

**2016**

John Willis & Associates,  
Certified Public Accountants  
of Kenya, P.O. BOX 3259-  
00100, NAIROBI.

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

**KIMISITU INVESTMENT  
COMPANY LTD.**

**KIMISITU INVESTMENT COMPANY LIMITED**  
**ANNUAL AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

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**KIMISITU INVESTMENT COMPANY LIMITED**  
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**COMPANY INFORMATION**

**BOARD OF DIRECTORS:**

|                          |                            |
|--------------------------|----------------------------|
| Mr. Ernest Mungai Gatoru | Chairman                   |
| Mr. Stanley M. Gachui    | Vice Chairman              |
| Mr. Laban Musundi        | Board Secretary            |
| Mr. Jacob Mwisyo         | Director                   |
| Ms. Lucy Wangari Mwangi  | Director                   |
| Ms. Angela Nyanjong      | Director                   |
| Mr. Micheal Murichu      | Director                   |
| Mr. James Mwangi         | Acting General Manager/CEO |

**Company Secretary:** Gilbert Nyamweya Omoke

**Registrar:** Co-operative Bank

**Bankers:** Kenya Commercial Bank Ltd.  
Moi Avenue Branch  
P.O Box 30081-00100  
Nairobi, Kenya

Co-operative Bank of Kenya  
Nairobi Business Center Branch  
P.O Box 48231-00100  
Nairobi, Kenya

**Auditors:** John Willis & Associates  
Certified Public Accountants of Kenya  
P.O Box 3259-00100,  
Nairobi, Kenya

**Registered Office:** Woodlands Court, House No.10  
Woodlands Road, Kilimani P.O Box 37159-00200,  
Nairobi, Kenya

**KIMISITU INVESTMENT COMPANY LIMITED**  
**ANNUAL AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

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**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016**

The Board of Directors of Kimisitu Investment Company Limited hereby submits their annual Report together with the audited Financial Statements for the year ended 31 December 2016.

**1. INCORPORATION:**

The Company (limited by shares) was incorporated under the Companies Act, Cap 486 on the 13 August 2010 and it is domiciled in Kenya.

**2. PRINCIPAL OPERATING ACTIVITIES:**

The principal operating activities of the Company are:

- i. The Purchase and sell of Land accounted for using IFRS 5 (Non-current Assets held for Sale).
- ii. Leasing of Properties accounted for under IAS 17
- iii. Mortgaging of Properties
- iv. Any other dealing in Land, Property, and Investment activities that are within the provisions of the Company's Memorandum & Articles of Association.

**3. DIVIDENDS:**

The Company has declared a final dividend of Kshs. 1 per share of Ksh.10 each.

**4. THE BOARD OF DIRECTORS:**

The members of the Board of Directors who were in office during the year up to and including the date of this report are as listed on page 3

**5. AUDITORS:**

The Company auditors, M/s. John Willis & Associates, have expressed their willingness to continue in office, as provided for under the Companies Act, section 159 (i). By Order of the Board

**Chairman**

**Date** \_\_\_\_\_



21/04/2017

**KIMISITU INVESTMENT COMPANY LIMITED**  
**ANNUAL AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

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**A STATEMENT OF RESPONSIBILITIES OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2016**

The Company Board members are responsible for the preparation of the Financial Statements for each accounting period which gives a true and fair view of the state of affairs of the Company as at the end of the accounting period and the operating results for that period.

The Board of Directors required by law to ensure that the company maintains and operates proper accounting record that, disclose with reasonable accuracy, the financial position of the Company and are also responsible for safeguarding the Assets of the Company as their fiduciary role.

The Board members accept responsibility for financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards (IFRSs). The Board members have formed the opinion that the appended Financial Statements give a true and fair view of the state of affairs of the Company as at 31 December 2016 and its operating results for the year then ended.

The Board Members accept further responsibility for the maintenance of accounting records which have been relied upon in the preparation of these Financial Statements as well as the adequacy of the Systems of internal financial controls.

No circumstances have come to the attention of the Board of Directors to suggest that the Company will not remain a going concern for at least the next twelve months from the date of this signed statement.

  
\_\_\_\_\_  
**Chairman**

21/04/2017  
\_\_\_\_\_  
**Date**

  
\_\_\_\_\_  
**Director**

21/04/2017  
\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Date**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF KIMISITU INVESTMENT COMPANY LIMITED**

We have performed the audit of the accompanying Financial Statements as set out on pages 8 to 21 which have been prepared based on the accounting policies and Standards as set out in NOTE 1 of these Financial Statements which comprise the following:

- i. The Statement of Comprehensive Income
- ii. The Statement of Financial Position
- iii. The Statement of Changes in Equity
- iv. A Statement of Cash flows, for the year ended 31 December 2016, and a summary of significant accounting policies and other explanatory notes including Income statement components.

### **RESPONSIBILITIES OF THE BOARD MEMBERS ON THE FINANCIAL STATEMENTS:**

The Members of the Board of Directors are responsible for the preparation, and true and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Companies Act, Cap486. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of true 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.

### **BASIS OF OUR OPINION:**

Audit involves performing audit procedures, on a test basis, to obtain audit evidence supporting the amounts and disclosures in the Financial Statements. The procedures selected depended on the auditor's professional judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those assessments, the auditors considered the internal controls relevant to the Company's preparation, fair and true presentation of the Financial Statements so as to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

An audit also includes an evaluation of the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by the Board in the preparation of the Financial Statements as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we obtained and the audit procedures applied were sufficient and appropriate to provide the basis for our audit opinion.

## OUR OPINION:

In our opinion, proper books of account have been kept and the Financial Statements, which are agreement therewith, present a true and fair view of the Company's state of financial affairs as at 31 December 2016, and the Operating Results and Cash flows for the year then ended and comply with the requirements of the Companies Act, Cap 486, of the Laws of Kenya and in accordance with the applicable International Financial Reporting Standards (IFRSs) and other regulatory requirements.

As per the provisions of the Kenya Companies Act, we accordingly report as follows, based on our audit:

- i. We obtained information and explanation which we considered necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the company as far as possible as confirmed by our examination of the Company books.

The Engagement Partner responsible for this audit which resulted in the independent auditor's opinion is CPA Willis W.J.N. Nyandieka, Practising Certificate No.P.1388.



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John Willis & Associates,  
Certified Public Accountants of Kenya,  
Nairobi, Kenya.

Date 21. 04. 2017

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**KIMISITU INVESTMENT COMPANY LIMITED**  
**ANNUAL AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

**A STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

|  |             | <b>2016</b>       | <b>2015</b>       |
|--|-------------|-------------------|-------------------|
|  | <b>NOTE</b> | <b>Kshs.</b>      | <b>Kshs.</b>      |
| <b>INCOME FROM OPERATIONS</b>            |             |                   |                   |
| Net Income from Operations               | 2           | 31,435,246        | 25,386,832        |
| Other Income                             | 2(i)        | 5,227,168         | 1,480,461         |
| <b>TOTAL INCOME FROM OPERATIONS</b>      |             | <b>36,662,414</b> | <b>26,867,293</b> |
| <b>EXPENDITURE</b>                       |             |                   |                   |
| Administration & Operational expenses    | 3           | 7,853,555         | 8,079,936         |
| Staff Costs                              | 4           | 12,533,021        | 8,879,191         |
| Governance Costs                         | 5           | 4,666,166         | 4,327,471         |
| <b>TOTAL COSTS</b>                       |             | <b>25,052,742</b> | <b>21,286,598</b> |
| <b>PROFIT FROM OPERATIONS BEFORE TAX</b> |             | <b>11,609,672</b> | <b>5,580,695</b>  |
| Taxation                                 | 6           | (3,667,471)       | (1,856,054)       |
| <b>PROFIT AFTER TAXATION</b>             |             | <b>7,942,201</b>  | <b>3,724,641</b>  |



**KIMISITU INVESTMENT COMPANY LIMITED**  
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**A STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016**

|  |       | 2016               | 2015               |
|--|-------|--------------------|--------------------|
| ASSETS                                 | NOTE  | Kshs               | Kshs.              |
| Non-Current Assets                     | 7(i)  | 2,562,678 ✓        | 3,218,765          |
| Investment Property                    | 7(i)  | 2,421,945 ✓        | 2,421,945          |
| Non-Current Assets Held for Sale       | 8     | 82,156,687 ✓       | 3,838,201          |
| Intangible Asset-Operating Software    | 7(ii) | 1,529,406 ✓        | ,294,109           |
| <b>TOTAL NON-CURRENT ASSETS</b>        |       | <b>88,670,716</b>  | <b>61,773,020</b>  |
| <b>CURRENT ASSETS</b>                  |       |                    |                    |
| Trade & Other Account Receivables      | 9     | 31,439,909 ✓       | 15,648,996         |
| Prepayments                            |       | 1,894,690 ✓        | 2,541,532          |
| Corporation Tax Overpayment Receivable | 6     | -                  | 519,289            |
| Cash & Cash Equivalents                | 10    | 36,746,311 ✓       | 34,027,596         |
| <b>TOTAL CURRENT ASSETS</b>            |       | <b>70,080,910</b>  | <b>52,737,413</b>  |
| <b>TOTAL ASSETS</b>                    |       | <b>158,751,626</b> | <b>114,510,433</b> |
| <b>EQUITY AND LIABILITIES</b>          |       |                    |                    |
| Share Capital                          | 12    | 79,733,180 ✓       | 66,447,350         |
| Share Premium                          |       | 19,501,791 ✓       | 13,553,753         |
| Retained Earnings                      |       | 8,296,429          | 6,993,304          |
| <b>TOTAL EQUITY</b>                    |       | <b>107,531,400</b> | <b>86,994,407</b>  |
| <b>CURRENT LIABILITIES</b>             |       |                    |                    |
| Trade & other Account Payables         | 11    | 49,031,492 ✓       | 27,516,026         |
| Dividend Payable                       | 13    | -                  | -                  |
| Tax Liability                          | 6     | 2,188,734 ✓        | -                  |
| <b>CURRENT LIABILITIES</b>             |       | <b>51,220,226</b>  | <b>27,516,026</b>  |
| <b>TOTAL EQUITY &amp; LIABILITIES</b>  |       | <b>158,751,626</b> | <b>114,510,433</b> |

The Financial Statements on pages 8 to 22 were approved for issue by the Board of Directors and authorized and signed on their behalf by:

Chairman

Director

Date

Date

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**A STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

|                                       | NOTE | Share<br>Capital<br>Kshs. | Share<br>Premium<br>Kshs. | Retained<br>Earnings<br>Kshs. | TOTAL<br>Kshs.      |
|---------------------------------------|------|---------------------------|---------------------------|-------------------------------|---------------------|
| As at 01.01.2016                      |      | 66,447,350                | 13,553,753                | 6,993,304                     | 86,994,407          |
| Issued during the year                |      | 13,285,830                | 5,948,038                 | -                             | 19,233,868          |
| Profit for the year after<br>taxation |      | -                         | -                         | 7,942,201                     | 7,942,201           |
| 2015 dividends paid in<br>2016        |      | -                         | -                         | (6,639,075)                   | (6,639,075)         |
| <b>As at 31.12.2016</b>               |      | <b>79,733,180</b>         | <b>19,501,791</b>         | <b>8,296,430</b>              | <b>107,531,400,</b> |
|                                       |      |                           |                           | <b>Re-stated</b>              |                     |
| As at 01.01.2015                      |      | 66,318,478                | 13,576,349                | 15,095,695                    | 94,990,522          |
| Issued during the year                |      | -                         | -                         | -                             | -                   |
| Prior year adjustments                |      | 128,872                   | (22,596)                  | (5,187,929)                   | (5,081,653)         |
| Profit for the year after<br>taxation |      |                           |                           | 3,724,641                     | 3,724,641           |
| 2014 Dividends paid in<br>2015        |      | -                         | -                         | (6,639,103)                   | (6,639,103)         |
| <b>As at 31.12.2015</b>               |      | <b>66,447,350</b>         | <b>13,553,753</b>         | <b>6,993,304</b>              | <b>86,994,407</b>   |

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**A STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016**

|   | 2016<br>Kshs       | 2015<br>Kshs.      |
|---|--------------------|--------------------|
| <b>Cash flow from Operations</b>                                |                    |                    |
| Profit before taxation for the Period                           | 11,609,672         | 5,590,694          |
| <b>Adjust for</b>   |                    |                    |
| Depreciation  | 656,087            | 874,095            |
| Amortization  | 764,703            | 764,703            |
| Prior period adjustment   | -                  | (5,187,929)        |
| <b>Cash flow from operations before working Capital Changes</b> | <b>13,030,462</b>  | <b>2,041,563</b>   |
| Net increase in Account Receivables & Prepayments               | (15,144,071)       | 11,650,387         |
| Increase in Trade and other Payables                            | 21,515,466         | 16,283,111         |
| (Increase) in non- current assets held for Sale                 | (28,318,486)       | 6,536,347          |
| Income tax paid during the period                               | (959,450)          | (861,172)          |
|   | <b>(9,876,079)</b> | <b>35,650,236</b>  |
| <b>Cash flow from Investing Activities</b>                      |                    |                    |
| Purchase of non-current Assets during the period                | -                  | (5,094,558)        |
| <b>Cash flow from Financing Activities</b>                      |                    |                    |
| Issue of Shares   | 19,233,868         | 106,275            |
| Dividend paid   | (6,639,075)        | (6,641,792)        |
|   | <b>12,594,793</b>  | <b>(6,535,517)</b> |
| <b>Net (decrease)/increase in Cash flows</b>                    | <b>2,718,714</b>   | <b>24,020,162</b>  |
| Cash and Cash Equivalents at the beginning of the year          | 34,027,597         | 10,007,435         |
| Cash and Cash Equivalents at the end of the year                | <b>36,746,311</b>  | <b>34,027,597</b>  |

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED:**

The main accounting policies used in the preparation of these Financial Statements are as detailed below:-

**a) BASIS OF PREPARATION**

- i) The Financial Statements have been prepared on a historical Cost basis, except where it is otherwise stated and comply with International Financial Reporting Standards presented in the functional currency, Kenya Shillings.
- ii) The Financial Statements which have been prepared in conformity with International Financial Reporting Standards(IFRSs) require the use of the Company Management judgments, estimates and assumptions that impact on the application of accounting policies and the reported amounts and the disclosure of contingent assets and liabilities as at the date of Financial Statements and the reported amounts of Comprehensive income during the Board of Directors use of prudent judgments in the application of those policies in the period under review.

**b) INCOME RECOGNITION**

The company income is recognized when received and any outstanding bonafide amounts are accounted for as Trade Account Receivables.

**c) CASH AND CASH EQUIVALENTS**

Cash and Cash equivalents are represented by Cash at Bank, (which may be in the form of Fixed Deposits and bank balances) and Cash in Hand.

**d) EMPLOYEE BENEFITS**

**i) Retirement benefits**

Currently, both the Employer (The Company) and the Employee contribute equal amounts to the National Social Security Fund (NSSF), a National retirement Benefits Scheme, governed by the NSSF Act. A change in legislation which was made and took effect from January 2015 requires the Employer to deduct 6 % of the basic salary of an Employee and the employer contributes the same amount.

**ii) Provident fund**

The Company contributes to a Staff Provident Fund held by Britam at the rate of 12.5% of the employee's pensionable pay while the employees each contribute 5 % of their individual pensionable pay.

**iii) Staff accident and medical insurance cover**

The Company operates a group personal accident cover and a group life assurance cover for their staff, and a medical insurance cover for the employees and their immediate families.

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**e) PROPERTY, PLANT AND EQUIPMENT**

The Depreciation Policy is the application of a Reducing Balance method at the following annualized rates that will write- off the cost of the asset over their expected useful life.

|                          |        |
|--------------------------|--------|
| Computers& Accessories   | 30.00% |
| Office Equipment         | 12.50% |
| Furniture & Fittings     | 2.50%  |
| Amortization of Software | 20.00% |

The Operating software has an estimated useful life of five (5) years and therefore it is the policy of the Company to amortize the Software at a rate of 20% on a straight line basis.

**2. NET INCOME FROM SALE OF PROPERTY**

| <b>SALES</b>                            | <b>2016</b>               | <b>2015</b>               |
|---|---------------------------|---------------------------|
| <b>PROPERTY DESCRIPTION</b>             | <b><u>Kshs</u></b>        | <b><u>Kshs</u></b>        |
| Kitengela 1                             | -                         | 600,000                   |
| Kitengela Milimani                      | -                         | 12,150,000                |
| Joska 1                                 | -                         | 4,560,000                 |
| Joska 2                                 | 1,680,000                 | 1,500,000                 |
| Joska 3                                 | 280,000                   | 1,470,000                 |
| Joska 4                                 | 11,080,000                | 19,550,000                |
| Lukenya Maanzoni                        | 3,190,000                 | 20,700,000                |
| Lukenya Silver Oak Gardens              | 24,255,000                | 26,795,000                |
| Ngelani                                 | 16,850,000                | -                         |
| Kiserian Phase 1                        | 29,298,546                | -                         |
| Kiserian Phase 2                        | 17,340,000                | -                         |
|   | <b><u>103,973,546</u></b> | <b><u>87,325,000</u></b>  |
| <b>COST OF SALES</b>                    |                           |                           |
| <b>Opening Stock</b>                    | <b>53,838,200</b>         | <b>60,374,547</b>         |
| <b>Purchases</b>                        |                           |                           |
| Lukenya Silver Oak Gardens              | -                         | 55,391,822                |
| Ngelani                                 | 63,814,900                | -                         |
| Kiseriani Phase 1                       | 18,603,326                | -                         |
| Kiserian Phase 2                        | 17,245,014                | -                         |
|   | <b><u>99,663,240</u></b>  | <b><u>55,391,822</u></b>  |
| Prior periods adjustment (NOTE B)       | 1,193,546                 | -                         |
|   | <b><u>154,694,986</u></b> | <b><u>115,766,369</u></b> |
| Closing Stock(NOTE A)                   | (82,156,686)              | (53,838,200)              |
| <b>Cost of Property Sales</b>           | <b><u>72,538,300</u></b>  | <b><u>61,928,169</u></b>  |
| <b>Gross profit from Property Sales</b> | <b><u>31,435,246</u></b>  | <b><u>25,396,831</u></b>  |

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**NOTE A-CLOSING STOCK**

|                            | <b>2016</b>       | <b>2015</b>       |
|----------------------------|-------------------|-------------------|
|                            | <b>Ksh</b>        | <b>Ksh</b>        |
| Katani                     | 492,477           | 492,477           |
| Kitengela 1                | 603,435           | -                 |
| Kitengela 2                | 2,497,319         | 2,497,319         |
| Kitengela Milimani         | 5,651,204         | 5,651,204         |
| Joska 1                    | 638,871           | 638,871           |
| Joska 2                    | 1,073,972         | 2,362,739         |
| Joska 3                    | 684,972           | 913,296           |
| Joska 4                    | 414,072           | 8,488,470         |
| Lukenya Maanzoni           | 2,360,445         | 4,130,779         |
| Lukenya Silver Oak Gardens | 10,062,558        | 28,663,045        |
| Ngelani                    | 51,406,447        | -                 |
| Kiseriani Phase 2          | 6,270,914         | -                 |
|                            | <b>82,156,686</b> | <b>53,838,200</b> |

**NOTE B: PRIOR-YEAR ADJUSTMENT**

This adjustment represents plot sales reversals in the previous years and recreated during the year 2016 as detailed below:-

|                  | <b>Kshs</b>      |
|------------------|------------------|
| Lukenya Maanzoni | 590,112          |
| Kitengela        | 301,717          |
| Kitengela        | 301,717          |
|                  | <b>1,193,546</b> |

**NOTE 2 (i) OTHER INCOME**

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
|  | <b>Kshs</b>      | <b>Kshs</b>      |
| Bank Interest on Fixed & Call Deposits | 2,549,050        | 1,419,762        |
| Other Incomes                          | 539,033          | 10,699           |
| Plot Refund Charges                    | 60,200           | 50,000           |
| Agency Commission                      | 2,078,885        | -                |
|  | <b>5,227,168</b> | <b>1,480,461</b> |

**KIMISITU INVESTMENT COMPANY LIMITED**  
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**3. ADMINISTRATION & OPERATING EXPENSES**

|   | <b>2016</b>      | <b>2015</b>      |
|---|------------------|------------------|
|   | <b>Kshs</b>      | <b>Kshs.</b>     |
| Share Registry services fees                      | 552,280          | 583,480          |
| Telephone/Business mobile & Postage               | 413,211          | 201,311          |
| Travelling Expenses                               | 276,368          | 186,732          |
| General Office insurance +Office Equipment        | 94,325           | 84,014           |
| Company Secretarial services for 2015/2013 & 2014 | 208,200          | 150,000          |
| Marketing & Public Relations                      | 1,544,946        | 1,503,092        |
| Office Expenses                                   | 515,782          | 477,676          |
| Printing & Stationery                             | 527,839          | 239,461          |
| Consultancy                                       | -                | 232,000          |
| Legal fees  | -                | -                |
| Travelling & Property search expenses             | 169,101          | 172,209          |
| Bad Debts W/ O                                    | 30,000           | -                |
| <b>Land Expenses:</b>                             |                  |                  |
| Katani  | -                | 87,707           |
| Kitengela Milimani                                | -                | 121,142          |
| Joska 1   | -                | -                |
| Website development, Hosting and Internet         | 53,000           | 70,000           |
| Rent expenses                                     | 1,200,000        | 1,223,205        |
| Support & Maintenance-Equipment                   | 202,701          | 145,192          |
| Depreciation                                      | 656,087          | 874,096          |
| Operating System Amortization                     | 764,703          | 764,703          |
| Bank Charges                                      | 114,133          | 112,406          |
| Software Licences                                 | 92,418           | 158,797          |
| Statutory subscriptions                           | -                | 3,000            |
| Business Licence                                  | 69,080           | 67,200           |
| Email,Internet & Intranet                         | 190,533          | 287,036          |
| Water & Electricity                               | 144,598          | 131,845          |
| Office Renovation & relocation                    | 34,250           | 203,632          |
|   | <b>7,853,555</b> | <b>8,079,936</b> |

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**4. STAFF COSTS**

|                              | <b>2016</b>       | <b>2015</b>      |
|------------------------------|-------------------|------------------|
|                              | <b>Kshs.</b>      | <b>Kshs</b>      |
| Staff Salaries & Wages       | 7,839,371         | 6,339,819        |
| Staff medical insurance      | 2,136,726         | 1,052,569        |
| Staff Welfare & Benefits     | 103,423           | 94,440           |
| Staff Pension cost           | 707,723           | 648,609          |
| NSSF Contribution            | 23,600            | 17,000           |
| Staff life Assurance         | 87,643            | -                |
| Staff Training & Development | 3,600             | 193,000          |
| Staff Recruitment expenses   | 332,957           | 57,126           |
| Professional Subscription    | 44,000            | 26,500           |
| Personal Accident Cover      | 55,348            | 2,144            |
| Sales Commission             | 1,198,630         | 417,984          |
|                              | <b>12,533,021</b> | <b>8,879,191</b> |

**5. GOVERNANCE COSTS**

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
|  | <b>Kshs.</b>     | <b>Kshs.</b>     |
| AGM Expenses                           | 1,114,952        | 1,044,070        |
| Shareholders Expenses                  | 115,080          | 68,802           |
| Hospitality                            | 258,400          | 241,543          |
| Board Allowances & Travelling expenses | 1,831,775        | 1,959,148        |
| Directors Fees                         | 741,043          | 621,188          |
| Directors indemnity Insurance          | 161,176          | 160,720          |
| Audit Fees                             | 284,200          | 232,000          |
| Board training & Development           | 159,540          | -                |
| <b>Total</b>                           | <b>4,666,166</b> | <b>4,327,471</b> |



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**6. i) TAXATION**

|   | Ksh                     |
|---|-------------------------|
| Adjusted Taxable Income                   | 12,224,904              |
| Tax @30% thereon                          | 3,667,471               |
| Total tax liability                       | <u>3,667,471</u>        |
| <b>LESS:</b>                              |                         |
| Tax overpaid in 2015 b/f                  | (519,289)               |
| Installment tax paid during the year      | (510,415)               |
| Withholding tax on Interest Income        | <u>(449,035)</u>        |
| Tax payable/(Receivable) as at 31.12.2016 | <u><b>2,188,733</b></u> |
| Tax payable at the beginning of the year  | -                       |
| Tax paid during Current year              | 959,450                 |
|   | <u><b>959,450</b></u>   |

**ii) TAX CONTINGENT LIABILITY**

Kenya Revenue Authority records indicate that there is a tax liability of Kshs.3,553,393 of unpaid taxes and accumulated penalties for the years 2012 and 2013. This is as a consequence of the difference in the tax computation by KRA and what was reflected in the Audited Financial Statements for the years of Income in question. This is currently being resolved by the current auditor and the KRA

**WEAR & TEAR ALLOWANCE**

|                               | Class II<br>30%<br>Kshs. | Class IV<br>12.50%<br>Kshs. | TOTAL<br>Kshs.          |
|-------------------------------|--------------------------|-----------------------------|-------------------------|
| W.D.V as at 01.01.2015        | 769,285                  | 389,576                     | 1,158,861               |
| Additions:                    | 1,356,968                | 1,315,645                   | 2,672,613               |
|                               | <u>2,126,253</u>         | <u>1,705,221</u>            | <u>3,831,474</u>        |
| Wear & tear allowance         | 637,876                  | 213,153                     | 851,029                 |
| <b>W.D.V as at 31.12.2015</b> | <u><b>1,488,377</b></u>  | <u><b>1,492,068</b></u>     | <u><b>2,980,445</b></u> |
| W.D.V as at 01.01.2016        | 1,488,377                | 1,492,068                   | 2,980,445               |
| Additions                     | -                        | -                           | -                       |
|                               | <u>1,488,377</u>         | <u>1,492,068</u>            | <u>2,980,445</u>        |
| Wear & tear allowance         | 446,513                  | 186,509                     | 633,022                 |
| <b>W.D.V as at 31.12.2016</b> | <u><b>1,041,864</b></u>  | <u><b>1,305,560</b></u>     | <u><b>2,347,424</b></u> |

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**OPERATING SYSTEM SOFTWARE ALLOWANCE**

|                                   | <b>2016</b>             | <b>2015</b>             |
|-----------------------------------|-------------------------|-------------------------|
|                                   | <b>Kshs</b>             | <b>Kshs</b>             |
| W.D.V as at 01.01.2016/01.01.2015 | 3,450,722               | 3,623,339               |
| Additions                         | -                       | -                       |
|                                   | <u>3,450,722</u>        | <u>3,632,339</u>        |
| Wear & tear allowance @ 5%        | 172,536                 | 181,617                 |
| W.D.V as at 31.12.2016/31.12.2015 | <u><b>3,278,186</b></u> | <u><b>3,450,722</b></u> |

**7. i) NON- CURRENT ASSETS MOVEMENT SCHEDULE**

|                                    | <b>Computers<br/>&amp;<br/>Accessories<br/>Kshs.</b> | <b>Office<br/>Equipment<br/>Kshs.</b> | <b>Furniture<br/>Fittings<br/>Equipment<br/>Kshs.</b> | <b>Investment<br/>Property<br/>Kshs.</b> | <b>TOTAL<br/>Kshs.</b>  |
|------------------------------------|--|---------------------------------------|---|--|-------------------------|
| <b>Cost as at 01.01.2016</b>       | 2,671,385  | 654,058                               | 1,653,990   | 2,421,945                                | 7,401,378               |
| Additions                          | -  | -                                     | -   | -  | -                       |
| <b>Total as at 31.12.2016</b>      | <u><b>2,671,385</b></u>                              | <u><b>654,058</b></u>                 | <u><b>1,653,990</b></u>                               | <u><b>2,421,945</b></u>                  | <u><b>7,401,378</b></u> |
| Acc. Depreciation as at 01.01.2016 | 1,221,434  | 220,924                               | 318,310   | -  | 1,760,668               |
| Charge for the year                | 434,985  | 54,142                                | 166,960   | -  | 656,087                 |
| <b>Total as at 31.12.2016</b>      | <u><b>1,656,419</b></u>                              | <u><b>275,066</b></u>                 | <u><b>485,270</b></u>                                 | <u><b>-</b></u>                          | <u><b>2,416,755</b></u> |
| <b>NBV as at 31.12.2016</b>        | <u><b>1,014,966</b></u>                              | <u><b>378,992</b></u>                 | <u><b>1,168,720</b></u>                               | <u><b>2,421,945</b></u>                  | <u><b>4,984,623</b></u> |
| <b>NBV as at 31.12.2015</b>        | <u><b>1,449,951</b></u>                              | <u><b>433,134</b></u>                 | <u><b>1,335,681</b></u>                               | <u><b>2,421,945</b></u>                  | <u><b>5,640,710</b></u> |

**ii) OPERATING SYSTEM**

**INTANGIBLE ASSETS**

|   | <b>2016</b>             | <b>2015</b>             |
|---|-------------------------|-------------------------|
|   | <b>Kshs.</b>            | <b>Kshs.</b>            |
| Cost as at 01.01.2016/01.01.2015                      | 3,823,515               | 3,823,515               |
| Additions   | -                       | -                       |
| <b>Total cost as at 31.12.2016/31.12.2015</b>         | <u><b>3,823,515</b></u> | <u><b>3,823,515</b></u> |
| Accumulated Amortization as at 01.01.2016/01.01.2015  | 1,529,406               | 764,703                 |
| Amortization charge for the year                      | 764,703                 | 764,703                 |
| <b>Total amortization as at 31.12.2016/31.12.2015</b> | <u><b>2,294,109</b></u> | <u><b>1,529,406</b></u> |
| <b>NBV as at 31.12.2016/31.12.2015</b>                | <u><b>1,529,406</b></u> | <u><b>2,294,109</b></u> |

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**8. NON CURRENT ASSETS HELD FOR SALE**

| Asset location             | 2016                   |                          | 2015                   |                          |
|----------------------------|------------------------|--------------------------|------------------------|--------------------------|
|                            | <u>No.of<br/>Plots</u> | <u>Kshs.</u>             | <u>No.of<br/>Plots</u> | <u>Kshs.</u>             |
| Katani                     | 1                      | 492,477                  | 1                      | 492,477                  |
| Kitengela 1                | 2                      | 603,435                  | -                      | -                        |
| Kitengela 2                | 8                      | 2,497,319                | 8                      | 2,497,319                |
| Kitengela Milimani         | 7                      | 5,651,204                | 7                      | ,651,204                 |
| Joska 1                    | 3                      | 638,871                  | 3                      | 638,871                  |
| Joska 2                    | 5                      | 1,073,972                | 11                     | 2,362,739                |
| Joska 3                    | 3                      | 684,973                  | 4                      | 913,297                  |
| Joska 4                    | 2                      | 414,072                  | 41                     | 8,488,471                |
| Lukenya Maanzoni           | 4                      | 2,360,445                | 7                      | 4,130,779                |
| Lukenya Silver OAK Gardens | 33                     | 10,062,558               | 94                     | 28,663,045               |
| Ngelani                    | 116                    | 51,406,447               | -                      | -                        |
| Kiserian Phase 2           | 28                     | 6,270,914                | -                      | -                        |
|                            |                        | <u><b>82,156,687</b></u> |                        | <u><b>53,838,202</b></u> |

**9. TRADE AND OTHER RECEIVABLES**

| Receivables location            | 2016                     |   | 2015                     |  |
|---------------------------------|--------------------------|---|--------------------------|--|
|                                 | <u>Kshs.</u>             |   | <u>Kshs.</u>             |  |
| Kitengela 2                     | 800                      |   | 436,000                  |  |
| Kitengela Milimani              | -                        |   | 2,409,975                |  |
| Joska 1                         | 118,950                  |   | 679,000                  |  |
| Joska2-4                        | 1,702,181                |   | 2,437,031                |  |
| Lukenya Maanzoni                | -                        |   | 2,062,495                |  |
| Lukenya Silver Oak Gardens      | 2,392,762                |   | 6,964,491                |  |
| Katani, Ngelani                 | 4,508,000                |   | -                        |  |
| Kiseriani Phase 1               | 13,139,486               |   | -                        |  |
| Kiserian Phase 2                | 9,099,000                |   | -                        |  |
| Refundable deposits             | 406,435                  | ✓ | 396,435                  |  |
| Katani Welfare Advance          | -                        |   | 30,000                   |  |
| Receivable from Dividend Cheque | 72,295                   | ✓ | 72,295                   |  |
| Kitengela Milimani Contribution | -                        |   | 171,274                  |  |
|                                 | <u><b>31,439,909</b></u> |   | <u><b>15,658,996</b></u> |  |

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**10. i) CASH & CASH EQUIVALENTS**

|                                   | <b>2016</b>       | <b>2015</b>       |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Co-operative Bank Current Account | 7,811,191         | 4,583,207         |
| KCB Current Account               | 15,932,661        | 4,645,923         |
| Fixed Deposit                     | 12,957,889        | 24,472,255        |
| Cash in Hand                      | 44,570            | 50,000            |
| M-pesa Float                      | -                 | 276,211           |
|                                   | <b>36,746,311</b> | <b>34,027,596</b> |

- ii) Included in the Cash and Cash Equivalents balance as at 31.12.2016 is Kshs. 7,924,352 which is money received from Racecourse Gardens Ltd;, Kshs.900,000 from Ideal Apartments, and Kshs.5,612,554 for Kitengela Milimani wall construction project .totaling kshs.14,436,906.

**11. TRADE AND OTHER PAYABLES**

|                                  | <b>2016</b>  | <b>2015</b>  |
|----------------------------------|--------------|--------------|
|                                  | <b>Kshs.</b> | <b>Kshs.</b> |
| Trade Payables                   | 19,507,205   | 1,516,354    |
| Plot Booking Deposits            | 369,708      | 280,789      |
| <b><u>Accrued Expenses</u></b>   |              |              |
| Kitengela Milimani               | 411,266      | 1,027,242    |
| Lukenya                          | 694,452      | 897,908      |
| Joska 2                          | 158,219      | 688,309      |
| Joska 3                          | 1,270,957    | 1,406,739    |
| Joska 4                          | 562,392      | 938,184      |
| Katani                           | 130,000      | 130,000      |
| Lukenya Silver Oak               | 985,414      | 4,388,950    |
| Ngelani                          | 3,835,810    | -            |
| Kiserian Phase 1                 | 2,077,346    | -            |
| Kiserian Phase 2                 | 2,145,114    | -            |
| Directors Remuneration/Fees      | 741,040      | 621,188      |
| Audit Fees                       | 284,200      | 139,200      |
| Staff Bonus                      | 495,000      | 495,000      |
| Other Payables                   | 15,000       | 197,200      |
| Company Secretarial services     | 215,960      | 215,960      |
| Payroll control account          | 96,196       | -            |
| Sales Commission                 | 28,018       | -            |
| <b><u>Staff Payroll cost</u></b> |              |              |
| P.A.Y.E                          | 124,210      | 158,836      |
| NHIF                             | 11,150       | -            |
| NSSF                             | 3,600        | -            |

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|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
|   | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Undetermined Deposits                         | 210,654           | 54,609            |
| Share Application Collection Account          | 219,675           | 14,188,284        |
| Kitengela Milimani Contribution Account       | 5,612,554         | 171,274           |
| Racecourse Gardens-Payments for Apartments    | 7,473,681         | -                 |
| Racecourse Gardens-Unutilised marketing funds | 450,671           | -                 |
| Ideal Apartments-Payments for Apartments      | 900,000           | -                 |
| Lawyer's fees                                 | 2,000             | -                 |
|   | <b>49,031,492</b> | <b>27,516,026</b> |

**12. SHARE CAPITAL**

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <b>Kshs</b>        | <b>Kshs</b>        |
| <b>Authorized Share Capital</b>                   |                    |                    |
| <b>10 Million Ordinary Shares of Kshs.10 each</b> | <b>100,000,000</b> | <b>100,000,000</b> |
| Issued and fully paid up Share Capital            | 79,733,180         | 66,447,350         |
| Share Premium                                     | 19,501,791         | 13,553,753         |
|   | <b>99,234,971</b>  | <b>80,001,103</b>  |

**13. PROPOSED DIVIDEND**

|                             | <b>2016</b>      | <b>2015</b>      |
|-----------------------------|------------------|------------------|
|                             | <b>Kshs.</b>     | <b>Kshs.</b>     |
| At the start                | -                | 2,690            |
| Proposed for year 2015      | 6,639,075        | 6,639,103        |
| Adjustment-Balance          | -                | (2,690)          |
| <b>Paid during the year</b> | <b>6,639,075</b> | <b>6,639,103</b> |

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**TAX COMPUTATION FOR THE YEAR ENDED 31 DECEMBER 2016**

|  | Kshs.             |
|--|-------------------|
| <b>Profit before Taxation</b>                                  | <b>11,609,672</b> |
| <b>Adjustment for undeductible expenses</b>                    |                   |
| Depreciation   | 656,087           |
| Amortization   | 764,703           |
|  | <b>13,030,462</b> |
| <b>Less Tax deductible expenses</b>                            | <b>(Note 6)</b>   |
| Wear & Tear  | (633,022)         |
| System Software Allowance                                      | (172,536)         |
| <b>Taxable Income</b>  | <b>12,224,904</b> |
| Corporate tax thereon @30%                                     | 3,667,472         |
| <b>Total Tax Liability</b>                                     | <b>3,667,472</b>  |
| <b>Less</b>  |                   |
| Tax overpaid in 2015 b/f                                       | (519,289)         |
| Installment tax paid during the year                           | (510,415)         |
| Withholding tax on Interest Income                             | (449,035)         |
| <b>Tax payable/(Receivable) for the year ending 31.12.2016</b> | <b>2,188,733</b>  |
| Tax payable at the start of current year                       | -                 |
| <b>Tax paid in the Current year</b>                            | <b>959,450</b>    |