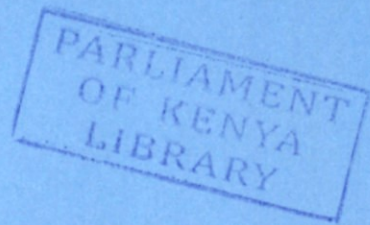


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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TABLED BY: HON NAOMI WAQO, MP
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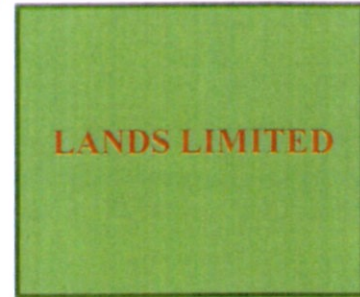
THE AUDITOR-GENERAL

ON

LANDS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
23 FEB 2024
RECEIVED



LANDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

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LANDS LIMITED
Annual Report and Financial Statements
For the year ended June 30, 2023.

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2. Key Entity Information and Management

(a) Background information

The Lands Limited is a wholly owned company by Agricultural Development Corporation which is a state Corporation. It was established in 1957 under the Companies Act Cap 486; to facilitate the land transfer programme from European settlers to locals after independence.

(b) Principal Activities

The Company's principal activity was to facilitate the land transfer from European settlers to locals after independence.

(c) Key Management

The Lands Limited day-to-day management is under the following key organs:

No.		Designation	Name
1.		Chairman of the Board	Mr. Ephantus Murage Mundia
2.		Managing Director	Mr. Mohammed Bulle
3.		Corporation Secretary	Mr. Rogers Karumpu
4.		Financial Controller	Mr. Jonathan Keitany
5		Legal Officer	Mr. Nicholas Ayugi

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Mr. Moahammed Bulle
2.	Head of Corporate Services	Mr. Rogers Karumpu
3.	Head of Finance	Mr. Jonathan Keitany
4.	Legal Officer	Mr. Nicholas Ayugi

Key Entity Information and Management

(e) Headquarters & Registered Office

P.O. Box 47101 - 00100
Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(f) Company's Contacts

Telephone: (254) 20-2250695/185
E-mail: info@adc.co.ke
Website: www.adc.co.ke

(g) Company's Bankers

National Bank of Kenya
Harambee Avenue
P.O. Box 41862 - 00100
NAIROBI, KENYA

Key Entity Information and Management (continued)

(h) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

Ref	Directors	Details
1.	 <p>Mr. Ephantus Murage Mundia, MBS</p> <p>Profession: Surveyor</p> <p>Academics: Masters in Land Information Systems.</p>	<p>Mr. Murage was born on 10th August 1956. He was appointed on 6th October, 2021 as an Independent Board Member. Mr. Murage is the Chair of the Lands, Legal Services and Partnerships Committee of the Board.</p> <p>Mr. Murage is a licensed Surveyor with 33 years of experience. He is a member of the Institution of Surveyors of Kenya (FISK). A full member of the Institution of Surveyors of Kenya (MISK). Mr. Murage holds a Masters in Land Information System from ITC Netherlands and a Bachelor's degree in Surveying from the University of Nairobi. Mr. Murage has served as a member of the Ministerial Human Resource Management Advisory Committee in the Ministry of Lands, Ministry of Interior, and Coordination of National Government. Previously, he worked as Acting Deputy Director of surveys before being promoted to be the Director of Surveys Kenya. Mr. Murage's last assignment was the Director, National and International Boundaries Ministry of Interior and Coordination of National Government.</p>



Mr. Mohamed Bulle, EBS

Ag. Managing Director

Profession: Enviromental Consultant

Academics: Masters of Science in Environmental Studies

Mr. Bulle was born in 1958. He was appointed the Acting Managing Director in April 2019.

Mr. Bulle holds Master of Science in Environmental Studies with specialization in sustainable development and climate change Antioch University-USA.



Mr. Bulle also holds Bachelor of Science in Agricultural Education and Extension, and Diploma in Agriculture from Egerton University, a certificate in animal health from Animal Health and Industry Training Institute (AHITI) and a certificate in meat inspection from the University of Nairobi. He is also a member of the board of the directors of North-Eastern Muslim Welfare Society which caters for the orphans and the vulnerable members of the society and a founder of Clean Air-Cool Planet Kenya Ltd,an agricultural and environmental consulting firm. Mr. Bulle has held key positions in the livestock and agriculture industry.

Mohamed is a member of the Environmental Institute of Kenya-EIK (a professional body for environmentalists). He also has accreditation with National Environmental Management Authority-NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert.

2.

LANDS LIMITED
Annual Report and Financial Statements
For the year ended June 30, 2023.

<p>3.</p>	 <p>Ms. Jean Njiru</p> <p>Profession: Plants Pathologist</p> <p>Academics: Masters of Science in Plants Pathology</p>	<p>Ms. Njiru was born in 1961. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Agriculture, Livestock and Projects Committee of the Board.</p> <p>Ms. Jean holds - Masters of Professional Studies from Cornell University, USA, and Masters of Science in Plant Pathology, and a Bachelor of Science in Agriculture from the University of Nairobi. She has vast experience in supply chain management, research, leadership among others. She also undertook a professional development program under the Hubert Humphrey Fellowship Program at Cornell University to enhance leadership and management skills.</p>
<p>4.</p>	 <p>Mr. Richard Ngomo</p> <p>Profession: Corporate & Humanitarian Risk Management Professional</p> <p>Academics: Bachelor's Degree in Political Science</p>	<p>Mr. Ngomo was born in 1971. He was appointed on 6th October, 2021 as an Independent Board Member.</p> <p>Mr. Ngomo is a seasoned Corporate and Humanitarian Risk Management Professional with over 20 years of combined consulting and management experience in Africa, the Middle East, and Asia. He is a holder of a Bachelor's Degree in Political Science from the University of Nairobi. Currently, he is pursuing MSc. Security, Conflict and International Development. He has vast experience and has worked with organizations such as the United Nations, World Vision, Oxfam, and Kenya Seed. He is currently the Regional Risk Advisor for Relief International.</p>

<p>5.</p>	 <p>Mr. Zephania Yego</p> <p>Profession: Advocate of the High Court of Kenya.</p> <p>Academics: Bachelors of Law; Post graduate diploma Kenya School of Law.</p>	<p>Mr. Yego was born on 10th March 1979. He was appointed on 6th October, 2021 as an Independent Board Member. He chairs the Finance, Staff and General Purposes Committee of the Board.</p> <p>Mr. Yego is an advocate of the High Court of Kenya with 15 years’ legal practice experience. He is the Managing Partner Z.K. Yego Law Offices. Mr. Yego was the former Chairman of, Law Society of Kenya, North Rift Branch. Previously, he worked as the Secretary General, Law Society of Kenya, North Rift Branch, and was an Associate Advocate at Kibichy and Company Advocates.</p>
<p>6.</p>	 <p>Eng. Jemutai Barkebo</p> <p>Profession: Chemical Engineer</p> <p>Academics: Bachelor of technology in chemical and process Engineering.</p>	<p>Eng. Barkebo was born on 1st October 1974. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Audit and Risk Committee of the Board.</p> <p>Eng. Barkebo Holds a bachelor of technology in chemical and process Engineering from Moi University. She is a qualified internal auditor in ISO9001:2015 having undertaken various courses and versed knowledge on its implementation. She has sound knowledge in public resources management having served the Chairperson Ng-CDF Baringo central county, vice Chairperson Kenya Red cross Kabarnet Branch among others.</p>

LANDS LIMITED
Annual Report and Financial Statements
For the year ended June 30, 2023.

4. Key Management Team

	Management	Details
1.	 <p>Mr. Mohamed Bulle, EBS Profession: Enviromental Consultant Academics: Masters of Science in Environmental Studies</p>	<p>Managing Director MD</p>
2.	 <p>CPA. Jonathan Keitany Profession: Accountant Academics: MBA (accounting), a Certified Public Accountant of Kenya and a member of ICPAK</p>	<p>Financial Controller FC</p>

3.	 <p>Mr. Rogers Karumpu Profession: Lawyer Academics: Bachelors of Law degree (LLB)</p>	<p>Corporation Secretary & Head of Legal Services CS</p>
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5. Chairman's Statement

Once again I am pleased to present to you the annual financial statement and report for Lands Ltd for the year ended 30th June, 2023.

Business environment

The Company's operations have remained dormant since the management of the parcels of Land owned by the company remains under full control and utilization by its parent company ADC.

Corporate Governance

Corporate governance is the process by which Companies are directed, controlled and held accountable. The Board of Directors of ADC, the parent Company of Lands Ltd is responsible for the governance of the Company and is accountable in ensuring that the Law is complied with and that the highest standards of corporate governance and business ethics to the stakeholders are complied with.

Board members continued to attach great importance to ensuring the company embraced the principles and code of best practices of good governance.

The Board of Directors follows principles of openness, integrity and accountability in its stewardship of the Company. It recognizes the developing nature of corporate governance on a regular basis; this is fundamental to appropriately discharging of duties and responsibilities of the Board.

Future Outlook

The Board is considering winding up the Company since it completed its mandate of facilitating transfer of land from European settlers to locals. Though the land that remained unallocated is still under Lands Ltd ownership, it is being utilized fully by Agricultural Development Corporation a state Corporation that owns the Company 100%.

for **Mr. Ephantus Murage**
Chairman of the Board


.....
Sign

02/02/2024
.....
Date

6. Report of the Managing Director

Technology and automation

The company continues to undertake and embrace technology through automation of its operations. Currently the company uses (sera system) for its accounting. The company has also digitalized its titles for quick recovery and it's in the process of acquiring an ERP.

Title documentation


The company has instituted measures to ensure that all the lands under its custody and its mother corporation ADC have titles.

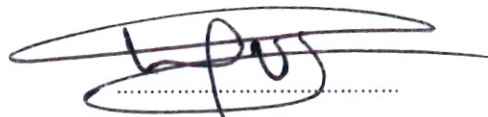
Securing of land boundaries

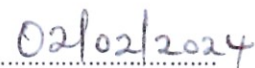
The company has instituted measures to secure our land boundaries by replacing beacons which have been missing in some of our farms. Our survey department has constantly sorted out boundary disputes with our neighbors with the assistance of various county surveyors.

Future plans

The company intends to put permanent fences to all our lands so us to permanently secure our lands from illegal invaders.


Mr. Mohammed Bulle
MANAGING DIRECTOR


SIGN


DATE

7. Corporate Governance Statement

Lands Ltd regards Corporate Governance as key to the success of its business operations and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its Customers, Stakeholders and Partners.

Our Corporate Governance policy functions are built in self-regulating mechanism which provides a framework to monitor and ensure statutory compliance, foster a culture of values and rewards the highest ethical standards and personal integrity.

We place a great deal of importance on the robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. The Company achieves this by using a risk based approach to establish a system of internal control and by reviewing the effectiveness of these controls on a regular basis.

The Company has formulated and applies corporate governance guidelines, which stipulates the responsibilities of management and the Board and relationships with stakeholders

8. Management Discussion and Analysis

The entity's operational and financial performance

The total turnover achievement was at 10.8% of the overall budget. The company's revenue is reliant payment of old land debts where survey fees on allocated parcels of land is charged upon payment. During the year collection was low thus the Low revenue achieved.

Entity's compliance with statutory requirements

The Company has remained compliant in filing of the statutory returns by remitting monthly deduction within the set timelines.

Major risks facing the entity

The main risks are:

- I. Court cases relating to land matters.
- II. Invasion and encroachment by Squatters on the company's Land.
- IV. Over-dependence on Parent Company ADC for support on operations.

9. Environmental and Sustainability Reporting

Lands Ltd has continued to ensure land held in its custody is secure and free from grabbers and encroachment.

i) Sustainability strategy and profile

Lands Ltd management has ensured the Company's assets are secure through strategies such as;

- i) Processing of title deeds
- ii) Gazettement of all parcels of land
- iii) Ensuring the land is put under productive use.

ii) Environmental performance

Despite the above policies the company has continued to face challenges of encroachment and grabbing that has resulted in litigations and unwarranted costs of evictions. However, the Company in collaboration with the Ministry of Agriculture Livestock and Fisheries and the Office of the Attorney General is working to ensure a permanent solution is found for this menace.

10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Lands Limited affairs.

i) Principal activities

The principal activities of the Lands Limited is to safeguard the government land under its name.

ii) Results

The results of the Company for the year ended 30th June, 2023 was a Loss of Ksh 2.1 Million as set out on pages 1 and the notes thereof.

iii) Directors

The members of the Board of Directors who served during the year are shown on page VII & X.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, the Auditor General to continue in office.

By Order of the Board



.....
Mr. Rogers Karumpu

Corporation Secretary/Secretary to the Board

11. 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 judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of 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. 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.

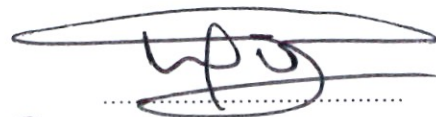
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of these statements.

Approval of the financial statements

The Company's financial statements were approved by the Board of Directors on 25th August 2023 and signed on its behalf by:



for **Mr. Ephantus Murage**
Chairman of the Board



for **Mr. Mohammed Bulle**
Managing Directors

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 17, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets statement of

cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lands Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Separate Activities of Lands Limited from the Parent Company

The statement of financial position reflects cash and cash equivalents balance of Kshs.96,783,000 as disclosed in Note 5 to the financial statements. As previously reported, the cashbook for the National Bank account revealed that the recorded transactions were for the parent company - Agricultural Development Corporation and not Lands Limited.

Management has not provided any explanation why Lands Limited operated as directorate of ADC instead of a separate subsidiary.

In the circumstances, the accuracy and ownership of the cash and cash equivalents balance of Kshs.96,783,000 and transactions in the account could not be confirmed.

2. Unconfirmed Ownership of Land

The statement of financial position reflects property, plant and equipment balance of Kshs.483,884,000 as disclosed in Note 7 to the financial statements. As previously reported, included in the balance are farms belonging to Lands Ltd managed by Agricultural Development Corporation and leased lands with a net book value of Kshs.483,602,000 and Kshs.220,000, respectively whose valuation reports and documents were not provided for verification.

In the circumstances, ownership of the property, plant and equipment with net book value of Kshs.483,884,000 could not be confirmed.

3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.20,276,000 and as disclosed in Note 6 to the financial statements. As previously reported, the aging analysis provided revealed that the balance has been outstanding for more than one year and amounts totalling Kshs.14,542,464 owing from twelve (12) debtors had been outstanding for over sixteen (16) years. In addition, the receivables balance includes non-trade debtors amounting to Kshs.522,000 out of which, an amount of Kshs.315,117 described as loss of cash and stores has been long outstanding.

In the circumstances, the recoverability of the receivables from exchange transactions balance of Kshs.20,276,000 is doubtful and the accuracy and fair statement of the balance could not be confirmed.

4. Unsupported Grants Reserves

The statement of financial position reflects grants reserves balance of Kshs.55,694,000. However, as previously reported, details on source and purpose of the grants that has been appearing in the ledgers since the year 1994 were not provided.

In the circumstances, the accuracy and completeness of the balance of Kshs.55,694,000 in respect of grants received could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lands Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm

that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Long Outstanding Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.3,214,000 and as disclosed in Note 9 to the financial statements. As previously reported, included in the balance are accrued audit fees of Kshs.3,040,000 that have been outstanding since the year 1995. No explanation was provided on why the company has not paid audit fees for over twenty-eight (28) years.

In the circumstances, Management controls over liabilities were not effective.

2. Lack of Strategic Plan

As previously reported, it was noted that the entity did not have a strategic plan to guide its operations for optimal resources utilization.

In the circumstances, the Corporation's risk management practices may not be effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of financial performance are in agreement with books of account.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue to sustain its services
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

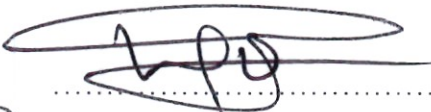
Nairobi

11 March, 2024

13. Statement of Financial Performance
 For the year ended 30 June 2023

	Note	2022-2023	2021-2022
		KSH '000'	KSH '000'
Revenue from exchange transactions			
Survey Fees	1	0	648
Total revenue		0	648
Expenses			
Employment Costs	2	1,422	1,401
Provision for Audit Fees	3	120	120
Finance Costs	4	585	629
Depreciation Expense	7	28	36
Total expenses		2,155	2,186
Net Profit		(2,155)	(1,538)

The notes set out on pages 6 to 12 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


 Mr. Mohammed M. Bulle
Managing Director

Date: 02/02/2024


 Mr. Jonathan Keitany
Head of Finance

ICPAK M/No: 15114
 Date: 02/02/2024


 Mr. Ephantus Murage
Chairman of the Board

Date: 02/02/2024

LANDS LIMITED
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14. Statement of Financial Position
As at 30 June 2023

ASSETS	NOTE	2022-2023	2021-2022
Current assets		KSH '000'	KSH '000'
Cash and cash equivalents	5	96,783	4,801
Receivables from exchange transactions	6	20,276	20,277
		117,059	25,078
Non-current assets			
Property, Plant and Equipment	7	483,884	483,912
Current Account with Parent Co.	8	460,601	554,885
		944,485	1,038,797
Total Assets		1,061,544	1,063,875
Liabilities			
Current liabilities			
Trade & other payables from exchange transactions	9	3,214	3,094
Shares @20		20	20
Grants		55,694	55,694
Capital Reserves	10	12,775	12,775
Revaluation Reserves		447,701	447,701
Accumulated Surplus/ (Deficit)		542,140	544,591
Total		1,058,330	1,060,781
Total net assets and liabilities		1,061,544	1,063,875

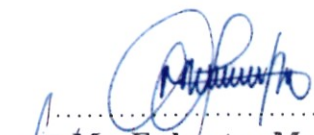
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors
 By:


 Mr. Mohammed Bulle
 Managing Director

Date: 02/02/2024


 Mr. Jonathan Keitany
 Head of finance
 ICPAK M/NO: 15114

Date: 02/02/2024


 Mr. Ephantus Murage
 Chairman of the Board

Date: 02/02/2024

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15. Statement of Changes in Net Assets
For the year ended 30 June 2023

	Share Capital	Grant Reserves	Capital Reserves	Revaluation Reserve	Profit/ Loss	Total
	Kshs '000'	Kshs '000'	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance As At 30th June 2021	20	55,694	12,775	447,701	545,833	1,062,023
Surplus/ (Loss) for the year	-			-	(1,538)	(1,538)
Balance As At 30th June 2022	20	55,694	12,775	447,701	544,295	1,060,485
Transfers to/from accumulated	-		-	-	(2,155)	(2,155)
Balance as at 30th June 2023	20	55,694	12,775	447,701	542,140	1,058,330

16. Statement of Cash Flows
For the year ended 30 June 2023

	Note	2022-2023 KSH '000'	2021-2022 KSH '000'
Net Surplus/(Loss) for the year		(2,155)	(1,538)
Adjustments for:			
Depreciation	7	28	36
Operating profit before working capital changes		(2,127)	(1,502)
Increase/(decrease) in debtors & creditors			
Debtors	6	1	0
Creditors	9	120	120
		121	120
Cash generated from operations		(2,006)	(1,382)
Cashflows from financing activities			
Cash from parent Company ADC		93,987	(7,193)
Net increase in cash and cash equivalents		91,981	(8,575)
Cash & Cash equivalent at Beginning		4,801	13,376
Cash & Cash equivalent at the end		96,782	4,801

17. Statement of Comparison of Budget and Actual Amounts
For the year ended 30 June 2023

	Original Budget	Adjustments	Budget	Actual	Variance	% Utilization
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Revenue						
Survey Fees	6,000		6,000	-	(6,000)	0
Total Revenue	6,000	-	6,000	-	(6,000)	0
Expenses						
Employee Cost	2,985		2,985	1,422	(1,563)	48
Audit Fees	120		120	120	-	100
General Expenses	1,474		1,474	585	(889)	40
Depreciation	65		65	28	(37)	43
Total Expenses	4,643		4,643	2,155	(2,452)	46
Surplus/(Deficit)	1,357		1,357	(2,155)	(2,452)	

18. NOTES TO THE FINANCIAL STATEMENTS

Summary of significant accounting policies

1. Statement of compliance and basis of preparation

The Company's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Ksh 000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Reporting Company

Lands Ltd is a company incorporated under the company's Act Cap 486 and it's fully owned by Agricultural Development Corporation which is a body corporate incorporated in Kenya under Cap 444 of the laws of Kenya and is domicile in Kenya.

(a) Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. All the property, plant and equipment are stated at historical cost less depreciation.

Depreciation has been charged on the book value of fixed assets at the following rates:-

Land	Nil
Motor vehicles and tractors	25% p.a.
Leased Farm	2.5% p.a.

b) Property, plant and equipment

All Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment require to be replaced at intervals, the company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Contingent liabilities

The Company didn't have any contingent liability. However, in case of any contingencies details are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Company did not have any contingent asset. However, In case of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company discloser is made in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

c) Nature and purpose of reserves

The Company creates and maintains reserves in terms of specific requirements. Company to state the reserves maintained and appropriate policies adopted.

d) Changes in accounting policies and estimates

The Company recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

e) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

f) Related parties

The Company regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Company, or vice versa.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances is at National bank of Kenya.

j) Comparative figures

Where appropriate comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

k) Significant judgments and sources of estimation uncertainty

The preparation of the Company financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

l) Subsequent events

There have been no material non-adjusting events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2022.

j) Statement of Comparison of Budget

The Company did not prepare a statement of comparison of budget because all its operations were budgeted and fully financed by the Parent Company (ADC)

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

1. Survey Fees

This relates to survey fees initially paid by the company but recovered from land allottees upon settlement of allotment fees.

	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Survey Fees	-	648

2. Employee costs

	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Salaries	735	706
NSSF	14	5
Leave Expenses	8	8
House allowance	343	360
Commuter allowance	149	156
Responsibility allowance	-	-
Pension contribution	57	55
Gratuity	116	111
Total	1,422	1,401

3. Provision for Audit fees for the Office of the Auditor General.

	2022-2023	2021-2022
	Kshs.'000'	Kshs.'000'
Audit fees	120	120

4. Finance cost relates to bank charges for the year 2022-2023

	2022-2023	2021-2022
	Kshs.'000'	Kshs.'000'
Bank Charges	585	724

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5. Cash and Cash Equivalents

	2022-2023	2021-2022
	Kshs 000	Kshs 000
National Bank of Kenya	96,782	4,801

6. Receivables from exchange transactions

	2022-2023	2021-2022
	Kshs'000	Kshs'000
Trade Debtors	20,291	20,292
Specific provision	(537)	(537)
	19,754	19,755
Non - Trade	522	522
	20,276	20,277

7. PROPERTY, PLANT & EQUIPMENT

COST	Farms	Leased Farms	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2021	483,602	454	5,400	489,456
At 30th June 2022	483,602	454	5,400	489,456
At 30th June 2023	483,602	454	5,400	489,456
DEPRECIATION				
At 1st July 2021	-	228	5,280	5,508
Charge for the year	-	6	30	36
At 30th June 2022	-	234	5,310	5,544
Charge for the year	-	6	22	28
Disposals	-	-	-	-
At 30th June 2023	-	240	5,332	5,572
NET BOOK VALUE				
At 30th June 2023	483,602	214	68	483,884
At 30th June 2022	483,602	220	90	483,912

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

8. Current Account- Lands Ltd

This is a control account that reflects the financial transaction between the Subsidiary Company (Lands Ltd) and Its Parent Company ADC (Agricultural Development Corporation).

9. Trade and other payables from exchange transactions

Non-trade creditors	3,214	3,094
Total trade and other payables	3,214	3,094

10. Capital Reserve

Reserves comprise the General Reserve Fund taken over from Agricultural Settlement Fund - 1976 net of Government Trust Fund on farms taken over from Agricultural Settlement Trust.

11. Revaluation Reserves

Revaluation reserves relates to a revaluation surplus on two farms LR. Nos. 5337,5345, 855/3,0297, 5345/2,5345/3,8855/R in ADC Olngatongo Farm and L.R No. 2043/2 ADC Sabwani.

19. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Failure to Separate Activities of Lands Limited from the Parent Company</p> <p>The statement of financial position reflects cash and cash equivalent balance of Kshs. 4,801,165 and as disclosed in Note 6 to the financial statements. Review of the cashbook for the National Bank account revealed that the recorded transactions were for the Agricultural Development Corporation's (ADC's) and not Lands Limited. In addition, the bank account had attracted bank charges from the transaction amounting to Kshs.629,231 which has been accounted for as an expenditure for the company.</p> <p>Management has not provided any explanation why Lands limited operated as directorate of ADC instead of a separate subsidiary.</p> <p>Further, review of the bank reconciliation statements for the month of June 2022</p>	<ul style="list-style-type: none"> Cash & Cash equivalent <p>The cash and cash equivalent reflected in the financial statements of Kshs.4,801,165 held at National Bank of Kenya was revenues received by Lands Ltd on behalf of ADC. The bank charges of Kshs 629,231 relates to payment of transactions that belonged to ADC but at the same time, the ADC as parent company, facilitated payment of salaries, allowances and other staff benefits on behalf of Lands Ltd which stands at Kshs 1.4 Million as stated in the statement of financial performance. The bank charges were accounted for under Lands Ltd statement of accounts.</p> <ul style="list-style-type: none"> Lands Ltd as a subsidiary <p>Lands Ltd is a subsidiary of ADC with full control of its activities. Ownership of cash and</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>revealed a payment vide cheque number 14179 issued on 4 November 2021 amounting to Kshs.15,250 was still unrepresented and thus stale and had not been reversed in the cashbook.</p> <p>In the circumstances the accuracy and ownership of the cash and cash equivalent balance of Kshs.4,801,165 and transactions in the account could not be confirmed</p>	<p>cash equivalent balance held by Lands Ltd at end of the financial year belonged to ADC.</p> <ul style="list-style-type: none"> • Stale cheque <p>Cheque no. 014179 included in the reconciliation statement at end of the financial year was reversed in the subsequent month of July 2022.</p>		
2.	<p>Unconfirmed Ownership of Land</p> <p>The statement of financial position reflects property, plant and equipment a balance of Kshs.483,912,000 as disclosed in Note 8 to the financial statements. Included in the balance are farms belonging to Lands Ltd managed by Agricultural Development Corporation and leased lands with a net book value of Kshs.483,602,000 and Kshs.220,000, respectively whose ownership documents were not provided for verification. Further, an updated fixed assets register was not provided for audit verification.</p>	<p>As disclosed under Note 8 of the financial statements, the Farms belonging to Lands Ltd managed by Agricultural Development Corporation are valued at NBV of Kshs 483,602,000 and those leased are valued at NBV of Kshs. 220,000 while vehicles are valued at Kshs 90,000 all totaling to Kshs 483,912,000.</p> <p>The fixed asset register for Movable assets that belong to Lands Ltd were all availed during audit. Refer to the attached documents (Appendix 2).</p> <p>Title deeds for lands Ltd were also availed during</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, ownership of the Property, Plant and Equipment with net book value of Kshs.483,912,000 could not be confirmed.	audit review.		
3.	<p>Long Outstanding Receivables from Exchange Transactions</p> <p>The statement of financial position reflects receivables from exchange transactions balance of Kshs.20,277,000 and as disclosed in Note 7 to the financial statements. Review of the aging analysis provided revealed that the balance has been outstanding for more than one year and amounts totaling Kshs.14,542,464 owing from twelve debtors had been outstanding for over fifteen (15) years. In addition, the receivables balance includes non-trade debtors amounting to Kshs.522,000 out of which, an amount of Kshs.315,117 described as loss of cash and stores has been long outstanding.</p> <p>In the circumstances, the recoverability of the receivables from exchange transactions balance is doubtful and the accuracy and fair statement of the</p>	<p>Long outstanding receivables</p> <p>The long outstanding receivables are amounts owed by land allottees who were given allotment letters but they have not cleared the required allotment fees. The Corporation has not been able to demand these debts for reason that the management is in the process of reviewing the rates in view of escalated value of the land over the years. The management is in the process of seeking board approval to write off the long outstanding amounts of Kshs 315,117 which is reflected as loss of cash and stores.</p>	On-going	30 th June 2024

LANDS LIMITED
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	balance could not be confirmed.			
4.	<p>Unsupported Grant Reserves</p> <p>The statement of financial position reflects grants reserves balance of Kshs.55,694,000. However details on source and purpose of the grants that has been appearing in the ledgers since 1994 were not provided.</p> <p>In the circumstances the accuracy and completeness of the balance of Kshs.55,694,000 in respect of grants received could not be confirmed.</p>	<p>Grant balance of Kshs. 55,694,000.</p> <p>These amount relates to money provided by the Government of Kenya to facilitate the initial acquisition of Land from the white settlers for re distribution to the local population after independence.</p>		
5	<p>Long outstanding Payables</p> <p>The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs 3,094,000 and as disclosed in Note 10 to the financial statements. Included in the balance are accrued audit fees of Kshs 2,920,000 that have been outstanding since 1995. No explanation was provided on why the company has not paid audit fees for over 28 years.</p> <p>In the circumstances,</p>	<p>We concur with the Auditor Generals observation.</p> <p>The Company has not been generating enough revenue from its operations and has mainly relied on the parent Company ADC for support. The Management is considering liquidating this company and transferring the parcels of land to ADC to avoid further accumulation of this debt. Nonetheless, the management</p>	On-going	30 th June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Management control over liabilities were not effective.	remains committed to ensuring this debt is settled as the process of dissolving the subsidiary is still underway.		
6.	<p>Lack of Strategic Plan</p> <p>During the year under review it was noted that the entity did not have a strategic plan to guide its operations for optimal resources utilization.</p> <p>In the circumstances the Corporation's risk management practices may not be effective.</p>	<p>Since lands Ltd is a subsidiary of ADC, its operations were mainly aligned with those of ADC. The strategic plan that was developed by ADC to guides its operations equally applies to Lands Ltd and thus no specific strategic plan for lands ltd.</p>	Resolved	



for **Mr. Mohammed Bulle**

Managing Director

Date: 02/02/2024

