

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2019

	GROUP		COMPANY	
	2019 Shs '000'	2018 Shs '000'	2019 Shs '000'	2018 Shs '000'
Revenue from contracts with customers	362,979	109,038	9,670	15,181
Cost of sales	(359,347)	(82,281)	(2,464)	(9,059)
Gross profit	3,632	26,757	7,206	6,122
Other operating income	18,069	7,858	5,195	810
Selling and distribution expenses	(30,207)	(13,081)	(18,685)	(4,452)
Administrative expenses	(201,250)	(222,994)	(117,350)	(108,256)
Other operating expenses	(31,679)	(29,767)	(9,838)	(9,455)
Impairment provision on inventories	(390,531)	-	-	-
Operating (loss)	(631,966)	(231,227)	(133,473)	(115,231)
Finance costs	(254,636)	(160,678)	(55,116)	(14,259)
(Loss) before tax	(886,602)	(391,905)	(188,587)	(129,490)
Tax credit	(2,206)	45,700	-	(625)
(Loss) for the year	(888,808)	(346,205)	(188,587)	(130,115)
Total comprehensive (loss) for the year	(888,808)	(346,205)	(188,587)	(130,115)
(Loss) attributable to:				
-Owners of the parent	(625,855)	(276,020)	-	-
-Non-controlling Interest	(262,953)	(70,185)	-	-
	(888,808)	(346,205)	-	-
(Loss) per share (Shs)				
- basic and diluted	(1.54)	(0.68)	0.47	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

	GROUP		COMPANY	
	2019	2018	2019	2018
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Non-current assets				
Property and equipment	51,834	53,055	55,320	56,309
Investment property	338,742	624,504	1,882	2,571
Intangible assets	1,882	2,571	76,986	76,986
Financial assets	2	2	2	2
	392,460	680,132	134,190	135,868
Current assets				
Inventories	3,536,340	3,742,985	262,457	186,536
Trade and other receivables	408,020	70,007	33,310	31,637
Cash and cash equivalents	10,988	9,338	8,760	2,771
	3,955,348	3,822,330	304,527	220,944
Total assets	4,347,808	4,502,462	438,717	356,812
Current liabilities				
Deferred income	1,222,851	998,427		
Trade and other payables	1,630,156	1,440,783	595,150	533,441
Deposit from sale of plots and units	1,839,483	1,632,533	423,072	214,288
Borrowings	921,561	803,050	-	-
Private placement bond	500,000	500,000	500,000	500,000
Deposit for shares	168,972	174,809	-	-
Current tax	5,963	5,230	273	273
	6,288,986	5,554,832	1,518,495	1,248,002
Net current (liabilities)	(2,333,638)	(1,732,502)	(1,213,967)	(1,027,058)
Total liabilities	6,288,986	5,554,832	1,518,495	1,248,002
Net (liabilities)	(1,941,178)	(1,052,370)	(1,079,778)	(891,190)
EQUITY				
Share capital	405,255	405,255	405,255	405,255
Share premium	68,842	68,842	68,842	68,842
Accumulated deficit	(1,990,613)	(1,364,757)	(1,553,875)	(1,365,287)
Equity attributed to owners of the company	(1,516,516)	(890,660)	-	-
Non-controlling interest	(424,662)	(161,710)	-	-
Total equity	(1,941,178)	(1,052,370)	(1,079,778)	(891,190)

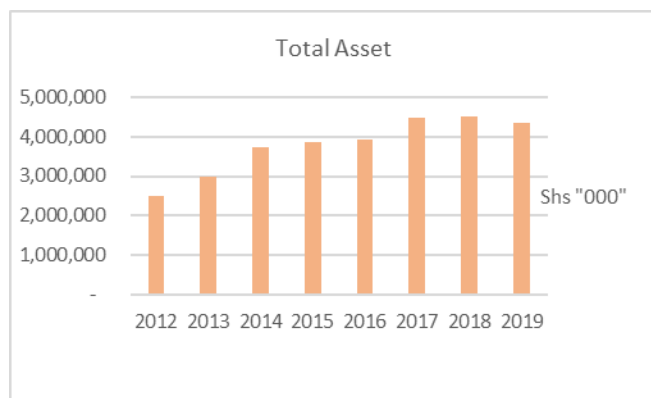
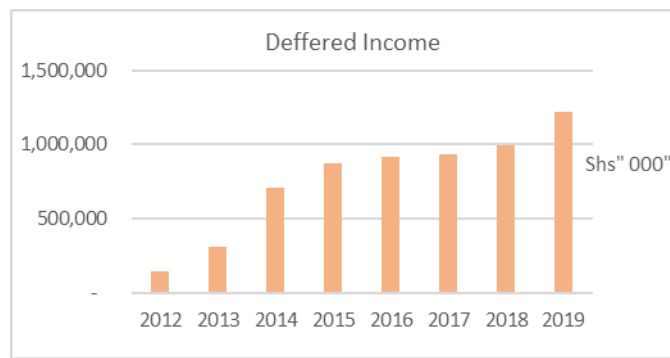
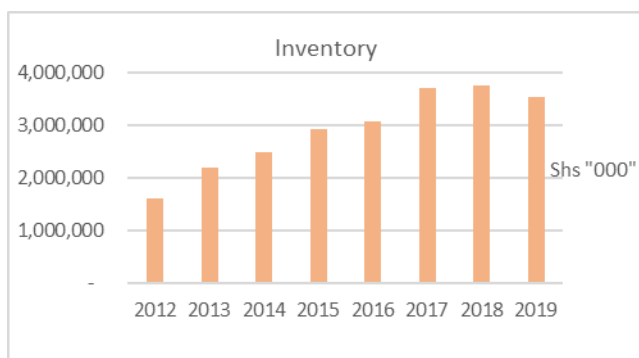
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31ST DECEMBER 2019**

	2019	2018
	Shs '000'	Shs '000'
Operating activities		
Cash from operations	316,148	71,198
Interest paid	(254,635)	(11,645)
Tax paid	(1,473)	(1,497)
Net cash from operating activities	(60,040)	58,056
Investing activities		
Cash paid for purchase of property and equipment	(5,285)	(2,950)
Additions to investment property	(6,652)	(1,324)
Cash paid for purchase of intangible assets	(238)	(3,837)
Proceeds from disposal of property and equipment	-	540
Net cash (used in) investing activities	(12,175)	(7,571)
Financing activities		
Proceeds from borrowings		
Repayment:		
-borrowings	(40,379)	(53,008)
-deposits for shares	(5,836)	(7,780)
Net cash (used in) financing activities	(46,215)	(60,788)
Increase/(decrease) in cash and cash equivalents	1,650	(10,302)
Movements in cash and cash equivalents		
At start of year	9,338	19,640
Increase/(decrease)	1,650	(10,302)
At end of year	10,988	9,338

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2019

	Share capital Shs '000'	Share premium Shs '000'	Retained earnings Shs '000'	Total Shs '000'	Non controlling interests Shs '000'	Total equity Shs '000'
Year ended 31 December 2018						
At start of year	405,255	68,842	(1,088,738)	(614,640)	(91,525)	(706,165)
Total comprehensive (loss) for the year	-	-	(276,020)	(276,020)	(70,185)	(346,205)
At end of year	405,255	68,842	(1,364,758)	(890,660)	(161,710)	(1,052,370)
Year ended 31 December 2019						
At start of year	405,255	68,842	(1,364,758)	(890,660)	(161,710)	(1,052,370)
Total comprehensive (loss) for the year	-	-	(625,855)	(625,855)	(262,952)	(888,808)
At end of year	405,255	68,842	(1,990,613)	(1,516,515)	(424,662)	(1,941,178)

1. PERFORMANCE HIGHLIGHTS



ACTUAL SALES BOOKED DURING THE YEAR	
2019	2018
KSh. 645 Million	KSh. 582 Million

2. FINANCIAL HIGHLIGHTS

2.1 The group reported a 233% growth in gross revenue for the year ending 31st December 2019 compared to the same period in 2018 growing from KSh. 109 million to KSh. 363 million. Actual sales, not adjusted for percentage of completion, grew from KSh. 582 million in 2018 to KSh. 645 million in 2019. This means that the group managed to sell more property than they did in 2018 even in the wake of a depressed economic environment. While the group has seen growth of revenue through 2019, it has posted a substantial loss before tax for the period ending Dec 31^s 2019 of KSh. 887 million compared to KSh. 392 million posted in 2018. This is especially attributed to the depressed valuation of the company's inventories in the form of land and uncompleted houses which contributed up to KSh.391 million of this loss.

Smart plot sales are largely booked as deposits for plots in the balance sheet and will gradually find their way to the profit and loss statement upon full purchase price payment and processing of titles documents.

2.2 Migaa Golf Estate, being a long-term project, is expected to realize its profitability towards the end of the project in 3 – 4 years' time. In line with our accounting policy, sales proceeds of the project (referred to in 2.1 above as actual sales not adjusted for percentage of completion) are carried in the balance sheet as current liabilities both as deferred income and as deposits from sales of plots totals of which is now lingering at KSh. 3 billion as at 31st December 2019 compared with KSh. 2.6 billion for the same period in 2018. This amount will convert to gross revenues in our statement of profit or loss as the percentage of completion of the project improves from the current 48% over the next couple of years. All expenses are usually expensed in the current period.

2.3 The book value of the group's sellable land and other inventory stood at KSh.3.5 billion in 2019. We continue to investment in the infrastructure of the various projects which will help improve the market value of the land bank as the land becomes more desirable.

3. BOARD STRATEGY TO PROFITABILITY

The decline is attributed to the impact of the slowed growth in the economy in general and real estate sector in particular and the depressed valuation of the company's assets in the form of land and buildings. The Board has put in place measures to ensure that the company reverses this position sooner rather than later.

The board has reworked on the marketing strategy to include deep engagement in digital marketing and diaspora marketing. To improve liquidity, the board has introduced new revenue streams including sale and agency arrangements for 3rd party properties and property management. Substantive cost reduction measures are also being enforced including reduction of salaries and other operating costs and even considering outsourcing options for certain functions of the organization to save on costs. The board is also in the process of identifying assets that can be disposed to raise cashflows.

The Board remains confident in HAL's long term strategy especially given the value that continues to be booked in the group's balance sheet year on year as the project's percentage of completion continues to grow.

4. DIVIDEND

The directors do not recommend a dividend for the period ending 31st Dec 2019.

These summary financial statements are extracts from the annual report and financial statements of the company. PKF Kenya as the external auditors have issued a disclaimer of opinion audit report on the financial statements on the basis of going concern.

The financial statements of the company were approved by the Board of Directors and signed on its behalf by:

Dan Awendo
Managing Director

Mbugua Gecaga
Director



PRESS RELEASE

Depressed valuation of assets contributes Ksh391 million to Home Afrika's loss

Tuesday, June 2nd 2020: Home Afrika Ltd (NSE: HAFR) has recorded a Ksh887 million loss for the period ending 31st December owing to the depressed valuation of the listed real estate company's land and housing assets.

The loss comes despite the company reporting a 233 percent growth in gross revenue, adjusted for percentage of completion, which translated to a growth of from Ksh109 million in 2018 to Ksh363 million in 2019.

According the Central bank of Kenya quarterly economic review, the real estate sector has registered the highest increase in NPLs by Ksh6.1 billion representing 15.8 percent of NPLs, due to slow uptake of housing units.

"There has been significant depression of valuations of the real estate asset class in Kenya in the recent past, with some companies even recording more than Ksh3 billion loss owing to impairment in their property investment portfolio. In our case, the depressed valuation contributed up to KSh391 million of our loss for the year, said Dan Awendo, the Home Afrika Managing Director.

Housing Price Index, a survey conducted quarterly by Kenya Bankers Association (KBA) shows that house prices remained depressed in the three months ending December 2019.

According to the report, the trend in changes in house prices is in line with the softening of the economy and is a manifestation of the interplay between weak demand driven by the tepid disposable income growth and supply-side conditions.

Home Afrika's actual sales, not adjusted for percentage of completion, grew from KSh582 million in 2018 to KSh645 million in 2019. This means that the group sold more property in 2019 than they did in 2018 even in the wake of a depressed economic environment.

"Unfortunately, our accounting policy only allows us to recognize deposits from sales as revenue once a plot owner has completed payment, title has been processed and the project is complete. This means the billions we have sold year on year and sales deposits collected are reflected as deferred income liabilities in our books thus presenting a negative outlook on our balance sheet position," said Mr Awendo.



Migaa Golf Estate, one of Home Afrika's long-term project, is expected to realise its profitability towards the end of the project in about four years.

In line with our accounting policy, sales proceeds of the project are carried in the balance sheet as current liabilities both as deferred income and as deposits from sales of plots totals of which is now lingering at KSh3 billion as at 31st December 2019, compared with KSh2.6 billion for the same period in 2018.

This amount will convert to gross revenues in our statement of profit or loss as the percentage of completion of the project improves from the current 48 percent towards completion over the next couple of years.

The book value of the group's sellable land and other inventory stood at KSh3.5 billion in 2019. "We continue to invest in the infrastructure of the various projects which will help improve the market value of the land bank as the land becomes more desirable," said Mr Awendo.

Mr. Awendo said the company had embarked on a cost reduction measures including reducing of salaries and operating costs. "The board is considering outsourcing options for other functions as well as disposing some non-core assets to raise cash flow."

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ABOUT HOME AFRIKA

Home Afrika Limited is the only real estate company listed on the Growth and Emerging Markets Segment (GEMS) at the Nairobi Securities Exchange (NSE). The firm is committed to delivering decent, planned and affordable homes through mass housing programmes. Home Afrika Limited's development approach is to undertake Projects in the counties in Kenya and in the long-term expand to other countries in Africa. Since its inception as an investment club in 2008, the real estate developer has completed projects that include Morningside Office Park, Mitini Scape and is in the process of developing a multi-billion shillings integrated mixed use golf estate development, Migaa Golf Estate in Kiambu.