

**KANISA HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING 31ST DECEMBER 2016**

**KANISA HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016**

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<b>CONTENTS</b>	<b>PAGE NO.</b>
Corporate information	1
Report of the directors	2
Statement of directors responsibilities	3
Independent auditor's report	4-5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Cash flow statements	9
Notes to the financial statements	10-14

**CORPORATE INFORMATION**

**Directors**

Bernard Okok Obuoga  
Philip Tuei  
Boniface Maina  
Ann Kioi  
Quinn Kariuki

**Company Secretary**

FCPS(K) Harry Bob Mosi  
Kitamu Building, 5th Floor  
Tubman Street  
P.O Box 54382 - 00200  
Nairobi

**Legal Advisors**

Wangira Okoba and Company Advocates  
Utalii House, 2nd Floor, South Wing, Suite 226  
Utalii Street  
P. O. Box 17123 - 00100  
Nairobi

**Independent Auditor**

Erastus HAE and Partners  
Certified Public Accountants  
Nelleon Centre  
P.O.Box 4471-01002  
Thika

**Principal Place of Business**

AACC Desmond Tutu Conference Centre (1st Floor)  
Waiyaki Way, opposite Safaricom House  
P. O. Box 1210 - 00606  
Sarit Centre

**Principal Bankers**

Commercial Bank of Africa  
Westlands Branch  
P.O Box 30437 00100  
Nairobi, Kenya

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st December 2016 which disclose the state of affairs of the company.

**Princial activities**

The principal activity of the company is that of an investment holding company; holding for returns on a long term basis.

Results	2016	2015
	Kshs	Kshs
Profit before tax	717,821	7,824,948
Income tax charge	<u>(215,346)</u>	<u>(2,347,485)</u>
<b>Profit for the year transferred to retained earnings</b>	<b><u>502,475</u></b>	<b><u>5,477,463</u></b>

**Dividends**

A dividend of Kshs. 150 per share was declared. This amounted to a total of Kshs. 1,500,000 dividend declared for the year.

**Directors**

The directors who served during the year are are set out on page 1.

**Auditor**

The company's auditor, Erastus HAE and Partners has signified willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By order of the Board

**SECRETARY**  
  
 HARARI BOB MOSI  
 RCPSB/2050  
 RCPSB/886  
 Date... 16... 02... 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

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STATEMENT OF DIRECTORS' RESPONSIBILITY

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the company's operating results for that year. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

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

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgments that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on FEB 16 2017 and signed on its behalf by;

  
.....  
DIRECTOR

  
.....  
DIRECTOR

## REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

KANISA HOLDINGS LIMITED

### Report on the financial statements

We have audited the accompanying financial statements of Kanisa Holdings Limited, set out on pages 6 to 14 which comprise the balance sheet as at 31st December 2016 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement whether due to fraud or error. In making those risk assessments, the auditor, considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

REPORT OF THE INDEPENDENT AUDITORS (continued)

TO THE MEMBERS OF

KANISA HOLDINGS LIMITED

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2016 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the requirements of the Kenyan Companies Act.

Report on other legal requirements

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

- i). We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii). In our opinion proper books of account have been kept by the company, so far as appear from our examination of those books; and
- iii). The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

**Erastus HAE and Partners**  
Certified Public Accountants  
3rd Floor, Nelleon Centre  
Kenyatta Highway  
Thika, Kenya

**CPA Erastus Ochieng Ageda**  
Practicing Certificate No. P / 1949

17 February 2017



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016**

**STATEMENT OF COMPREHENSIVE INCOME**

		2016	2015
	Note	Kshs	Kshs
Project income	2	21,500,000	24,600,000
Direct project costs	11	<u>(17,214,007)</u>	<u>(15,191,842)</u>
Gross income		<b>4,285,993</b>	<b>9,408,158</b>
Interest and other income	3	111,240	531,855
Administrative expenses	12	(3,664,111)	(2,088,008)
Finance cost	13	(15,301)	(27,058)
Other expenses		<u>-</u>	<u>-</u>
<b>Total expenditure</b>		<b><u>(3,679,412)</u></b>	<b><u>(2,115,066)</u></b>
Profit before tax		<b>717,821</b>	<b>7,824,948</b>
Income tax charge	9	<u>(215,346)</u>	<u>(2,347,485)</u>
Profit after tax		<b><u><u>502,475</u></u></b>	<b><u><u>5,477,463</u></u></b>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31ST DECEMBER 2016  
STATEMENT OF FINANCIAL POSITION

	Note	2016 Kshs	2015 Kshs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	5	165,809	46,313
<b>Current Assets</b>			
Property held for sale	4	2,524,762	9,753,333
Trade and other receivables	8	3,861,501	2,335,000
Cash and cash equivalents	6	-	703,803
		<u>6,386,263</u>	<u>12,792,136</u>
<b>TOTAL ASSETS</b>		<u><b>6,552,072</b></u>	<u><b>12,838,449</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	7	1,000,000	1,000,000
Retained earnings		1,979,939	2,977,464
Proposed dividends		1,500,000	2,500,000
		<u>4,479,939</u>	<u>6,477,464</u>
<b>Current Liabilities</b>			
Payables and accrued charges	14	1,674,000	4,013,500
Cash and cash equivalents	6	182,787	-
Tax payable		215,346	2,347,485
		<u>2,072,133</u>	<u>6,360,985</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>6,552,072</b></u>	<u><b>12,838,449</b></u>

The financial statements were approved and authorised for issue by the board of directors on ~~FEB. 16. 2017~~ and were signed on its behalf by:

  
.....  
DIRECTOR

  
.....  
DIRECTOR

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

## STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Retained Earnings Kshs	Proposed dividends Kshs	Total Kshs
<b>Year ended 31st December 2015</b>				
As at 1st July 2014	-	-	-	-
Issue for cash	1,000,000	-	-	1,000,000
Net profit for the period	-	5,477,463	-	5,477,463
Proposed dividends	-	(2,500,000)	2,500,000	-
<b>As at 31st December 2015</b>	<b><u>1,000,000</u></b>	<b><u>2,977,463</u></b>	<b><u>2,500,000</u></b>	<b><u>6,477,463</u></b>
<b>Year ended 31st December 2016</b>				
As at 31st January 2016	1,000,000	2,977,463	2,500,000	6,477,463
Dividends paid during the year	-	-	(2,500,000)	(2,500,000)
Net profit for the period	-	502,475	-	502,475
Proposed dividends	-	(1,500,000)	1,500,000	-
<b>As at 31st December 2016</b>	<b><u>1,000,000</u></b>	<b><u>1,979,938</u></b>	<b><u>1,500,000</u></b>	<b><u>4,479,938</u></b>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

## STATEMENT OF CASH FLOWS

	Note	2016 Kshs	2015 Kshs
<b>Cash flows from operating activities</b>			
Profit before income tax		717,821	7,824,948
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	5	59,321	10,688
Interest received	3	(29,240)	(335,255)
<b>Operating profit before working capital changes</b>		<b>747,902</b>	<b>7,500,381</b>
Increase in:			
Property held for sale	4	7,228,571	(9,753,333)
Trade and other receivables	8	(1,526,501)	(2,335,000)
Payables and accrued charges	14	(2,339,500)	4,013,500
<b>Cash used in operations</b>		<b>4,110,472</b>	<b>(574,453)</b>
Tax paid		(2,347,485)	-
Interest received	3	29,240	335,255
<b>Net cash used in operating activities</b>		<b>1,792,227</b>	<b>(239,197)</b>
<b>Cash flows from investing activities</b>			
Purchase of non-current assets	5	(178,818)	(57,000)
Proceeds from the issuance of share capital		-	1,000,000
<b>Net cash generated from investing activities</b>		<b>(178,818)</b>	<b>943,000</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,500,000)	-
		(2,500,000)	-
<b>Net (decrease) /increase in cash and cash equivalents</b>		<b>(886,591)</b>	<b>703,803</b>
<b>Cash and cash equivalents at 31 December 2015</b>		<b>703,803</b>	<b>-</b>
<b>Cash and cash equivalents at 31 December 2016</b>	<b>6</b>	<b>(182,788)</b>	<b>703,803</b>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

1) SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified for the revaluation of certain property, plant and equipment and fair value adjustments to investment property and financial instruments.

b) Revenue recognition

Revenue is recognised at fair value of the consideration received / receivable from the sale of the parcels of land in the normal course of business. Interest and other income is recognised and accounted for on accruals basis.

c) Trade and other receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

A provision for impairment is recognised in the statement of comprehensive income in the period when recovery of the amount due as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against the related provisions. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income in the period of recovery.

d) Income tax

Income tax expense is the aggregate amount charged /(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

**Current tax**

Current income tax is the amount of income tax payable on the taxable profit for the year and any adjustment to tax payable in respect of prior years, determined in accordance with the fiscal laws of Kenya.

**Deferred tax**

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income 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. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

e) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

f) Related parties

Transactions entered into with related parties are at arms length and in the normal course of business.

g) Trade and other payables

Trade and other payables are stated at their nominal value and represent sums received in exchange of the obligations or the undiscounted amounts of cash and cash equivalents required to settle the obligations.

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016**

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**NOTES TO THE FINANCIAL STATEMENTS**

**h) Property, plant, and equipment**

All property, plant 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 the profit or loss during the financial period in which they are incurred.

Leasehold land is depreciated over the remaining period of the lease.

Depreciation on other assets is calculated on the reducing balance/ straight line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	<b>Rate %</b>
Furniture and equipment	12.5
Computer and accessories	30%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2 Direct project sales</b>		
Kantafu	15,200,000	-
Isinya 2	6,300,000	-
Isinya 1	-	24,600,000
	<u>21,500,000</u>	<u>24,600,000</u>
<b>3 Interest and other income</b>		
Project registration fees	82,000	190,000
Transport income	-	6,600
Money market interest income	29,240	335,255
	<u>111,240</u>	<u>531,855</u>
<b>4 Land (held for sale)</b>		
Plots at Isinya held for sale as common areas in future (5 plots at cost)	853,333	853,333
Plots at Isinya held for sale (9 plots at cost)	1,671,429	-
Kantafu land at cost	-	8,900,000
	<u>2,524,762</u>	<u>9,753,333</u>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Property, plant & equipment	Computer and Accessories	Office equipment	Total
	Kshs	Kshs	Kshs
Cost			
As at 1 January 2016	-	57,000	57,000
Additions	178,168	650	178,818
As at 31 December 2016	<u>178,168</u>	<u>57,650</u>	<u>235,818</u>
Depreciation			
As at 1 January 2016	-	10,688	10,688
Charge for the year	53,450	5,870	59,321
As at 31 December 2016	<u>53,450</u>	<u>16,558</u>	<u>70,009</u>
Net book value			
As at 31 December 2015	<u>-</u>	<u>46,313</u>	<u>46,313</u>
As at 31 December 2016	<u>124,718</u>	<u>41,092</u>	<u>165,809</u>
		2016	2015
		Kshs	Kshs
6 Cash and cash equivalents			
Cash at bank		(448,576)	663,601
Cash in hand		1,293	4,947
Marketable securities		264,496	35,255
		<u>(182,787)</u>	<u>703,803</u>
7 Share capital			
Authorized			
10,000 Ordinary shares of Kshs 100 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid			
10,000 Ordinary shares of Kshs 100 each		<u>1,000,000</u>	<u>1,000,000</u>
8 Trade and other receivables			
Receivables from Isinya project		170,200	1,922,200
Receivable from Kanisa SACCO (related party receivable)		36,000	260,000
Receivables from Kantafu project		2,334,200	-
Receivables from Isinya 2 project		1,321,100	-
Prepaid expenses on Kantafu project		-	152,800
		<u>3,861,500</u>	<u>2,335,000</u>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	2015
	Kshs	Kshs
<b>9 Income tax</b>		
<b>a) Income tax expense</b>		
Current tax	215,346	2,347,484
Deferred tax	-	-
	<u>215,346</u>	<u>2,347,484</u>
<b>b) Reconciliation of tax charge to expected tax based on accounting profit:</b>		
Net profit for the year before income tax	<u>717,821</u>	<u>7,824,948</u>
Income tax at 30%	215,346	2,347,484
Tax loss brought forward	-	-
Tax effect of expenses not deductible for tax purposes	-	-
	<u>215,346</u>	<u>2,347,484</u>
<b>c) Balance sheet</b>		
Balance brought forward	2,347,485	-
Tax paid for previous year	(2,347,485)	-
Provision for the year	<u>215,346</u>	<u>2,347,484</u>
Tax paid for the current year	<u>215,346</u>	<u>2,347,484</u>

**10 Investment property**

*Fair value model*

Investment property are long-term investments in land and buildings that are not occupied substantially for own use. Investment property are 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.

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 are determined by reference to their carrying amount and are taken into account in determining operating profit / (loss).

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31ST DECEMBER 2016

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	2016	2016	2015
	Kshs	Kshs	Kshs	Kshs
	Isinya 1	Kantafu	Isinya 2	Isinya 1
<b>11 Direct project costs</b>				
Cost of land	-	8,900,000	3,528,571	11,946,667
Survey costs and stamp duty to individuals	-	622,000	1,084,000	2,319,900
Stamp duty	-	540,000	30,500	300,000
Legal fees	-	603,000	250,000	245,400
Marketing costs	-	-	-	113,350
Transport and other expenses	203,026	118,611	113,237	266,525
Land fencing expenses	1,221,062	-	-	-
	<u>1,424,088</u>	<u>10,783,611</u>	<u>5,006,308</u>	<u>15,191,842</u>
<b>12 Administrative expenses</b>				
BOD transport expenses and reimbursements			366,000	322,000
General meeting expenses			325,660	176,000
Legal fees			25,000	88,050
Office travelling expenses			25,200	10,500
Land search and transport costs			28,740	132,230
Communication and marketing costs			944,530	23,200
Salaries and wages			900,000	877,610
Office cleaning expenses			8,500	14,400
Office supplies			54,589	36,542
Printing costs			50,080	55,448
Office rent			96,161	16,000
Corporate Social Responsibility			50,000	-
Audit fees			50,000	50,000
Other meeting expenses			80,830	81,200
Strategic plan development/ Business Plan			223,500	134,500
Sub committees/Business plan implementation costs			71,000	57,500
Policy development and review			155,000	-
Biannual Brainstorming sessions			145,000	-
Repairs and Maintenance			5,000	2,140
Depreciation			59,321	10,688
			<u>3,664,111</u>	<u>2,088,008</u>
<b>13 Finance costs</b>				
Bank charges			15,301	27,058
<b>14 Payables and accrued charges</b>				
Kantafu project receipts in advance			-	2,804,500
Survey costs accrued			540,000	-
KANISA SACCO refunds			-	1,159,000
Isinya 2 Survey cost accrued			1,084,000	-
Erastus HAE & Partners			50,000	50,000
			<u>1,674,000</u>	<u>4,013,500</u>

**15 Incorporation**

The company is domiciled and incorporated in Kenya under the Companies Act.

**16 Currency**

The financial statements are presented in Kenya Shillings (Kshs). The financial statements are rounded off to the nearest one Kenya shilling.

**17 Financial and business risk management**

The company risk limits are regularly assessed to ensure alignment with the company objectives and prevalent market conditions. The directors are closely involved in ensuring a variety of techniques are used to assess and manage the risks.

KANISA HOLDINGS LIMITED

INCOME TAX COMPUTATION  
YEAR OF INCOME 2016

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PIN: P051503327W

Kshs

Net profit as per the income statement

717,821

Add back:

Penalties

Depreciation

59,321

777,142

Less: Wear and tear

(59,321)

717,821

Income tax @ 30%

215,346