

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
AGRICULTURAL DEVELOPMENT  
CORPORATION

FOR THE YEAR ENDED  
31 MARCH 2014



KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.

- 3 JUN 2015

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# **Agricultural Development Corporation**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
MARCH 31, 2014**

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

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Agricultural Development Corporation is a state Corporation, established in 1965 through an Act of Parliament Cap 346; to facilitate the land transfer programme from European settlers to locals after independence. However, after successful completion of the land transfer programme, the objectives of the Corporation were revised through the Act of Parliament Cap 444 of 1986 to include promotion and execution of agricultural schemes among.

### (b) Principal Activities

The Corporation's principal activity is the development of agriculture in Kenya including:-

- ~ Provision of quality seeds to the Kenyan farmers.
- ~ Custodian of national livestock studs.
- ~ Playing a major role in the transfer of technology from research institutions to the Kenyan Farmer.
- ~ Playing a major role in support of industries processing agricultural goods being a major Producer of agricultural produce.

### (c) Key Management

The *Agricultural development corporation's* day-to-day management is under the following key organs:

- Managing Director.
- Head of Divisions & Head of Departments

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 31<sup>ST</sup> March 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Dr. Andrew Tuimur
2.	Corporation Secretary	James Kihara
3.	Financial Controller	Joseph Mugo
4.	Head of Planning	Winnie Macharia
5.	Head of Technical	Richard Aiyabei
6.	Head of Business Development	Maxwell Mugonyi

### (e) Fiduciary Oversight Arrangements

There are three Committees of the Board namely;

1. The Audit Committee
2. The Finance, Staff and General Purpose Committee
3. The Project Committee

*Audit Committee activities include;*

- Charged with the responsibility of safeguarding of the corporation assets
- Ensuring adequate financial systems and controls are in place
- Ensuring financial statements and reports are in compliance with legal requirements and meet the relevant accounting standards.
- Reviewing the internal Audit reports and management action thereon.

***Finance, Staff and General Purpose Committee***

- Oversee sourcing and utilization of Corporation's Funds
- In charge of staff Remuneration, recruitments of senior managers, incentives and filling of vacancies.
- Reviewing the monthly management accounts
- Review of the corporation budgets and financial statements.

***Project Committee activities***

- Ensuring Projects undertaken by the corporation are viable and properly managed.

**(f) Headquarters & Registered Office**

Development House 10<sup>th</sup> Floor  
Moi Avenue  
Nairobi, KENYA

**(g) Corporation Contacts**

P.O. Box 47101-00100  
Telephone: (254) -20-2250695/185  
E-mail: info@adc.co.ke  
Website: www.adc.co.ke

**(h) Corporation Bankers**

- |  |  |
|--|--|
| 1. National Bank of Kenya<br>Harambee Avenue<br>P.O. Box 41862-00100<br>Nairobi, Kenya | 3. Consolidated Bank of Kenya<br>Harambee Avenue Branch<br>P.O Box 34823 -00100<br>Nairobi, Kenya. |
| 2. Kenya Commercial Bank<br>P.o. Box 48400-00100<br>Nairobi, Kenya.                    |  |

**(i) Independent Auditors**







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

**(j) Principal Legal Adviser**

Kiarie & company advocates  
p.o. Box 1829 Kitale.

Kibichy & company advocates.  
P.o. Box 6292 Eldoret.

## II. THE BOARD OF DIRECTORS

 James Toiyanga Chairman	<ul style="list-style-type: none"> <li>- Bachelor of Arts degree – University of Nairobi</li> <li>- Diploma in Leadership</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1963</li> <li>- Credit management Insurance Industry</li> </ul>
 DR. Andrew Tuimur Managing Director	<ul style="list-style-type: none"> <li>- MSC(Vet Medicine)</li> <li>- Bachelor of Vet Medicine</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1960</li> <li>- Head of technical division ADC</li> </ul>
 William Kirwa Retired Managing Director(Retired on 18 <sup>th</sup> June 2014)		
 Martin Mithega	<ul style="list-style-type: none"> <li>- Msc(Business administration)</li> <li>- Bachelor of Law degree</li> <li>- Diploma in Law</li> <li>- Certified Public Secretary(CPS K)</li> <li>- Commissioner for oath and notary</li> </ul>	<ul style="list-style-type: none"> <li>- Date of birth 1962</li> <li>- A partner at Mithega &amp; Kariuki Advocates</li> </ul>
 Cleopas Okore Alt. Ministry Of Livestock	<ul style="list-style-type: none"> <li>- Bachelor of science Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>- Works in the Ministry of Agriculture, Livestock &amp; Fisheries</li> </ul>
 Enock P. Manyu	<ul style="list-style-type: none"> <li>- MBA –Strategic Management</li> <li>- Diploma in Pharmacy</li> <li>- Diploma in Marketing</li> <li>- Diploma in business administration</li> </ul>	<ul style="list-style-type: none"> <li>- Date of birth 1954</li> </ul>



Sammy Sereto

- MSC(Public Administration)
- Bachelor of Arts –government & Public Administration

- Date of birth 1967



Lucy Karau

- Bachelor of Veterinary Medicine
- Veterinary Surgeon

- Date of Birth 1955
- Worked with the Government of Kenya for 10yrs



Samwel Aluda

- Kenya institute of administration – Kabete
- Nyangoni Teachers Training

- Date of birth 1941
- Magistrate



Edward Edung Ethuro

- BSC(Animal production)
- Diploma project

- Date of birth 1968
- Works with Kenya Red Cross



Mary Kamau

- Alt. to PS- State Department of Agriculture

Peter Muturi

- Representative –Inspector General - State Corporation

Mary Nyariki

- Alternate Alt. to PS- State Department of Agriculture

### III. MANAGEMENT TEAM

<p><b>Andrew Tuimur</b> MSC(Vet Medicine), Bachelor of Vet Medicine</p>	Corporation Managing Director
<p><b>Winnie Macharia</b> Pursuing Phd in Business Management, MBA( Strategic Management), Bachelor of Education Diploma in IMIS,</p>	Head of Corporate Planning & Administration
<p><b>CPA Joseph Mugo</b> Pursuing Phd in Business Management, MBA(Strategic Management),B.Com (Accounting), CPA( K), ACI Arb,</p>	Financial Controller
<p><b>James Kihara</b> LLM-(Corporate Governance), LLB, B. Com, CPS (K), Dip Company secretarial, Cert. In mediation, Cert. Public Procurement <i>(Resigned on 30<sup>th</sup> Nov.2014)</i></p>	Corporation Secretary
<p><b>Richard Aiyabei</b> MSC Agronomy, BSC(Agriculture), Diploma in Farm Management</p>	Head of Technical Division
<p><b>Maxwell Mugonyi</b> B.com(Insurance), Higher Diploma HRM, Diploma in Business Management</p>	Head of Business Development
<p><b>Antony Ademba</b> LL.B, Postgraduate Diploma in Law, Pursuing CPS</p>	Ag. Corporation Secretary

#### IV. CHAIRMAN'S STATEMENT

It is an honour for me to present to you the Corporation's Annual Reports and Financial Statements for the year ending 31<sup>st</sup> March 2014, together with the reports thereon of the Directors' and the Auditor General.

The Results for the year were adversely affected by low yields occasioned by a crop failure during the year due to the storm that hit most of our farms in Kitale coupled with the New Maize Lethal Necrosis Dieses (MLND) a viral disease spread by thrips which affected most of our farms. Notwithstanding these drawbacks, the board and management continued to implement cost cutting measures to ensure sustainability.

##### Corporate Governance

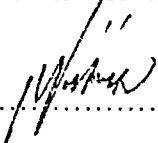
The Board of Directors remain responsible for the governance of the Corporation and are accountable to the stakeholders by ensuring the highest standards of business ethics, corporate governance and compliance with all relevant laws. Board Members continued to attach great importance to ensure that the Corporation embraces principles and practices good corporate governance. The Board's role remains that of approving annual budget, Business strategy and financial plans, overseeing and guiding the execution of expenditure and taking responsibility for the direction and performance of the Corporation and being accountable to stakeholders for the proper conduct of the Corporation. During the year no member of the board did business with the Corporation either as a supplier or services provider without declaring his or her interest in advance. Directors view this as fundamental to proper discharge of their responsibilities business and reporting to the same stakeholders.

##### Board Committees

In line with good corporate governance practice, the Board has three Committees established to assist in the discharge of its responsibilities. The Committees are; Audit committee which assists in discharging duties of the Board relating to the safeguarding of assets, adequacy of the financial systems and controls and the preparation of financial statements and related financial reporting consistent with legal requirements and accounting standards. The Finance, Staff and General Purpose Committee which assist the Board in matters relating to finances which includes sourcing and use of funds, staff remuneration, recruitment, incentives and filling of vacancies. The Project Committee charged with oversight role over projects undertaken by the corporation to ensure such projects are viable and there is value for money. The Board Committees remained fully active during the period under review. The Board members were regularly updated through trainings on corporate governance. In addition, each member of the Committee was given induction on the Company's code of conduct which stresses the importance for each member to fully understand corporate behaviour expectations, compliance with Board ethics and regulatory requirements.

##### Future outlook

Despite the challenges alluded to earlier, the Board believes the Corporation has proven more than capable to navigate through any obstacle it may face in order to ensure sustainability of its core objective of expanding agriculture through availing quality seed, livestock, transfer of technology and training. The Board will closely monitor development as time progresses and take steps necessary to ensure the Corporation continues to deliver value to its stakeholders. Every effort will be expended to ensure that the Corporation remains the leader in agricultural development in production of quality seed varieties which are superior and tolerant. Efforts will also be focussed on diversification and innovation to increase revenue base.



27.5.15

CHAIRMAN

Date

## **V. REPORT OF THE MANAGING DIRECTOR**

The year 2013/14 was a challenging year as the corporation lost over six million clean kilos of seed maize due to crop failure as a result of the storm that flattened our farms, Maize Necrotic Lethal Diseases (MNLD) and severe weather conditions. Unfortunately during the year the Corporation had not taken up insurance cover for crop against these risks. We shall ensure that in future crop insurance cover is in place.

### **Implementation of Quality Management Systems.**

The corporation is ISO 9001 -:2008 certified. We have confirmed to operate under the tenets of this quality management systems and due for recertification during the year 2014/2015

### **Development and Implementation of Strategic Plan.**

The corporation implemented a five year growth strategic plan 2010-2015 and is in the process of reviewing and formulating another strategic plan, whose aims is to further improve revenue generation, efficiency enhancement, operational excellence, diversification and value addition for our products and services.

### **Technology and Automation.**

The corporation continues to undertake and embrace technology through automation of its operations. The current system, Sera system continues to be updated to ensure it serves the corporations needs; However, there are challenges and the corporation anticipates that in the financial year 2015/16 a more robust ERP system will be implemented.

### **Research and Development.**

The corporation continues to undertake research activities in its products and services and in the year under review, the corporation launched a new variety of seed maize KH 600 in collaboration with KARI. In the 2014/2015 financial year, the corporation is optimistic that it will introduce another variety of maize to cover the mid altitude.

The corporation have intensified basic seed potato production in collaboration with the Ministry of Agriculture Livestock and Fisheries.

### **Job Evaluation**

In the year under review the corporation conducted a job evaluation exercise (by sourced consultant) with a view of reviewing the organizational structure, re-structuring aimed at optimal staffing levels, carry out job analysis, reviewing job description and carry out salary survey.

The recommendations of this exercise were presented to the Board for deliberation and possible adoption.

### **Core Values.**

The corporation shall continue to uphold the practice of ethical behaviour in order to ensure maintenance of good corporate image and citizenship. We continue to pursue future growth in line with our core values and a solid culture of teamwork, professionalism, innovation, creativity, accountability and passion for quality at all times.

**Performance contracting**

The corporation has operated under performance contracting regime in accordance with state corporation regulations 2004. We commit ourselves to achieve the set targets.

**Future outlook.**

The corporation has prioritized on certain areas including both potatoes and seed maize production, investment in information technology and increase in ADC seed maize production. The Dairy sector shall also be refocused to ensure increased milk production. Restocking of our ranches will also continue in line with the Corporation requirements.

The Corporation will continue to seek collaboration with the parent ministry and potential investors in enhancing our production system.



27.5.15

Managing Director

Date

## VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of clearly defined authorities and responsibilities, which results in the establishment, operation and maintenance of a system of internal control that is regularly tested to ensure effectiveness. The system enables the Board of Directors to ensure that the managers of the corporation and subsidiary Land Ltd are acting in the interests of the shareholders and other key stakeholders.

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 Corporation achieves this by using a risk based approach to establish a system of internal control and by reviewing the effectiveness of the system of internal controls on a regular basis.

The Corporation has formulated and applies sound internal corporate governance guidelines, which address responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

### Board Committee

The Corporation has set up three Board Committees to help in the implementation of its policy guidelines and strategy. These committees meet regularly and are chaired by non-executive directors. The committees report their findings to the Board for further vetting and subsequent ratification by the Board. They include:

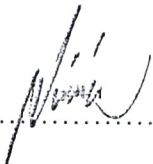
- The Audit Committee- which is responsible for the oversight of the integrity of financial statements, risk management, internal controls, compliance and ethics and effectiveness of internal and external audit activities in the company and its subsidiary.
- The Finance, Staff and General Purposes Committee- which handles human resources and finance matters including sourcing and application of funds and other operational issues.
- Project Committee – Facilitate and oversee the execution of major projects by the Corporation.

### Independence

All the non-executive directors on the Board are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

### Activities and Achievements

The Board meets regularly and has a formal schedule of matters reserved to it. All directors have access to the Company Secretary and Legal Counsel. Currently, the Board comprises nine non-executive directors and a Managing Director.



CHAIRMAN

27.5.15

Date

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Corporation is people driven and focuses on food security through promotion and availing of quality seed and technology transfer at subsidised prices to Kenyan farmers. The corporation exists courtesy of the farmers and other stakeholders.

As a way of appreciating the community we developed a Corporate Social Responsibility (CSR) policy to guide in identification and implementation of various community based activities aimed at improving the social wellbeing of our people. In support of local initiatives, various CSR activities have been sponsored by the corporation thus creating a synergy of ethics where our people and the corporation come together to contribute towards improving physical infrastructure and social well being. During the year 2013/2014 the corporation undertook the following CSR activities:-

### **Education Support**

The corporation donated materials and resources towards ensuring less fortunate students and pupils have access to education. Towards this end;

- We donated total of 3,300 ft of timber to Maji Mingi Primary- Nakuru School for making desks chairs and tables.
- The Corporation in partnership with volunteers from Turkey constructed classrooms & staff room and drilled a borehole at ADC Nursery school in Kisiwani Malindi pupils, staff and the community.
- A total of 6 bags of maize were donated to Zokwo Primary School –Endebess for school free feeding programme.

### **Environment Conservation**

The Corporation worked closely both with National and County Governments and other stakeholders towards environment conservation, during the year the Corporation executed the following activities

- In collaboration with County government of Trans Nzoia we donated blue gum trees for rehabilitation of a bridge in the county.
- In collaboration with Seed of Hope (a Christian NGO) we donated murrum to rehabilitate Matisi – Kapsitwet feeder road.

### **Women Empowerment**

The Corporation donated funds towards promotion of women empowerment & development to Belgut Empowerment women organization.

## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended March 2014 which show the state of the *Agricultural development Corporation* affairs and its subsidiary – Lands Lt

### Principal activities

The principal activities of the entity are provision of quality seeds and custodian of the national stud a Livestock development.

### Results

The results of the Corporation for the year ended March 31, 2014 are set out on pages ....

### Board of Directors

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

### Auditors

The Auditor General is responsible for the statutory audit of the Corporation, in accordance with the Section of the Public Audit Act 2003, the Auditor General will continue in Office.

By Order of the Board



Anthony Ademba

Ag. Corporate Secretary  
Nairobi

Date: 27.5.15

### III. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the corporation and its subsidiary Lands Ltd, which give a true and fair view of the state of affairs of the Corporation its subsidiary at the end of the financial year and the operating results of the Corporation its subsidiary for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation its subsidiary. The Directors are also responsible for safeguarding the assets of the Corporation its subsidiary.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on 31<sup>st</sup> March 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

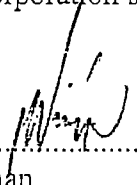
The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 31<sup>st</sup> March 2014, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

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#### Approval of the financial statements

The Corporation's financial statements were approved by the Board on 20<sup>th</sup> June, 2014 and signed on its behalf by:

  
.....  
Chairman

27.5.15  
.....  
Date

IX. REPORT OF THE INDEPENDENT AUDITORS ON THE AGRICULTURAL  
DEVELOPMENT CORPORATION

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 31 MARCH 2014

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation set out on pages 1 to 27 which comprise the statement of financial position as at 31 March 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 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 these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable presentation 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 opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Auditing (ISA). 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

## **Basis for Qualified Opinion**

### **1.0 Grants**

Grants figure of Kshs.1,110,489,000 as disclosed under note 29 to the accounts includes Kshs.11,700,000 in respect of grants from National Irrigation Board received during the year. This figure however differs with the grants additions for the year as reported in the statement of change in net assets figure of Kshs.12,087,000 by Kshs.387,000. The management has not reconciled this variance.

### **2.0 Property, Plant and Equipment**

#### **2.1 Repossessed Land**

As previously reported, included in Property, Plant and Equipment balance of Kshs.720,309,000 are farms managed by ADC valued at Kshs.20,703,000. These farms, referred to as ADC Private Forest Ndabibi L.R. 7281/3 & 20591/86, were in respect of 4000 acres of land re-possessed from allottees who had been unable to pay allotment fees. In addition, land LR No.20591/86 in Ndabibi and the parcel in Molo do not have ownership documents including title deed, while LR 7281/3 has been encroached on by squatters although a title deed has been secured by the Corporation. Further, and according to information available, the process of exchanging 700 acres in Molo with 1,000 of the Corporation's land at Ndabibi had not been finalized as at 31 March 2014. In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm its ownership.

Further, Land value at Kshs.521,513,000 as at 31 March,2014 excludes the value of land L.R. No.10668 measuring about 2,908.42 acres known as Home Farm which has the Kiswani offices and the Farm Manager's house to which the Corporation does not have ownership documents to this parcel of land. It is not clear and the management has not explained how the farm was allocated to private developers and the effect it will have on the operations of the Corporation in fulfillment of its mandate.

#### **2.2 Gain on Disposal of Fixed Assets and Loss on Disposal of Biological Assets**

In the year under review a loss on disposal of biological assets of Kshs.13,123,000 was reported in the financial statements of the Corporation. However, no analysis was provided for audit verification.

### **2.3 Capital Work-In-Progress**

As previously reported, the capital work-in-progress balance of Kshs.34,397,000 includes work-in-progress in respect of a dam construction project at Suam Orchard in Kitale valued at Kshs.9,978,000 started in 2006. No supporting documents were availed in relation to work-in-progress and additions of Kshs.18,700,000 incurred during the year for the audit review. In the circumstances, it has not been possible to confirm that capital work-in-progress balance of Kshs.34,397,000 as at 31 March, 2014 is fairly stated.

### **3.0 Trade and Non-Trade Creditors**

(i) Trade and other payables balance of Kshs.1,162,628,000 includes trade and non-trade creditors balances of Kshs.711,860,000 and Kshs.450,768,000 respectively as at 31 March 2014. The balance of Kshs.450,768,000 also includes outstanding audit fees totalling Kshs.13,239,960 which has been outstanding since 1995 contrary to the requirements of Section 19 (1) of the Public Audit Act,2003.

#### **(ii) Interest Payable**

A review of trade and other payables revealed an outstanding balance of Kshs.252,621,409 payable to M/S Supplies and Services Ltd in respect of fertilizer supplies and which includes Kshs.97,561,000.00 being interest charged at the rate of 18% per annum based on number of days in default. No evidence has been provided showing the computation of the interest amount charged.

#### **(iii) Long Outstanding Balances**

Included in the trade and other payables balance of Kshs.1,162,628,00 is unremitted statutory deductions PAYE Kshs.13,095,201, and NSSF Kshs.6,106,494 which have been outstanding since 1998/1999. Similarly, the non-trade creditors figure includes unexplained house allowance arrears of Kshs.6,557,413 dating back to 2004/2005.

### **4.0 Loss of Fertilizer**

As reported in 2012/2013, the Corporation lost a sum of Kshs.24,447,500 through fake bank deposit slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade worth Kshs.111,680,000 had for unclear reasons been stored in a private store in the town. According to information available, the mode of payment was to be either through direct bank deposits where bank slips would be issued and later used for collection of the fertilizer, or by banker's cheques which had to be confirmed before the sale. The Corporation however adopted the direct bank deposits method where and as a result of weak controls, fertilizer worth Kshs.24,447,500 was sold before the respective bank deposits had been confirmed. Although the management has indicated that the criminal case opened at Eldoret High Court, was decided on and the accused

acquitted, a warrant of arrest is still in force for one of the accused who absconded during the trial and has not been effected. Consequently, and until the matter has been concluded, the recoverability of the loss of Kshs.24,447,500 remains unresolved.

## **5.0 Investment**

The statement of financial position as at 31 March 2014 includes an amount of Kshs.467,283,000 relating to investments in shares held in Chemelil Sugar Co. Ltd (Kshs.203,592,000), Development House (Kshs.90,251,000), Muhoroni Sugar Company (Kshs.41,342,000), Kenya Co-operative Creameries (Kshs.4,151,000), Kenya Grain Growers' Co-operative Union(Kshs.1,404,000), Kenya Seed Company Ltd (Kshs.114,014,000), Pyrethrum Board of Kenya (Kshs.36,000), Kenya Planters' Co-op Union (Kshs.31,000) and Agro-Chemical and Food Ltd (Kshs.16,900,000) which were acquired between 1975 and 1995. However, no dividends have been recorded or received from the investments unlike in the year 2012/2013 when the Corporation earned Kshs.29,929,000 as dividends. No explanation has been provided for this omission.

Available information further shows that Chemelil Sugar Company, Kenya Grain Growers Co-Operative Union, Kenya Planters Co-Operative Union and Agro Chemical & Food Company are either in receivership or facing liquidation.

## **6.0 Receivables from Exchange Transactions**

As reported in the previous year, receivables from exchange transactions figure of Kshs.352,169,000 as disclosed under note 19 to the accounts includes trade and non-trade figures of Kshs.204,490,000 and Kshs.147,680,000 respectively which have remained outstanding for a considerable long time dating back to 1980. In the circumstances, it has not been possible to confirm the recoverability of receivables from exchange transactions figure of Kshs.352,169,000 as at 31 March, 2014 and whether the figure is fairly stated.

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation and its Subsidiary as at 31 March 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) accrual basis and comply with the Agricultural Development Corporation Act, Cap 444 of the Laws of Kenya.

## **Other Matter**

### **1. Going Concern**

The Corporation reported a negative working capital of Kshs.732,188,000 (2012/2013 - Kshs.357,062,000) during the year under audit. The Corporation is therefore technically insolvent and its continued existence is dependent upon the financial support of the Government and its creditors.

### **2. Procurement**

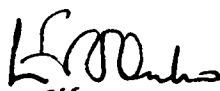
#### **2.1 Purchases not in procurement plan**

Section 26(3) (a) of the Public Procurement and Disposal Act, 2005 provides that, 'All procurement shall be: within the approved budget of procuring entity and shall be planned by the procuring entity concerned through annual procurement plan'. However, during the year the Corporation incurred Kshs.41,848,347 on the following expenditures items which had not been included in the procurement plan.

- Insurance
- Provision of legal service
- Employee satisfaction survey
- Job evaluation survey

#### **2.2 Procurement of Cruiser 350S Chemicals**

A review of tender committee minutes Min/2/5/11/2013/14, dated 5 December, 2013, revealed that the committee approved use of restricted tendering for the supply of 2,400 liters of Cruiser 350S at a unit cost of Kshs.6,625 totalling to Kshs.15,900,000. The committee approved tendering from Seven (7) firms as against the mandatory Ten (10) firms as stipulated under section 54 (3) of the Public Procurement and Disposal Regulations. My opinion is not qualified in respect of these matters.



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

**Nairobi**

**19 June 2015**

I. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2014

	Note	2013-2014 KSH '000'	2012-2013 KSH '000'
<b>Revenue from exchange transactions</b>			
Rendering of services	1	54,780	45,142
Farming Income	2	541,754	933,329
Rental revenue from facilities and equipment	3	88,260	71,608
Finance income - external investments	4	-	29,929
Finance income - outstanding receivables	5	13,625	-
Agency fees/ Management Fee	6	838	896
Sale of land	7	9,178	3,686
Other Income	8	85,853	134,594
		<b>794,287</b>	<b>1,219,185</b>
<b>Total revenue</b>		<b>794,287</b>	<b>1,219,185</b>
<b>Expenses</b>			
Employee costs (Administrative Cost)	9	417,664	400,035
Depreciation and amortization expense	10	45,524	56,925
Repairs and maintenance	11	38,231	31,044
Subscription & Donations	12	1,246	1,859
Contracted services	13	51,010	42,310
General expenses (Direct Cost)	14	513,557	620,233
Finance costs	15	122,607	168,339
<b>Total expenses</b>		<b>1,189,839</b>	<b>1,320,745</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets (Biological Assets)	16	(13,124)	129,126
Loss on foreign Exchange transaction		(120)	-
Gain on sale of fixed assets	17	39	1,882
<b>Surplus/ (Deficit) before tax</b>		<b>(408,757)</b>	<b>29,448</b>
Taxation		-	-
<b>Surplus/ (Deficit) for the period</b>		<b>(408,757)</b>	<b>29,448</b>

The notes set out on pages 17 to 20 form an integral part of the Financial Statements

**I. COMPANY STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 31 March 2014**


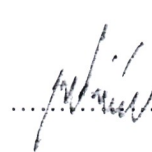
	Note	2013-2014 KSH '000'	2012-2013 KSH '000'
<b>Revenue from exchange transactions</b>			
Rendering of services	1	54,780	45,142
Farming Income	2	541,754	933,329
Rental revenue from facilities and equipment	3	88,260	71,608
Finance income - external investments	4	-	29,929
Finance income - outstanding receivables	5	13,625	-
Agency fees/ Management Fee	6	838	896
Other Income	8	84,974	132,713
		<b>784,231</b>	<b>1,213,618</b>
<b>Total revenue</b>		<b>784,231</b>	<b>1,213,618</b>
<b>Expenses</b>			
Employee costs (Administrative Cost)	9	415,736	397,999
Depreciation and amortization expense	10	45,221	56,520
Repairs and maintenance	11	38,231	31,044
Subscription & Donations	12	1,246	1,859
Contracted services	13	51,010	42,310
General expenses (Direct Cost)	14	512,434	619,363
Finance costs	15	122,111	167,978
<b>Total expenses</b>		<b>1,185,988</b>	<b>1,317,073</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets (Biological Assets)	16	(13,123)	129,126
Loss on foreign Exchange transaction		(120)	-
Gain on sale of fixed assets	17	39	1,882
<b>Surplus/ (Deficit) before tax</b>		<b>(414,962)</b>	<b>27,553</b>
Taxation		-	-
<b>Surplus/ (Deficit) for the period</b>		<b>(414,962)</b>	<b>27,553</b>

The notes set out on pages 17 to 20 form an integral part of the Financial Statements

**XII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2014

	Note	2013-2014	2012-2013
<b>Assets</b>		<b>KSH '000'</b>	<b>KSH '000'</b>
<b>Current assets</b>			
Cash and cash equivalents	18	25,479	33,041
Receivables from exchange transactions	19	352,169	388,737
Current Account with National Live stock Project	20	27,967	9,466
Current account with Garrisa irrigation Project	21	8,892	7,242
Inventories	22	172,433	165,449
		<u>586,939</u>	<u>603,935</u>
<b>Non-current assets</b>			
Property, plant and equipment	23(a)	720,309	745,122
Capital Work In progress	23©	34,397	15,697
Investments	24	467,283	467,283
Biological Assets	25	680,627	703,568
		<u>1,902,616</u>	<u>1,931,670</u>
<b>Total assets</b>		<u><b>2,489,556</b></u>	<u><b>2,535,605</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transaction	26	1,162,628	815,066
Current portion of borrowings- OD	27	156,499	145,931
		<u>1,319,127</u>	<u>960,997</u>
<b>Non-current liabilities</b>			
Grants	29	1,110,489	1,098,403
Borrowings (Loans)	30	224,905	232,413
Capital Reserve	31	12,775	12,775
		<u>1,348,169</u>	<u>1,343,591</u>
<b>Total liabilities</b>		<u><b>2,667,295</b></u>	<u><b>2,304,588</b></u>
<b>Net assets</b>		<b>(177,740)</b>	<b>231,016</b>
Reserves	32	447,701	447,701
Accumulated surplus/ (Deficit)		<u>(625,441)</u>	<u>(216,685)</u>
<b>Total net assets and liabilities</b>		<u><b>2,489,556</b></u>	<u><b>2,535,605</b></u>

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Managing Director		Chairman of the Board	
Date	27.3.15	Date	27.3.15

**ADC STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2014

<b>Assets</b>	Note	2013-2014	2012-2013
<b>Current assets</b>		KSH '000'	KSH '000'
Cash and cash equivalents	18	20,154	13,792
Receivables from exchange transactions	19	320,574	354,006
Current Account with National Live stock Project	20	27,967	9,466
Current account with Garrisa irrigation Project	21	8,892	7,242
Inventories	22	<u>172,433</u>	<u>165,449</u>
		<b>550,019</b>	<b>549,955</b>
<b>Non-current assets</b>			
Property, plant and equipment	23(b)	235,555	260,047
Capital Work In progress	23©	34,397	15,697
Investments	24	467,283	467,283
Biological Assets	25	680,627	703,568
Investment in Subsidiary- LANDS Ltd		<u>31,434</u>	<u>31,434</u>
		<u>1,449,296</u>	<u>1,478,029</u>
<b>Total assets</b>		<b><u>1,999,316</u></b>	<b><u>2,027,984</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transaction	26	1,160,248	812,435
Current portion of borrowings- OD	27	156,499	145,931
		<b>1,316,747</b>	<b>958,367</b>
<b>Non-current liabilities</b>			
current Account With Subsidiary- LANDS Ltd	28	548,710	526,271
Grants	29	1,086,209	1,074,123
Borrowings (Loans)	30	224,905	232,413
Capital Reserve	31	-	-
		<u>1,859,825</u>	<u>1,832,808</u>
<b>Total liabilities</b>		<b><u>3,176,571</u></b>	<b><u>2,791,174</u></b>
<b>Net assets</b>		<b>(1,177,255)</b>	<b>(763,190)</b>
Reserves		-	-
Accumulated surplus/ (Deficit)		<u>(1,177,255)</u>	<u>(763,190)</u>
Minority interest		-	-
<b>Total net assets and liabilities</b>		<b><u>1,999,316</u></b>	<b><u>2,027,984</u></b>

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Managing Director 

Chairman 

Date 27.5.14

Date 27.5.14

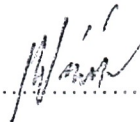
LANDS LTD STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

Assets	Note	2013-2014	2012-2013
Current assets		KSH '000'	KSH '000'
Cash and cash equivalents	17	5,325	19,250
Receivables from exchange transactions	18	31,598	34,732
		<b>36,923</b>	<b>53,981</b>
<b>Non-current assets</b>			
Property, plant and equipment		484,768	485,074
Current Account with Parent Co.	30	548,710	526,271
		<u>1,033,478</u>	<u>1,011,345</u>
<b>Total assets</b>		<b><u>1,070,401</u></b>	<b><u>1,065,326</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transaction	28	2,380	2,630
		<b>2,380</b>	<b>2,630</b>
<b>Non-current liabilities</b>			
Grants		55,694	55,694
Capital Reserve	33	12,775	12,775
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
		<u>68,489</u>	<u>68,489</u>
<b>Total liabilities</b>		<b><u>70,869</u></b>	<b><u>71,119</u></b>
<b>Net assets</b>		<b>999,532</b>	<b>994,207</b>
Reserves		447,701	447,701
Accumulated surplus/ (Deficit)		551,831	546,507
Minority interest		-	-
<b>Total net assets and liabilities</b>		<b><u>1,070,401</u></b>	<b><u>1,065,326</u></b>

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Managing Director 

Chairman 

Date .....

Date 27.3.15

**XIII. STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 31 March 2014

	Attributable to the owners of the controlling entity				
	Grants	Capital Reserves	Revaluation Reserve	Profit/ Loss	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 1 April 2012	1,096,892	12,775	447,701	(254,476)	1,302,892
Profit/ Loss for the year				-	-
Over provision in bad debts	-	-	-	8,344	8,344
Balance as at 31 March 2013	1,098,403	12,775	447,701	(216,684)	1,342,195
Additions	12,087	-	-	-	12,087
Transfers to/from accumulated surplus	-	-		(408,757)	(408,757)
Balance as at 31 March 2014	1,110,490	12,775	447,701	(625,441)	945,525

#### XIV. STATEMENT OF CASH FLOWS

	Note	2013-2014	2012-2013
		KSH '000'	KSH '000'
Cash flows from operating activi		(408,757)	29,448
<b>Net profit/(Loss) for the year</b>			
<b>Adjustments for:</b>			
Adjustments for:			
Depreciation		45,524	52,437
Interest expense		122,607	163,543
Profit on sale of fixed assets		(9,216)	(5,568)
Interest on overdue account		(13,625)	-
Management fees		(838)	(838)
Revaluation		(13,124)	(129,126)
Rent income		(88,260)	(71,609)
Dividend income			(29,929)
Operating profit before working capital changes		<u>(365,689)</u>	<u>8,360</u>
<b>Increase/(decrease) in debtors</b>		36,568	(84,401)
Increase/(decrease) in stores		(6,983)	87,533
Increase/(decrease) in biological assets		24,381	(145,182)
Increase/decrease in creditors		347,562	158,373
		<u>401,527</u>	<u>16,323</u>
Cash generated from operations		35,838	24,683
<b>Returns on investment and servicing of finance</b>			
Dividend received		60,000	-
		<u>60,000</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(20,711)	(29,263)
Current account-Garissa irrigation project		(8,892)	(1,640)
Current account-Agribusiness project		-	89,229
Rental income		53,113	72,390
Proceeds from sale of assets		2,953	5,917
<b>Net cash flows used in investing activities</b>		<u>26,463</u>	<u>136,633</u>
<b>Cash flows from financing activities</b>			
Loan and interest repayment		(222,607)	(162,573)
National livestock project		(27,967)	(4,114)
		<u>(250,574)</u>	<u>(166,687)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(128,273)</u>	<u>(5,371)</u>
Cash and cash equivalents at			
<b>Beginning of period</b>		<u>(5,371)</u>	<u>(107,519)</u>
Cash at the end		(133,644)	(112,890)
<b>Net increase in cash and cash equivalents</b>		<u>(128,273)</u>	<u>(5,371)</u>

VX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Budget	Actual	Variance
	2013-2014	2013-2014	2013-2014
	Kshs '000	Kshs '000	Kshs '000
<b>Revenue</b>			
Rendering of services	80,160	54,780	25,380
Farming Income	1,150,146	541,754	608,392
Rental Income	38,824	88,260	(49,436)
Finance Income	29,929	13,625	16,304
Management Fees	838	838	-
Sale of Land	-	9,178	(9,178)
other incomes	99,847	85,853	13,994
	<b>1,398,906</b>	<b>794,288</b>	<b>605,456</b>
<b>Expenses</b>			
Employees cost	448,365	417,664	30,701
Depreciation and amortaization	59,536	45,524	14,012
Repair and maintanance	49,248	38,231	
Subscription & Donation	3,125	1,246	1,879
Contracted Services	51,029	51,010	19
General Expences	566,623	513,557	53,066
Finance Costs	126,886	122,607	4,279
<b>Total expenditure</b>	<b>1,304,812</b>	<b>1,189,839</b>	<b>103,956</b>
<b>Surplus for the period</b>	<b>94,094</b>	<b>(395,551)</b>	<b>501,500</b>

## I. NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation – IPSAS 1

The entity'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 entity and all values are rounded to the nearest thousand (Ksh000). 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 Entity

Agricultural Development Corporation (ADC) (the corporation) is a body corporate incorporated in Kenya under Cap 444 of the laws of Kenya and is domicile in Kenya. The consolidated financial statements comprise the Corporation and its Subsidiary Land Ltd (Wholly Owned) (Together referred to as the 'group' and individually referred to as 'Company')

#### (d) Property, Plant and Equipment

Property, plant and equipment is 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
Building	5% p.a.
Fencing and water supply	10% p.a.
Furniture and equipment	20% p.a.
Computers	30% p.a.
Motor vehicles and tractors	25% p.a.
Permanent improvements in subsidiary company	2.5% p.a.
Farm equipment and machinery	20% p.a.
Small tools	50% p.a.
Land reclamation and drainage	20% p.a.

#### Taxation

There is no tax Liability arising because the Corporation has been exempted from taxation as per Kenya Gazette Supplement Number 59 of 21<sup>st</sup> April, 1986

#### Harvested crops and cultivation

Harvested crops and cultivation are valued at net realisable value. Costs comprise expenditure incurred in normal course of business including direct material cost, labour and production overheads wherever appropriate. Net realisable value is the price at which the stocks can be realised in normal course of business after allowing for costs of realisation.

## 2. Summary of significant accounting policies

### a) Revenue recognition

#### i) Revenue from exchange transactions – IPSAS 9

##### *Rendering of services*

The entity has two service units Engineering service and Agribusiness. Engineering services unit deal with repair and fabrication of farm implements and during the year Ksh 21,503,255 was realized from the unit in completed contracts. Agribusiness is a unit that carry out contracts on ploughing, harrowing, planting and other farm preparations for farmers at a subsidence price, during the year Ksh 2,361,059 worth of contracts were executed.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

##### *Farming Income*

Revenue from the sale of farm outputs is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

##### *Dividends*

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

##### *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### c) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

#### **d) Property, plant and equipment – IPSAS 17**

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 are required to be replaced at intervals, the entity 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 satisfied. 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.

#### **e) Leases – IPSAS 13**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### **f) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### *i) Financial liabilities*

#### *Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### *Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

#### *IPSAS 29.65*

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### **g) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

### **h) Provisions – IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **i) Contingent liabilities**

The Entity does not recognize a contingent liability, but discloses details of any contingencies 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 Entity does not recognize a contingent asset, but discloses details 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 Entity 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.

#### **j) Nature and purpose of reserves**

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

#### **k) Changes in accounting policies and estimates – IPSAS 3**

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

#### **l) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

The Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on

proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) Borrowing costs – IPSAS 5**

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.

**n) Related parties – IPSAS 20**

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

**o) Service concession arrangements – IPSAS 32**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**q) Trade and other receivables**

Trade receivables are carried at their original invoiced amount less an estimate made for bad and doubtful receivables based on a review of all outstanding amounts, on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable.

#### **r) Trade and other payable**

Accounts payable are non interest bearing financial liabilities and are carried at amortized cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Corporation or not, less any payments made to the suppliers.

#### **s) Biological assets**

Living plants and animals with probable future economic benefits which are owned and controlled by the corporation are accounted for as biological assets. Harvested products from the Corporation's biological assets and agricultural produce are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs.

The fair value of the biological assets and agricultural produce that have an active market is determined using the quoted price in the market. The fair value of the biological assets that do not have an active market is determined at the present value of the expected net cash flows discounted at the current market determined pre-tax borrowing rate. The fair value of the Corporation's newly planted crops is estimated by reference to costs incurred on the crops up to the reporting date.

Point of sale costs include commissions to brokers and dealers, levies by regulatory agencies and transfer taxes and duties but exclude transport and other costs necessary to get the assets to the market.

For financial reporting purposes, the Corporation classifies its biological assets as follows:

##### **(i) Consumable biological assets**

Consumable biological assets are those that are to be harvested as agricultural produce or to be sold as biological assets. These are seasonal crops grown by the Corporation i.e. maize, wheat, sunflower, pasture

##### **(ii) Bearer biological assets**

Other biological assets are classified as bearer biological assets.

Gains or losses arising on initial recognition of biological assets and agricultural produce and from changes in fair value less point of sale costs are recognized in the income statement for the year.

#### **u) Comparative figures**

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

#### **v) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the Entity's 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.

State all judgements, estimates and assumptions made: e.g

### *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 Entity based its assumptions and estimates on parameters available when the consolidated 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 Entity. 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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- 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

### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are

rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

### **w) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 31<sup>st</sup> March 2014.

1. Rendering of services

	<u>Consolidated</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contract Income	45,114	33,719	45,114	33,719
Transport Income	9,666	9,634	9,666	9,634
Other	-	1,789	-	1,789
<b>Total revenue from the rendering of services</b>	<b>54,780</b>	<b>45,142</b>	<b>54,780</b>	<b>45,142</b>

2. Farming Income

	<u>Consolidated</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Farm Produce	366,984	726,181	366,984	726,181
Sale of livestock	88,461	127,500	88,461	127,500
Sale of Animal Products	76,509	73,435	76,509	73,435
Sale of Hay	7,904	3,644	7,904	3,644
Grazing fees	1,896	2,569	1,896	2,569
<b>Total revenue from the sale of goods</b>	<b>541,754</b>	<b>933,329</b>	<b>541,754</b>	<b>933,329</b>

3. Rental revenue from facilities and equipment

	<u>Consolidated</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Lease Rental	47,118	45,005	47,118	45,005
Rent of Property	39,487	24,004	39,487	24,004
Others	1,655	2,599	1,655	2,599
<b>Total rentals</b>	<b>88,260</b>	<b>71,608</b>	<b>88,260</b>	<b>71,608</b>

4. Finance income - external investments

	<u>Consolidated</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Dividend received from KSC (52% Ord Shares)	-	29,929	-	29,929
<b>Total finance income – external investments</b>	<b>-</b>	<b>29,929</b>	<b>-</b>	<b>29,929</b>

5. Finance income - outstanding receivables

	<u>Consolidated</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Interest charge on overdue account	13,625	-	13,625	-
<b>Total receivables finance income – outstanding</b>	<b>13,625</b>	<b>-</b>	<b>13,625</b>	<b>-</b>

6. Management fees relates to fees charged by ADC to Land Ltd (Wholly owned subsidiary)

	<u>Consolidated</u>		<u>Company</u>		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Management fees	838	896	838	896	-	-

7. Sale of land relate to income generated by Lands Ltd from sale of land by recovery of agency fees paid on behalf of land debtors

8. Other income	<u>Consolidated</u>		<u>Company</u>		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Feeds	52,732	83,232	52,732	83,232	-	-
Sale of seed Maize	14,691	-	14,691	-	-	-
Insurance claim	7,164	-	8,164	-	-	-
Other income	11,267	51,362	9,388	49,483	1,879	1,879
<b>Total other income</b>	<b>85,853</b>	<b>134,594</b>	<b>84,974</b>	<b>132,714</b>	<b>1,879</b>	<b>1,879</b>

9. Employee costs	<u>Consolidated</u>		<u>Company</u>		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Salaries	96,737	94,258	95,874	92,500	863	895
Wages	135,409	140,981	135,409	140,981	-	-
NSSF	6,234	4,590	6,228	4,577	6	7
Leave Expenses	1,746	1,966	1,736	1,945	10	11
House allowance	57,188	56,886	56,620	55,753	568	565
Commuter allowance	10,535	10,619	10,291	10,090	244	285
Responsibility allowance	8,785	8,242	8,713	8,098	72	72
Gratuities	10,740	10,841	10,740	10,841	-	-
Terminal dues	5,270	1,039	5,270	1,039	-	-
Administrative wages	34,612	34,064	34,612	34,064	-	-
Pension contribution	9,824	9,500	9,712	9,248	112	141
Workman's compensation	-	35	-	35	-	-
Acting Allowance	1,383	263	1,383	263	-	-
Attachment Allowance	455	770	455	770	-	-
Hardship Allowance	1,011	974	1,011	974	-	-
Duty Allowance	2,569	2,573	2,569	2,573	-	-
Education & training	1,685	2,513	1,685	2,513	-	-
Medical expenses	10,495	7,177	10,442	7,064	53	60
Travel, accomodation, subsistence	22,985	12,744	22,985	14,672	-	-
<b>Employee costs</b>	<b>417,664</b>	<b>400,035</b>	<b>415,736</b>	<b>397,999</b>	<b>1,928</b>	<b>2,036</b>

10. Depreciation and amortization	Consolidated		Company		Lands Ltd	
	<u>Group</u>		<u>Company</u>		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Property, plant and equipment	45,524	52,486	45,221	52,081	303	405
Investment property carried at cost	-	4,439	-	4,439	-	-
<b>Total depreciation and amortization</b>	<b>45,524</b>	<b>56,925</b>	<b>45,221</b>	<b>56,520</b>	<b>303</b>	<b>405</b>

11. Repairs and maintenance	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Property	4,215	4,914	4,215	4,914	-	-
Machinery & Equipment	17,119	15,358	17,119	15,358	-	-
Vehicles	16,898	10,772	16,898	10,772	-	-
<b>Total repairs and maintenance</b>	<b>38,231</b>	<b>31,044</b>	<b>38,231</b>	<b>31,044</b>	<b>-</b>	<b>-</b>

12. Subscription and Donations	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Donations	1,246	1,859	1,246	1,859	-	-

### 13. Contracted services

Contract Services relate expenditure incurred on contracts for Ploughing, harrowing, Planting and spraying

	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contacts Cultivation & Harvestin	51,010	42,310	51,010	42,310	-	-
<b>Total contracted services</b>	<b>51,010</b>	<b>42,310</b>	<b>51,010</b>	<b>42,310</b>	<b>-</b>	<b>-</b>

14. General expenses The following are included in general expenses:	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Advertising, Show and publication:	11,194	12,076	11,194	12,076	-	-
Audit fees	1,066	1,066	946	946	120	120
Consulting fees	172	-	172	-	-	-
Consumables	9,741	9,014	9,741	9,014	-	-
Electricity & Water	7,498	8,183	7,498	8,183	-	-
Fuel and oil	81,434	79,199	81,434	79,199	-	-
Insurance	3,099	5,169	3,099	5,169	-	-
Legal expenses	30,139	15,395	30,139	15,395	-	-
Licenses and cesses	2,403	6,078	2,403	6,078	-	-
Fertilizer	119,413	141,080	119,413	141,080	-	-
Herbicides, Insecticides ,Veterinary	94,179	105,060	94,179	105,060	-	-
Feed stuffs & Menerals	30,934	44,039	30,934	44,039	-	-
Packing materials	10,304	10,319	10,304	10,319	-	-
Board Expenses	10,122	3,971	10,122	3,971	-	-
Seed	25,000	15,985	25,000	15,985	-	-
Raw Marterials -Feedmill	34,215	72,886	34,215	72,886	-	-
Postage & Telephone	2,681	2,638	2,681	2,638	-	-
Printing and stationery	3,238	3,313	3,238	3,313	-	-
Rent & Rates	111	7,444	111	7,444	-	-
Security costs	1,843	3,479	1,843	3,479	-	-
Inspection Fees	7,080	8,378	7,080	8,378	-	-
Prurchase of animals	-	31,280	-	31,280	-	-
Professional Fees	5,464	3,106	5,059	2,955	405	151
Transport	10,528	13,415	10,528	13,415	-	-
Other	11,697	17,660	11,099	17,062	598	598
<b>Total general expenses</b>	<b>513,557</b>	<b>620,233</b>	<b>512,434</b>	<b>619,363</b>	<b>1,123</b>	<b>869</b>

15. Finance costs	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Bank charges	1,112	2,352	616	1,991	496	361
Interest - bank overdraft	23,933	28,625	23,933	28,625	-	-
Interest - others	97,561	137,362	97,561	137,362	-	-
<b>Total finance costs</b>	<b>122,607</b>	<b>168,339</b>	<b>122,111</b>	<b>167,978</b>	<b>496</b>	<b>361</b>

#### 16. Change in Biological Assets

In line with accounting standards no.41, the Corporation biological asstes reduced by Ksh 13,123M during the year arising from changes in fair value.

17. Gain on sale of assets	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Property, plant and equipment	39	5,568	39	1,882	-	3,686
Other assets	-	-	-	-	-	-
<b>Total gain on sale of assets</b>	<b>39</b>	<b>5,568</b>	<b>39</b>	<b>1,882</b>	<b>-</b>	<b>3,686</b>

18. Cash and cash equivalents	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Bank	25,312	32,457	19,987	13,208	5,325	19,250
Cash-on-hand and in transit	167	584	167	584	-	-
Short-term deposits	-	-	-	-	-	-
<b>Total cash and cash equivalents</b>	<b>25,479</b>	<b>33,041</b>	<b>20,154</b>	<b>13,792</b>	<b>5,325</b>	<b>19,250</b>

#### 19. Receivables from exchange transactions

##### Current receivables

	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000</u>	<u>Kshs.'000</u>	<u>Kshs.'000</u>	<u>Kshs.'000</u>	<u>Kshs.'000</u>	<u>Kshs.'000</u>
Trade Debtors	262,435	288,247	230,822	253,500	31,613	34,747
Specific provisio	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(537)
General Provision	(5,446)	(5,627)	(5,446)	(5,627)	-	-
<b>Total current receivables</b>	<b>204,490</b>	<b>230,121</b>	<b>173,414</b>	<b>195,911</b>	<b>31,076</b>	<b>34,210</b>

##### Non- Trade Debtors

	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Non - Trade	147,680	158,616	147,160	158,095	522	522
	-	-	-	-	-	-
Less: impairment allowance	-	-	-	-	-	-
<b>Total non-current receivables</b>	<b>147,680</b>	<b>158,616</b>	<b>147,160</b>	<b>158,095</b>	<b>522</b>	<b>522</b>
<b>Total receivables</b>	<b>352,169</b>	<b>388,737</b>	<b>320,574</b>	<b>354,006</b>	<b>31,598</b>	<b>34,732</b>

#### 20. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation utilised cash to the tune of Kshs.27,966,855 on the project account on operations .

	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
NLP Current Account	225,967	207,466
Grants	(198,000)	(198,000)
<b>TOTAL</b>	<b>27,967</b>	<b>9,466</b>

#### 21. Current account with Garrisa

The Government of Kenya in promoting Agriculture in Arid areas provided 97,798,000 to ADC to run the project, during the year the Corporation incurred

	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Garrisa Current Account	106,690	105,040
Grants	(97,798)	(97,798)
<b>TOTAL</b>	<b>8,892</b>	<b>7,242</b>

## 22. Inventories

	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Building materials	870	1,076
Fencing & Water Supplies	6,768	7,092
Fertilizer	38,396	14,291
Feedstuffs & Minerals	1,150	1,206
Herbicides & Insecticides	49,811	24,650
Packing Materials	1,809	3,248
Petroleum Products	3,107	2,483
Machinery & Equipment Spares	8,190	8,135
Vehicles & Tractor Spares	10,610	11,161
Veterinary Products	2,563	2,887
Seeds	8,291	10,142
Sundries	1,115	1,200
Feedmill Raw Materials	3,409	26,096
Feedmill Finished products	1,000	1,211
Stationery H/Office only	2,243	1,991
Laboratory Chemicals	420	424
Lubricants	8	4
Provision for Obsolete	(5,035)	(5,035)
ADC Seed	6,351	-
Harvested Crops	31,357	53,187
<b>Total inventories at the lower of cost and net realizable value</b>	<u><u>172,433</u></u>	<u><u>165,449</u></u>

23(a). PROPERTY PLANT & EQUIPMENT

COST	Lands Ltd- Leased Farms	Lands Ltd Farms Managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture & Equipment	Motor Vehicles	Small Tools	Land Reclamation	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st April 2012	454	521,513	88,646	54,609	269,033	40,563	448,674	3,687	6,528	1,433,708
Adjustment	-	-	-	-	-	-	-	-	-	-
Additions	-	-	10,659	-	11,906	2,018	3,912	19	750	29,263
Disposals	-	-	-	-	(115)	(38)	(8,342)	-	-	(8,495)
At 31st March 2013	454	521,513	99,305	54,609	280,825	42,542	444,244	3,706	7,278	1,454,476
Adjustment	-	-	-	-	-	605	-	-	-	605
Additions	-	-	523	-	9,963	2,009	8,274	46	1,187	22,002
Disposals	-	-	-	-	(2,120)	(249)	-	(22)	-	(2,391)
At 31st March 2014	454	521,513	99,828	54,609	288,668	44,907	452,518	3,730	8,465	1,474,692
DEPRECIATION										
At 1st April 2012	171	-	48,065	48,425	188,572	30,194	342,328	3,399	3,950	665,104
Charge for the year	7	-	2,570	619	18,508	2,469	27,481	120	663	52,437
Adjustment Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(113)	(38)	(8,036)	-	-	(8,187)
At 31st March 2013	178	-	50,635	49,044	206,967	32,625	361,773	3,519	4,613	709,354
Charge for the year	7	-	2,448	557	16,491	2,448	22,686	116	770	45,524
Adjustment Depreciation	-	-	360	-	-	121	-	-	-	481
Disposals	-	-	(118)	-	(755)	(81)	-	(22)	-	(975)
At 31st March 2014	185	-	53,325	49,600	222,703	35,113	384,459	3,614	5,384	754,384
NET BOOK VALUE										
At 31st March 2014	269	521,513	46,503	5,009	65,964	9,794	68,059	116	3,081	720,309
At 31st March 2013	276	521,513	48,670	5,566	73,858	9,918	82,471	187	2,664	745,122

23(b). PROPERTY PLANT & EQUIPMENT

COST	Farms managed by ADC		Buildings		Fencing Water Supply Equipment		Farm Equipment		Furniture & Equipment Vehicles		Motor Vehicles		Small Tools		Land Reclamation		Totals	
	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'
At 1st April 2012	37,910	88,646	54,609	269,033	40,563	443,275	3,687	6,528	944,251									
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	10,659	-	11,906	2,018	3,912	19	750	29,263									
Disposals	-	-	-	(115)	(38)	(8,342)	-	-	(8,495)									
At 31st March 2013	37,910	99,305	54,609	280,825	42,542	438,844	3,706	7,278	965,019									
Adjustments	-	-	-	-	605	-	-	-	605									
Additions	-	523	-	9,963	2,009	8,274	46	1,187	22,002									
Disposals	-	-	-	(2,120)	(249)	-	(22)	-	(2,391)									
At 31st March 2014	37,910	99,828	54,609	288,668	44,907	447,118	3,730	8,465	985,235									
<b>DEPRECIATION</b>																		
At 1st April 2012	-	48,065	48,425	188,572	30,194	338,497	3,405	3,950	661,108									
Charge for the year	-	2,570	619	18,508	2,469	27,082	120	663	52,032									
Adjustments Depreciation	-	-	-	-	-	-	-	-	-									
Disposals	-	-	-	(113)	(38)	(8,036)	-	-	(8,187)									
At 31st March 2013	-	50,635	49,044	206,967	32,625	357,543	3,525	4,613	704,953									
Charge for the year	-	2,448	557	16,491	2,448	22,394	113	770	45,221									
Adjustments Depreciation	-	360	-	-	121	-	-	-	481									
Disposals	-	(118)	-	(755)	(81)	-	(22)	-	(975)									
At 31st March 2014	-	53,325	49,600	222,703	35,113	379,937	3,616	5,384	749,679									
<b>NET BOOK VALUE</b>																		
At 31st March 2014	37,910	46,503	5,009	65,964	9,794	67,181	113	3,081	235,555									
At 1st March 2013	37,910	48,670	5,565	73,858	9,918	81,301	181	2,665	260,066									

**23(c). Capital Work In Progress**

Relates to in-complete capital works .

	<u>2014</u>	<u>2013</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Namandala -Eco- Housing	63	13
Chorlim ( Construction of store & Eco housing)	601	601
Japata (Fencing, store & Eco housing construction)	1,211	1,211
Nai (Eco housing construction)	493	486
Olingantongo (Eco housing construction)	2,417	-
Sabwani (Zero grazing & Eco housing construction)	1,301	1,301
Feedmill (construction of Reject maize shade)	1,157	1,157
Suam Orchards (Dam )	21,312	9,978
A I Centre (Construction of a kitchen)	427	196
Kiswani (Bush clearing)	-	478
Lanet - Repair and maintenance	9	9
Machinery pool (Construction of a shade)	266	266
Molo (Construction of green house)	3,467	-
Seed Unit( Construction of a Godown)	<u>1,672</u>	<u>-</u>
	<u>34,397</u>	<u>15,697</u>

**24. Investments**

	Fair value	
	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 001</u>
Opening balance at 1 July 2012	467,283	467,283
Additional investments made	-	-
Fair value increase	-	-
<b>At 30 June 2013</b>	<u>467,283</u>	<u>467,283</u>
Additional investments made	-	-
Fair value increase	-	-
<b>At 30 June 2014</b>	<u>467,283</u>	<u>467,283</u>

**25. Biological Assets**

	<u>2014</u>	<u>2013</u>
Beef Cattle	234,790	238,884
Dairy Cattle	120,955	122,532
Pig	3,399	1,444
Sheep	10,815	9,308
Goats	11,616	9,785
Horses	410	280
Crop	298,642	321,335
<b>TOTAL</b>	<b>680,627</b>	<b>703,568</b>

26. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Trade Creditors	711,860	532,415	711,560	530,455	300	1,960
Non-trade creditors	450,768	282,651	448,688	281,981	2,080	670
<b>Total trade and other payables</b>	<b>1,162,628</b>	<b>815,066</b>	<b>1,160,248</b>	<b>812,436</b>	<b>2,380</b>	<b>2,630</b>

27. Current portion of borrowings

Relates to an overdraft facility by Kenya Commercial Bank to ADC Feedmill & Driers Ksh. 10,529,447 and ADC Head Office Ksh 145,969,176

28. 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).

29. Grants

	<u>2014</u>	<u>2013</u>
	<u>KShs'000s</u>	<u>KShs'000s</u>
Government of Kenya	849,071	849,071
Dutch Government	16,131	16,132
British Government	67,582	67,582
ASARECCA	1,898	1,511
NIB	11,700	-
UNDP	139,827	139,827
<b>Grants to ADC</b>	<b>1,086,209</b>	<b>1,074,123</b>
Grants to subsidiary	24,280	24,280
ADC and Subsidiary	<b>1,110,489</b>	<b>1,098,403</b>

30. Borrowings

	<u>2014</u>	<u>2013</u>
	<u>Shs 000</u>	<u>Shs 000</u>
KCB term loan III LC	86,106	-
KCB term loan II LC	61,353	122,706
Consolidated Bank- Asset Financing	-	51,394
Galana Revolving	22,498	7,350
Assets Financing	33,761	40,596
Loan Arrears Acc-Consolidated Bank	21,187	10,367
<b>Total non-current borrowings</b>	<b>224,905</b>	<b>232,413</b>

31. 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.

## XVII. PROGRESS ON FOLLOW UP OF AUDITOR 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	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Repossessed Land Additions of Lands Limited on Re-possessed Land – Farms Managed by ADC had a cost of Kshs. 20,703,000. These farms, referred to as ADC Private Forest Ndabibi L.R. Nos	<ul style="list-style-type: none"> <li>In the 18<sup>th</sup> report on implementation of PIC Committee recommendation on the accounts, of State Corporations, it was recommended that the Inspectorate of State Corporation investigate the process of exchange of the two farms</li> </ul>			
	7281/3 20591/86, were in respect of some 4000 acres of land repossessed from various allottees who had been unable to pay the allotment fees. In addition, land LRNo.20591/86 in Ndabibi and the parcel in	<ul style="list-style-type: none"> <li>Ndabibi and Molo. The corporation is still awaiting this report to enable completion of the transfer of property and issuance of title deed.</li> <li>The Corporation in collaboration with the Government of Kenya and the County Government of Nakuru have agreed to establish a police post in the farm in order to address the issue of Security and squatters and enable the Corporation to utilize the land</li> </ul>	Anthony Ademba(Ag. Company Secretary)	Not Resolved	31 <sup>st</sup> December 2015
	Molo do not have ownership documents including title deeds, while LR 7281/3 has been encroached on by squatters although a title deed has been secured by the corporation. Further, and according to information available, the process of exchanging 700 acres in Molo with 1,000 of the	<ul style="list-style-type: none"> <li>In order to enhance transfer and processing of titles we have launched deed plan for LR No. 20591/119 through our lawyer Cheptumo and Company Advocates for certificate of Title to the Ministry of Lands &amp;</li> </ul>			

### **32. Revaluation Reserve**

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

### **33. Contingent Liabilities**

There are certain pending legal litigations brought against the Corporation as at 31st March 2013. In the opinion of the directors and after taking appropriate legal advice the outcome of the legal claims will not to any significant loss beyond the amounts provided for in these financial statements.

### **34. Events after the reporting period**

There are no material non-adjusting events after the reporting date.

35. During the year the Corporation did not provide for dividend income as evidenced in note No. 4 due to a change in dividend policy by Kenya Seed Company. The Company will pay dividend as a percentage of profits for the year contrary to the earlier policy where the company had a fixed dividend payment policy.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Corporation's land at Ndabibi had not been finalized as at 31<sup>st</sup> March 2013 as only transfer documents were available for verification. In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm its ownership status as at 31 March 2013. Similarly, the value of land of Kshs. 521,967,000 as at 31 March, 2013 excludes the value of land L.R No. 10668 measuring about 2,908.42 acres known as Home Farm which has the Kiswani</p>	<p><i>Housing. This Certificate of Title will then be transferred to the owner of Asante Farm in exchange for the title of Asante Farm</i></p> <ul style="list-style-type: none"> <li><i>The issue of Home Farm LR10668 is under investigation by the Ethics and Anti Corruption (EACC). The Corporation is awaiting the conclusion of the same.</i></li> </ul>			
	<p>offices and the Farm Manager's house. Also, the corporation does not have ownership documents for this particular piece of land. Although the management has explained that the farm was allocated to private developers, the circumstance under which the allocation was made has not been explained. Further,</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	it is not clear the effects this action will have on the operations of the Corporation in fulfilment of its mandate				
1.2	<b>Capital Work-in-progress</b> The capital work-in-progress balance of Kshs. 15,697,000 includes work-in-progress in respect of a dam construction project at Suam Orchard in Kitale valued at Kshs. 9,978,000 which has been carried forward over the years. In the circumstances, it has not been possible to	The project had stalled forcing the Corporation to retender for the completion of the dam. Evaluation was done and the Contract awarded to Sensei Ltd at a cost of Kshs 16M the works are ongoing and the projected completion time is 31	Mr. Maxwell Mugonyi (Head of Business Development)	Not Resolved	31 <sup>st</sup> December 2015
	confirm that work-in-progress balance of Kshs. 15,697,000 as at 31 March 2013 is fairly stated.	December 2015			
2.0	<b>Trade and Other Receivables.</b> The trade and other receivable balance of Kshs. 388,737,000 as at 31 March 2013 (2012-Kshs. 304,336,000) shown under note 9 includes a trade and non-trade debtors figures of Kshs. 230,121,000 and Kshs. 158,616,000 respectively. These debts have remained outstanding for a considerable long	<i>A comprehensive reconciliation and classification of the Corporation debtors was carried out in view of establishing those that are recoverable and those that are doubtful /bad. A total of Kshs. 71,304,001.76 considered recoverable debtors has been forwarded to the prequalified debt</i>	Morrison Andwati (Chief Accountant)	Not Resolved	30 <sup>th</sup> June 2015