

# **Lands Limited**

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## **ANNUAL REPORT & FINANCIAL STATEMENTS**

**31<sup>st</sup> March 2012**

PARLIAMENT  
OF KENYA  
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# ***Lands Limited***

**(A subsidiary of Agricultural Development Corporation)**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31<sup>st</sup> March 2012**

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*For the year ended 31st March 2012*

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## Statement of directors' Responsibilities for the year ended 31st March 2012

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 operating results for the 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 company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirement of the Kenya Companies Act. This responsibility includes designing, supplementing and maintaining, internal controls relevant to the preparation and presentation of financial statements that are free from material misstatements whether due to fraud, or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Kenyan Companies Act also requires the Directors to ensure that the Company maintains proper books of Accounts which are in agreements with balance sheet and profit and loss account.

The Directors accept responsibility for the annual 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 and in the manner required by the Companies 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 and in accordance with IFRS.

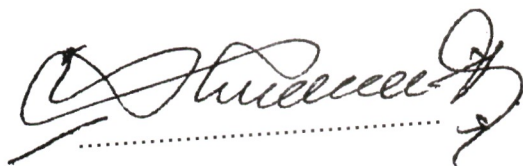
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of statement.

### Directors

Mr. William K. Kirwa  
Managing Director

Mr. J. C. Odhiambo  
Director

Signature





# Report of the Directors the year ended 31st March 2012

The Directors submit their report and the audited accounts for the year ended 31st March 2012 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 2.

## 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. 544,613,000.

## 5. DIRECTORS

Directors who served during the year were:-

Mr. W.K. Kirwa (Chairman)

Mr.J.C. Odhiambo

By order of the Board

Antony Ademba



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Ag. Company Secretary



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## KENYA NATIONAL AUDIT OFFICE

Report of the Auditor-General on Lands Limited  
(A Subsidiary of Agricultural Development Corporation) for the year ended 31st March 2012

### REPORT ON THE FINANCIAL STATEMENTS

I have audited the financial statements of Lands Limited (a subsidiary of Agricultural Development Corporation) set out at pages 5 to 10 which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory information, 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.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### Auditor-General's Responsibility

My responsibility is to express an independent opinion on these financial statements based on the audit and report in accordance with provisions of Section 15 of the Public Audit Act 2003. The audit was conducted in accordance with the International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 the 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 management, as well as evaluating the overall presentation of the financial statements.



I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Basis for Qualified Opinion**

#### **Land Debtors**

As disclosed in Note 5 to the financial statements, the Company had land debtors of Kshs. 34,771,000 as at 31 March 2012. Included in the debtors balance are balances totaling Kshs. 17,846,459, owed by 14 large debt holders, whose outstanding balances have remained unsettled from the time the land was allotted to them over 9 years ago. In the circumstances, it has not been possible to confirm the full recoverability of the land debts of Kshs. 34,771,000 as at 31 March 2012.

#### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Company as at 31 March 2012, and of its financial performance and its 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.

### **REPORTING ON OTHER LEGAL REQUIREMENTS**

As required by the Kenya Companies Act, I report based on the audit, that;

- i) 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;
- ii) In my opinion proper books of accounts have been kept by the Company, so far as appears from my 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.



**Edward R. O. Ouko**  
**AUDITOR-GENERAL**

Nairobi

15 November 2012



# Statement of Comprehensive Income for the year ended 31st March 2012

	Notes	<u>Year 2012</u> KShs.(000)	<u>Year 2011</u> KShs.(000)
<b>TURNOVER</b>		<u>3,342</u>	<u>1,255</u>
<b><u>INCOME</u></b>			
Interest on loans and mortgages		3,333	1,250
Rent receivable		9	5
		<u>3,342</u>	<u>1,255</u>
<b><u>EXPENDITURE</u></b>			
Management fees payable to A.D.C.		598	598
Bank charges		83	38
Audit fees		120	120
Staff costs		1,824	1,704
Depreciation		538	16
Legal fees		-	925
Rates		358	68
		<u>3,521</u>	<u>3,469</u>
Profit/(Loss) for the year		<u>(179)</u>	<u>(2,214)</u>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>(179)</b></u>	<u><b>(2,214)</b></u>
<b><u>STATEMENT OF ACCUMULATED PROFITS</u></b>			
Accumulated profit brought forward		544,792	547,006
Profit/ (Loss ) for the year		(179)	(2,214)
<b>Accumulated Profit / (Loss ) c/f</b>		<u><b>544,613</b></u>	<u><b>544,792</b></u>



# Statement of Financial Position for the year ended 31st March 2012

	Notes	Year 2012 KShs.(000)	Year 2011 KShs.(000)
<b>NON CURRENT ASSETS</b>			
Property,Plant and Equipment	2	485,479	483,918
<b>CURRENT ASSETS</b>			
Accounts Recievable	5	34,771	38,716
Cash & Bank balances	6	1,301	106
		<b>36,072</b>	<b>38,822</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	7	1,840	1,720
<b>NET CURRENT ASSETS</b>			
		<b>34,232</b>	<b>37,102</b>
<b>TOTAL ASSETS</b>			
		<b>519,711</b>	<b>521,020</b>
<b>FINANCED BY:</b>			
Authorised and issued fully paid 1,000 Ord. shares of KShs. 20 each.		20	20
Capital reserves	8	12,775	12,775
Current account with A.D.C	9	(541,092)	(539,960)
Grants	10	55,694	55,694
Profit And Loss Account	11	544,612	544,791
Revaluation Reserve	13	447,701	447,701
<b>SHAREHOLDERS' FUNDS</b>			
		<b>519,711</b>	<b>521,020</b>

These accounts were approved by the Board of Directors.

Chairman - W. K .Kirwa



Member - J.C.Odhiambo





# Statement of Cash Flows For the year ended 31st March 2012

	<u>Year 2012</u> <u>KShs.(000)</u>	<u>Year 2011</u> <u>KShs.(000)</u>
<b>Cash Flows from Operating Activities:</b>		
Net profit/(Loss) for the year	(179)	(2,214)
Adjustment for:		
Depreciation	538	16
Profit on sale of fixed assets	-	-
<b>Operating profit before working capital changes</b>	<b>359</b>	<b>(2,198)</b>
Increase /(Decrease) in debtors	3,946	2,367
Increase /(Decrease) in creditors	120	120
Increase/(Decrease) in advances to/from ADC.	(1,130)	(404)
	2,936	2,083
Cash generated from operations	3,295	(115)
<b>Financing Activities:</b>		
Loan repayment	-	-
<b>Investing Activities:</b>		
Purchase of assets	(2,100)	-
Net increase in cash and cash equivalents	1,195	(115)
Cash and cash equivalents at:		
Beginning of period	106	221
End of period	1,301	106
	<b>1,195</b>	<b>(115)</b>



# Statement of Change in Equity For the year ended 31st March 2012

For the year ended 31st March 2012

	<u>CAPITAL RESERVES</u> Kshs'000	<u>RETAINED EARNINGS</u> Kshs'000	<u>SHARE CAPITAL</u> Kshs'000	<u>GRANTS</u> Kshs.	<u>ADVANCES TO ADC</u> Kshs'000
BALANCE AS AT 01.04.2011	12,775	544,792	20	55,694	(539,961)
PRIOR YEAR ADJUSTMENT	-	-	-	-	-
ADDITIONS/DEDUCTIONS FOR THE YEAR	-	(179)	-	-	(1,130)
BALANCE AS AT 31.03.2012	<u>12,775</u>	<u>544,613</u>	<u>20</u>	<u>55,694</u>	<u>(541,091)</u>



# Notes to Financial Statements For the year ended 31st March 2012

## 1. ACCOUNTING POLICIES

The financial statements 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

	<b>Farms Managed by ADC KShs.'000</b>	<b>Farms leased to tenant KShs.'000</b>	<b>Motor Vehicles KShs.'000</b>	<b>Totals KShs.'000</b>
<b>COST</b>				
At 1.4.2011	483,602	454	3,300	487,356
Additions	-	-	2,100	2,100
Disposals	-	-	-	-
At 31.3.2012	483,602	454	5,400	489,456
<b>DEPRECIATION</b>				
At 1.4.2011	-	164	3,275	3,439
Charge for the year	-	7	531	538
Disposals	-	-	-	-
At 31st March 2012	-	171	3,806	3,977
<b>NET BOOK VALUE</b>				
At 31March 2012	483,602	283	1,594	485,479
At 1st April 2011	483,602	290	25	483,917

## 3. NET PROFIT FOR THE YEAR

The net profit for the year is stated after charging:-

	<b>Year 2012 KShs.'000</b>	<b>Year 2011 KShs.'000</b>
Depreciation of fixed assets	538	16
Auditors' remuneration	120	120



	2012 <u>Kshs'000</u>	2011 <u>Kshs'000</u>
<b>4. STAFF LOANS:</b>		
Unsecured	207	207
General Provision	-	-
Specific Provision	<u>(207)</u>	<u>(207)</u>
	<u>-</u>	<u>-</u>
<b>5. ACCOUNTS RECEIVABLE</b>		
Accounts receivables are stated at net of provision for bad & doubtful debts.	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
Accounts receivable	35,308	39,254
Less: General provision	(537)	(537)
Less: Specific provision	<u>-</u>	<u>-</u>
	<u>34,771</u>	<u>38,717</u>
<b>6. CASH AND BANK BALANCES</b>	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
Relate to Bank balances at year end.	1,301	106
<b>7. ACCOUNTS PAYABLE</b>	<u>2012</u>	<u>2011</u>
Relate to audit fees.	1,840	1,720
<b>8. CAPITAL RESERVES</b>	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
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
<b>9. CURRENT ACCOUNT WITH THE PARENT COMPANY</b>	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
This is a control account for transactions between the Parent Comp any (Agricultural Development Corporation) and its Subsidiary (Lands Ltd)	541,092	539,960
<b>10. GRANTS</b>	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
Grant from the Government of Kenya	55,694	55,694
<b>11. PROFIT &amp; LOSS</b>	<u>2012</u> <u>Kshs'000</u>	<u>2011</u> <u>Kshs'000</u>
Comparative profit carried forward at end of each of the two financial years.	544,613	544,791
<b>12. CONTINGENT LIABILITY</b>		
Part of the land has been pledged as security to secure loans and overdrafts advanced to the Parent Company.		
<b>13. REVALUATION RESERVE</b>		
Relates to Part revaluation of ADC Sabwani and OI'Ngantongo.		