

LANDS LIMITED

**ANNUAL REPORT
AND
ACCOUNTS
31ST MARCH 2006**

185



LANDS LIMITED

**ACCOUNTS
FOR THE YEAR ENDED**

31st March 2006

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STATEMENT OF DIRECTOR'S RESPONSIBILITIES

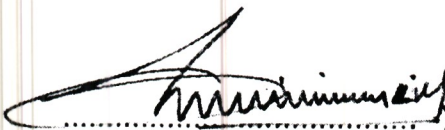
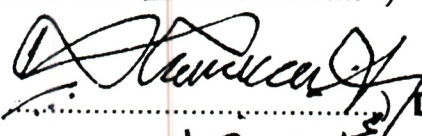

For the year ended 31st March 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Lands Limited established under Companies Act, Cap. 486 of the Laws of Kenya 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 profit or loss for that period. 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 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Company's Act. 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 and the related operating profit/(loss). The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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


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DIRECTORS

REPORT OF THE DIRECTORS

For the year ended 31st March 2006

Bank charges

The Directors submit their report and the audited accounts for the year ended 31st March 2006 which shows the state of the Company's affairs.

1. PRINCIPAL ACTIVITY

The principal activity of the company is the leasing of farms.

2. RESULTS

The results of the company for the year are set out on page 8.

3. DIVIDENDS

The Directors do not recommend any payment of dividend.

4. ACCUMULATED PROFITS

The Directors propose to carry forward accumulated profit amounting to KShs.579,037,317.

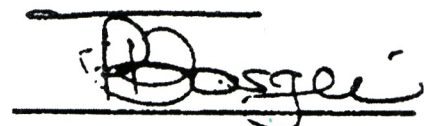
5. DIRECTORS

Directors who served during the year were:-

Mr. W.K. Kirwa (Chairman)
Mr.J.C. Odhiambo
Mrs.T.W. Njoroge

By order of the Board

Company Secretary



REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2006

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LANDS LIMITED (A SUBSIDIARY OF AGRICULTURAL DEVELOPMENT CORPORATION) FOR THE YEAR ENDED 31 MARCH 2006

I have audited the financial statements of Lands Limited (a subsidiary of Agricultural Development Corporation) for the year ended 31 March 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Income on Loans

As pointed out in the previous year's report, Lands Limited charged interest on debtors and recognised the same in the profit and loss account when such debts are seemingly doubtful and irrecoverable. Most of the debts are statutorily time barred and their recoverability is doubtful. An example of the debts is Saboti Farmers who owed Lands Ltd. Kshs.32,465,594 as at 31 March, 2005. During the period under review Kshs.6,942,661 was charged on this amount as net

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2006

interest which increased the debt to Kshs.39,408,255 as at 31 March 2006. It has not been possible to confirm whether interest charged on doubtful debtors will be realized or the effect the interest charged on debtors will have on these financial statements in the event that such interest is not realized. Consequently, the completeness and validity of interest on loans figure of Kshs.8,734,000 could not be confirmed.

Opinion

Except for any adjustment which may be necessary as a result of the foregoing reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company as at 31 March 2006 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Companies Act (Cap 486 of the laws of Kenya)


P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

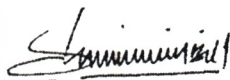
21 February 2007

BALANCE SHEET.....

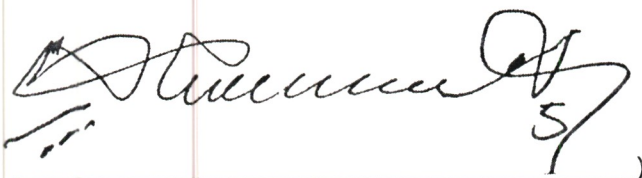
As at 31st March 2006

NON CURRENT ASSETS	Notes	Year 2006 KShs.(000)	Year 2005 KShs.(000)
Property,Plant and Equipment	2	16,272	16,419
LOANS ADVANCED	5	3,659	3,896
CURRENT ASSETS			
Current account with Parent Co.	6	570,632	557,674
Accounts Recievable	7	75,945	65,776
Cash & Bank balances	8	2,456	2,368
		649,033	625,818
CURRENT LIABILITIES			
Accounts Payable-Trade	9	1,120	1,000
Accounts payable-Sundry	10	20,318	13,202
		21,438	14,202
NET CURRENT ASSETS		<u>627,595</u>	<u>611,616</u>
TOTAL ASSETS		<u>647,526</u>	<u>631,931</u>
FINANCED BY:			
Authorised and issued fully paid 1,000 Ord. shares of KShs. 20 each.		20	20
Capital reserves	11	12,775	12,775
Grants	12	55,694	55,694
Profit And Loss Account	13	579,037	563,442
SHAREHOLDERS' FUNDS		<u>647,526</u>	<u>631,931</u>

These accounts were approved by the Board of Directors.




) DIRECTORS



PROFIT AND LOSS ACCOUNT*For the year ended 31st March 2006*

	Notes	Year 2006 KShs.(000)	Year 2005 KShs.(000)
TURNOVER		<u>20,869</u>	<u>33,859</u>
INCOME			
Interest on loans and mortgages		8,734	7,447
Rent receivable		1,650	412
Profit on sale of motor vehicle		-	67
Miscellaneous income		657	436
Profit on sale of Land		-	25,631
		<u>11,041</u>	<u>33,859</u>
EXPENDITURE			
Management fees payable to A.D.C.		598	598
Bank charges		25	37
Audit fees		120	120
Staff costs		2,624	2,001
Depreciation		147	186
Legal fees		450	791
Incidentals		90	36
Provision for bad debts		-	1,594
Survey Fees		1,221	152
		<u>5,275</u>	<u>5,515</u>
Extraordinary gain on land		<u>9,828</u>	<u>-</u>
NET PROFIT/(LOSS) FOR THE YEAR		<u>15,594</u>	<u>28,344</u>
STATEMENT OF ACCUMULATED PROFITS			
Accumulated profit brought forward		563,443	530,802
Profit/ (Loss) for the year		15,594	28,344
Prior year adjustment		-	4,297
Accumulated Profit / (Loss) c/f		<u>579,037</u>	<u>563,443</u>

CASH FLOW STATEMENT

For the year ended 31st March 2006

	Year 2006 KShs.(000)	Year 2005 KShs.(000)
Cash Flows from Operating Activities:		
Net profit/(Loss) for the year	15,594	28,344
Adjustment for:		
Depreciation	147	186
Interest on loans	(8,734)	(7,447)
Rent Receivable	(1,650)	(412)
Extra-ordinary gain on land	(9,171)	(25,631)
Profit/(Loss) on sale of motor vehicle	-	67
Operating profit before working capital changes	(3,814)	(4,893)
Increase /(Decrease) in debtors	6,351	3,309
Increase /(Decrease) in creditors	120	120
Increase /(Decrease) in deposits received	8,502	7,358
Increase/(Decrease) in Current A/C with parent Co.	(12,958)	(6,507)
Cash generated from operations	2,015	4,280
	(1,799)	(613)
Financing Activities:		
Loan repayment	237	(248)
Investing Activities:		
Rent received	1,650	-
Proceeds on sale of Motor Vehicle	-	1,898
Net increase in cash and cash equivalents	<u>88</u>	<u>1,037</u>
Cash and cash equivalents at:		
beginning of period	2,368	1,331
end of period	<u>2,456</u>	<u>2,368</u>
	<u>88</u>	<u>1,037</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention.

DEPRECIATION

Leasehold land and buildings are amortised over the remaining period of the lease by equal annual instalments.

Fixed assets are depreciated on the reducing balance basis to write the cost of the assets down to their residual value over their expected useful lives at the following rates:-

Land	Nil
Permanent improvements	2.5% p.a
Motor Vehicles	25% p.a

2. FIXED ASSETS

	Farms Managed by ADC KShs.'000	Farms leased to tenant KShs.'000	Motor Vehicles KShs.'000	Totals KShs.'000
COST				
At 1.4.2005	15,527	454	6,400	22,381
Additions	-	-	-	-
Disposals	-	-	-	-
At 31.3.2006	15,527	454	6,400	22,381
DEPRECIATION				
At 1.4.2005	-	116	5,847	5,963
Charge for the year	-	8	138	146
Disposals	-	-	-	-
At 31st March 2006	-	124	5,985	6,109
NET BOOK VALUE				
At 31 march 2006	15,527	330	415	16,272
At 31 march 2005	15,527	338	553	16,418

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

3. NET PROFIT FOR THE YEAR	2006 KShs.'000	2005 KShs.'000
The net profit for the year is stated after charging:-		
Depreciation of fixed assets	147	186
Auditors' remuneration	1,200	120
Provision for bad & doubtful debts	-	1,594
And Crediting:		
Extra-ordinary gain on sale of land	9,828	25,632
Profit on sale of fixed assets	-	67
4. PRIOR YEAR ADJUSTMENT		
This relates to survey fees previously accrued now considered not payable.	-	4,297
5. STAFF LOANS:	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Secured	1,490	1,994
Unsecured	<u>2,169</u>	<u>1,902</u>
	<u>3,659</u>	<u>3,896</u>
6. CURRENT ACCOUNT WITH THE PARENT COMPANY	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
This is a control account for transactions between the Parent Company (Agricultural Development Corporation) and its Subsidiary (Lands Ltd)	570,632	557,674
7 ACCOUNTS RECIEVABLE		
Accounts recievable are stated at net of provision for bad & doubtful debts.	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Accounts recievable-sundry	78,377	68,209
Less: General provision	(839)	(839)
Less: Specific provision	<u>(1,594)</u>	<u>(1,594)</u>
	<u>75,944</u>	<u>65,776</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

8. CASH AND BANK BALANCES	2006 KShs'000	2005 KShs'000
Relate to Bank balances at the end of each of the two financial years.	2,456	2,368
ACCOUNTS PAYABLE-TRADE		
Relate to audit fees.	1,120	1,000
10. ACCOUNTS PAYABLE-SUNDRY		
Relate to deposits made by land allottees. It is a holding account for allottees whose transactions have not been finalised.	20,318	13,202
11. CAPITAL RESERVES		
	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Comprises of the General Reserve Fund taken over from Agricultural Settlement Fund-1976 net of Government Trust Fund on farms taken over from Agricultural Settlement Trust.	12,775	12,775
12. GRANTS		
	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Grant from the Government of Kenya	55,694	55,694
13. PROFIT & LOSS		
	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Comparative profit carried forward at end of each of the two financial years.	579,037	563,442
14. CONTINGENT LIABILITY		
Part of the land has been given as security to secure loans and overdrafts advanced to the Parent Company.		