



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 to 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.