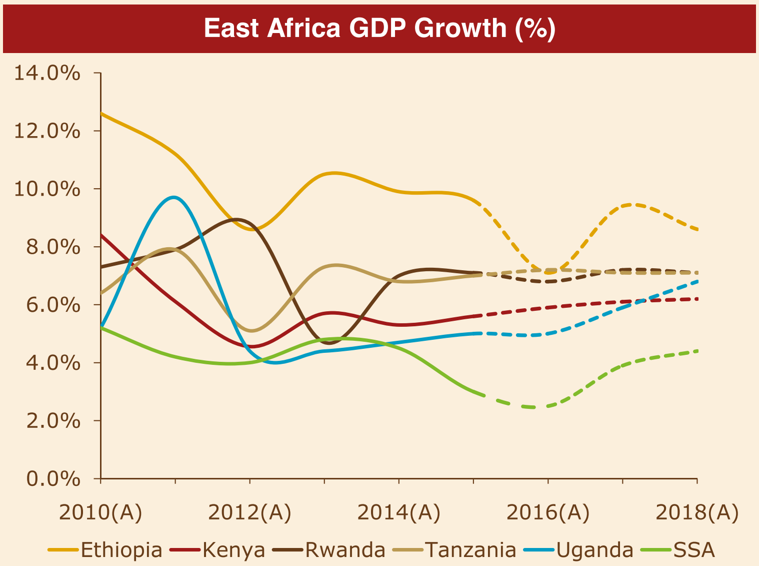
Home Afrika Limited operates in the Real Estate sector engaging with different stakeholders in the Government, Consultancy firms, contractors, financial institutions and individuals.

# GDP GROWTH WITHIN EAST AFRICA

GDP growth within East Africa is expected to continue outperforming SSA over the next two years with Kenya estimated to grow above 6% annually relative to approximately 4% for the whole of SSA.

Kenya's economy has been growing at an average growth rate of 5.5% over the last five years with relative even growth contribution from the different sectors. The best performing growth sectors in the last 5 years have been Education, Financial Services, ICT and Real Estate & Construction.

Real Estate and Construction grew at an average growth rate of 6.6% over the last five years, with even stronger performance seen in both Q1 and Q2 in 2016 where the sector expanded at 7.9% and 8.5% respectively.




**Kenya Sector GDP Growth (%)**

| | 2011(A) | 2012(A) | 2013(A) | 2014(A) | 2015(A) | Q1 2016(A) | Q2 2016(A) | 2010-2015 CAGR |
|---|---|---|---|---|---|---|---|---|
| Agriculture & Mining | 2.9% | 3.5% | 5.0% | 3.9% | 5.8% | 5.1% | 5.7% | 4.2% |
| Education | 7.5% | 11.1% | 6.4% | 6.3% | 4.7% | 5.5% | 4.1% | 7.2% |
| Financial Services | 4.6% | 6.0% | 8.2% | 8.3% | 8.7% | 8.0% | 7.5% | 7.1% |
| Health | -2.6% | -2.8% | 7.7% | 8.1% | 6.6% | 4.2% | 5.3% | 3.3% |
| ICT | 22.1% | 2.4% | 12.6% | 14.6% | 7.3% | 9.7% | 8.6% | 11.6% |
| Manufacturing | 7.2% | -0.6% | 5.6% | 3.2% | 3.5% | 3.3% | 3.2% | 3.8% |
| Other Services | 3.7% | 4.7% | 2.9% | 2.1% | 4.3% | 6.4% | 7.5% | 3.5% |
| Real Estate & Construction | 4.7% | 6.5% | 4.8% | 8.2% | 9.0% | 7.9% | 8.5% | 6.6% |
| Trade and Transport | 7.7% | 4.9% | 4.7% | 6.2% | 6.5% | 7.7% | 7.3% | 6.0% |
| **Total GDP Growth** | **6.1%** | **4.6%** | **5.7%** | **5.3%** | **5.6%** | **5.9%** | **6.2%** | **5.5%** |

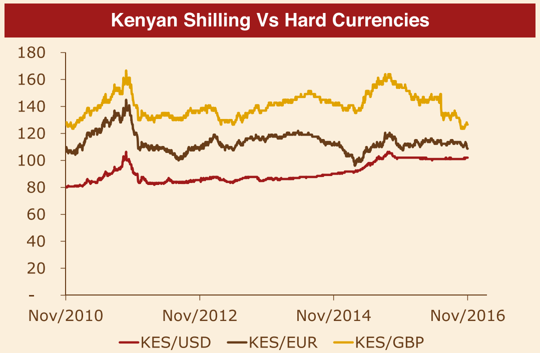
**Sources:**
KNBS
World Bank

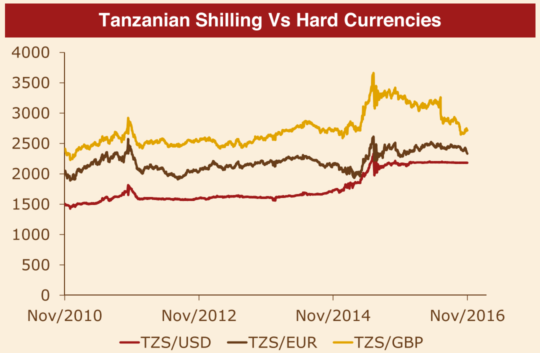
# KENYA SECTOR GDP GROWTH %

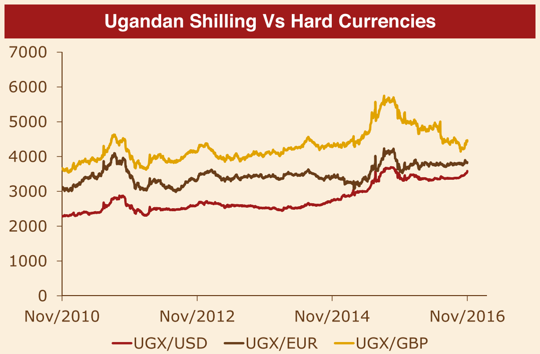
During the year to Q3 2017, the Hass Composite Property Sales Index, a measure of asking sales prices of residential properties, fell by 5.1%, in sharp contrast with a y-o-y rise of 10.4% during the same period last year, based on a report released by HassConsult Limited. It was the second consecutive quarter of y-o-y price declines after falling by 2.2% in Q2 2017. Quarter-on-quarter, residential property prices dropped 1.8% in Q3 2017.

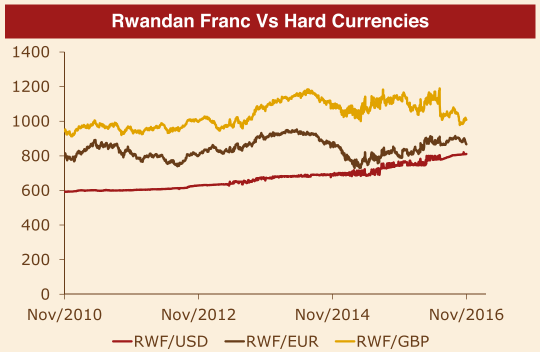
Kenya's economy expanded strongly by 5.8% in 2016, slightly up from a 5.7% growth in 2015, according to the International Monetary Fund (IMF), making it one of the fastest-growing economies in Sub-Saharan Africa. In Q2 2017, the economy grew by 5%, up from growth 4.7% the previous quarter and 6.3% in the same period last year, according to Kenya National Bureau of Statistics (KNBS).

**FX Rates:** All FX pairs are quoted as number of Shillings/Francs per 1 USD/EUR/GBP.




**Sources:** Bloomberg

# STAKEHOLDER ENGAGEMENT

## Who are the Company's Stakeholders?

# Key Stakeholder Concerns
# Expectation & Company's response

| STAKEHOLDER | CONCERN(S)/ EXPECTATIONS | COMPANY RESPONSE | METHOD OF STAKEHOLDER ENGAGEMENT | LINK TO STRATEGY |
|---|---|---|---|---|
|  Employee (All levels) | • Job security<br>• Career growth<br>• Competitive Remuneration | • Prompt payment of salaries<br>• Annual percentage salary increases<br>• ESOP program to be instituted soon<br>• Recognition for good performance<br>• Staff needs forecasting & regular recruitment<br>• Departmental budgeting done by members of the department<br>• Incentives<br>• Performance Improvement Program (PIP)<br>• Competitive remuneration<br>• Consultative decision-making platform | • One-on-one Interviews<br>• Staff Meetings<br>• Email & phone communication | • There is a Staff Code of Conduct & Ethics<br>• Performance Appraisals are carried out regularly<br>• A culture of ownership & accountability guided by a bottom-to-top approach in setting Targets & KPIs |
|  Shareholders | • ROI<br>• Maximization of the value of investment | • Delivering positive results<br>• Building a sustainable business | • AGM Meetings<br>• Special Meetings<br>• Online platforms<br>• Email & Phone communication<br>• Mass media | • Company restructuring (management & board) to improve productivity and efficiency<br>• Wider product portfolio<br>• Creation of liquidity<br>• Providing platforms to facilitate addressing concerns & questions from shareholders promptly (MD also involved in this)<br>• Fund-raising to complete projects and free up profits to pay dividends |
|  Suppliers/ creditors | • Provide a Market<br>• Payment for raw materials, products & services | • Scheduled payment of suppliers<br>• Reasonable credit terms to ensure they are paid as expected<br>• Giving repeat business Products have clearly stipulated payment plans on forms<br>• Penalties that are applicable (if any) are also stipulated<br>• Room provided for renegotiation of terms | • One-on-one Meetings<br>• Email & Phone communication<br>• Mass media | • A Pre-qualification process was done to ensure that the company gets the best suppliers and gives repeat business to the suppliers. |

# Key Stakeholder Concerns Expectation & Company's response *(contd.)*

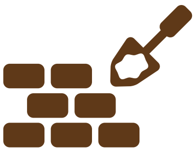
| STAKEHOLDER | CONCERN(S)/ EXPECTATIONS | COMPANY RESPONSE | METHOD OF STAKEHOLDER ENGAGEMENT | LINK TO STRATEGY |
|---|---|---|---|---|
| Society/ Community | • Operate as a responsible corporate citizen<br>• Contribution in the area/ community the company operates in | • Ensure compliance with NEMA regulations<br>• Provide employment opportunities<br>• Value of property has appreciated<br>• Improved infrastructure in conjunction with the county government – road fixing from Kiambu Road to MIgaa, street lights upto Kiambu road<br>• Improved security in conjunction with the National Government – police post was set up because of the existence of the Migaa project | • One-on-one Meetings<br>• Email & Phone communication<br>• Mass media | • CSR activities are undertaken throughout the Year. In 2017 Home Afrika paid school fees for some needy students, donated to the Red Cross Drought Initiative and visited a children's home to donate some items. In addition, the Home Afrika Group planted grass for the community around Migaa free of charge<br>• Casual employees at our Migaa Project are drawn from the immediate community<br>*(CSR report pg 90-92)* |
| Governments | • Tax compliance<br>• Compliance to existing laws – land laws, company laws<br>• Contribution to economic growth through job creation | • Ensure up-to-date remittance & payment of tax<br>• Restructuring & prompt payment outstanding back taxes<br>• Compliance with all relevant laws<br>• Compliance with regulatory requirements & standards<br>• Provide employment | • One-on-one Meetings<br>• Email & Phone communication<br>• Round Table discussions | • The company is regulated by the CMA & the NSE and is committed to complying with these regulators requirements by ensuring that there is proper corporate governance and compliance with all the requirements of being a listed company<br>• Payments to KRA are remitted as required and plans with them are honored – KRA visited Home Afrika's offices to present a plaque that indicated this. |
| Customers | • Quality & Innovative products that meet their needs | • Individualized attention by the sales team members who guide the customer through the entire purchase process and provide project & document processing updates<br>• In-house Legal Department to improve speed of processing documents<br>• Seeking & acting on customer feedback<br>• Prompt issuance of statements to customers | • One-on-one Meetings<br>• Email & Phone communication<br>• Mass media<br>• Social Media | • Capping of Interest rates made financial institutions reduce retail lending. The company developed more flexible repayment terms to make the products more affordable.<br>• Social Media platforms are active and prompt in responding to customer issues be it feedback, questions or complaints. |
| Financiers | • Not to be exposed to undue risk<br>• Company meets all its financial obligations | • Commitment to paying off the loans through prompt payment and restructuring | • Round table Meetings<br>• Email & Phone communication | • The company purposes to meet all its financial obligations by repaying its debts and engaging its financiers when necessary |

# MATERIAL RISKS AND OPPORTUNITIES

## Material Risks

Financial Risks, including Credit and Liquidity risk.

Reputation Risk



Construction Risk

Commercial Risk

Litigation Risk

Permit and Regulatory Risk

Debt repayment Risk among others

Home Afrika operates in a complex environment, with ever increasing competition placing more pressure on resources. The group's activities expose it to a variety of risks including;

The implementation of a robust and transparent risk management program becomes increasingly important in order for the Group to adapt and meet these challenges in a structured way to continually align its priorities and objectives against a background of changing risk and uncertainty.

The risk management framework seeks to align business opportunities and the taking of risks to the ever present challenges of the Group in achieving its mission and core objectives.

It encompasses the whole spectrum of risk ranging from the high level enterprise-wide strategic business risks to individual departmental/section operational risks. They have an impact on our performance and relationships with our stakeholders. These matters influence the strategic approach adopted in steering the group.

Home Afrika risk management processes are embedded in our everyday business activities and culture. For us, risk management involves achieving an appropriate balance between realizing opportunities for business gain while minimising the adverse impacts of these risks.

Material matters are those factors that have the most impact on our ability to create long-term value. They have an impact on our performance and relationships with our stakeholders. These matters influence the strategic approach adopted in steering the group.

# MATERIAL RISKS AND OPPORTUNITIES

| | CAPITAL STABILITY | GOVERNMENT POLICIES | OPERATING ENVIRONMENT | PEOPLE |
|---|---|---|---|---|
| **Material Matters** | • Inadequate capitalization<br>• Access to low cost & structured finance.<br>• Inadequate Liquidity<br>• Delays in Project Completion<br>• Sub optimal sales<br>• Capping of interest<br>• Competition<br>• Reputational & risk of litigation<br>• Land acquisition risk | • Affordable housing policy by Government.<br>• Government policies on Physical planning | • Challenging Macroeconomic and microeconomic Environments.<br>• Evolving regulatory Landscape.<br>• Political uncertainty<br>• Rising construction costs | Attraction and retention of talent |
| **Opportunities** | Capping of interest chargeable by CBK has made banks averse to facilitating short term loans. This has affected access to credit for companies and individuals whose target purchase of property in Migaa and similar projects by Home Afrika.<br><br>With the return of free floating interest rates from banks, Home Afrika has the opportunity to get local bank financial partners who are willing to partner in infrastructure projects.<br><br>Recent enforcement of the clean energy rules that require all large scale domestic housing units install renewable energy for water and house heating may have a significant cost effect on future projects by Home Afrika. | The government policy to deliver decent housing to working Kenyans is in line with HAL's business strategy.<br><br>The supply of equitable housing will in turn increase new consumers/a new market in moderate-income households. The affordable housing policy will lead to decrease in manufacturing cost related to the real estate sector thus creating an opportunity to increase the overall output of the company. | Political tension played a vital role in discouraging investment in real estate especially postponing of property -purchase decisions due to the uncertainty of election results, with political stability post the general elections this provides a great opportunity for credit advancement more so for households relying on the credit market towards home acquisition. | Talented employees are a great tool in responding to changes in our operating environment mentioned.<br>Management of performance to ensure optimal productivity is essential. |

In Home Afrika, the internal risk comprises of factors within the company which impact the success and approach of business operations. Unlike the external environment, the company has control over these factors. It is important to recognize potential opportunities and threats outside company operations.

The following are more details regarding External and Internal Risk.

| RISK | MITIGATION |
|---|---|
| **Economic Risk** – This risk arises when the economy growth fails to match expectations. This is highest in times of elections which has adverse effects to the economy. Considering that the growth in the real estate sector is often dependent on the growth of the economy as a whole, any contraction in the economy might cause a contraction in the Real Estate market. | Kenya's economy have shown strong and robust growth rates over the last few years and this trend is expected to continue going forward (cf. Macroeconomic section). Potential downside risks as also discussed in the Macroeconomic section especially include the country's fiscal performance and policies going forward where a growing debt burden and increasing budget deficit could eventually end up hurting the general economic performance.<br><br>However the overall expectations for the economy looks promising and the economic risk for Kenya is for this reason not considered to be critical. |
| **Political Risk** – Kenya is subject to certain political, economic and social events that may individually or collectively, erode business confidence. Of note, this risk tends to be heightened during an election year, 2017 being one, due to the uncertainties that are present with political change. In light of past events during election years, some tension could arise from the upcoming election. | However, with the scars of the 2008 post election violence still fresh and the successful conclusion of the 2013 election, the 2017 election is expected to elapse with relative peace. |
| **Insecurity Risk** – After a series of terrorist attacks between 2011-2013, the level of insecurity has taken a sharp decline with no major recent events of note. Though the risk is still present, the concentration of it has mainly been in the areas of neighboring Somalia and the Coastal region, with isolated incidences in Nairobi. The downturn in the economy, especially with regard to tourism has prompted the government to act. | The government with the help of donor funding has put security measures into place that are largely credited for the decrease in insecurity. The government has furthermore promised to continue to address levels of insecurity in order to ensure that its citizens and operating businesses within the country can feel safe. |
| **Currency Risk** – This risk relates to the mismatch of incomes and debt if different currencies are involved. HAL could face some exchange rate risk exposure if it borrows in one currency and receives income in a different one. Any fluctuations in the prevailing foreign currency exchange rates would have an effect on its financial position and cash flows. | To mitigate this risk, Home Afrika has ensured that its debt and income are in the same currency – all KES denominate. Its exposure on currency fluctuations is therefore minimal. |

| RISK | MITIGATION |
|---|---|
| **Interest Rate Risk** - This risk relates to potential rises in interest rates. Terms for interest payments on debt funding exposes HAL to interest rate risk; an increase in interest rates could result in a significant increase in the interest payments resulting in a decrease in income for the company. In light of the Banking Amendment Act of 2016, which caps all formal interest rates to Central Bank Rate plus 4%, interest rates in the market have come down sharply. | Though a direct benefit for HAL, however, it exposes the company to the legislative risk that the amendment can be repealed in the future exposing it to market interest rates which may be significantly higher. HAL's internal policies seeks to use a conservative financing structure and all budgets either for specific projects or for the consolidated group ensures to factor in a satisfactory headroom to cater for a potential rise in interest rates. |
| **Demand Risk** – This risk involves economic or local conditions that could lead to a decline in demand for real estate properties. Though the risk is present, the chronic undersupply of housing within Kenya especially for the low to middle income segment of the market continue to support there will be enough demand several years ahead. Majority of the demand risk in Kenya lies in the luxury segment of the market, as developers have favored this segment over the years. This could potentially affect some of HAL's projects, namely the apartments to be build in Tiwi under the Llango project. | To mitigate any potential adverse changes in demand HAL will ensure to continually survey the local market demand in the areas it operate and furthermore make sure that the final price setting of the apartments are competitive. |
| **Supply Risk** – Intense competition in the real estate sector could impact adversely on growth and profitability of the proposed projects by HAL. Though the economy is currently experiencing a chronic undersupply of housing, this may change in the future. If such a situation should occur, HAL may find it difficult to market and sell its development which could lead to an adverse impact on its financial health. | The Group intends to minimize material adverse effects from severe competition by:<br><br>• Providing quality services to its clients<br>• Developing projects that are market oriented.<br>• Maintaining a well motivated work force and agents.<br>• Recruiting good staff and continuous training and development of its workforce. |

# INTERNAL RISK TABLE

| RISK | MITIGATION |
|---|---|
| **Funding Risk** – This risk arises whenever Home Afrika requires external access to capital, to fund its growth strategy and capital expenditures, as HAL is in the process of completing at the moment. The risk it faces is when the market is unwilling to provide funding (either debt or equity). Failure to access required capital could adversely impact investments, cash flows, operating results or financial condition. Additionally, if it was going into the market to retire previous debt, it may be exposed to default risk. | The Transaction Advisor has a good track record raising funds through private or public offers as well as notable good relationships with key local and international investors that will help mitigate this risk. |
| **Execution Risk** – As a commercial developer, HAL will often engage property owners, developers, contractors, management or operating companies and joint venture partners in connection with its real estate projects. Challenges or issues with such counterparties could have a material adverse impact on those real estate holdings and on HAL generally. This risk involves delays in the project due to various circumstances that cause HAL not to proceed with the development in a timely and efficient manner, which could lead to increased development costs and/or delayed development period. Significant cost overruns delays in development can potential lead to a reduction or total wipe out of the projected margins. The delays may arise from external factors such as delays in permits or internal factors such as contractors causing the delays. | To mitigate internal risk, HAL aims to enter into fixed price contracts with the contractor to control costs and have bonuses completions ahead of schedule and likewise, penalties for any delays. For external risks, HAL will ensure all applications are done on time and as required to reduce any delays that may arise. HAL furthermore applies strict criteria for its selection of project partners to ensure set partners holds a strong historical track record and possess the necessary capabilities to carry out their intended role in the project. |
| **Reputational Risk** - This risk arises from any negative views or perceptions that the market may have acquired in the future for HAL. Considering that HALs business model is based on selling which primarily relies on trust between the buyer and the seller, any adverse change in perception will erode some of the trust which would in turn be reflected in the company's books. | To mitigate this risk, HAL ensures that:<br>• It is only associated with those institutions and individuals who have high levels of integrity;<br>• Always puts its customers first and continue to provide high quality services as well as;<br>• Continue monitoring and engaging with the media in a professional matter. |
| **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. Maturity analyses of the borrowings and trade and other payables can be found in all audited Financial Statements in the notes. |
| **Land Acquisition Risk** – acquisition of land in Kenya can be risky due to frequent incidents of titles being forged or duplicated and poor record keeping at the Ministry of Lands. This risk relates to the possibility of land acquired by HAL may have a forged title. | To mitigate this risk, before any land is acquired, HAL undertakes a thorough due diligence process to ensure that the title is clear and marketable. Due to having these clear policies in place the land acquisition risk is considered minimal for HAL. |

# INTERNAL RISK TABLE

| RISK | MITIGATION |
|---|---|
| **Permit and Regulatory Risk:** This risk arises when the regulatory environment, in which a Company operates within changes. Any future changes in laws and/or regulatory requirements may adversely affect HAL. Of particular concern should be the changes in zoning requirements, as a developing country, these are constantly changing. | To help mitigate this risk, HAL will ensure that it is well informed on the proposed regulatory and zoning changes that may affect some of its development, and ensure that the Company is always compliant with the regulatory requirements. |
| **Litigation Risk:** Real estate development involves the potential risk of litigation from either sellers, tenants, purchasers of properties, contractors and subcontractors, current or former employees, authorities or any other partiers. | HAL ensures that in the ordinary course of the Company's business, its dealing with clients, suppliers and counter-party's of any kind are fair and within the confines of the law to minimize the risk of any future claims. All contracts drafted are reviewed by lawyers who specialize in Real Estate development to limit future litigation risk legal actions. |
| **Price Risk:** The construction costs for any development is highly dependent on the prices of the raw materials, supplies, labour and other related costs. Any significant variation of this, may adversely affect the performance of the project. | To mitigate this risk, HAL ensures that it enters into fixed contracts with the suppliers and the contractors. This ensures that the company is cushioned against any price risk. In addition, economies of scale HAL enjoys results in a strong negotiation position towards its suppliers and contractors. |
| **Environmental Risk:** The Company's operations and property development are subject to various laws and regulations concerning the protection of the environment. This risk arises when the Company is required to obtain certain permits or licenses, which it may not be able to obtain in a timely manner or even at all, exposing the company to fines and other penalties. | To mitigate this risk, HAL operates under high internal environmental requirements that needs to be fulfilled before embarking on any new project. These standards are further also applies to all of its operating partners. |
| **Construction Risk:** The Company is subject to risks associated with the proper realization of its projects. These risks include the risk of errors or omissions in the project planning, budgeting and engineering, delays occurring in the completion of projects, worksite accidents, or acts of terrorism, etc. Part of this risk is mitigated through insurance contracts. The Company's on-going refinement of budgets, material choice, construction techniques etc. further lowers this risk.<br><br>The Company's operating business model and therefore financials results are exclusively driven by the sale of land or completed projects. The nature of this business model exposes the company to external factors such as the economy which in turn has an influence on its cash-flows and profits. Hence, the Company's cash flows can fluctuate significantly from year to year depending on the number of projects that can be / are put up for sale and are effectively sold in that given year. | To reduce this risk, HAL always aims at;<br><br>• Generating a certain level of pre-sales and selling part of the land as subdivided plots, which give the company a stream of cash-flows during the development;<br>• Factor in potential cost overruns in all of its budgets;<br>• Having projects in various phases of the development cycle so significant cash flows from later project at the later stages can help support other early stage projects. |

Home Afrika Limited Directors Strategy Meeting

# STRATEGIC OBJECTIVES

- Land
- Marketing
- Service Excellence
- Human Capital
- Financial Strength

## SHORT TERM

- Innovation & Technology
- Land
- Service Excellence
- Human Capital
- Financial Strength
- Partnership
- Marketing

## MEDIUM TERM

- Expansion
- Service Excellence
- Human Capital
- Financial Strength
- Partnership
- Marketing

## LONG TERM

# STRATEGY

## Strategic Objective 1 Land

**STRATEGIC OBJECTIVE**

Acquire land with the following objectives :

- Land Banking
- Subdivision and sale.
- Property development

**INITIATIVE**

- Joint ventures ,
- Government Partnerships (PPP)
- Seed financing

**KPI**

- Joint ventures: Develop a Joint Venture model and rollout JV partnerships.
- Land Banking : Acquire 24,000 acres of land by 2018.

*(Project Report From Pg 58-81)*

## Strategic Objective 2 Expansion

**STRATEGIC OBJECTIVE**

To grow sales & revenue

**INITIATIVE**

- Go county plan
- Corporate Rebranding
- Diversification of Products and business

**KPI**

- Go county plan: Set up regional offices in Nairobi, Isiolo, Nyanyuki , Kisumu, Eldoret, Garissa & Mombasa.
- Corporate Rebranding:
- Diversification of Products and business.

## Strategic Objective 3 Innovation and Technology

**STRATEGIC OBJECTIVE**

Reduce cost of construction through technology.

**INITIATIVE**

- Appropriate technology
- Research & Development
- ERP System
- Partnerships with educational institutions

**KPI**

- Adopt low cost and efficient building technology .
- Continuous research and development on low cost housing

*(ICT Report From Pg 82-83)*

## Strategic Objective 4 Service Excellence

**STRATEGIC OBJECTIVE**

World class real estate service.

**INITIATIVE**

- Establishment of quality standards framework
- Benchmark against best practice
- Planning and quality assurance
- CRM Tool

**KPI**

- Establishment of statutory quality standards framework

## Strategic Objective 5 Human Capital

**STRATEGIC OBJECTIVE**

Identify, nurture and grow human capital that will increase Home Afrika value.

**INITIATIVE**

- Talent acquisition and retention
- Performance management
- Organizational structure
- Succession Planning
- Creating the right business culture
- Onboarding
- Compensation

**KPI**

- Identify, acquire and retain highly qualified staff members.
- Benchmark staff performance on a quarterly basis.

*(Staff Photo Pg 34 & 35)*

## Strategic Objective 6 Financial Strength

**STRATEGIC OBJECTIVE**

Increase financial stability of Home Afrika.

**INITIATIVE**

- Source of finance
- Cost of financing
- ROI
- Development of buyer financing model.
- Development of project financing model.

**KPI**

- Identify various financial partners
- Identify and partner with various buyer financing partners.

## Strategic Objective 7 Partnerships

**STRATEGIC OBJECTIVE**

Revenue generation

**INITIATIVE**

- Outsourcing of processes
- Strategic partnerships
- Business model partnership.

**KPI**

Diversified income streams

## Strategic Objective 8 Marketing

**STRATEGIC OBJECTIVE**

Increased stakeholder engagement

**INITIATIVE**

- Websites partnerships
- Branding & signage
- Selling materials
- Direct mail campaign
- Electronic mail campaign
- Ad placement & media buying
- Public relations
- Networking
- Periodic reporting
- Research
- Loyalty programmes

**KPI**

Stakeholder engagement

# PROJECTS REPORT

The year 2017 we concluded on the fundraising information memorandum on our ongoing projects. We determined the projects that will get the first round of financing and those that will wait for the second round of fundraising.

We also met stakeholders of our other two projects; Lakeview Heights Development and Lango Development so as to agree on the close out of the projects.

# PROJECT 1

Morningside
Office Park

Morningside Office Park, being the first ultra-modern buildings to be set up on the foot of Ngong Road still remains an iconic building to date.

This is also the Headquarters of Home Afrika Limited, accessible by the general public through Ngong road and Kilimani road. It comprises 36 office suites, 200 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.

**36**

**OFFICE SUITES**

**200**

**2 LEVEL PARKING SPACE**

**MORNINGSIDE OFFICE PARK IS FULLY OCCUPIED.**

# PROJECT 2

MIGAA

Migaa is a mixed use development, integrated with an 18 hole golf course gated community planned 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.

The project Developer through a special purpose vehicle (SPV) Home Afrika Communities Limited, 60% owned by Home Afrika Limited is responsible for the project development.

**18**
HOLE GOLF COURSE GATED COMMUNITY

**774**
ACRES OF LAND IN KIAMBU

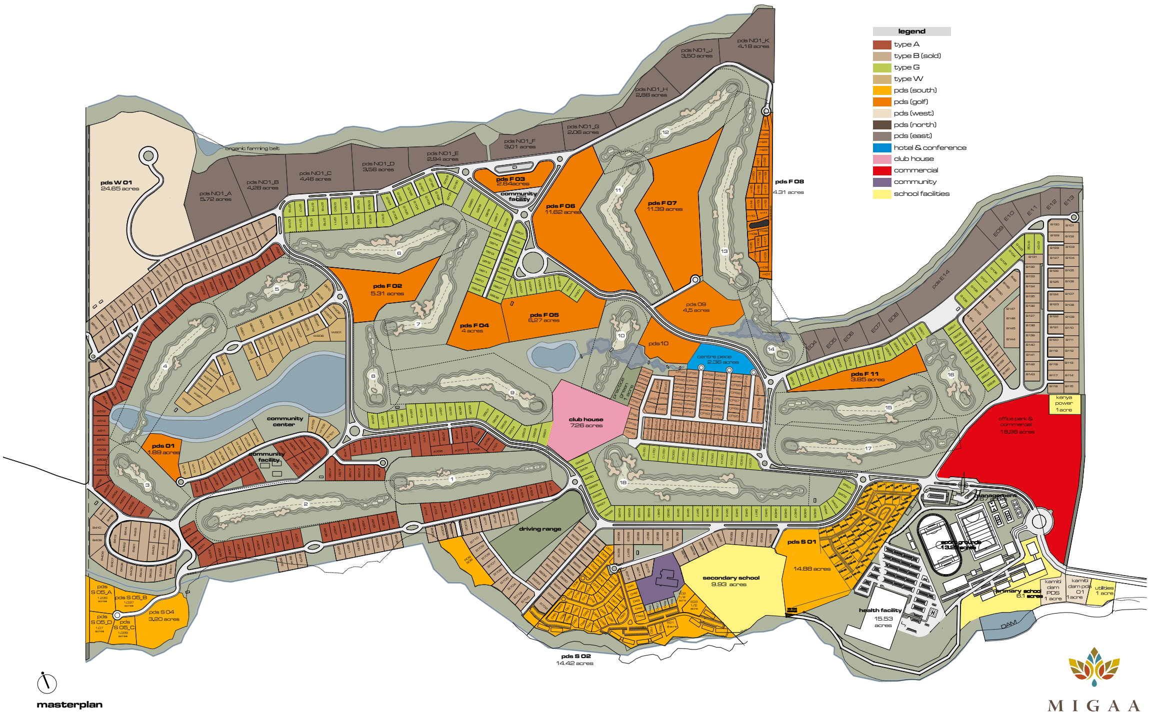
**20**
KILOMETRES FROM NAIROBI'S C.B.D

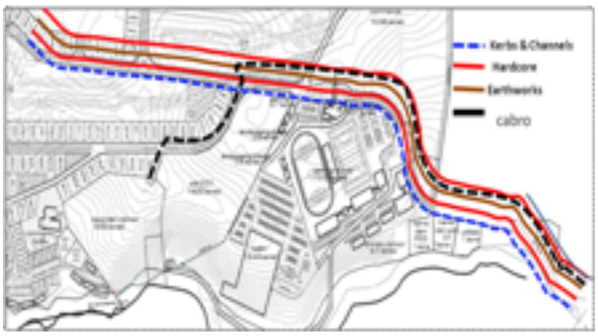
This development is anchored on an 18-hole golf course christened Kivuli Golf, the back nine i.e hole 10-18 already completed with a host of tournaments being held regularly. The other amenities that includes but not limited to; - residential estates i.e Mitini Scapes by Home Afrika, Tamarind Tree Residence 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 97%, dedicated fibre connection from Telkom. Migaa has also formed partnerships to speed up the progress of works. The partnerships are in development of the sports facilities, commercial centre, roads completion and ICT infrastructure.

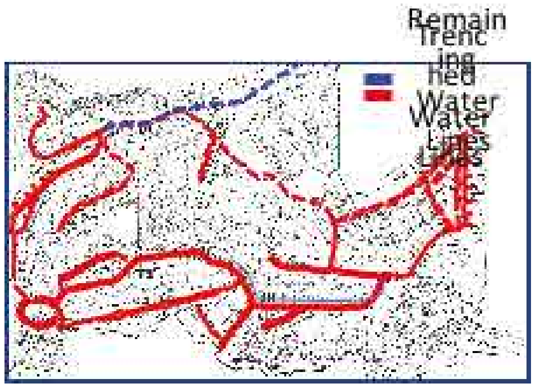
**The development is fully serviced with ongoing paving of roads, water reticulation done at**

**97%**



*Migaa Road works status.*



*Migaa Water reticulation status.*

## Golf Course-Back 9 Holes

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

## Perimeter Wall

Migaa perimeter is done using masonry with climbing plants to give a natural feel as one walks or drives along.

## Roads Construction

Phase 1 of the Road works have the paving done to 49% with the hardcore at 96%. The road works are projected to be complete in 2018.

## 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.

## Sewer Reticulation and Treatment

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


## Club House and Sports Facilities

Wadi degla having launched the project in 2017 took a break on development of the project with a view tying up the personel to implement the project. They were also in the process of fundraising in order to undertake the project together.

## Environment

Migaa fraternity aspires and continues to preserve the natural environment as much as possible. The flora and fauna coexist symbiotically with minimum human interference.

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


## Ubora Hospital

Ubora Hospital commenced construction. The works undertaken include; bush clearing, hoarding and heavy earthworks

## Street Lighting

As part of improving the livability in Migaa, we embarked on putting up street lighting. This has been done on the first phase as we continue to improve the facilities.

MIGAA

## Home Owners Construction

Home owners have submitted over one hundred house plans for approval to Migaa infrastructure committee, out of the submissions; nineteen home owners had embarked on construction with another eleven ready to undertake construction of their units' nine units are complete and ready for occupation.

# 2018 WORK PLAN

The following infrastructure components are scheduled for execution in 2018;

# PROJECT 3

MITINI SCAPES

Capture the dream

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:

The number of residents living in has grown to fifty one while others are planning to take possession the coming year 2018.

The second phase comprised plot subdivision to be developed by the owners. Two owners have already put up their houses and residing in them while two others are at advanced stage of construction.

**12**

**COTTAGES**
**3 BEDROOM + DSQ**
**& 4 BEDROOM + DSQ**

**70**

**APARTMENT**
**1 BEDROOM UNITS**
**& 3 BEDROOM UNITS**

# PROJECT 4

## MORU RIDGE RESIDENCE

We took a hold on progressing the one hundred unit hotel apartments located on the lower eastern side of Migaa overlooking a seasonal river.

# PROJECT 5

## LAKEVIEW HEIGHTS

Lakeview Heights project stakeholders were contacted and three meetings held with a view of agreeing on the way forward.

The stakeholders unanimously agreed that we sell off the entire parcel and refund those that had purchased either the plots or had contributed as shareholders.


# PROJECT 6

## LLANGO

Llango project like Lakeview Heights Development, a stakeholders meeting was held and a different resolution was reached at.

The stakeholders resolved that we (Home Afrika Limited) complete the change of use of the title and preparation of subleases with both the land owners and the shareholders retaining the entire property as Home Afrika Limited exits from the project

# PROJECT 7

## MUGUMO RIDGE *(Private Development Site)*

The PDS lying on the Eastern side of Migaa next to hole 13 was subdivided to 0.0505 Ha. plots, with some overlooking the fairway and others on backrow.

The plots were sold out to individuals to make their own development.

# PROJECT 8

## MIGAA CENTRE PIECE

The 17 acre Migaa Centre Piece property was subdivided into two portions i.e 2 Acres and 15 Acres; the former was demarcated for Hotel Development while the later was further subdivided into plots measuring approximately 0.06Ha. Some of the plot buyers have not only completed their units but they are ready for occupation, others are still under construction

## PROPOSED PROJECTS - 2018

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

# PROPOSED PROJECT 1

**MIGAA**

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.

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.

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.

# PROPOSED PROJECT 2

## Yellow Wood PDS

The PDS is nested by hole 16 on the Eastern side, hole 15 and 17 on the southern side and Gplots on the Northern side. The PDS is set for subdivision of plot sizes measuring approximately 0.0505 Ha. The plots will be overlooking the fairway and others on backrow. The plots are to be sold out to individuals to make their own development.


## Other PDS's

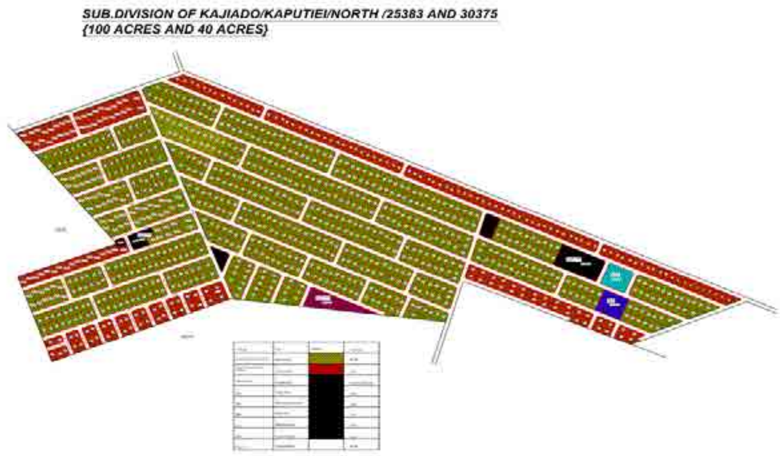
Propositions shall be developed for the different PDS's to give the presumed options on what can be put up on them.

# PROPOSED PROJECT 3

## KEROBI PLAINS

Phase 2 of the 140 Acre property situated in Isinya, Kajiado County, pproximately 20 km from Isinya Town is set to be opened up for sale.

The property is served with proper road networks 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 15km away




# PROPOSED PROJECT 4

## ADDITIONAL SMART PLOTS PROJECTS

Home Afrika Limited lined several properties to be subdivided and sold out measuring approximately 385 Ha. (953 Acres) for the year 2018. They have already signed of approximately 250 Acres, Expression of Interest with some at advanced stages of preparation of sale agreements.

# PROPOSED PROJECT 5

## 440 UTAWALA PROJECT

Home Afrika Limited in partnership with Paradigm projects will embark on developing 440 affordable housing unit apartments in Utawala out of which 280 units will be 3 bedrooms while 160 units will be 2 bedrooms.

The project has already achieved the following milestones;

- SPV registered; Four Forty Utawala Development Limited
- Land Transferred to SPV
- Change of User concluded
- Project design team appointed and contracted.
- Term Sheet from Debt Financer
- Estate Master plan & Apartment design concluded
- Estimated Bill of Quantity (BQ)
- Drawings submitted for approvals
- Tax plan concluded
- Sales & Marketing Strategy
- Drawing approval conclusions
- NEMA license
- Tendering

**440**
**AFFORDABLE HOUSING UNIT APARTMENTS**

**280**
**UNITS 3 BEDROOMS**

**+**

**160**
**UNITS 2 BEDROOMS**

Utawala  3 Bedroom Unit

Utawala 2 Bedroom Unit

# ICT REPORT

The company recognises that a sound ICT platform is essential for effective financial reporting and project management. In this regard, the company has embarked in various upgrades of the entire IT infrastructure.

## WEBSITE

A complete redesign of Homeafrika's website into one with an ultra-modern design which largely incorporates the latest capabilities to seamlessly work on mobile platforms, social media integration, improved speed, advanced tracking and analytics.

Homeafrika new look Website | URL: www.homeafrika.com


## UPCOMING PROJECTS

In line with its strategic plan and commitment to provide quality services, ICT department has embarked on upgrading Homeafrika's network infrastructure to UTP Cat 6, acquiring advanced network devices in order to provide high data transmission speeds.

Upgrade of IT equipment and infrastructure to enable secure point-to-point VPN connection of HAL offices and its subsidiaries.

- Upgrade the SAP Business System - version upgrade and re-implementation of key modules.
- SAP ERP Modules upgrades.
- App - Africa's mobile technology is a fast growing phenomenon. In order to firmly embrace the power of digitization, Home Afrika has taken major steps in ensuring it does not miss out on any opportunity. One of these steps has seen Home Afrika embark in developing a mobile app that will help in making relevant data available to prospective homeowners no matter where they are.
- CRM - Home Afrika is in the final stages of rolling out a Customer Relationship Management system that will help in managing the relationships with its existing customers as well as aid in finding new prospective customers.

## PERFORMANCE AGAINST STRATEGY

| STRATEGY | PERFORMANCE |
|---|---|
| **SHORT TERM STRATEGY.**<br>▪ Selling Mitini houses and plots + collections.<br>▪ Selling HAL Virtual Office<br>▪ Selling HAL Waterfront plots<br>▪ Selling at least 2 PDS Plots in Migaa<br>▪ Selling 25 acres of the lakeview parcel<br>▪ Establish 3rd Party property sales division<br>▪ Originate at least 5 new smart plot projects.<br>▪ Originate at least 1 residential/Commercial project<br>▪ Establish property management services.<br>▪ Reviving Migaa & reorganizing Lango<br>▪ Wrap-up capital raising and highlight performance reporting. | ▪ 2017 sales Target of Kshs 2.052 Billion (Actual 2017 Kshs 920m) selling: -<br>✓ Mitini houses and remaining including repossessed houses and plots.<br>✓ Waterfront plots-All plots now sold/swapped.<br>✓ Mugumo Ridge Plots-All sold out.<br>✓ Migaa plots & PDSs-Center Piece-All sold out.<br>✓ Kerobi Isinya plots (Phase 1)-326 plots-(154 new sales, 71 swaps and Kshs 19.7 Million collected so far. Kshs 28.7M has been paid to the vendor); and<br>✓ Commissions from selling 3rd party properties.<br>▪ Collecting Mitini, HAL & HACL receivables of Kshs. 424M collected.<br>▪ 3 Months expenses cover overdraft-remains outstanding<br>▪ Kshs 131.2 M Kikwetu, Kantafu & Preference share paid out of Kshs 198 Million<br>▪ 47.5% of Migaa preference shares has been paid out (97.2 Million principal & 74.3 Million Interest). |
| **MEDIUM TERM STRATEGY**<br>▪ Project exits.<br>▪ Projects Completion. | ▪ Mitini Scapes-49 families now resident, including 2 of self-build. Final snugs and handover ongoing.73.2% of units handed over.<br>▪ Migaa infrastructure-Search for an alternative contractor who will deliver the roads in return for payment in kind is already on.<br>▪ Wadi degla: New MoU agreed and negotiated. Concession agreement now finalized. All embossed agreements done.<br>▪ Lakeview & Llango: Discussions with stakeholders now completed and negotiated way forward agreed. Meeting with lakeview buyer done. Awaiting letter of commitment to enable us prepare a sale agreement. MMC already working on documentation for Llango project to transfer parcel to shareholders. |
| **LONG TERM STRATEGY**<br>▪ Affordable Housing projects | ▪ One project identified in Thogoto. EOI signed with land owner. Negotiations with various funding and project management partners ongoing. |

# REPORT FROM THE CHIEF FINANCIAL OFFICER

## 2017 Key highlights

The year 2017 will be remembered for its significant political and economic events for the better part of the year. These, coupled with the effects of the bank's interest rate capping, placed considerable strains on the overall market liquidity. Despite these, the company demonstrated resilience in the face of bleak economic predictions from market and industry observers to post a solid performance.

The Gross Sales (un-adjusted for project stage of completion) for the year to Dec 2017 increased by 8% to Shs 921M from Shs 849million in 2016. These are reflected in the increased deposits for plots and units in our balance sheet. The selling and administrative expenses increased in line with these increased selling activities.

When the sales are adjusted for the projects' stage of completion, we reported an 18% increase in revenues from Shs 222 million in 2016 to Shs 263 million in 2017. The cost of sales increased by 43% from Shs 160 million in 2016 to Shs 229 million in 2017. It is against this background that the Group reported a slightly higher loss of Shs 181 million in 2017 compared to a loss of Shs 168 million in 2016, an 8% increase.

The Group is now reaping from its restructuring that was initiated in 2016 we continued solidifying and reaping from the significant changes we have implemented at board, management and projects level.

Overall, our liquidity has vastly improved despite the challenging operating environment. We continue to provide consistent value to our shareholders through our robust business model and prudent cost management practices.

## Reporting and Compliance

During the year, we were in compliance with the various requirements expected of us by the regulators as a listed company. Of note is that we rolled out implementation of the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public which was gazetted into law in March 2016 and became fully applicable at Group level effective March 2017.

Public Listed Companies are required to fully comply with the code and align their governance structures and reporting arrangements to the requirements of the Code. We are happy to report that significantly compliant with the requirements of the code. We are in the process of implementing the few outstanding issues.

We are in the process of upgrading our reporting system (SAP) to have more efficient and timely reporting.

Looking forward into 2018, the Group is primed to leverage its market position as the only listed real estate developer. We are optimistic that tangible benefits will accrue to our shareholders as we step up our cost management and accelerate innovation to achieve sustainable growth in 2018 and beyond.

**Joshua Kihoro**
**Chief Financial Officer**

## FINANCIAL HIGHLIGHTS

The group reported an 18% increase in revenues from Shs 222 million in 2016 to Shs 263 million in 2017. Cost of sales increased by 43% from Shs 160 million in 2016 to Shs 229 million in 2017. The group has reported a slightly higher loss of Shs 181 million in 2017 compared to a loss of Shs 168 million in 2016, an 8% increase.

The book value of the group's sellable land and other inventory increased from Shs 3.1 billion in 2016 to over Shs 3.7 billion in 2017. 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 deferred revenue & deposits from sales of plots grew from Shs 2.0 billion in 2016 to Shs 2.35 billion in 2017. In line with our accounting policy, these amounts are carried as current liabilities in the balance sheet but will over the next few years convert to revenues as we increase the investment in the projects and thereby increase the rate of stage of completion. We estimate to have completed this and other project infrastructure works by the end of 2020. This will effectively see a majority of the deferred revenue and deposits from sales of plots translate to revenue over that period.

The group improved the stage of completion, especially at its Migaa Golf Estate project, the premier golf estate development in Kiambu County, to 48% in 2017 from 43% in 2016. This signifies an investment in the project most of which was spent on roads construction, water reticulation and street lighting in Migaa. The average projects' stage of completion, which determines how much deferred revenue is booked as revenue of the group, will continue increasing over time, especially as current road and other works are implemented.

## STATUS OF FUNDRAISING

The process of fundraising that was approved by shareholders during the Annual General Meeting in May 2016 has so far progressed very well.

We are hopeful that this process will be successfully concluded and the funding committed to by strategic and other investors by the end of 2018. The funding acquired will be used primarily to facilitate completion of our projects.

## STATUS OF RESTRUCTURING & 2018 OUTLOOK

The group's board and management will continue to streamline costs and increase efficiency to improve profitability and grow shareholder value. Management continues to spend significant amounts of time focusing on the restructuring strategy to ensure that the company is turned around and returns to profitability within the shortest time possible.

The directors remain confident of the substantial underlying medium to long-term value of the group's land bank and therefore profit generation capacity in the periods ahead.

# OPERATIONAL PERFORMANCE

## Sustainable environmental Management

Home Afrika model in development projects is to have 50% green and 50% developed. This improves the living conditions by having well fenestrated and lit buildings that are not only environmental friendly but also requires no artificial lighting during the day.

## Employee Safety

We provide all our employees with insurance cover as well as protective gear in handling their assigned duties in different locations.

## Product Safety

Our products which are; Land and buildings are designed and constructed according to the set out regulatory guidelines. We provide fire extinguishers, fire hose reels, dry and wet riser to take care of fire hazards.
We train our staff on maintenance of property and first aid.
We make sure we have occupation certificates for our buildings and compliance certificates.

## Energy Saving

Home Afrika Limited projects take into consideration energy saving by adopting best practice required.

In our Housing developments we install solar for water heating and use LED lighting to minimize the electricity consumption. Our street lighting system also has sensors to allow for automatic switching on and off.

# CORPORATE SOCIAL RESPONSIBILITY (CSR)

## Home Afrika Foundation

Home Afrika Limited's CSR activities are carried out through the Home Afrika Foundation, which was formed in the year 2012. The Foundation aims to support the local communities surrounding HAL's various projects.

Home Afrika Foundation plans to replicate similar activities to its various Projects across the rest of the country as well as launch initiatives within Water & Sanitation and Sports. This will ensure HAL continues to connect with and support the local communities surrounding their projects.

### Key focus areas for the Foundation include:

HEALTH

ORPHANS

EDUCATION

WATER & SANITATION

MENTORSHIP

SPORTS

## Key projects the Foundation has undertaken so far:


### Eddah's Hope Cancer Foundation

Home Afrika supports communities to access quality health care services; through creating strategic partnerships with organizations that create awareness on diseases that require specialized treatment. Last year, we partnered with Eddah's Hope Cancer Foundation, and were awarded as the Best Corporate Sponsor in 2018.

### Star of Jesus Children's Home

At Home Afrika, we support initiatives that focus on improving the quality of life for orphans and the less fortunate in the community.

Last year, we focused on:

- Donations of food and clothes to Stars of Jesus Children's Home.
- We further hosted them for a Christmas party at Migaa and supported the children's home through payment of school fees for the needy children.

### Tree Planting

Home Afrika has supported environmental conservation; with an aim of mitigating the effects of climatic changes. As a result, we have been engaged in tree and grass planting at Migaa.

We partnered with Ting'ang'a Model Primary School and renovated their grounds to ensure improvement of their student's learning environment and facilities.

## Key projects the Foundation has undertaken so far:

### Red Cross

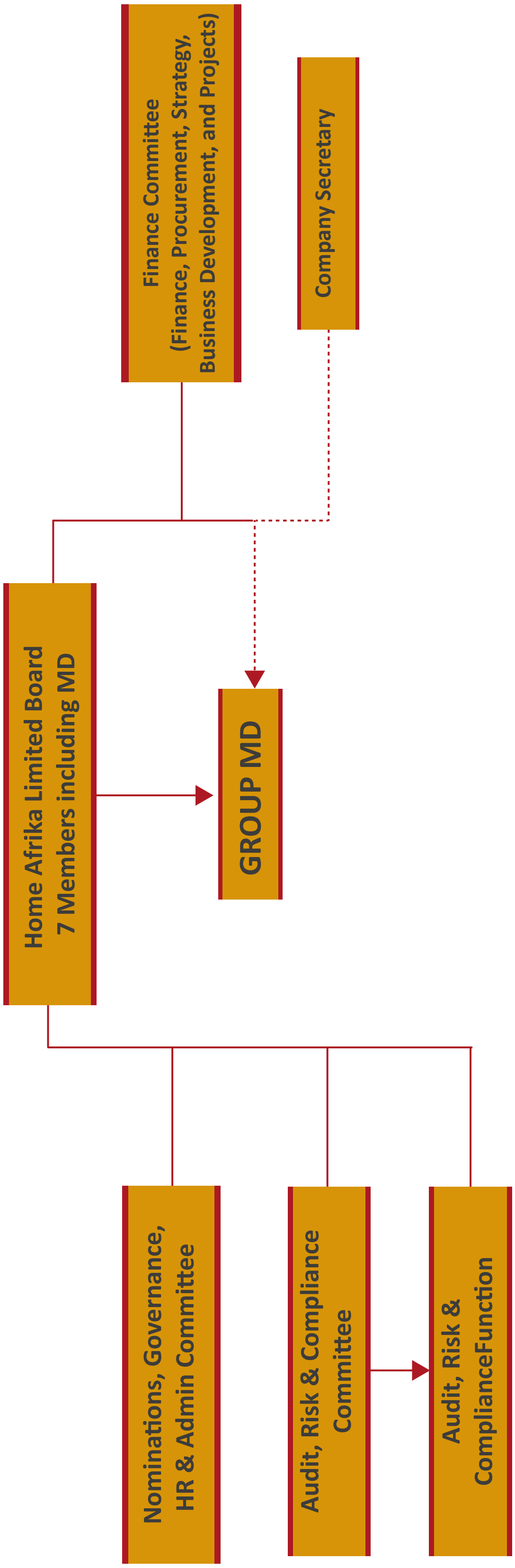
Home Afrika Limited joined the initiative to feed families during the drought period experienced in 2017. We were able to support 15 families for one month.


### School Fees Support

Home Afrika Limited is keen on empowering the leaders of tomorrow.
We are greatly priviledged to have supported several students at in various institutions of learning with school fees.


# CORPORATE GOVERNANCE

## Corporate Governance Structure



# STATEMENT OF CORPORATE GOVERNANCE

The Board and management of Home Afrika Limited ("the Company") continue to be dedicated to applying good corporate governance practices as required by the recently enacted Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 ("the Code") .The Company recognizes that the requirements are a continuous activity and in the course of 2017 ensured the following structures were in place:

- Board membership is made up of competent independent non-executive members numbering six, while executive member is only one, comprised in the office of the Managing Director;
- Board membership is rotational and is for a maximum of nine (9) years, whereupon director retire form the Board;
- Membership to committees is determined by approved and updated Board Terms of Reference;
- Maintaining a Conflict of Interest Register wherein all potential and actual instances of conflict of interest are recorded;
- having internal and external audit conducted by external service providers who report directly to the Board through the Audit Risk Committee;
- Financial Reporting for the year ended December 2017 as per the IFRS standards.

The Company is currently undertaking the following activities to ensure full compliance in the next three (3) months:

- Corporate Governance Audit;
- Formulation of Company Policies that include the Whistle Blowing Policy, a comprehensive Conflict of Interest Policy that addresses employee conflicts;
- Board's approval of the newly drafted Board Charter; and
- Adoption of the Board Evaluation

## Board Charter

This document provided the roadmap to achievement of the goals set out in the strategy, its provisions ensure that in 2017. The Charter provides for independent oversight of the company's activities, this is manifested in the Board that is made up executive and non-executive members.

The Directors, numbering seven (7) are all non-executive with the exception of the Managing Director. This ensures that there is a clear definition of roles of oversight of the company and is manifested in the Managing Director's role in implementing the Board's company structure and achievement of strategy. The Board is also comprised of individuals of high caliber qualification and achievement in various fields including law, accounting and finance, audit and risk , operations and management.

## DIRECTORS SHAREHOLDING

| No. | Director | Number of shares held | Executive / Non-Executive Membership | Independent & Non-Independent Membership |
|---|---|---|---|---|
| 1. | Linus Gitahi | None | Non-Executive | Independent |
| 2. | Peter Nduati | None | Non-Executive | Independent |
| 3. | Rachel Mbai | None | Non-Executive | Independent |
| 4. | *Dan Ochieng Awendo | *256,000 | Executive | Non-Independent |
| 5. | Mbugua Gecaga | 2,948,200 | Non-Executive | Non-Independent |
| 6. | Ketan Shah | 4,000,000 | Non-Executive | Non-Independent |
| 7. | Caroline Jebet Kigen | None | Non-Executive | Independent |

*

1. Shares held through a family member – NONE
2. Shares held in the name of a company. -- YCEO Holdings Ltd – 10 million shares (This company has 34 shareholders and 4.9% stake in the company in personal capacity).

## Board Committees

The Board remained committed to the Company's strategy in the year 2017, the approach to achieving profitability in the company was three-fold:

- Fundraising
- Liquidity improvement
- Revenue growth.

This commitment was demonstrated in the activities of the various committees whichwere formed to perform defined roles noted below:

### Audit and Risk Committee

The Audit and Risk Committee is independent and is tasked with risk assessment and management, as well as ensuring the integrity of financial reports in liaison with the external and internal auditors.

The membership to the Committee is currently made up of four (4) members, i.e. three (3) are non-executive and one (1) is executive. All members are well versed with the audit and risk administration aspect of business management.

The Committee ensured that the full year financials and half year financials were conducted by the duly appointed external auditors. Their review and adoption of the financials ensured integrity and in so doing provided reliable information to prospective investors in the fundraising exercise.

### Finance, Procurement and Strategy Committee

The Committee's mandate is to ensure the Company's financial sustainability by establishing an investment policy, approving the company's expenditure projections, budgets and overseeing their implementation. The Committee's membership is made up of three (3) non-executive members.

In line with the Company strategy to increase liquidity, the Committee approved the Company's Smart Plots Project - Kerobi Plains situated in Kajiado County, aptly described in this report's previous pages . The project facilitated a significant increase of sales and this in turn increased the Company's liquidity and improved its financial position generally.

The Committee also oversaw the diversification of the Company's businesses to include third party sales and property management.

### Nomination, Governance, Human Resource and Administration Committee

This is the Committee that is tasked with oversight over remuneration of directors and staff in the company, training and succession planning for the board. The Committee is also responsible for the remuneration package for the Board , their oversight ensured the remuneration was equitable .

The Committee also approved the recruitment of additional personnel in the Company including Legal Officer, ICT Officer, accountants for the finance department as well as relationship managers.

To this end, the Commercial teams were sustainably increased to ensure that the Company's additional smart plots' inventory had the appropriate personnel to market , sell, diversify the company's revenue streams and all in all improve the Company's cashflows.

## Board and Committee Meetings

In the year 2017, the Board met once each quarter 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 2017 are set out below:

| | Board | Audit and Risk | Finance, Procurement & Strategy | Nomination, Governance, HR & Administration |
|---|---|---|---|---|
| **No of Meetings** | **5** | **3** | **4** | **3** |
| Linus Gitahi | 5 | - | - | 2 |
| Ketan Shah | 3 | 3 | 3 | - |
| Mbugua Gecaga | 4 | - | 4 | - |
| Rachel Mbai | 4 | 2 | - | 2 |
| Caroline Kigen | 4 | 3 | - | 2 |
| Peter Nduati | 3 | - | 4 | - |
| Dan Awendo | 5 | | | |

## 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.

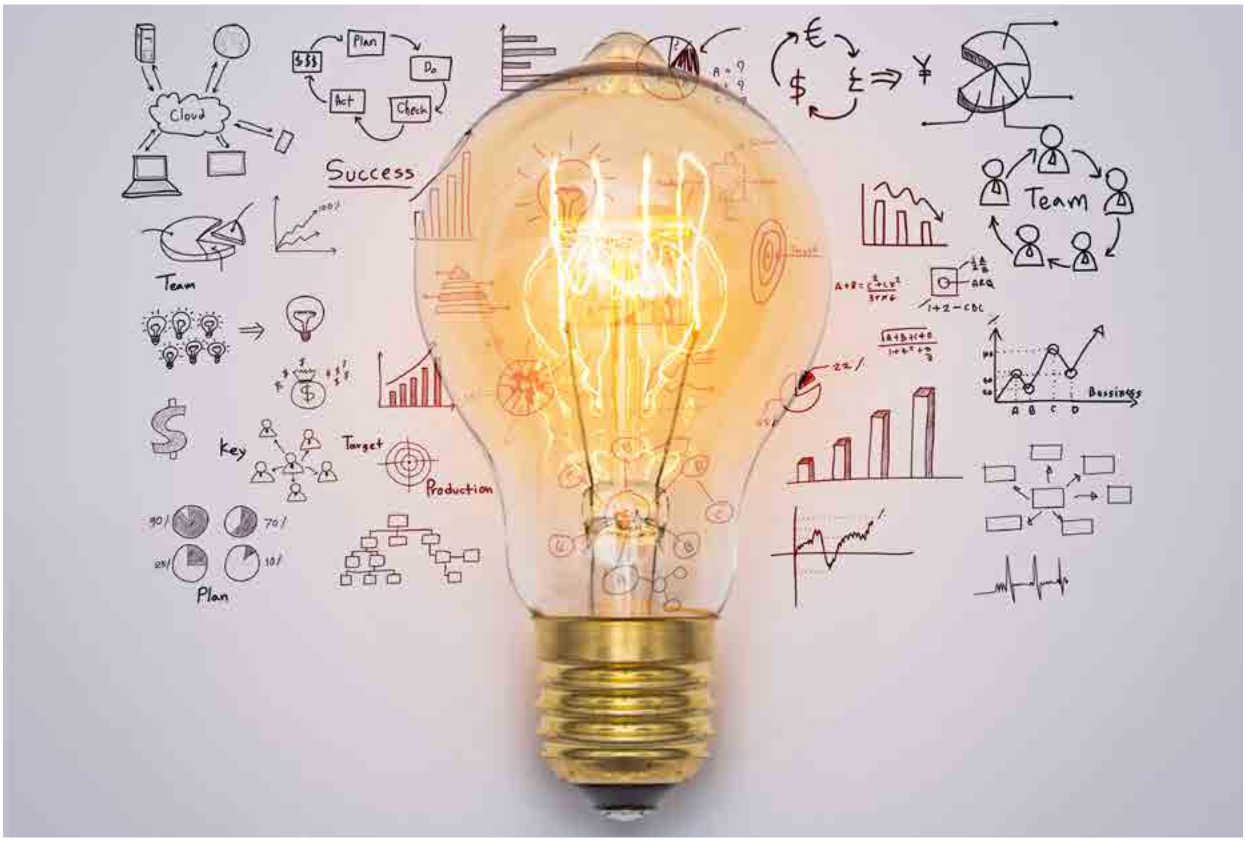
The Company Secretary provides practical support and guidance required for the Board to discharge its responsibilities. The Company Secretary also co-ordinates the flow of information between the Board and management ensuring that the flow of information is timely and appropriate. Each Board member has direct access to the Company Secretary.

## SHARE STRUCTURE Tables

| Share Range | No of Shareholders | No of Shares held | % shareholding |
|---|---|---|---|
| 1-500 | 1491 | 384915 | 0.09 |
| 501 - 5000 | 3151 | 6683781 | 1.65 |
| 5,001 - 10,000 | 917 | 7245671 | 1.79 |
| 10,001 - 100,000 | 1658 | 52700373 | 13 |
| 100,001 - 1,000,000 | 301 | 77810250 | 19.2 |
| Above 1,000,000 | 84 | 260430330 | 64.27 |
| **Total** | 7602 | 405255320 | 100 |

| Domicile | No of Shareholders | No of Shares Held | % Shareholding |
|---|---|---|---|
| Local individuals | 7225 | 273185303 | 67.41 |
| Local institutions | 312 | 108845710 | 26.86 |
| East African Institutions | 1 | 53000 | 0.013 |
| East African individuals | 15 | 4439500 | 1.095 |
| Foreign individuals | 47 | 18536700 | 4.574 |
| Foreign institutions | 2 | 195107 | 0.048 |

# DIRECTORS' REMUNERATION REPORT




## INTRODUCTION

The members of the Board Nominations & Remunerations Committee (BNRC) during the year were, Rachel Mbai (Committee Chairperson), Linus Wang'ombe Gitahi and Caroline Kigen. All members are Non-Executive Directors.

The Schedule of attendance of BNRC meetings held during the year was as follows: -

| Nominations & Remunerations Committee | 20-Apr | 13-Jul | 12-Oct | Total Meetings Attended |
|---|---|---|---|---|
| Rachel Mbai - Chairpeson | ✓ | × | ✓ | 2 |
| Linus Gitahi | ✓ | ✓ | × | 2 |
| Caroline Kigen | × | ✓ | ✓ | 2 |

| Key | |
|---|---|
| ✓ | Present |
| × | Absent |

The BNRC's responsibilities have been set by the Board and are outlined in the Board Charter and the Committee's terms of reference. The BNRC takes into account the need to recruit and retain valuable Directors in a challenging market environment.

The BNRC believes that the Company complies with the main provisions of the Code of Corporate Governance for public listed companies. This is the inaugural report under the new Companies Act 2015 and the regulations. Accordingly, the Company is presenting the existing remuneration policy with this report. In subsequent reports, the Company will be required to seek a vote on the Remuneration policy where the policy is changed.

The Directors' remuneration report is unaudited except where otherwise stated.

## Regulatory Changes

The Regulatory landscape in Kenya has witnessed a number of changes that have had an impact on the remuneration of Directors and the associated reporting.

In March 2016, the Capital Markets Authority ("CMA") issued the Capital Markets Code for Issuers of Securities ("The Code") which became operational after a year. The Code has outlined various compliance requirements in relation to Directors' Remuneration.

The new Companies Act 2015 was enacted in September 2015 and became operational in June 2016. According to the new Act, the Company is now required to table a Directors' Remuneration Report to its shareholders as part of its audited financial statements.

The Board has adopted a Board Charter and aligned it with the provisions of the Code and the new Companies Act. The Board Charter outlines a guideline on the Directors' Remuneration and Expense Policy.

## Remuneration for Non-Executive Directors

The Company's Non-Executive Directors' (NEDs) were issued with Directors' Service Contracts in compliance with the requirements of the new Act. These are contracts for service and not contracts for employment. The NEDs are compensated in the form of meeting attendance fees and stock options but are not entitled to any pension or bonuses.

## Remuneration for Managing Directors

In order to remain an attractive employer, the Group ("Home Afrika") annually reviews its competitiveness against prevailing market practices.

In 2017, The Company adjusted Salaries for inflation by 7% for the year 2017. The remuneration for the Managing Director was reviewed by the Board in line with the contract for employment and the internal performance structure.

The Managing Director's terms of employment were within the Companies HR policies.

## Link to Strategy

The 2016 to 2018 Strategic plan intends to return the group to profitability.

Home Afrika's aim is to achieve an integrated approach to reward, linking Company strategy in the form of the achievement of corporate objectives and individual performance to salary increases and bonus awards.

The major objective of the Group remuneration policy is to ensure that there is a clear link between each employee's individual level of performance and their reward. These, along with other factors such as market positioning and the overall reward budget, go into the annual salary and bonus review process for all employees including the executive team.

This ensures that a coordinated and consistent approach is taken - encouraging and supporting a high-performance culture whilst ensuring fairness and transparency across the Group.

To this end, an Integrated Performance Management Framework was rolled out with effect from January 2017.

Intergrated Home Africa Annual Report 2017

The following table shows a single figure remuneration for the Executive Director, Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 Dec 2017 together with the comparative figures for 2016.

| | **Year ended 31 December 2017 (Audited)** | | | | |
|---|---|---|---|---|---|
| | Name | Salary | Meeting attendance fees | Bonuses | Total |
| # | | Kes. | Kes. | Kes. | Kes. |
| 1 | Linus Gitahi -Chairperson | - | 425,000.00 | - | 425,000.00 |
| 2 | Ketan Shah | - | 350,000.00 | - | 350,000.00 |
| 3 | Mbugua Gecaga | - | 350,000.00 | - | 350,000.00 |
| 4 | Rachel Mbai | - | 350,000.00 | - | 350,000.00 |
| 5 | Caroline Kigen | - | 400,000.00 | - | 400,000.00 |
| 6 | Peter Nduati | - | 350,000.00 | - | 350,000.00 |
| 7 | Dan Awendo | 16,740,000.00 | 250,000.00 | | 16,990,000. |
| | | **16,740,000.00** | **2,475,000.00** | | **19,215,000.00** |

| | **Year ended 31 December 2016 (Audited)** | | | | |
|---|---|---|---|---|---|
| | Name | Salary | Meeting attendance fees | Bonuses | Total |
| # | | Kes. | Kes. | Kes. | Kes. |
| 1 | Linus Gitahi -Chairperson | - | 250,000.00 | - | 250,000.00 |
| 2 | Ketan Shah | - | 450,000.00 | - | 450,000.00 |
| 3 | Mbugua Gecaga | - | 400,000.00 | - | 400,000.00 |
| 4 | Rachel Mbai | - | 350,000.00 | - | 350,000.00 |
| 5 | Caroline Kigen | - | 250,000.00 | - | 250,000.00 |
| 6 | Peter Nduati | - | 200,000.00 | - | 200,000.00 |
| 7 | Dan Awendo | 15,900,000.00 | 250,000.00 | **4,432,615.00** | 20,582,615.00 |
| | | **15,900,000.00** | **2,150,000. 00** | **4,432,615.00** | **22,482,615.00** |

Intergrated Home Africa Annual Report 2017

## Payments to Non-Executive Directors serving in our Subsidiaries

The table below shows the allowances that were paid the non -executive directors that served in our subsidiaries.

| Year ended 31 December 2017 (Audited) | | |
|---|---|---|
| Subsidiary Name | Directors Name | Amount Paid (Shs) |
| Home Afrika Communities Limited | Michael Karanja | 1,428,571 |
| | Robert Muchoki | 971,429 |
| | Lucie Maina | 714,285 |
| | Dr. Mbira Gikonyo | 714,285 |
| Suburban Limited | Geoffrey Luseno | 150,000 |
| | Dan Awendo | 150,000 |
| | Dr. Mbira Gikonyo | 150,000 |
| Total | | 4,278,572 |

This section of the Remuneration Report describes the current policy for Directors' remuneration. It can be summarized as follows: -

## a) Managing Director

| *Base Salary:* | |
|---|---|
| Purpose/Link to Corporate: | Part of a basic competitive package to retain individuals of the necessary caliber to execute the Company's business strategy |
| Operation: | The Managing Director is entitled to a Salary & Director's fees on the main board meetings. No separate Directors' fees are paid. The salary is reviewed annually in line with the Company's Human Resources plan. |
| Opportunity: | Salary reviews are based on market comparisons and increases to other Group staff. Increases in Managing Director salary is aligned to the average staff increase in the Group. |
| *Pension:* | |
| Purpose / Link to Corporate: | To provide Executive Directors with a long-term savings opportunity; the pension forms part of a basic competitive package to recruit and retain. |
| Strategy Operation: | A Defined Contribution plan for all Executive Directors. |
| *Benefits* | |
| Purpose / Link to Corporate: | Insured benefits are included to provide employee protection for the benefit of the employee and Company |
| Strategy Operation: | Insured benefits provided as part of Group schemes. |
| Opportunity: | Group Medical Insurance<br>Group Life Assurance<br>Club membership for business and personal use. |
| *Annual Bonus Plan* | |
| Purpose / Link to Corporate: | The bonus payment is implemented in accordance with an approved Compensation Philosophy for the period 2016 to 2018. |
| Strategy: | The objective is to incentivize and focus attention on Company KPIs; to reward the achievement of financial, operational and individual targets and provide a competitive performance-related annual earnings opportunity. |
| Operation: | Profitability Target making up 50% of the bonus. The bonus will be calculated as 5% of net profit after tax for profits up to the amount of profit that was targeted and approved at the beginning of the year. For any profits over and above the profits that were targeted and approved at the beginning of the year, 25% of net profit after tax will be payable into the management bonus pool;<br><br>Share Value Target making up the balance 50% of the bonus will be at 2% of the differential between company market capitalization between financial year periods. Base price is value per share as at Jan 1st 2017; and<br><br>The above bonus pools will subsequently be shared amongst management and staff subject to performance criteria established by management year on year. Performance criteria will be based on: -<br><br>Meeting of KPIs; and Longevity of stay in the company participating in attaining the results. |
| Opportunity: | The Managing Director's terms of employment were within the Companies HR policies. |
| Performance Metrics: | Company element based on challenging corporate, operational and financial KPIs. Measures, targets and weightings are set in respect of each financial year. Personal elements based on performance measures set each financial year relevant to the individual's role and accountabilities. Details of the corporate performance measures applicable in the current financial year are contained in the Group Variable Pay pay-out policy. All bonus payments are at the discretion of the Board. |

### *Executive Share Option Plans*

The Company has not introduced Executive Share Option Plans. No plan has been recommended for the next financial year.

## b) Non-Executive Directors Meeting attendance fees

Purpose / Link to Corporate: Competitive fee to recruit and retain.

Strategy Operation: The NED fee is a meeting attendance fee that is paid quarterly in arrears.

Opportunity: Fees are determined in accordance with market practice. The Remuneration Committee recommends the fees payable to the Chairman and other NEDs.

- Meeting attendance fees applies to attendance at Board meetings, Annual General Meeting, Board Committee meetings, Strategic Planning Workshop and Board Training Workshops;
- The fee structure will pay the Board Chair and the Board Committee Chairs a higher meeting attendance fee than that paid to other Directors in attendance.
- Directors attending out-of-country Board meetings will be entitled to receive an additional allowance.
- No additional fees/allowances will be paid over and above the retainer and meeting attendance fees

# OTHER KEY POLICIES INFLUENCING DIRECTORS' REMUNERATION

## a) Recruitment policy

The Company's philosophy is that all Executive Directors should be remunerated at an appropriate level based on Home Afrika's remuneration policy and taking into account the experience and caliber of the individual. The Managing director is entitled to a salary and Main board meeting attendance fees and not the meeting attendance fees on other committees

## b) Policy on payment for loss of office

The Managing Director's has a three (3) year service contract that provides for 3 months' notice on either side.

On termination of an Managing Director's service contract, the Company's policy is to pay the salary and benefits to which the executive is contractually entitled. There is no contractual entitlement to receive any bonus but depending on the circumstances, the Company may decide to make a bonus payment in respect of the period up to the termination date. It is not the Company's policy to make payments in respect of bonus if the Company is entitled to dismiss a Director for cause. The letters of appointment for Non-Executive Directors do not provide for any notice period. However, the appointment ceases immediately upon termination by resignation, a resolution of the Board or shareholders and no further remuneration accrues to the Director thereafter.

## c) Obligations in Service contracts

There are no obligations to individuals in Directors' Service contracts or Letter of Employment which give rise to entitlement beyond that described in the policy table and the policy on payment for loss of office.

The BNRC and the Board feel confident that the remuneration policy continues to be appropriate for the Company and will support the implementation of the Group's short term and long-term objectives.

## Approval of the directors' remuneration report

The directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, CMA code and related regulations.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

### CONTENTS



**The following pages do not form an integral part of these financial statements**

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## COMPANY INFORMATION

| | |
|---|---|
| **BOARD OF DIRECTORS** | : Linus Gitahi<br>: Peter Nduati<br>: Rachel Mbai<br>: Dan Ochieng Awendo<br>: Mbugua Gecaga<br>: Ketan Shah<br>: Caroline Jebet Kigen |
| **REGISTRAR OFFICE** | : Cooperative Bank Registrars Services<br>: CIC Plaza, Upper Hill, Wing 2, 1st Floor<br>: P.O. Box 48231, 00100<br>: NAIROBI |
| **PRINCIPAL PLACE OF BUSINESS** | : Morningside Office Park<br>: Ngong Road<br>: P.O. Box 6254, 00100<br>: NAIROBI |
| **INDEPENDENT AUDITOR** | : PKF Kenya<br>: Certified Public Accountants<br>: P.O. Box 14077, 00800<br>: NAIROBI |
| **PRINCIPAL BANKERS** | : Kenya Commercial Bank Limited<br>: NAIROBI<br><br>: I&M Bank Limited<br>: NAIROBI<br><br>: Cooperative Bank (Kenya) Limited<br>: NAIROBI<br><br>: Eco Bank Kenya Limited<br>: NAIROBI<br><br>: Equity Bank Kenya Limited<br>: NAIROBI |
| **LEGAL ADVISORS** | : Muriu Mungai & Company Advocates<br>: NAIROBI<br><br>: Wainaina Ireri & Co. Advocates<br><br>: NAIROBI<br><br>: Robson Harris & Company Advocates<br>: NAIROBI |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### COMPANY INFORMATION (CONTINUED
### 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

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2017, which discloses the state of affairs of the group.

## PRINCIPAL ACTIVITY

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

## BUSINESS REVIEW

During the year 2017 the total turnover of the group increased from Shs. 222,187,430 to Shs. 262,787,539. The loss before tax increased from Shs. 207,006,886 to Shs. 221,014,550.

As at 31 December 2017, the net liability position of the company was Shs. 391,602,440 compared to Shs. 210,167,228 as at 31 December 2016.

| | Group | | Company | |
|---|---|---|---|---|
| **Key performance indicators** | **2017 Shs** | **2016 Shs** | **2017 Shs** | **2016 Shs** |
| Turnover (Shs) | 262,787,539 | 222,187,420 | - | 80,000,000 |
| Gross profit (Shs) | 33,781,079 | 61,909,311 | - | 62,000,000 |
| Gross profit margin (%) | 13% | 28% | - | 78% |
| EBITAD | (125,177,090) | (76,266,377) | (90,880,799) | (58,694,468) |
| (Loss) for the year (Shs) | (181,435,212) | (168,458,361) | (134,521,089) | (110,081,459) |
| Net (liabilities)/assets (Shs) | (391,602,440) | (210,167,228) | 32,586,156 | 167,107,245 |

## PRINCIPAL RISKS AND UNCERTAINITIES

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's products and services. The company's strategic focus is to enhance sales growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions.

In addition to the business risk(s) discussed above, the company's activities expose it to a number of financial risks which are described in detail in Note 29 to the financial statements.

## DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2016: Nil).

## DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 106.

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

## REPORT OF THE DIRECTORS (CONTINUED)
## STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

1. there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
2. the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration for the group of Shs. 3,686,000 has been charged to the statement income and expenditure in the year.

**BY ORDER OF THE BOARD**

______________________________

**DIRECTOR**
**28th April 2018**

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 group 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:

1. 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;
2. Selecting and applying appropriate accounting policies; and
3. 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 2017 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 as set out in Note 1(a) to the financial statements. The directors are of the opinion that the group and its subsidiaries will remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 1(a).

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

Approved by the board of directors on 28th April 2018 signed on its behalf by :

______________________
DIRECTOR

DIRECTOR

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOME AFRIKA LIMITED

## OPINION

We have audited the financial statements of Home Afrika Limited (the "company") and its subsidiaries (collectively referred to as the "consolidated financial statements and "group") set out on pages 18 to 57, which comprise the consolidated and company statements of financial position as at 31 December 2017, and the consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and company 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 2017, and of the consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

## BASIS FOR 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 and company 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 and company 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. 181,435,212 (2016: Shs. 168,458,361) during the year ended 31 December 2017 and, as of that date, the group's current liabilities exceeded its current assets by Shs. 1,025,737,378 (2016: Shs. 770,171,741) and there was a deficiency in shareholders funds of Shs. 391,602,440 (2016: Shs. 210,167,228). 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

## 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 recognising revenue is described in Note 1(d) to the financial statements and the significant judgements 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 recognising 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 recognising 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;

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOME AFRIKA LIMITED (CONTINUED)

## REVENUE RECOGNITION (CONTINUED)

- Re-computation of the percentage of completion applied by management to determine revenue to be recognised 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 uncertainities and judgements 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 judgement and reliance on future estimates of costs to be incurred and fair values. In carrying inventory at the lower of cost and net realisable value, the estimation of net realisable 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 realisable value. We also used this actual recent sales experience to validate the fair values determined for the investment property.

## ACCOUNTING FOR BORROWING COSTS

Borrowing costs that are attributed to ongoing development of inventory are capitalised in line with accounting policy 1(r). As disclosed in accounting polict 1(c), the directors exercise significant judgement in determining eligibility of borrowing costs for capitalisation mainly based on ongoing development at the underlying project sites. Note 16 to the financial statements disclose the quantum of borrowing costs capitalised to inventory during the year. Because of the materiality of these amounts, and the significant judgement around continued capitalisation, this represents a key audit matter.

Our audit procedures to address the risk of material misstatement relating to the capitalisation of borrowing costs to inventory included:

- Auditing actual project development costs during the year based on provisional and final valuation certificates issued by the external qualified quantity surveyors of the company as evidence of continued development;
- Holding meetings with the external quantity surveyors in respect of project development activities undertaken during the year;
- Carrying our a physical inspection of the site to independently verify development activity as certified by the quantity surveyor; and
- Performing tests to recalculate the borrowing costs capitalised during the year.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, the director's remuneration report 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 corporate governance statement, chairman's statement and managing director's statement 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.

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOME AFRIKA LIMITED (CONTINUED)

## OTHER INFORMATION (CONTINUED)

When we read the corporate governance statement, chairman's statement and managing director's statement, 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 and company 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 and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company 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 AND COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and company 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 and company financial statements of the current period and are therefore the key audit matters.

## REPORT OF THE INDEPENDENT AUDITOR
## TO THE MEMBERS OF HOME AFRIKA LIMITED (CONTINUED)

PKF

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 matters prescribed by the Kenyan Companies Act, 2015**

As required by the Kenyan Companies Act, 2015, we report to you, based on our audit, that in our opinion:

- the information given in the report of the directors on pages 108 to 109 is consistent with the financial statements.
- the auditable part of the directors'remuneration report on pages 97 - 102 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

PKF Kenya.

28. April 2018

Certified Public Accountants
Nairobi

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 2017<br>Shs | 2016<br>Shs |
|---|---|---|---|
| Revenue | 3 | 262,787,539 | 222,187,420 |
| Cost of sales | | (229,006,460) | (160,278,109) |
| **Gross profit** | | 33,781,079 | 61,909,311 |
| Fair value gain/(loss) on investment property | 11 | 60,828,808 | (8,646,099) |
| Other operating income | 4 | 9,921,547 | 13,182,509 |
| Selling and distribution expenses | | (38,682,386) | (19,887,365) |
| Administrative expenses | | (169,053,774) | (100,476,404) |
| Other operating expenses | | (29,537,726) | (31,779,154) |
| **Operating (loss)** | 5 | (132,742,452) | (85,697,202) |
| Finance costs | 7 | (88,272,098) | (121,309,684) |
| **(Loss) before tax** | | (221,014,550) | (207,006,886) |
| Tax credit | 8 | 39,579,338 | 38,548,525 |
| **(Loss) for the year** | | (181,435,212) | (168,458,361) |
| **Total comprehensive (loss) for the year** | | (181,435,212) | (168,458,361) |
| **(Loss) attributable to:** | | | |
| - Owners of the parent | | (179,786,896) | (156,079,195) |
| - Non-controlling interest | | (1,648,316) | (12,379,166) |
| | | (181,435,212) | (168,458,361) |
| **(Loss) per share (Shs)** | | | |
| - basic and diluted | 9 | (0.44) | (0.39) |

The notes on pages 121 to 152 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December 2017 Shs | 2016 Shs |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 10 | 57,830,177 | 61,234,418 |
| Investment property | 11 | 623,180,335 | 685,622,528 |
| Intangible assets | 12 | - | 218,540 |
| Financial assets | 14 | 2,000 | 2,000 |
| | | 681,012,512 | 747,077,486 |
| **Current assets** | | | |
| Assets classified as held-for-sale | 15 | - | 41,500,000 |
| Inventories | 16 | 3,697,729,045 | 3,068,296,691 |
| Trade and other receivables | 17 | 79,446,156 | 65,150,396 |
| Cash and cash equivalents | 18 | 19,640,279 | 7,986,209 |
| | | 3,796,815,480 | 3,182,933,296 |
| **Total assets** | | **4,477,827,992** | **3,930,010,782** |
| Current liabilities | | | |
| Deferred income | 19 | 936,785,104 | 919,126,518 |
| Trade and other payables | 20 | 1,077,524,741 | 648,001,907 |
| Deposit from sale of plots and units | 20 | 1,418,897,759 | 1,096,076,016 |
| Borrowings | 21 | 707,024,803 | 679,706,916 |
| Private placement bond | 22 | 494,182,715 | 488,418,287 |
| Deposit for shares | 23 | 182,588,522 | 111,334,998 |
| Current tax | | 5,549,214 | 10,440,395 |
| | | 4,822,552,858 | 3,953,105,037 |
| **Net current (liabilities)** | | **(1,025,737,378)** | **(770,171,741)** |
| **Non-current liabilities** | | | |
| Deposit for shares | 23 | - | 96,253,550 |
| Borrowings | 21 | - | 7,388,962 |
| Deferred tax | 24 | 46,877,574 | 83,430,461 |
| | | 46,877,574 | 187,072,973 |
| **Total liabilities** | | **4,869,430,432** | **4,140,178,010** |
| **Net (liabilities)** | | **(391,602,440)** | **(210,167,228)** |
| **EQUITY** | | | |
| Share capital | 25 | 405,255,320 | 405,255,320 |
| Share premium | 26 | 68,842,038 | 68,842,038 |
| Accumulated deficit | | (888,682,435) | (708,895,539) |
| **Equity attributed to owners of the company** | | **(414,585,077)** | **(234,798,181)** |
| Non-controlling interest | | 22,982,637 | 24,630,953 |
| **Total equity** | | **(391,602,440)** | **(210,167,228)** |

The financial statements on pages 115 to 154 were approved and authorised for issue by the Board of

Directors on **28th April** 2018 and were signed on its behalf by:

DIRECTOR DIRECTOR

The notes on pages 121 to 152 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### COMPANY STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|---|---|---|---|
| | | 2017 | 2016 |
| | Notes | Shs | Shs |
| **Non-current assets** | | | |
| Property and equipment | 10 | 58,822,977 | 60,773,698 |
| Intangible assets | 12 | - | 218,540 |
| Investment in subsidiaries | 13 | 76,986,247 | 76,986,247 |
| Financial assets | 14 | 2,000 | 2,000 |
| Trade and other receivables | 17 | 577,566,021 | 567,900,000 |
| Deferred tax | 24 | 624,639 | 824,324 |
| | | 714,001,884 | 706,704,809 |
| **Current assets** | | | |
| Assets classified as held-for-sale | 15 | - | 41,500,000 |
| Inventories | 16 | 315,794,495 | 115,000,000 |
| Trade and other receivables | 17 | 249,061,952 | 250,839,627 |
| Cash and cash equivalents | 18 | 10,118,445 | 2,842,897 |
| | | 574,974,892 | 410,182,524 |
| **Total assets** | | **1,288,976,776** | **1,116,887,333** |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 600,924,728 | 416,418,108 |
| Deposit from sale of plots and units | 20 | 161,947,501 | 28,497,287 |
| Borrowings | 21 | - | 6,428,580 |
| Private placement bond | 22 | 494,182,715 | 488,418,287 |
| Current tax | | 510,676 | 2,628,864 |
| | | 1,257,565,620 | 942,391,126 |
| **Net current (liabilities)/assets** | | **(682,590,728)** | **(532,208,602)** |
| **Non-current liabilities** | | | |
| Borrowings | 21 | - | 7,388,962 |
| | | - | 7,388,962 |
| **Total liabilities** | | **1,257,565,620** | **949,780,088** |
| **Net assets** | | **31,411,156** | **167,107,245** |
| **EQUITY** | | | |
| Share capital | 25 | 405,255,320 | 405,255,320 |
| Share premium | 26 | 68,842,038 | 68,842,038 |
| Accumulated deficit | | (442,686,202) | (306,990,113) |
| **Total equity** | | **31,411,156** | **167,107,245** |

The financial statements on pages 115 to 154 were approved and authorised for issue by the Board of Directors on **28th April** 2018 and were signed on its behalf by:

DIRECTOR DIRECTOR

The notes on pages 121 to 152 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital Shs | Share premium Shs | Retained earnings Shs | Total Shs | Non controlling interests Shs | Total equity Shs |
|---|---|---|---|---|---|---|
| **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) |
| **Year ended 31 December 2017** | | | | | | |
| At start of year | 405,255,320 | 68,842,038 | (708,895,539) | (234,798,181) | 24,630,953 | (210,167,228) |
| Total comprehensive (loss) for the year | - | - | (179,786,896) | (179,786,896) | (1,648,316) | (181,435,212) |
| At end of year | 405,255,320 | 68,842,038 | (888,682,435) | (414,585,077) | 22,982,637 | (391,602,440) |

The notes on pages 115 to 154 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## COMPANY STATEMENT OF CHANGES IN EQUITY

| Year ended 31 December 2016 | Share capital Shs | Share premium Shs | Retained earnings Shs | Total Shs |
|---|---|---|---|---|
| At start of year | 405,255,320 | 68,842,038 | (196,908,654) | 277,188,704 |
| Total comprehensive (loss) for the year | - | - | (110,081,459) | (110,081,459) |
| At end of year | 405,255,320 | 68,842,038 | (306,990,113) | 167,107,245 |
| **Year ended 31 December 2017** | | | | |
| At start of year | 405,255,320 | 68,842,038 | (306,990,113) | 167,107,245 |
| Total comprehensive (loss) for the year | - | - | (135,696,089) | (134,521,089) |
| At end of year | 405,255,320 | 68,842,038 | (442,686,202) | 32,586,156 |

The notes on pages 115 to 154 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | 2017<br>Shs | 2016<br>Shs |
|---|---|---|---|
| **Operating activities** | | | |
| Cash from operations | 27 | 81,046,627 | 100,791,331 |
| Interest paid | 28 | (40,757,824) | (115,545,257) |
| Tax paid | | (6,755,621) | - |
| Net cash from/(used in) operating activities | | 33,533,182 | (14,753,926) |
| **Investing activities** | | | |
| Cash paid for purchase of property and equipment | 10 | (3,404,825) | (71,700) |
| Additions to investment property | 11 | (11,742,047) | (5,167,024) |
| Interest received | | - | 5,193,853 |
| Proceeds from disposal of assets held for sale | | 41,500,000 | - |
| Net cash from/(used in) investing activities | | 26,353,128 | (44,871) |
| **Financing activities** | | | |
| Proceeds from: | | | |
| - borrowings | 28 | - | 66,563,214 |
| Repayment: | | | |
| - borrowings | | (23,232,214) | (73,671,363) |
| - finance lease | | - | (727,913) |
| - deposits for shares | | (25,000,026) | (13,869,999) |
| Net cash (used in)/from financing activities | 28 | (48,232,240) | (21,706,061) |
| Increase/(decrease) in cash and cash equivalents | | 11,654,070 | (36,504,858) |
| **Movements in cash and cash equivalents** | | | |
| At start of year | | 7,986,209 | 44,491,067 |
| Increase/(decrease) | | 11,654,070 | (36,504,858) |
| At end of year | 18 | 19,640,279 | 7,986,209 |

The notes on pages 115 to 154 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and capital management are set out in notes 29 and 30 to the financial statements.

During the year ended 31 December 2017, the group recognised a net loss of Shs. 181 million (2016: Shs. 168 million). The statement of financial position also indicates a deficiency in shareholders' funds of Shs. 391 million (2016: Shs. 210 million) and net current liabilities of Shs. 1.025 billion (2016: Shs. 770 million).

The group had signed in 2016 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. Agreements in respect of commercial arrangements relating to this development are nearing completion and work is anticipated to commence at the project site in 2018. This in turn is expected to significantly enhance the sales of land and facilities at the project.

Significant development effort and financing is necessary at the group's flagship project (Migaa) over the course of the next 12 - 24 months to achieve overall delivery commitments. Whilst a substantial part of the group's borrowings fall due for repayment within the next 12 months as reported under Notes 21, 22 and 23, subsequent to the year-end, borrowings with a carrying value of Shs. 516 million have been renegotiated and will be repayable over a period of 33 months. Total current borrowings amount to Shs. 1,384 million (2016: Shs. 1,279 million) excluding finance costs.

The group has substantial access to real estate inventory at each of its three projects, which if realised, 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 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 represents 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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

**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:

Amendment to IAS 28 'Investments in Associates and Joint Ventures' (Annual Improvements to IFRSs 2014–2017 Cycle, issued in December 2017) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.
Amendments to IAS 40 'Transfers of Investment Property' (issued in December 2017) that are effective for annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

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.

Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.

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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**a) Basis of preparation (continued)**
**New standards, amendments and interpretations issued but not effective (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.

- IFRS 17 ‘Insurance Contracts’ (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

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

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b) Key sources of estimation uncertainty (continued)

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.

**Investment property -** The company holds land that is for designated development and sale and land that is as of the balance sheet date not designated for any specific future use. Under the requirement of IAS 40 on Investment Property, land that is held without any designated future use is classified as Investment Property and measured at fair value in accordance with the accounting policy set-out below.

**Impairment of trade receivables -** the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

**Useful lives of property and equipment -** Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**Fair value measurement and valuation process -** In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the group makes use of financial models or engages third party qualified values to perform the valuation and provide inputs to the model.
issue.

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

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

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

**Fair value of investment property -** Fair value gains and losses on investment property 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 asses whether or not the group has control over any entity based on whether or not the group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the directors considered the groups absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

**Accounting for borrowing costs -** The directors assess the degree of contiued development activity at the underlyng project sites to determine whether interest and other costs incurred on borrowings related to ongoing project development should be capitalised. In determining whether continued development is relevant, directors consider the level of administrative activities that are necessary for project development as well as direct development activities.
The directors also consider development of infrastructure of ancillary services such as roads, water and power around the project site as relevant ongoing development.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**d) Revenue recognition**

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

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

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

i) Revenue from sale of land is recognised when the transaction with the buyer is 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 recognised 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 recognised 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) Property and equipment (continued)

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 |
| Computer equipment | 30.00 |
| Office equipment | 12.50 |
| Furniture and fittings | 12.50 |

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 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.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**i) Financial instruments (continued)**

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.

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

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

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

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

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

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

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

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

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**i) Financial instruments (continued)**

**- Financial assets (continued)**

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.

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

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

**j) Inventories**

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

**k) Cash and cash equivalents**

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

**l) Share capital**

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

**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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 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

### 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 with changes in presentation in the current year.

**NOTES (CONTINUED)**

## 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 out 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 which represents more than 10% of the total group turnover (2016: Nil).

## 3. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Revenue from sale of property | 262,787,539 | 222,187,420 | - | 80,000,000 |

## 4. Other operating income

| | Group 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| Rental income | 6,474,025 | 7,944,656 | 2,886,000 | 4,605,990 |
| Interest income | - | 5,193,853 | - | - |
| Other income | 3,447,522 | 44,000 | 2,742,763 | - |
| | 9,921,547 | 13,182,509 | 5,628,763 | 4,605,990 |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 5. Operating (loss)

| | Group | | Company | |
|---|---|---|---|---|
| The following items have been charged in arriving at operating (loss): | 2017 | 2016 | 2017 | 2016 |
| | Shs | Shs | Shs | Shs |
| Depreciation on property and equipment (Note 10) | 6,809,065 | 7,484,954 | 3,575,521 | 3,807,908 |
| Amortisation of intangible assets (Note 12) | 756,297 | 1,945,871 | 756,297 | 1,945,871 |
| Auditors' remuneration | | | | |
| - current year | 3,686,000 | 3,580,000 | 600,000 | 600,000 |
| - under provision in prior years | 89,144 | 270,121 | 106,000 | - |
| Directors' emoluments | 23,493,572 | 25,054,043 | 19,215,000 | 22,482,615 |
| Staff costs (Note 6) | 89,769,634 | 59,620,974 | 36,128,315 | 18,647,935 |

### 6. Staff costs

| | Group 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| Salaries and wages | 78,341,971 | 50,796,652 | 30,624,933 | 15,214,172 |
| Other staff costs | 11,290,263 | 8,609,522 | 5,428,782 | 3,334,163 |
| Pension costs: | | | | |
| - National Social Security Fund | 137,400 | 214,800 | 74,600 | 99,600 |
| | 89,769,634 | 59,620,974 | 36,128,315 | 18,647,935 |

| The average number of persons employed during the year, by category, were: | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Sales and marketing | 22 | 14 | 16 | 10 |
| Projects | 21 | 17 | 6 | 2 |
| Management and administration | 25 | 20 | 15 | 11 |
| **Total** | **68** | **51** | **37** | **23** |

### 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Shs | Shs | Shs | Shs |
| Interest expense: | | | | |
| - bank borrowings | 48,143,567 | 75,351,119 | 1,262,430 | 3,459,728 |
| - private placement bond | 36,980,557 | 41,048,314 | 36,980,557 | 41,048,314 |
| - preference shares | 3,147,974 | 4,860,000 | - | - |
| - finance leases | - | 50,251 | - | 37,132 |
| | 88,272,098 | 121,309,684 | 38,242,987 | 44,545,174 |

## NOTES (CONTINUED)

### 8. Tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Current tax | 1,864,440 | 4,382,195 | 865,800 | 1,381,797 |
| Over provision of current tax in prior years | (4,890,891) | (1,442,096) | - | - |
| Deferred tax credit (Note 24) | (36,552,887) | (41,488,624) | 199,685 | (293,759) |
| | (39,579,338) | (38,548,525) | 1,065,485 | 1,088,038 |
| arise using the basic rate as follows: | | | | |
| (Loss) before tax | (221,014,550) | (207,006,886) | (134,630,604) | (108,993,421) |
| Tax calculated at a tax rate of 30% (2016: 30%) | (66,304,365) | (62,102,066) | (40,389,181) | (32,698,026) |
| Tax effect of: | | | | |
| - income and expenses not taxable/allowable | (21,346,921) | (9,964,042) | 1,961,782 | 11,216,872 |
| - tax losses on which deferred tax has not been recognised | 52,962,839 | 34,959,679 | 39,492,904 | 22,569,192 |
| - (Over) provision in prior years | (4,890,891) | (1,442,096) | - | - |
| | (39,579,338) | (38,548,525) | 1,065,485 | 1,088,038 |

### 9. (Loss) per share

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 | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Net (loss) attributable to shareholders | (179,786,896) | (156,079,195) | (135,696,089) | (110,081,459) |
| Weighted average number of ordinary shares | 405,255,320 | 405,255,320 | 405,255,320 | 405,255,320 |
| (Loss) per share - basic and diluted | (0.44) | (0.39) | (0.33) | (0.27) |

NOTES (CONTINUED)

## 10. Property and equipment

**Group**

| Year ended 31 December 2017 | 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 | 29,249,180 | 100,158,041 |
| Additions | - | - | 850,000 | 1,395,100 | 153,000 | 1,006,725 | 3,404,825 |
| **At end of year** | **33,138,104** | **4,457,686** | **8,700,860** | **6,670,710** | **20,339,601** | **30,255,905** | **103,562,866** |
| **Depreciation** | | | | | | | |
| At start of year | 7,025,653 | 3,777,497 | 6,013,718 | 4,288,371 | 8,471,968 | 9,346,416 | 38,923,623 |
| Charge for the year | 1,535,639 | 255,071 | 530,119 | 432,361 | 1,282,887 | 2,772,989 | 6,809,066 |
| At end of year | 8,561,292 | 4,032,568 | 6,543,837 | 4,720,732 | 9,754,855 | 12,119,405 | 45,732,689 |
| **Net book value** | **24,576,812** | **425,118** | **2,157,023** | **1,949,978** | **10,584,746** | **18,136,500** | **57,830,177** |

| 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 | 31,438,669 |
| 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 | 38,923,623 |
| **Net book value** | **26,112,451** | **680,189** | **1,837,142** | **987,239** | **11,714,633** | **19,902,764** | **61,234,418** |

## 10. Property and equipment (continued)

**Company**

**Year ended 31 December 2017**

| | 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 | 4,901,466 | 85,165,861 |
| Additions | - | 850,000 | 774,800 | - | - | 1,624,800 |
| **At end of year** | **56,994,527** | **4,444,860** | **4,119,295** | **16,330,513** | **4,901,466** | **86,790,661** |
| **Depreciation** | | | | | | |
| At start of year | 9,753,872 | 2,729,126 | 2,714,999 | 6,953,464 | 2,240,702 | 24,392,163 |
| Charge for the year | 1,535,639 | 287,267 | 247,889 | 1,172,131 | 332,595 | 3,575,521 |
| At end of year | 11,289,511 | 3,016,393 | 2,962,888 | 8,125,595 | 2,573,297 | 27,967,684 |
| **Net book value** | **45,705,016** | **1,428,467** | **1,156,407** | **8,204,918** | **2,328,169** | **58,822,977** |
| **Year ended 31 December 2016** | | | | | | |
| **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 | 20,584,255 |
| 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 | 24,392,163 |
| **Net book value** | **47,240,655** | **865,734** | **629,496** | **9,377,049** | **2,660,764** | **60,773,698** |

## 11. Investment property

**Group**

| **Year ended 31 December 2017** | **Land Shs** | **WIP Shs** | **Total Shs** |
|---|---|---|---|
| At start of year | 633,487,531 | 52,134,997 | 685,622,528 |
| Transfers to inventories | (124,290,254) | (10,722,794) | (135,013,048) |
| Additions | - | 11,742,047 | 11,742,047 |
| Fair value (loss)/gain | 60,828,808 | - | 60,828,808 |
| At end of year | 570,026,085 | 53,154,250 | 623,180,335 |

| **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 |

The fair value of investment property comprising buildings 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 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 land 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.

| **Fair value hierarchy** **Group:** | **Level 1 Shs** | **Level 2 Shs** | **Level 3 Shs** | **Fair value Shs** |
|---|---|---|---|---|
| Land held as investment property | - | - | 623,180,335 | 623,180,335 |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 percentage of completion used for this valuation is 48.64% as at 31 December 2017 (43.16% as at 31 December 2016). 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 2017** | | | |
| **Cost** | | | |
| At start of year | 5,896,580 | 1,183,800 | 7,080,380 |
| Additions | 537,757 | - | 537,757 |
| **At end of year** | **6,434,337** | **1,183,800** | **7,618,137** |
| **Amortisation** | | | |
| At start of year | 5,678,040 | 1,183,800 | 6,861,840 |
| Amortisation for the year | 756,297 | - | 756,297 |
| At end of year | 6,434,337 | 1,183,800 | 7,618,137 |
| **Net book value** | - | - | - |

| **Year ended 31 December 2016** | Computer Software Shs | Website costs Shs | Total Shs |
|---|---|---|---|
| **Cost** | | | |
| At start and end of year | 5,896,580 | 1,183,800 | 7,080,380 |
| **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 |
| **Net book value** | **218,540** | - | **218,540** |

| **Company** | Computer software | |
|---|---|---|
| | 2017 | 2016 |
| **Cost** | Shs | Shs |
| At start of year | 5,896,580 | 5,896,580 |
| Additions | 537,757 | - |
| At end of year | 6,434,337 | 5,896,580 |
| **Amortisation** | | |
| At start of year | 5,678,040 | 3,732,169 |
| Amortisation for the year | 756,297 | 1,945,871 |
| At end of year | 6,434,337 | 5,678,040 |
| **Net book value** | - | **218,540** |

## 13. Investments in subsidiaries

**Company**

| Name | Country of incorporation | Holding 2017 | Holding 2016 | Company 2017 Shs | Company 2016 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 2017 | Proportion of ownership interest 2016 | Proportion owned via subsidiary companies 2017 | Proportion owned via subsidiary companies 2016 |
|---|---|---|---|---|---|
| Mitini Scapes Development Limited | Kenya | 100% | 100% | - | - |
| Lakeview Heights Development Limited | Kenya | 100% | 100% | - | - |
| Lango Development Limited | Kenya | 100% | 100% | - | - |
| Kikwetu Limited | Kenya | 100% | 100% | - | - |
| Smart Plots Limited | Kenya | 100% | 100% | - | - |
| Home Afrika Communities Limited | Kenya | 60% | 60% | - | - |
| Suburban Limited | Kenya | 50% | 50% | - | - |
| Migaa Management Limited | Kenya | 52% | 52% | - | - |
| Moru Ridge Limited | Kenya | - | - | 60% | 60% |
| Kivuli Golf Limited | Kenya | - | - | 60% | 60% |
| Migaa PDS Limited | Kenya | - | - | 60% | 60% |

## 13. Investments in subsidiaries (continued)

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

**Summarised financial information**

Summarised financial information in respect of each of the group's main 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 | |
|---|---|---|---|---|---|---|
| | 2017<br>Shs | 2016<br>Shs | 2017<br>Shs | 2016<br>Shs | 2017<br>Shs | 2016<br>Shs |
| Current assets | 1,655,207,195 | 1,264,964,926 | 89,741,629 | 93,292,185 | 1,297,953,493 | 1,102,337,954 |
| Non-current assets | 637,311,630 | 700,643,628 | 661,004 | 814,094 | 19,688 | 28,126 |
| Current liabilities | (1,866,894,567) | (1,398,037,575) | (132,736,998) | (137,721,044) | (1,343,204,511) | (1,147,107,605) |
| Non-current liabilities | (347,760,342) | (392,419,356) | - | - | - | - |
| Non-controlling interest | 85,927,599 | 88,020,144 | 43,935,524 | 44,575,724 | 18,092,532 | 17,896,609 |

## 13. Investments in subsidiaries (continued)

**Summarised financial information (continued)**

| | Home Afrika Communities Limited | | Suburban Limited | | Moru Ridge Limited | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| | **Shs** | **Shs** | **Shs** | **Shs** | **Shs** | **Shs** |
| Revenue | 195,282,865 | 81,666,240 | 3,328,800 | 8,326,166 | - | - |
| Expenses | (292,570,570) | (178,406,833) | (2,048,388) | (1,838,917) | (489,807) | (4,015,528) |
| **Profit or (loss) for the year** | **(97,287,705)** | **(96,740,593)** | **1,280,412** | **6,487,249** | **(489,807)** | **(4,015,528)** |
| Profit or loss attributable to the non-controlling interests | (2,092,594) | (12,588,536) | 640,201 | 1,752,647 | (195,923) | (1,606,211) |
| Net cash (out)/in flow from operating activities | (97,405,480) | (9,049,942) | 94,117 | (18,340) | (108,767,118) | (44,464,805) |
| Net cash (out) flow from investing activities | 121,893,401 | (5,178,024) | - | - | - | - |
| Net cash in/(out) flow from financing activities | (24,400,000) | 12,856,877 | - | - | 108,775,267 | 41,063,214 |
| **Net cash (out)/in flow** | **87,921** | **(1,371,089)** | **94,117** | **(18,340)** | **8,150** | **(3,401,591)** |

**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.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 14. Financial assets

| Available-for-sale | Incorporation | | Group and company 2017 Shs | Group and company 2016 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

| | Group and company 2017 Shs | Group and company 2016 Shs |
|---|---|---|
| Transfers from investment property (Note 11) | - | 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 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| Plots held for sale | 459,284,499 | 286,827,708 | 315,794,495 | 115,000,000 |
| Units held for sale | 400,708,532 | 532,214,272 | - | - |
| Work in progress | 2,837,736,014 | 2,249,254,711 | - | - |
| | 3,697,729,045 | 3,068,296,691 | 315,794,495 | 115,000,000 |

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.

Borrowing costs (net of releases to cost of sales on completed and sold inventory) amounting to Shs. 242 million (2016: 164 million) have been capitalised to inventories during the year. The directors have assessed actual underlying development activity at the project sites as well as related administrative functions in determining the appropriateness of capitalsation of these borrowing costs. Direct development valued to Shs. 177 million (2016 Shs. 80 million) was undertaken at the project sites during the year.

### 17. Trade and other receivables

| | Group 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| **Non current** | | | | |
| Receivables from related parties (Note 28(ii)) | - | - | 577,566,021 | 567,900,000 |
| **Current** | | | | |
| Trade receivables | 24,000,000 | 25,098,126 | - | 1,098,126 |
| Less: impairment provision | (24,000,000) | (24,000,000) | - | - |
| Net trade receivables | - | 1,098,126 | - | 1,098,126 |
| Other receivables | 3,459,075 | 2,691,165 | 336,553 | 175,808 |
| Deposits and prepayments | 35,667,884 | 32,677,839 | 2,578,691 | 2,500,529 |
| Shareholders account | 500,000 | 500,000 | - | - |
| Receivables from related parties (Note 28(ii)) | 39,819,197 | 28,183,266 | 246,146,708 | 247,065,164 |
| | 79,446,156 | 65,150,396 | 249,061,952 | 250,839,627 |
| | 79,446,156 | 65,150,396 | 826,627,973 | 818,739,627 |

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 17. Trade and other receivables (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Cash at bank and in hand | 19,640,279 | 7,986,209 | 10,118,445 | 2,842,897 |

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 | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| Deferred income | 936,785,104 | 919,126,518 |

Deferred income represents unrecognised revenue on account of ongoing construction.

### 20. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| **Current** | | | | |
| Trade payables | 490,544,573 | 182,390,040 | 228,335,501 | 17,300,311 |
| Accruals | 415,252,231 | 262,275,680 | 135,205,193 | 93,402,394 |
| Deposit for service charge and shares | 18,879,750 | 17,290,000 | - | - |
| Other payables | 53,010,589 | 86,947,092 | 32,824,332 | 71,250,871 |
| Payable to related parties (Note 28(iii)) | 99,837,598 | 99,099,095 | 204,558,982 | 234,464,532 |
| | 1,077,524,741 | 648,001,907 | 600,924,728 | 416,418,108 |
| Deposit from sale of plots and units | 1,418,897,759 | 1,096,076,016 | 161,947,501 | 28,497,287 |
| **Total trade and other payables** | **2,496,422,500** | **1,744,077,923** | **762,872,229** | **444,915,395** |

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

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 20. Trade and other payables (continued)

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 2017 | 0 to 1 month Shs | 2 to 3 months Shs | 4 to 12 months Shs | Total Shs |
|---|---|---|---|---|
| Trade payables | 25,901,824 | 210,584,478 | 254,058,271 | 490,544,573 |
| Accruals | 106,587,707 | 131,651,077 | 177,013,447 | 415,252,231 |
| Deposit from sale of plots and units | - | 122,048,078 | 1,296,849,681 | 1,418,897,759 |
| Deposit for service charge and shares | - | 2,678,238 | 50,332,351 | 18,879,750 |
| Other payables | - | 8,924,489 | 90,913,109 | 53,010,589 |
| Payable to related parties | 11,396,684 | - | 88,440,914 | 99,837,598 |
| | 143,886,215 | 475,886,360 | 1,957,607,773 | 2,496,422,500 |
| **Year ended 31 December 2016** | | | | |
| 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 | 11,312,382 | - | 87,786,713 | 99,099,095 |
| | 88,264,378 | 272,819,995 | 1,382,993,550 | 1,744,077,923 |

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

| Year ended 31 December 2017 | 0 to 1 month Shs | 2 to 3 months Shs | 4 to 12 months Shs | Total Shs |
|---|---|---|---|---|
| Trade payables | 131,886,405 | 82,042,242 | 14,406,854 | 228,335,501 |
| Accruals | 16,281,601 | 42,285,308 | 76,496,270 | 135,205,913 |
| Deposit from sale of plots | 21,607,575 | 140,339,926 | - | 161,947,501 |
| Other payables | - | 2,912,198 | 29,912,134 | 32,824,332 |
| Payable to related parties | - | - | 204,558,982 | 204,558,982 |
| | 169,775,581 | 267,579,674 | 325,374,240 | 762,872,229 |
| **Year ended 31 December 2016** | | | | |
| 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 | - | - | 234,464,532 | 234,464,532 |
| | 25,141,041 | 66,443,974 | 353,330,381 | 444,915,396 |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 21. Borrowings

| The borrowings are made up as follows: | Group 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| **Non-current** | | | | |
| Bank loans | - | 7,388,962 | - | 7,388,962 |
| **Current** | | | | |
| Bank loans | 707,024,803 | 679,706,916 | - | 6,428,580 |
| | 707,024,803 | 679,706,916 | - | 6,428,580 |
| | 707,024,803 | 687,095,878 | - | 13,817,542 |

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), 5$^{th}$ 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.

| Weighted average effective interest rates at the reporting date were: | Group 2017 Shs | Group 2016 Shs | Company 2017 Shs | Company 2016 Shs |
|---|---|---|---|---|
| Bank borrowings | 17.3% | 19.5% | 14.0% | 18.8% |

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.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 21. Borrowings (continued)

| | Group | | Company | |
|---|---|---|---|---|
| Maturity based on the repayment structure of non-current borrowings (excluding finance lease liabilities and shareholders loan) is as follows: | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Between 1 and 2 years | - | 7,388,962 | - | 7,388,962 |
| Between 2 and 5 years | - | - | - | - |
| | - | 7,388,962 | - | 7,388,962 |

### 22. Private Placement Bond

| | Group and company | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| **Current** | | |
| Bond | 494,182,715 | 488,418,287 |

| | Group and company | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| Bond | 500,000,000 | 500,000,000 |
| Expenses attributable to the issuing of the bond | (5,817,285) | (11,581,713) |
| | 494,182,715 | 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. Interest payments on the bond were delayed as at 31 December 2016 and as a result, the bond has been classified as a current liability.

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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 23. Deposit for shares

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| **Non current** | Shs | Shs |
| - Deposits for preference shares pending issue | - | 3,050,000 |
| - Deposits for ordinary shares pending allotment | - | 93,203,550 |
| | - | 96,253,550 |
| **Current** | | |
| - Deposits for ordinary shares pending allotment | 93,203,550 | - |
| - Deposits for preference shares pending issue | 89,384,972 | 111,334,998 |
| | 182,588,522 | 111,334,998 |
| | 182,588,522 | 207,588,548 |

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 ordinary shares 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 dividend at a rate of18% 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.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 24. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:

| | Group 2017 Shs | Group 2016 Shs |
|---|---|---|
| At start of year | 83,430,461 | 124,919,085 |
| Credit to profit or loss (Note 8) | (36,552,887) | (41,488,624) |
| **At end of year** | **46,877,574** | **83,430,461** |

**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:

| | 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 | 168,723,196 | 18,248,642 | 186,971,838 |
| Other timing difference | - | 4,890,891 | 4,890,891 |
| | 168,723,196 | 23,139,533 | 191,862,729 |
| **Deferred tax assets** | | | |
| Property and equipment | (1,422,772) | 218,686 | (1,204,086) |
| Tax losses carried forward | (83,869,963) | (59,911,106) | (143,781,069) |
| | (85,292,735) | (59,692,420) | (144,985,155) |
| **Net deferred tax liability** | **83,430,461** | **(36,552,887)** | **46,877,574** |

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. 219,672,321 (2016: Shs. 166,709,482) in respect of tax losses carried forward amounting to Shs. 732,241,070 (2016: Shs. 555,698,274) 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 |
| - tax losses arising in 2017 | 176,542,796 | 31 December 2026 |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 24. Deferred tax (continued)

| | Company | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| At start of year | (824,324) | (530,565) |
| Charge/(credit) to profit or loss | 199,685 | (293,759) |
| **At end of year** | **(624,639)** | **(824,324)** |

| **Deferred tax (assets)** | At start of year Shs | Charge/(credit) to profit or loss Shs | At end of year Shs |
|---|---|---|---|
| Property and equipment | (146,531) | 40,514 | (106,017) |
| Intangible assets | (677,793) | 159,171 | (518,622) |
| | **(824,324)** | **199,685** | **(624,639)** |

Deferred tax assets amounting to Shs. 113,173,916 (2016: Shs. 73,681,011) in respect of tax losses carried forward amounting to Shs. 377,246,387 (2016: Shs. 245,603,371) 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 |
| - tax losses arising in 2017 | 131,643,016 | 31 December 2026 |

### 25. Share capital

| | Group and company | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| **Authorised:** | | |
| 500,000,000 (2016:500,000,000) ordinary shares of shs. 1 (2016: Shs. 1) each | 500,000,000 | 500,000,000 |
| **Issued and fully paid:** | | |
| 405,255,320 (2016: 405,255,320) ordinary shares of Shs. 1 (2016: shs.1) each | 405,255,320 | 405,255,320 |

### 26. Share premium

| | Group and company | |
|---|---|---|
| | 2017 Shs | 2016 Shs |
| **At start and end of the year** | **68,842,038** | **68,842,038** |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 27. Cash (used in)/from operations

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Reconciliation of (loss) before tax to cash (used in)/from operations: | | | | |
| (Loss) before tax | (221,014,550) | (207,006,886) | (134,630,604) | (108,993,421) |
| **Adjustments for:** | | | | |
| Depreciation on property and equipment (Note 10) | 6,809,065 | 7,484,954 | 3,575,521 | 3,807,908 |
| Amortization intangible assets (Note 12) | 756,297 | 1,945,871 | 756,297 | 1,945,871 |
| Fair value (gain)/loss on investment property (Note 11) | (60,828,808) | 8,646,099 | - | - |
| Interest expense (Note 7) | 94,036,526 | 121,309,684 | 44,007,415 | 44,545,174 |
| Interest income (Note 4) | - | (5,193,853) | - | - |
| Changes in working capital: | | | | |
| - inventories | (494,419,306) | (158,011,116) | (200,794,495) | 18,000,000 |
| - trade and other receivables | (14,295,760) | 18,990,868 | (7,888,346) | (49,832,536) |
| - trade and other payables | 752,344,577 | 265,158,705 | 317,956,834 | 93,673,728 |
| - deferred income | 17,658,586 | 47,467,005 | - | - |
| Cash (used in)/from operations | 81,046,627 | 100,791,331 | 22,982,622 | 3,146,724 |

### 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 | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Short term employee benefits | 56,351,154 | 37,579,010 | 52,072,582 | 34,507,582 |

**ii) Outstanding balances arising from payments to/received from related parties**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Receivable from related parties (Note 17) | 39,819,197 | 28,183,266 | 823,712,729 | 814,965,164 |
| Receivables from related parties can be analysed as follows: | | | | |
| - Subsidiaries | - | - | 792,230,184 | 812,510,525 |
| - Other related parties | 39,819,197 | 28,183,266 | 31,482,545 | 2,454,639 |
| | 39,819,197 | 28,183,266 | 823,712,729 | 814,965,164 |

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

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 28. Related party transactions and balances (continued)

#### iii) Outstanding balances arising from payments to/received from related parties

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>Shs | 2016<br>Shs | 2017<br>Shs | 2016<br>Shs |
| Payable to related parties (Note 20) | 99,837,598 | 99,099,095 | 204,558,982 | 234,464,532 |
| Payables from related parties can be analysed as follows: | | | | |
| - Subsidiaries | - | - | 126,178,036 | 231,404,601 |
| - Other related parties e.g. Directors, shareholders | 99,837,598 | 99,099,095 | 78,380,946 | 3,059,931 |
| | **99,837,598** | **99,099,095** | **204,558,982** | **234,464,532** |

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.

At 31 December 2017, 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. 4,949,174 (2016: 4,809,671) 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 high 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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 29. Risk management objectives and policies (continued)

#### (c) Liquidity risk (continued)

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.

**Group**

**Year ended 31 December 2017**

| | 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% | 844,894,640 | - | - | 844,894,640 |
| - Private placement bond | 17.0% | 500,000,000 | - | - | 500,000,000 |
| Non-interest bearing liabilities | | | | | |
| - Deposit for shares | - | 182,588,522 | - | - | 182,588,522 |
| - Trade and other payables | - | 2,496,422,500 | - | - | 2,496,422,500 |
| | | **4,023,905,662** | - | **-** | **4,023,905,662** |

**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 |
| 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** |

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### NOTES (CONTINUED)

### 29. Risk management objectives and policies (continued)

#### (c) Liquidity risk (continued)

#### Company

**Year ended 31 December 2017**

| | 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% | - | - | - | - |
| - Corporate bond | 17.0% | 500,000,000 | - | - | 500,000,000 |
| Non-interest bearing liabilities | | | | - | |
| - Trade and other payables | | 761,697,229 | - | - | 761,697,229 |
| | | **1,261,697,229** | **-** | **-** | **1,261,697,229** |

**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 | - | 444,915,395 | - | - | 444,915,395 |
| | | **952,597,548** | **8,829,810** | **-** | **961,427,358** |

### 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.

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## NOTES (CONTINUED)

### 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 these are payable based on legal and other advice received. It is not possible to predict with certainty any further amounts that are 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.

The group is also subject to claims which arise in the ordinary course of business. No provisions for such claims have been recognised as the directors are of the opinion that no material loss will arise from such claims.

### 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).

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 2017 Shs | 2016 Shs |
|---|---|---|---|
| Revenue | 3 | - | 80,000,000 |
| Cost of sales | | - | (18,000,000) |
| **Gross profit** | | - | 62,000,000 |
| Fair value loss | | - | (13,500,000) |
| Other operating income | 4 | 5,628,763 | 4,605,990 |
| Selling and distribution | | (9,684,617) | (5,182,301) |
| Administrative expenses | | (81,875,685) | (103,181,425) |
| Other operating expenses | | (9,281,078) | (9,190,511) |
| **Operating (loss)** | | (95,212,617) | (64,448,247) |
| Finance costs | 7 | (38,242,987) | (44,545,174) |
| **(Loss) before tax** | | (133,455,604) | (108,993,421) |
| Tax (charge) | 8 | (1,065,485) | (1,088,038) |
| **(Loss) for the year** | | (134,521,089) | (110,081,459) |
| **Total comprehensive (loss) for the year** | | (134,521,089) | (110,081,459) |
| (Loss) per share | | | |
| - Basic | 9 | (0.33) | (0.27) |

The notes on pages 121 to 152 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### COMPANY STATEMENT OF CASH FLOWS

| | Notes | 2017 Shs | 2016 Shs |
|---|---|---|---|
| Operating activities | | | |
| Cash from operations | 27 | 22,982,622 | 3,146,724 |
| Interest paid | 28 | (38,780,744) | (25,715,531) |
| Tax paid | | (2,983,988) | - |
| Net cash (used in) operating activities | | (18,782,110) | (22,568,807) |
| Investing activities | | | |
| Cash paid for purchase of property and equipment | 10 | (1,624,800) | (60,700) |
| Proceeds from disposal of assets held for sale | | 41,500,000 | - |
| Net cash from/(used in) investing activities | | 39,875,200 | (60,700) |
| Financing activities | | | |
| Repayment: | | | |
| - borrowings | 28 | (13,817,542) | (4,671,305) |
| Net cash (used in) financing activities | | (13,817,542) | (4,671,305) |
| Increase/(decrease) in cash and cash equivalents | | 7,275,548 | (27,300,812) |
| Movements in cash and cash equivalents | | | |
| At start of year | | 2,842,897 | 30,143,709 |
| Increase/(decrease) | | 7,275,548 | (27,300,812) |
| At end of year | 18 | 10,118,445 | 2,842,897 |

The notes on pages 121 to 152 form an integral part of these financial statements.

Report of the independent auditor - pages 111 to 114.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### SCHEDULE OF EXPENDITURE

| 1. SELLING AND DISTRIBUTION EXPENSES | Group | | Company | |
|---|---|---|---|---|
| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
| Marketing fees | 10,190,669 | 5,062,354 | 3,892,121 | 2,327,124 |
| Commissions | 26,664,414 | 13,092,645 | 4,309,373 | 925,000 |
| Advertising and sales promotion | 1,827,303 | 1,732,366 | 1,483,123 | 1,930,177 |
| **Total selling and distribution expenses** | **38,682,386** | **19,887,365** | **9,684,617** | **5,182,301** |

### 2. ADMINISTRATIVE EXPENSES

| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
|---|---|---|---|---|
| **Employment:** | | | | |
| Salaries and wages | 78,479,371 | 51,011,452 | 30,699,533 | 15,313,772 |
| Medical | 7,918,993 | 5,519,962 | 3,610,094 | 2,872,263 |
| Staff training and welfare | 3,371,270 | 3,089,560 | 1,818,688 | 461,900 |
| **Total employment costs** | **89,769,634** | **59,620,974** | **36,128,315** | **18,647,935** |
| **Other administrative expenses:** | | | | |
| Directors and Committee allowance | 23,493,572 | 25,054,043 | 19,215,000 | 22,482,615 |
| (Reversal) provision for doubtful debts | - | (63,900,000) | - | - |
| Meetings expenses | 2,059,339 | 2,487,642 | 2,053,089 | 2,459,270 |
| Legal and professional fees | 37,446,674 | 65,918,814 | 17,032,693 | 54,996,342 |
| Vehicle running | 1,450,029 | 834,460 | 402,546 | 343,030 |
| Office expenses | 2,927,478 | 1,925,370 | 671,054 | 874,503 |
| Postages and telephones | 2,122,052 | 1,662,246 | 2,102,852 | 1,637,036 |
| Audit fees | | | | |
| - current year | 3,686,000 | 3,580,000 | 600,000 | 600,000 |
| - under provision in prior years | 89,144 | 270,121 | 106,000 | - |
| Travelling and accommodation | 606,586 | 239,886 | 561,306 | 38,950 |
| Donations | 672,582 | 823,478 | 472,582 | 323,478 |
| Computer expenses | 1,661,388 | 753,937 | 1,170,542 | 130,100 |
| Printing and stationery | 1,292,238 | 164,224 | 1,071,629 | 14,800 |
| Bank charges and commissions | 566,026 | 488,329 | 252,045 | 158,786 |
| Secretarial fees | 1,211,032 | 552,880 | 1,211,032 | 474,580 |
| **Total other administrative expenses** | **79,284,140** | **40,855,430** | **46,922,370** | **84,533,490** |
| **Total administrative expenses** | **169,053,774** | **100,476,404** | **81,875,685** | **103,181,425** |

### 3. OTHER OPERATING EXPENSES

| | 2017 Shs | 2016 Shs | 2017 Shs | 2016 Shs |
|---|---|---|---|---|
| **Establishment:** | | | | |
| Depreciation on property and equipment | 6,809,065 | 7,484,954 | 3,575,521 | 3,807,908 |
| Repairs and maintenance | 1,389,988 | 2,314,068 | 312,068 | 12,350 |
| Service charge | 2,883,604 | 1,234,620 | 2,883,604 | 1,234,620 |
| Insurance | 1,529,550 | 1,966,644 | 1,011,326 | 1,115,501 |
| Security | 11,907,832 | 12,335,821 | - | - |
| Amortization intangible asset | 756,297 | 1,945,871 | 756,297 | 1,945,871 |
| Electricity | 3,158,144 | 2,264,134 | 366,336 | 488,761 |
| Rent | 157,300 | 835,700 | - | - |
| Licence and subscriptions | 945,946 | 1,397,342 | 375,926 | 585,500 |
| **Total other operating expenses** | **29,537,726** | **31,779,154** | **9,281,078** | **9,190,511** |

# OTHER INFORMATION

## AGM Notice

HOME AFRIKA
Houses Become Homes

Pent Suite 01 | 5th Floor, Morningside Office Park | Ngong Road, P.O. Box 6254 – 00100, Nairobi. Tel: +254 (0) 20 272000
info@homeafrika.com | www.homeafrika.com

**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, 14th June 2018 at 10.00 am** 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 15th June 2017.

3. **Financial Statement for the Year ended 31st December 2017**
   To receive, consider and if thought fit, adopt the Audited Consolidated Financial Statements for the year ended 31st December 2017 together with the Directors' and Auditors reports thereon.

4. **Election of Directors**
   a) In accordance with Articles 92 and 93 of the Company's Articles of Association, the following Directors are due for retirement by rotation and being eligible, individually offer themselves for re-election:
      i) Mr. Mbugua Gecaga
      ii) Mr. Ketan Shah
      iii) Mr. Peter Nduati

   b) 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:
      i. Ms. Caroline Kigen (Chairperson)
      ii. Ms. Rachel Mbai
      iii. Mr. Ketan Shah

5. **Remuneration of Directors**
   To authorize the Board to fix the remuneration of the Directors.

6. **Appointment and Remuneration of Auditors**

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

Madren Oluoch-Olunya
Company Secretary
15th May 2018

**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 authorized 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 or downloaded from the Company's website at www.homeafrika.com

## Proxy Form

HOME AFRIKA

Houses Become Homes

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info@homeafrika.com |www.homeafrika.com

**HOME AFRIKA LIMITED**

**PROXY FORM**

I/We,______________________________________________________ of P. O. Box ________________________________ 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 14th day of June 2018, and at any adjournment thereof.

As witness my/our hand this ________________day of _________________2018.

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 48 hours before the time of holding the meeting or adjourned meeting.

# Notes

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Home Afrika Ltd @HomeAfrika Home Afrika Limited