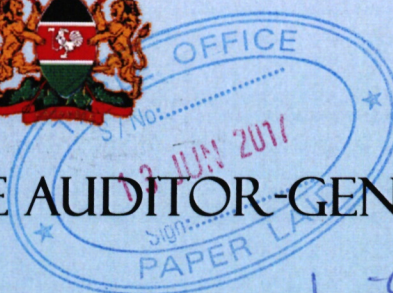
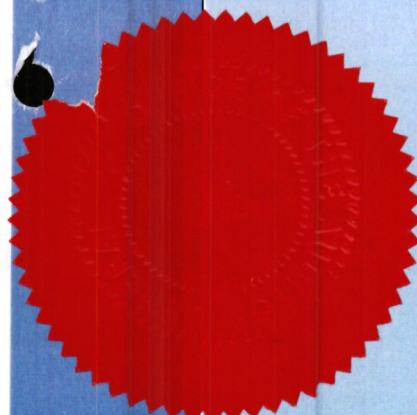


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Peter Kariuki
By Hon' A. Sime, MP (Hon)
On Tues, June 13, 2017
(PM)
M

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
AGRICULTURAL DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE 2016**





Agricultural Development Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
- 5 MAY 2017
RECEIVED

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I. KEY CORPORATION 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 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 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Richard Ayabei
2.	Corporation Secretary	Anthony Ademba
3.	Ag Financial Controller	Morrison Andwati
4.	Head of Planning	Winnie Macharia(Dr)
5.	Ag Head of Technical	Mohamed Bulle
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 10th 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

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

(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



Hon. Bifwoli Wakoli
Chairman
(Appointed on 17th April, 2015)

Hon. Soita Peter Shitanda
Chairman
(Retired 28th February 2016)



Mr. Richard Aiyabei
Chief Executive



- Hon. Musa Sirma
- Member
(Appointed on 17th April, 2015)



- Susan Akinyi Wakiaga
- Member
(Appointed on 17th April, 2015)



- James Munyinyi Karanja
- Member
(Appointed on 17th April, 2015)



- Kipera Issa Athuman
- Member
(Appointed on 17th April, 2015)



- Janet Chelagat Kirui
- Member
(Appointed on 17th April, 2015)



- Duncan M. Kuria
- Member
(Appointed on 17TH April, 2015)



- (Prof.) Valeria A.P. PalaPala
- Member
(Appointed on 17th April, 2015)









- Joseph Miriti Mwireria
- Member
(Appointed on 17th April, 2015)



- Abdo Mohamed Bahajj
- Member
(Appointed on 17th April, 2015)

III. MANAGEMENT TEAM

	Richard Aiyabei MSC Agronomy, BSC(Agriculture), Diploma in Farm Management	Managing Director
	Winnie Macharia (Dr.) Phd in Business Management, MBA(Strategic Management), Bachelor of Education Diploma in IMIS,	Head of Corporate Planning & Administration
	Maxwell Mugonyi B.com(Insurance), Higher Diploma HRM, Diploma in Business Management	Head of Business Development
	Antony Ademba LL.B, Postgraduate Diploma in Law, Pursuing CPS	Corporation Secretary
	Mohamed Bulle MSc(Environment science sustainable development and Climate change) MSc (environment science & community development) BSc (Agricultural education & extension) Diploma in Agriculture	Head Of Technical Division
	CPA Morrison Andwati B.Com (Finance) CPA (Finalist)	Ag. Financial Controller

IV. REPORT OF THE CHAIRMAN'S

Once again I am pleased to present the annual financial statement and report for Agricultural Development Corporation for the year ended 30th June 2016.

Business environment

The year began well in general and we experienced relatively stable and conducive weather conditions in Kitale which contributed to an improved production of seed maize from 6.3 to 7.7 million Kilos being a 22% increase in production. The corporation experienced improved production in almost all its crop enterprises. However, adverse weather conditions were experienced in other places such as Tanariver and Laikipia counties where the Corporation exercises beef rearing that resulted in loss of animals and reduced heard size.

Corporate Governance

Corporate governance is the process by which Companies are directed, controlled and held accountable. The Board of Directors of Agricultural Development Corporation is responsible for the governance of the Corporation and is accountable in ensuring that the Law is complied with and that the highest standards of corporate governance and business ethics to the shareholders are complied with.

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

Future Outlook

The Corporation has collaborated with the Government of Kenya to set up a Seamen production center in Kitale which is estimated at 80% complete. Once this is completed the corporation will embark on large scale production of seamen to be availed to Kenyan farmer thus improved breed and boost its revenue base. To this end I would like to acknowledge with thanks the support we are currently receiving from the Ministry of Agriculture, Livestock and Fisheries.

The Corporation continued growth and success is dependent on collective efforts by all its stakeholders as the Board is committed to writing a new chapter of Agricultural Development Corporation

The Corporation recognizes the important role plaid by the management and its workforce to ensure continued success, to this end the Corporation has made significant investment in its human resource. The Corporation continues to engage in capacity building activities to ensure its staff remains updated through seminars and workshops organized and facilitated by the Corporation. In addition, the Corporation has embraced the performance contracting as a tool to ensuring service delivery and actualization of its strategic plan.

I confidently look forward to a continued strong relationship with all of our stakeholders and partners in the year 2016 – 2017 for our mutual benefits.



04.05.2017

CHAIRMAN.

Date

V. REPORT OF THE MANAGING DIRECTOR

The year 2014/15 was a year of mixed fortunes with improvement in our seed maize production from 3.8M 013/2014 to 6.3M in cleans Kilos. However, some of our farms were affected by the adverse weather condition which resulted in a decrease in output. There was severe drought in Mutara Ranch which affected livestock in the unit.

Implementation of Quality Management Systems.

The corporation is ISO 9001:2008 certified and was recertified during the year. We will continue to operate under the tenets of this quality management systems.

Development and Implementation of Strategic Plan.

The corporation revised its five year strategic plan 2015-2019 and is now in the process of implementing the objectives set out in its plan. Our budget and performance contract is anchored on this 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 accounting 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 16A and seed wheat varieties in collaboration with KALRO.

The corporation also benefited through assistance by the Ministry of Agriculture, Livestock and Fisheries with a grant of kshs 37M to enhance seed potatoes production and construction of Green Houses in ADC Molo. Further, the corporation was granted Kshs. 200M by the State Department of Livestock for construction of a Semen Production Centre (Bull Station) in Kitale . The project has commenced and is scheduled to be completed in February 2016.

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.



.....
Managing Director

04/5/2017

.....
Date

V. 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 its 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 the 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 subsidiaries.
- 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

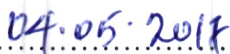
All the non-executive directors on the Board are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.

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 ten non-executive and one executive director the Managing Director.



CHAIRMAN



Date

VI. 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 well being 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 2015/2016 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;

- The Corporation donated mature trees for timber to Mandarana Primary school to facilitate refurbishment of the School Facilities.
- The Corporation extended assistance to Kakuswi Special School for the deaf in Makueni County of Ksh. 69,850 in kind and monetary.
- Sabwani Primary school in Trans-Nzoia County was provided with Seed maize to plant in their farm to boost the school feeding program.
- The Corporation Donated Ksh 100,000 to assist in a fund raiser to A.I.C Kapsabet Bible College Nandi County to support daily activities.
- Donated 10 bags of maize to Test Bourne Primary School to support their standard eight lunch programmes.

Community Policy

The Corporation has developed a policy whereby it contributes positively to the surrounding community in its areas of operation. Towards this end the Corporation during the year did the following;

- Was involved in an emergency assistance to county police of Trans-Nzoia after a fire outbreak in their station where 10 Bags of Maize, 2 Bags of beans and 50 ltrs of milk were donated.
- Donated a fat castrate to district security committee during one of their annual ceremony.
- Donated a steer for slaughter to chief in Kapomboi location during an official opening of new Kapomboi Location Chief Office.
- Donated Ksh 100,000 and participate in First lady's half marathon (Beyond Zero Campaign).
- Donated 4 Breeding Rams to Kenya Veterinary Association to boost farming in Baringo County.

Environment Conservation

The Corporation worked closely both with National and County Governments and other stakeholders towards environment conservation, during the year the Corporation executed facilitated the planting of trees at Sirikwa in Molo to promote afforestation.

Women Empowerment

The Corporation donated funds towards promotion of women empowerment & development to social economic empowerment women organization being sponsorship towards AFGM.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2016 which show the state of affairs of *Agricultural Development Corporation* and its subsidiary – *Lands Ltd.*

Principal activities

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

Results

The results of the Corporation for the year ended 30th June, 2016 are set out on pages 1-35

Board of Directors

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

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Corporation, in accordance with the Section 14 of the Public Audit Act 2003, the Auditor General will continue in Office.

By Order of the Board



Anthony Ademba
Corporate Secretary
Nairobi

Date: 4/5/2017

VII. 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 and 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 and its subsidiary. The Directors are also responsible for safeguarding the assets of the Corporation and 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 as at the end of the financial year ended on 30th June 2016. 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 Corporation; (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 30th June 2016, 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.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 14th September, 2016 and signed on its behalf by:


.....
Director

04.05.2017
.....
Date



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation (ADC) and its subsidiary set out on pages 1 to 38, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of financial performance, consolidated statement of cash flows and consolidated statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

Report of the Auditor-General on the Financial Statements of Agricultural Development Corporation for the year ended 30 June 2016

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 controls 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. Property, Plants and Equipment

1.1 Repossessed Land

- (i) As reported in the previous year, property, plant and equipment balance of Kshs.689,479,000 as at 30 June 2016 includes farms managed by the Corporation valued at Kshs.37,910,000. These farms, referred to as ADC Private Forest Ndabibi L.R.7281/3 & 20591/86 relates 4,000 acres of land repossessed from allottees who had been unable to pay allotment fees. In addition, land L.R.20591/86 in Ndabibi and the parcel in Molo L.R.9748/35 do not have ownership documents including title deeds, while L.R.7281/3 has been encroached on by squatters although the Corporation has secured the title deed. Further, according to information available, the process of exchanging 700 acres in Molo with 1,000 acres of the Corporation's land at Ndabibi had not been finalized as at 30 June 2016. In the absence of title deeds for the parcels of land in Molo and in Ndabibi, it has not been possible to confirm their ownership.
- (ii) The land's net book value of Kshs.521,513,000 of the Corporations' land as at 30 June, 2016 disclosed under Note 21(a) excludes the value of land L.R.10668 measuring about 2,908.42 acres known as Home Farm. Further, the Corporation does not have ownership documents to this parcel of land. It is also not clear and the management has not explained how the Home Farm parcel of land was allocated to private developers in year 1994 and the effect on the operations of the Corporation in fulfillment of its mandate.

1.2. Capital Work-in-Progress

As reported in 2014/2015 financial year and as noted under Note 21(c) to the financial statements, the capital work-in-progress figure of Kshs.338,514,000 as at 30 June 2016 includes a construction project at Suam Orchard in Kitale valued at

Kshs.9,978,000 that was started in 2006. In addition, the capital-work-in progress includes an amount of Kshs.26,706,373 relating to projects that have remained idle for the last five (5) years. In the circumstances, I am unable to confirm the carrying value of the capital works-in-progress reflected in the financial statements of Kshs.338,514,000 as at 30 June 2016.

1.3 Garissa Irrigation Project Land

The property, plant and equipment balance of Kshs.689,479,000 as at 30 June 2016 excludes the value of land measuring 319.4 hectares located in Garissa Municipality whose value has not been determined, despite a disclosure under Note 19 that the unit's assets were merged and included in the Corporation's financial statements for 2015/2016. In view of the above, completeness and accuracy of property, plant and equipment balance of Kshs.689,479,000 cannot be ascertained.

2. Gain on change in Biological Assets

As previously reported and as disclosed in Note 14 to the financial statements, a gain on biological assets of Kshs.150,941,000 (2014/2015 – Kshs.600,285,000) was again recorded in the year under review. The management has attributed the gain to growth in the herd of animals and valuation of crops in the field. However, no documentary evidence has been provided for verification to confirm that the valuation was done in accordance with the provisions of paragraphs 12,13 and 26 of the International Accounting Standard (IAS) No.41.

3. Trade and Other Payables

- (i) As disclosed in Note 24 to the financial statements, trade and other payables balance of Kshs.1,595,278,000 includes trade and non-trade creditors of Kshs.816,797,000 and Kshs.778,481,000 respectively. As reported in the previous years, the non-trade creditors balance of Kshs.778,481,000 further includes audit fees totalling Kshs.17,072,000 that have been outstanding since 1995 contrary to the requirements of Section 41(1)(c) of the Public Audit Act, 2015.
- (ii) The non-trade creditors balance also includes unremitted statutory deductions of Kshs.19,974,381, Kshs.28,520,715, Kshs.47,929,832 and Kshs.67,819,676 for Pay As You Earn (PAYE), and National Social Security Fund (NSSF) pension scheme deductions and Agdeco Society deductions respectively, dating back to 1988. Similarly, the non-trade creditors figure includes Kshs.56,970,642, Kshs.181,468,875, Kshs.113,652,623 and Kshs.189,464,646 under provision for gratuities, wages control, sundry creditors respectively, that are not supported with analysis and as a result, it is not clear what the balances represent.

- (iii) The trade and other payables balance for the year then ended, like in previous years, includes an outstanding balance of Kshs.267,279,416 (2014/2015 – Kshs.252,621,409) payable to M/S Supplies and Services Ltd in respect of fertilizer supplies. The amount includes Kshs.112,219,009 being interest charged at the rate of 18% per annum based on the number of days in default.

4. Loss of Fertilizer

As reported in the previous years, 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 but due to weak controls, fertilizer worth Kshs.24,447,500 was released before the respective bank deposits had been confirmed. Although the management has indicated that the criminal case on the matter opened at Eldoret High Court, was decided on and some of the accused acquitted, a warrant of arrest in force against one of the accused who absconded during the trial, not yet been effected. Consequently, and until the matter is concluded, the recovery of the loss of Kshs.24,447,500 remains doubtful.

5. Government Grants

During the year under review, the Corporation received specific Government grants amounting to Kshs.255,000,000 to fund two development projects namely Molo greenhouse project and construction of Kitale bull station. However, part of the grant totalling Kshs.67,838,332 was spent on recurrent expenditure, without the required authority from the Government to transfer the development funds to recurrent expenditure.

6. Investments

The investments balance of Kshs.467,283,000 reflected in the statement of financial position as at 30 June 2016 includes amounts 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-op 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 (16,900,000) which were acquired between 1975 and 1995.

Information available indicates that Chemilil Sugar Company, Kenya Grain Growers Co-op Union, Kenya Planters Co-op Union and Agro Chemical & Food Company with

the Corporation's investments totalling Kshs.218,478,572 are either in receivership or liquidation. The value of the investments in these companies is therefore doubtful and may not be recovered. However, no provision has been made in the financial statements for the diminution in value of the investments.

7. Receivables from Exchange Transactions

- (i) Trade and non-trade receivables from exchange transactions balances of Kshs.371,607,000 and Kshs.108,316,000, respectively disclosed under Note 17 to the financial statements includes an amount of Kshs.9,859,415 that has remained outstanding for a long period of time dating back to 1980. In addition, the management has not provided the analyses of the specific provision of Kshs.52,499,000 for bad and doubtful debts for audit review. Further, the basis for determining the general provision of Kshs.4,909,000 has not been explained.
- (ii) Included in the non-trade debtors figure of Kshs.108,316,000 is Kshs.3,782,739 described as lost cash. However, no documents have been produced showing the nature of loss and actions taken to recover the lost cash. In addition, the management has not explained what the Kshs.4,507,635 described as provision for obsolete items/loss on investments' represents.
- (iii) Verification of records revealed that lease rental receivables totalling Kshs.214,458,668 for the year under audit was omitted from the figure of receivables from exchange transaction balance of 479,923,000 as at 30 June 2016.

In view of the above, it has not been possible to confirm the completeness, accuracy and recoverability of receivables from exchange transactions and non-trade transactions figures of Kshs.371,607,000 and Kshs.108,316,000 respectively.

8. Grants

The consolidated statement of financial position reflects an amount of Kshs.1,742,616,000 under grants, and as disclosed under Note 26 to the financial statements includes an amount of Kshs.24,280,000 grants to a subsidiary. However, the financial statements of the subsidiary, Lands Limited, discloses an amount of Kshs.55,694,000 that is not supported with any documentary evidence. The resulting difference of Kshs.31,414,000 in respect of the grant to the subsidiary has not been explained.

9. National Livestock Project

The statement of financial position and as disclosed under Note 18 to the financial statements reflects an amount of Kshs.24,466,000 in respect of National Livestock Project account that is claimable from the Ministry by the Corporation. The project

started in 2006 when the Government granted ADC Kshs.198,000,000 to purchase livestock under the emergency off take programme in drought stricken arid areas. The Corporation incurred costs totalling Kshs.30,737,437 during the year on maintenance and daily running of the project operation. The following unsatisfactory matters have also been noted:

- (i) The project has been reporting losses over the years while a similar livestock enterprise under ADC is ever reporting profits.
- (ii) The current account balance of Kshs.24,466,00 is not supported by demand notes to the Ministry of Agriculture and as such it is not possible to confirm the validity and accuracy of the debt.
- (iii) The project did not prepare financial statements during the year, and as a result, it is not clear how the operating overheads were apportioned between ADC and the National Livestock Project. In addition, the state of financial performance and financial position of the project cannot be ascertained in absence of the financial statements.

10. General Expenses

- (i) The statement of financial performance for the year ended 30 June 2016 reflects an amount of Kshs.608,949,000 under general expenses (direct), which includes an amount of Kshs.18,458,000 disclosed as Board expenses in Note 12 to the financial statements. The Board expenses figure of Kshs.18,458,000 includes an amount of Kshs.274,938 paid out to a non-member of the Board, but charged to the Board expenses account contrary to Section 6 and 10 of the State Corporations Act, Cap 466.
- (ii) The Corporation also paid a director an amount of Kshs.493,927 as allowance for meeting the Cabinet Secretary for Treasury to facilitate funding. The Corporation did not, however, provide evidence to show that the expenditure complied with the Office of the President Circular REF:OP/CAB 17/34A of 14 January 2008 on payment of allowances or the State Corporations Act, on sitting allowances paid to Board members attending Board and Committee meetings.
- (iii) Records examined revealed that the Board held a special meeting on 31 March 2016 with the agenda of confirming the Minutes of a special meeting held the previous day, 30 March 2016 which resulted in the cost of Kshs.420,000. The Corporation has not justified the urgency to confirm the Minutes.
- (iv) The Board paid medical insurance cover of Kshs.104,919 for an appointee who did not take up the position. No evidence has been provided to show that the amount was refunded to the Corporation.

11. Revenue from Leases

As disclosed under Note 33 to the financial statements, the Corporation did not recognize revenue from leases of its Galana and Kulalu Ranches amounting to Kshs.214,458,668 during the year under review. This was occasioned by a dispute between the Corporation and the lessees, where the latter cited interruption on their operations by the Government through implementation of the Galana Kulalu Food Security Project. The Government apparently ordered the lessees to cease further undertakings on the land to pave the way for the project. The lessees went to court in 2014 and the matter is yet to be determined.

Qualified Opinion

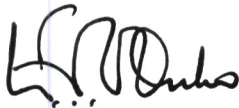
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Agricultural Development Corporation and its Subsidiary as at 30 June 2016, and of their financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Agricultural Development Corporation Act, Cap 444 of the Laws of Kenya.

Emphasis of Matter

(i) Going Concern

The statement of financial position as at 30 June 2016, reflects a negative working capital of Kshs.891,890,000 (2014/2015 – Kshs.818,804,000). The Corporation is therefore technically insolvent and its continued existence as a going concern is dependent upon financial support from the National Government, and its creditors.

My opinion is not qualified in respect of this matter.



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

Nairobi

29 May 2017

I. AGRICULTURAL DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30th June 2016

	Note	2015-2016 KSH '000'	2014-2015 KSH '000'
		<u>12 Months</u>	<u>15 Months</u>
Revenue from exchange transactions			
Rendering of services	1	16,516	49,092
Farming Income	2	845,608	826,094
Rental revenue from facilities and equipment	3	187,625	176,376
Finance income - external investments	4	80,625	89,007
Agency fees/ Management Fee	5	-	913
Other Income	6	93,906	109,680
		1,224,281	1,251,162
Total revenue		1,224,281	1,251,162
Expenses			
Employee costs (administrative Cost)	7	502,428	568,636
Depreciation and amortization expense	8	31,784	46,764
Repairs and maintenance	9	33,595	42,264
Subscription & Donations	10	1,052	1,482
Contracted services	11	90,592	113,605
General expenses (Direct Cost)	12	609,050	796,392
Finance costs	13	89,501	107,828
Total expenses		1,358,001	1,676,971
Other gains/(losses)			
Gain on sale changes Biological Assets	14	150,937	606,285
Loss on foreign Exchange transaction		(13)	73
Gain on sale of fixed assets	15	1,623	1,809
Surplus/ (Deficit) before tax		18,827	182,359
Taxation			
Surplus/ (Deficit) for the period		18,827	182,359

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

**I. AGRICULTURAL DEVELOPMENT CORPORATION
COMPANY STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 30 June 2016

	Note	2015-2016 KSH '000'	2014-2015 KSH '000'
		<u>12 Months</u>	<u>15 Months</u>
Revenue from exchange transactions			
Rendering of services	1	16,516	49,092
Farming Income	2	845,608	826,094
Rental revenue from facilities and equipment	3	187,625	176,376
Finance income - external investments	4	80,625	89,007
Agency fees/ Management Fee	5	598	913
Other Income	6	92,957	106,740
		1,223,930	1,248,222
Total revenue		1,223,930	1,248,222
Expenses			
Employee costs (administrative Cost)	7	499,857	565,958
Depreciation and amortization expense	8	31,615	46,536
Repairs and maintenance	9	33,595	42,264
Subscription & Donations	10	1,052	1,482
Contracted services	11	90,592	113,605
General expenses (Direct Cost)	12	608,949	795,674
Finance costs	13	89,041	107,203
Total expenses		1,354,701	1,672,722
Other gains/(losses)			
Gain on sale of assets (Biological Assets)	14	150,941	606,285
Loss on foreign Exchange transaction		(13)	73
Gain on sale of fixed assets	15	1,623	1,809
Surplus/ (Deficit) before tax		21,780	183,668
Taxation			
Surplus/ (Deficit) for the period		21,780	183,668


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

XII. AGRICULTURAL DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 June 2016

	Note	2015-2016	2014-2015
Assets		KSH '000'	KSH '000'
Current assets		12 Months	15 Months
Cash and cash equivalents	16	21,424	58,830
Receivables from exchange transactions	17	479,923	333,016
Current Account with National Live stock Project	18	24,466	30,477
Current account with Garrisa irrigation Project	19	-	10,854
Inventories	20	177,575	165,530
		703,388	598,707
Non-current assets			
Property, plant and equipment	21(a)	689,479	682,093
Capital Work In progress	21(c)	338,514	167,738
Investments	22	467,283	467,283
Biological Assets	23	1,460,327	1,340,779
		2,955,603	2,657,893
Total assets		3,658,991	3,256,600
Liabilities			
Current liabilities			
Trace & other payables-exchange transactions	24	1,595,278	1,417,511
		1,595,278	1,417,511
Non-current liabilities			
Grants	26	1,742,616	1,389,634
Borrowings (Loans)	27	394,439	432,061
Capital Reserve	28	12,775	12,775
		2,149,830	1,834,470
Total liabilities		3,745,108	3,251,981
Net assets		(86,116)	4,619
Reserves	29	447,701	447,701
Accumulated surplus/ (Deficit)		(533,818)	(443,082)
Total net assets and liabilities		3,658,991	3,256,600

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 16th November 2016 and signed on behalf of by:

.....
 Managing Director




 Chairman

04.05.2017

AGRICULTURAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at 31 June 2016

Assets	Note	2015-2016	2014-2015
Current assets		KSH '000'	KSH '000'
		12 Months	15 Months
Cash and cash equivalents	16	16,952	58,685
Receivables from exchange transactions	17	457,966	305,550
Current Account with National Live stock Project	18	24,466	30,477
Current account with Garrisa irrigation Project	19	-	10,854
Inventories	20	177,575	165,530
		676,959	571,096
Non-current assets			
Property, plant and equipment	21(b)	205,116	197,555
Capital Work In progress	21(c)	338,514	167,738
Investments	22	467,283	467,283
Biological Assets	23	1,460,327	1,340,779
Investment in Subsidiary- LANDS Ltd		31,434	31,434
		2,502,674	2,204,789
Total assets		3,179,633	2,775,885
Liabilities			
Current liabilities			
Trace & other payables - exchange transactions	24	1,592,958	1,415,311
		1,592,958	1,415,311
Non-current liabilities			
Current Account With Subsidiary- LANDS Ltd	25	555,262	556,761
Grants	26	1,718,336	1,365,354
Borrowings (Loans)	27	394,439	432,061
Capital Reserve	28	-	-
		2,668,037	2,354,176
Total liabilities		4,260,995	3,769,487
Net assets		(1,081,362)	(993,602)
Reserves			
Accumulated surplus/ (Deficit)		(1,081,362)	(993,602)
Total net assets and liabilities		3,179,633	2,775,885

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 16th November 2016 and signed on behalf of by:

.....

 Managing Director
 04/05/2017

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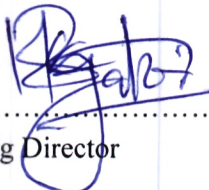
 Chairman
 04/05/2017

LANDS LTD
STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Assets	Note	2015-2016 KSH '000'	2014-2015 KSH '000'
Current assets		<u>12 Months</u>	<u>15 Months</u>
Cash and cash equivalents	16	4,472	145
Receivables from exchange transactions	17	21,957	27,466
		26,429	27,610
Non-current assets			
Property, plant and equipment		484,363	484,538
Current Account with Parent Co.	25	555,262	556,761
		1,039,625	1,041,299
Total assets		1,066,054	1,068,909
Liabilities			
Current liabilities			
Trace & other payables -exchange transactions	24	2,320	2,200
		2,320	2,200
Non-current liabilities			
Grants		55,694	55,694
Total liabilities		58,014	57,894
Net assets		1,008,040	998,220
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Capital Reserve	28	12,775	12,775
Reserves		447,701	447,701
Accumulated surplus/ (Deficit)		547,544	550,519
Total		1,008,040	1,011,015
Total net assets and liabilities		1,066,054	1,068,909

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 16th November 2016 and signed on behalf of by:



 Managing Director



 Chairman

XIII. AGRICULTURAL DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Grants	Capital Reserves	Revaluation Reserve	Profit/ Loss	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 1st April 2014	1,110,490	12,775	447,701	(625,441)	945,525
Addition	279,144	-	-	-	279,144
Transfers to/from accumulated surplus/Deficit	-	-	-	182,359	182,359
Balance as at 30 June 2015	1,389,634	12,775	447,701	(443,082)	1,407,028
Adjustments				(109,563)	(109,563)
Addition	352,982	-	-	-	352,982
Transfers to/from accumulated surplus/Deficit	-	-	-	18,827	18,827
Balance as at 30 June 2016	1,742,616	12,775	447,701	(533,818)	1,669,274

**XIV. AGRICULTURAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS**

	Note	2015-2016	2014-2015
Cash flows from operating activities			
Surplus for the year		18,827	182,359
Adjustments for:			
Depreciation of property and equipments	8	31,784	46,764
Profit on Disposal of fixed assets	15	(1,623)	(1,809)
Management fees	5	-	(913)
Revaluation in fair value of biological assets	14	(150,937)	606,285
Rent income	3	-	(176,376)
		<u>(101,949)</u>	<u>656,309</u>
Operating profit before working capital changes			
Increase/(decrease) in:			
Debtors		(146,907)	19,153
Inventories		(12,045)	6,902
Biological assets		(119,190)	(660,153)
Injection to National livestock project		6,011	(30,477)
Borrowings		37,622	0
Creditors		177,767	254,883
		<u>(56,743)</u>	<u>(409,691)</u>
Cash generated from operations		<u>(158,692)</u>	<u>246,618</u>
Cash flows from investing activities			
Dividend received	4	80,625	59,088
Purchase of fixed assets	21(a)	(16,423)	(13,217)
Garissa irrigation project	19	(41,253)	(10,854)
Rental income	3	187,625	36,376
Purchase of Livestock		(358)	-
Caital WIP	21(c)	(170,776)	-
Proceeds from sale of assets	15	4,503	2,641
Net cash flows used in investing activities		<u>43,943</u>	<u>74,034</u>
Cash flows from financing activities			
Loan and interest repayment		(177,841)	(133,547)
Government Grants		255,184	-
		<u>77,344</u>	<u>(133,546)</u>
Net increase in cash and cash equivalents		<u>(37,406)</u>	<u>187,103</u>
Beginning of period		<u>58,830</u>	<u>(128,273)</u>
Net increase in cash and cash equivalents	16	<u>(37,406)</u>	<u>187,103</u>
Cash at the end		<u>21,424</u>	<u>58,830</u>

VX. AGRICULTURAL DEVELOPMENT CORPORATION

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Budget	Actual	Variance
	2015-2016	2015-2016	
	Kshs '000	Kshs '000	Kshs '000
Revenue			
Rendering of services	181,576	16,516	165,060
Farming Income	1,156,661	845,608	311,053
Rental Income	84,029	187,625	(103,596)
Investment Income	71,714	80,625	(8,911)
Management Fees	838	-	838
Sale of Land	-	-	-
other incomes	395,650	93,906	301,744
	1,890,468	1,224,281	666,187
Expenses			
Employees cost	527,272	502,428	24,844
Depreciation and amortaization	45,568	31,784	13,784
Repair and maintainance	42,896	33,595	9,301
Subscription & Donation	3,580	1,052	2,528
Contracted Services	25,780	90,592	(64,812)
General Expences	1,020,387	609,050	411,337
Finance Costs	54,667	89,501	(34,834)
Total expenditure	1,720,150	1,358,001	362,149
Surplus for the period	170,318	(133,720)	304,038

I. NOTES TO THE FINANCIAL STATEMENTS

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

The corporation's financial statements have been prepared in accordance with and in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Corporation 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.

The Financial statements include comparison figures for the year 2014/2015 which were for fifteen months period from 1st April 2014 to 30th June 2015, this was as a result of a change in reporting period to conform with the provision of Public Finance Management Act of 2012.

Reporting Corporation

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

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

Land	Nil
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 21st 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.

B. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Revenues from non-exchange are recognized when it is probable that the economic benefits or services potential associated with the asset will flow to the Corporation and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the assets if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Corporation and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Corporation has three service units Engineering service, Farm Advisory Management Services (FAMS) and Agribusiness. Engineering services unit deal with repair of equipments and fabrication of farm implements. During the year Ksh 15,948,626 was realized from the unit in completed contracts.

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 Corporation.

Dividends and Other external Investments

Dividends or similar distributions are recognized when the shareholder's or the Corporation's right to receive payments is established. The Corporation receives dividends from Kenya Seed Company where it has a 52% shareholding. Further, the Corporation has a joint ownership of the Development with Agricultural Development Corporation where process on the ranted space is shared on equally.

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 Corporation. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Corporation 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 Corporation 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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. 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 Corporation 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 Corporation.

h) Provisions – IPSAS 19

Provisions are recognized when the Corporation 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 Corporation 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 Corporation did not have any contingent liability. However, in case of any contingencies details are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

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

j) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements. Corporation has got capital reserves from Agricultural settlement fund and revaluation reserves from revolution of land.

k) Changes in accounting policies and estimates – IPSAS 3

The Corporation 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 Corporation provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the Corporation pays fixed contributions into a separate Company (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 Include interest, amortization of discounts or premiums on borrowing, and amortization of ancillary costs incurred in the arrangements of borrowing. The Corporation adopts expenses model where borrowing costs are charged to expenses in the period when they are incurred.

n) Related parties – IPSAS 20

The Corporation 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 Corporation, or vice versa. Members of key management are regarded as related parties and comprise of the Board of directors, Managing Director and senior managers

o) Service concession arrangements – IPSAS 32

The Corporation 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 Corporation 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 Corporation 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 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 staff 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 included.

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

The preparation of the Corporation'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.

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 Corporation 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 Corporation. 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 Corporation
- 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

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 30th June 2015.

1. Rendering of services

	<u>Consolidated</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contract Income	12,953	42,550	12,953	42,550
Transport Income	3,564	6,542	3,564	6,542
Other				-
Total Revenue From the Rendering of Services	16,516	49,092	16,516	49,092

2. Farming Income

	<u>Consolidated</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Farm Produce	657,283	622,302	657,283	622,302
Sale of livestock	98,609	106,897	98,609	106,897
Sale of Animal Products	82,614	86,801	82,614	86,801
Sale of Hay	5,787	7,859	5,787	7,859
Grazing fees	1,315	2,235	1,315	2,235
Total Revenue From the Sale of Goods	845,608	826,094	845,608	826,094

3. Rental Revenue from Facilities and Equipment

	<u>Consolidated</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Lease Rental	56,829	60,997	56,829	60,997
Rent of Property	128,706	113,180	128,706	113,180
Others	2,090	2,200	2,090	2,200
Total rentals	187,625	176,376	187,625	176,376

4. Finance Income - External Investments

	<u>Consolidated</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Dividend and Proceeds from Development house	80,625	89,007	80,625	89,007
Total finance income – external investments	80,625	89,007	80,625	89,007

5. Management fees relates to fees charged by acC to Land Ltd (Wholly owned subsidiary)

	<u>Consolidated</u>		<u>Company</u>		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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	-	913	598	913	-	-

6. Other income	Consolidated		Company		Lands Ltd	
	2016	2015	2016	2015	2016	2015
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Sale of Feeds	54,048	55,241	54,048	55,241	-	-
Sale of seed Maize	25,191	26,353	25,191	26,353	-	-
Miscellaneous Income	14,667	28,086	13,718	25,146	949	2,900
Total other income	93,906	109,680	92,957	106,740	949	2,900

7. Employee costs	Consolidated		Company		Lands Ltd	
	2016	2015	2016	2015	2016	2015
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Salaries	111,340	121,162	110,191	119,976	1,149	1,149
Wages	168,374	191,911	168,374	191,911	-	-
NSSF	2,530	6,061	2,522	6,052	7	-
Leave Expenses	2,027	2,350	2,015	2,337	12	-
House allowance	61,183	70,820	60,333	69,999	850	850
Commuter allowance	10,300	12,978	10,027	12,641	274	300
Responsibility allowance	9,382	11,440	9,282	11,350	100	-
Gratuities	15,903	18,100	15,903	18,100	-	-
Terminal dues	4,883	4,885	4,883	4,885	-	-
Administrative wages	45,740	58,074	45,740	58,074	-	-
Pension contribution	12,252	12,806	12,071	12,629	181	181
Acting Allowance	884	1,065	884	1,065	-	-
Attachment Allowance	-	750	-	750	-	-
Hardship Allowance	1,961	1,425	1,961	1,425	-	-
Duty Allowance	2,725	3,164	2,725	3,164	-	-
Education & training	2,309	181	2,309	181	-	-
Medical expenses	19,716	13,664	19,716	13,619	-	-
Free Issues to staff	5,317	-	5,317	-	-	-
Travel, accomodation, subsistence and other	25,602	37,799	25,602	37,799	-	-
Employee costs	502,428	568,636	499,857	565,958	2,571	2,600

8. Depreciation and amortization expense	Consolidated		Company		Lands Ltd	
	2016	2015	2016	2015	2016	2015
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Property, plant and equipment	31,784	46,764	31,615	46,536	168	200
Investment property carried at cost	-	-	-	-	-	-
Total depreciation and amortization	31,784	46,764	31,615	46,536	168	200

9. Repairs and maintenance	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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	7,816	7,349	7,816	7,349	-	-
Machinery & Equipment	14,263	19,989	14,263	19,989	-	-
Vehicles	11,517	14,927	11,517	14,927	-	-
Total repairs and maintenance	33,595	42,264	33,595	42,264	-	-

10. Subscription and Donations	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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	1,052	1,482	1,052	1,482	-	-

11. Contracted services

Contract Services relate expenditure incurred on contracts for Ploughing, harrowing, Planting and spraying. During the year the Corporation outsourced over 80% of its land preparation in a view of cutting down on these costs.

11. Contracted services	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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	90,592	113,605	90,592	113,605	-	-
Total contracted services	90,592	113,605	90,592	113,605	-	-

12. General Expenses

The following are included in general expenses:

12. General Expenses	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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 publications	9,254	8,320	9,254	8,320	-	-
Audit fees	1,186	1,186	1,066	1,066	120	120
Consulting fees	387	490	387	490	-	-
Consumables	11,163	13,914	11,163	13,914	-	-
Electricity & Water	8,699	10,618	8,699	10,618	-	-
Fuel and oil	54,493	94,706	54,493	94,706	-	-
Insurance	29,626	42,871	29,626	42,871	-	-
Legal expenses	50,994	8,372	50,994	8,372	-	-
Licenses and cesses	6,912	4,346	6,912	4,346	-	-
Fertilizer	101,072	175,351	101,072	175,351	-	-
Herbicides, Insecticides, Veterinary & O	111,184	174,920	111,184	174,920	-	-
Feed stuffs & Menerals	31,753	33,100	31,753	33,100	-	-
Packing materials	13,985	13,519	13,985	13,519	-	-
Board Expenses	18,458	8,363	18,458	8,363	-	-
Seed	52,552	50,655	52,552	50,655	-	-
Raw Marterials -Feedmill	67,120	64,987	67,120	64,987	-	-
Postage & Telephone	3,138	3,819	3,138	3,819	-	-
Printing and stationery	5,691	4,670	5,691	4,670	-	-
Rent & Rates	162	8,422	162	8,422	-	-
Security costs	1,219	2,134	1,219	2,134	-	-

Inspection Fees	7,856	8,308	7,856	8,308	-	-
Training Costs- AI Center	710	1,185	710	1,185	-	-
Professional Fees	2,289	2,573	2,289	2,573	-	-
Fines and penalties	26	35,446	26	35,446	-	-
Transport	13,927	14,345	13,927	14,345	-	-
Research Expenses	614	2,801	614	2,801	-	-
Milk To Calves	2,822		2,822		-	-
Other	1,756	6,971	1,756	6,373	598	598
Total General Expenses	609,050	796,392	608,949	795,674	718	718

13. Finance Costs	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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	1,339	3,362	880	2,737	460	6,373
Interest - bank overdraft	-	8,878	0	8,878	-	-
Interest - others	88,162	95,588	88,162	95,588	-	-
Total finance costs	89,501	107,828	89,041	107,203	460	6,373

14. Change in Biological Assets

In line with Accounting Standards No.41, the Corporation biological assets increased by Ksh 150,937M during the year arising from changes in fair value.

	<u>2016</u>	<u>2015</u>
Livestock	4,378	15,270
Crops	146,559	591,015
Total	150,937	606,285

15. Gain on Sale of Assets

	<u>Motor Veh & Tractors</u>
Cost	22,768
Acc. Depreciation	(19,887)
NBV	2,881
Sales Proceeds	4,503
Total Gain on Sale of Assets	1,623

16. Cash and Cash Equivalents	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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>
16 a)Bank						
Name of the Bank						
Consolidated Bank	596	-	596	-	-	-
National Bank	15,637	45,475	11,165	45,330	4,472	14,472
Kenya Com Bank	4,615	13,059	4,615	13,059	-	-
	20,847	58,534	16,375	58,389	4,472	14,472
16b)Cash-on-hand	577	296	577	296	-	-
Total Cash and Cash Equivalents	21,424	58,830	16,952	58,685	4,472	14,472

17. Receivables from Exchange Transactions

Current receivables

	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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>
Trade Debtors	429,015	280,033	407,044	252,552	21,972	27,400
Specific provision	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(500)
General Provision	(4,909)	(4,909)	(4,909)	(4,909)	-	-
Total Current Receivables	371,607	222,624	350,172	195,681	21,435	26,900
Non- Trade Debtors						
	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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>
Non - Trade	108,316	110,392	107,794	109,869	522	500
Total Receivables	479,923	333,016	457,966	305,550	21,957	27,400

18. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation Incurred costs to a total of Kshs.30,734,437 on maintenance and daily running of the projects operation.

	<u>2016</u>	<u>2015</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
NLP Current Account	222,466	228,477
Grants	(198,000)	(198,000)
TOTAL	24,466	30,477

19. Current account with Garrisa

The Government of Kenya in promoting Agriculture in Arid areas provided Kshs. 97,798,000 to ADC to run the project, during the year the Corporation incurred 12M to sustain operations in the project. Further, The project stalled and there has been no activity in the project and costs incurred is for maintenance and the security. However, during the year under review the unit's assets were merged and included in the Corporations Financial Statements.

	<u>2016</u>	<u>2015</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Garrisa Current Account	-	108,652
Grants	-	(97,798)
TOTAL	-	10,854

Note: Garrisa irrigation project was included in the consolidated financial statements as a Unit of the Corporation

20. Inventories	<u>2016</u>	<u>2015</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Building materials	1,937	2,019
Fencing & Water Supplies	8,071	5,504
Fertilizer	36,353	11,893
Feedstuffs & Minerals	1,644	1,087
Herbicides & Insecticides	19,184	12,808
Packing Materials	2,636	27,429
Petroleum Products	2,170	2,693
Machinery & Equipment Spares	7,755	5,314
Vehicles & Tractor Spares	10,231	6,355
Veterinary Products	2,432	9,685
Seeds	8,215	18,578
Sundries	2,991	2,328
Feedmill Raw Materials	1,796	7,820
Feedmill Finished products	1,082	3,700
Stationery	1,312	4,134
Laboratory Chemicals	800	693
Lubricants	10	10
Embryo Transfer	336	113
ADC Seed	40,347	27,949
Harvested Crops	33,455	20,453
Provision for Obsolete stock	(5,184)	(5,035)
Total	<u>177,575</u>	<u>165,530</u>

21(a). PROPERTY PLANT & EQUIPMENT

COST	Leased Farms	Farms Managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture & Equipmen ^t	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 2014	454	521,513	99,828	54,609	288,668	44,907	452,518	3,730	8,465	1,474,692
Adjustment	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	127	5,873	2,365	111	287	667	9,430
Disposals	-	-	-	-	(1,328)	(50)	(7,276)	-	-	(8,654)
At 30th June 2015	454	521,513	99,828	54,736	293,213	47,222	445,353	4,017	9,132	1,475,468
Additions	-	-	1,256	13,902	898	42	-	36	-	16,134
Adjustment	-	-	25,853	-	2,377	1,091	11,843	44	45	41,253
Disposals	-	-	-	-	-	-	(22,768)	-	-	(22,768)
At 30th June 2016	454	521,513	126,937	68,639	296,488	48,355	434,428	4,097	9,177	1,510,088
DEPRECIATION										
At 1st April 2014	185	-	53,325	49,600	222,703	35,113	384,459	3,614	5,384	754,384
Charge for the year	7	-	2,906	642	17,852	3,038	21,180	252	937	46,814
Adjustment Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(900)	(44)	(6,880)	-	-	(7,824)
At 30th June 2015	192	-	56,231	50,242	239,655	38,107	398,759	3,866	6,321	793,374
Charge for the year	7	-	3,483	507	11,187	2,041	13,889	98	571	31,784
Adjustment Depreciation	-	-	1,038	13,325	898	42	-	36	-	15,339
Disposals	-	-	-	-	-	-	(19,887)	-	-	(19,887)
At 30th June 2016	199	-	60,752	64,074	251,741	40,190	392,761	3,999	6,892	820,609
NET BOOK VALUE										
At 30th June 2016	255	521,513	66,185	4,564	44,747	8,165	41,667	98	2,285	689,479
At 30th June 2015	262	521,513	43,596	4,494	53,557	9,114	46,595	151	2,811	682,093

NOTE: The adjustments are the brought down balances from Garissa irrigation project after on consolidation

21(b). PROPERTY PLANT & EQUIPMENT

COST	Farms managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture &Equipmen t	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'
At 1st April 2014	37,910	99,828	54,609	288,668	44,907	447,118	3,730	8,465	985,235
Adjustments	-	-	-	-	-	-	-	-	-
Additions	-	-	127	5,873	2,365	111	287	667	9,430
Disposals	-	-	-	(1,328)	(50)	(7,296)	-	-	(8,674)
At 30th June 2015	37,910	99,828	54,736	293,212	47,222	439,933	4,017	9,132	985,991
Adjustments	-	1,256	13,902	898	42	-	36	-	16,134
Additions	-	25,853	-	2,377	1,091	11,843	44	45	41,253
Disposals	-	-	-	-	-	(22,736)	-	-	(22,736)
At 30 June 2016	37,910	126,937	68,639	296,489	48,355	429,040	4,096	9,177	1,020,642
DEPRECIATION									
At 1st April 2014	-	52,965	49,600	222,703	35,113	379,937	3,613	5,384	749,679
Charge for the year	-	2,929	642	17,852	3,038	20,885	252	937	46,535
Adjustments Depreciation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(900)	(44)	(6,836)	-	-	(7,779)
At 30th June 2015	-	55,894	50,242	239,656	38,108	393,986	3,865	6,321	788,435
Charge for the year	-	3,500	1,840	11,367	2,041	12,204	116	571	31,639
Adjustments Depreciation	-	1,038	13,325	898	42	-	36	-	15,339
Disposals	-	-	-	-	-	(19,887)	-	-	(19,887)
At 30th June 2016	-	60,433	65,406	251,921	40,190	386,303	4,017	6,892	815,526
NET BOOK VALUE									
At 30th June 2016	37,910	66,504	3,232	44,568	8,165	42,737	80	2,285	205,116
At 30th June 2015	37,910	43,934	4,494	53,557	9,114	45,947	151	2,811	197,555

NOTE: The adjustments are the brought down balances from Garissa irrigation project after on consolidation

21(c). Capital Work In Progress

Relates to in-complete capital works .

	<u>2016</u>	<u>2015</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Chorlim (Construction of store & Eco housing)	1,022	601
Japata (Fencing, store & Eco housing construction)	-	1,211
Nai (Eco housing construction)	292	689
Olingantongo (Eco housing construction)	1,152	2,858
Sabwani (Zero grazing & Eco housing construction)	1,055	1,301
Feedmill (construction of Reject maize shade)	1,157	1,157
Suam Orchards (Dam)	22,951	22,399
Katuke	13	13
A I Centre (Construction of a kitchen)	233	203
Kiswani (Bush clearing)	-	5
Lanet - Repair and maintenance	-	31
Headoffice (Construction Bull station)	298,136	114,893
Galana	572	39
Machinery pool (Construction of a shade)	266	266
Molo (Construction of green houses)	-	17,087
Sirikwa	3,596	-
Seed Unit(Construction of a Godown)	8,068	4,983
	<u>338,514</u>	<u>167,738</u>

22. Investments

	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>
Opening balance at 1 April 2014	467,283	467,283
Additional investments made	-	-
Fair value increase	-	-
At 30th June 2015	<u>467,283</u>	<u>467,283</u>
Additional investments made	-	-
Fair value increase	-	-
At 30 June 2016	<u>467,283</u>	<u>467,283</u>

23. Biological Assets

	<u>2016</u>	<u>2015</u>
Beef Cattle	261,148	255,266
Dairy Cattle	127,955	133,290
Pigs	1,336.40	1,260
Sheep	14,567	12,123
Goats	12,456	10,642
Horses	380	530
Dogs	55	50
Crops	1,042,431	927,618
TOTAL	<u>1,460,327</u>	<u>1,340,779</u>

Crops include bearer plants categorized as below;

Crops (Maize, Wheat, Potatoes)	229,567
Citrus Plantation	15,701
Coffee Plantation	15,817
Forest Cover	772,336
Grass (For hay)	9,009
	1,042,430

24. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs.'000'</u>	<u>Kshs.'0</u>
Trade Creditors	816,797	784,453	816,797	784,453	-	
Non-trade creditors	<u>778,481</u>	<u>633,059</u>	<u>776,161</u>	<u>630,859</u>	<u>2,320</u>	<u>2,21</u>
Total trade and other payables	<u>1,595,278</u>	<u>1,417,511</u>	<u>1,592,958</u>	<u>1,415,311</u>	<u>2,320</u>	<u>2,6</u>

25. Current Account- Lands Ltd

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

26. Grants	<u>2016</u>	<u>2015</u>
	<u>KShs'000s</u>	<u>KShs'000s</u>
Government of Kenya	1,497,329	1,144,347
British Government	67,582	67,582
ASARECCA	1,898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
Grants to ADC	<u>1,718,336</u>	<u>1,365,354</u>
Grants to subsidiary	24,280	24,280
ADC and Subsidiary	<u>1,742,616</u>	<u>1,389,634</u>

27. Borrowings

	<u>2016</u>	<u>2015</u>
	<u>Shs 000</u>	<u>Shs 000</u>
Consolidated Bank Loan A/C -New	-	9,777
AFC Livestock Loan	19,067	35,625
AFC Crop Seasonal Loan	-	60,000
KCB TERM IV LOANS	375,372	326,659
Total non-current borrowings	<u>394,439</u>	<u>432,061</u>

28. 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.

29. Revaluation Reserve

Revaluation reserves relates to a revaluation surplus on two farms LR. Nos. 5337,5345,8855/3,0297,5345/2,5345/3,0055/R in ADC Ol'ngatongo Farm and L.R No. 2043/2 ADC Sabwani

30. Related Party Transaction

	Consolidate		Company		Lands	
	2016	2015	2016	2015	2016	2015
I) Board members of the Corporation	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Honoraria	480	903	480	903	-	-
Sitting Allowances	4,074	3,038	3,892	2,786	182	252
Nightout	6,588	1,994	6,516	1,929	73	65
Training	720	-	720	-	-	-
Other (Medical,Mileage)	6,596	11,030	6,521	11,030	75	-
	18,458	16,966	18,128	16,649	330	317

ii) Key Management

	Consolidate		Company		Lands	
	2016	2015	2016	2015	2016	2015
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Gross Salary	18,959	26,631	18,959	26,631	-	-
Pension	5,399	4,535	5,399	4,535	-	-
Gratuity	2,984	3,763	2,984	3,763	-	-

31. Contigent Liabilities

There are certain pending legal litigations brought against the Corporation as at 30th June 2016. In the opinion of the directors and after taking appropriate legal advice the outcome of the legal claims will not result to any significant loss beyond the amounts provided for in these financial statements.

32. Events after the reporting period

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

33. Other Disclosures

During the year the corporation did not recognize revenue from leases in its Galana and Kulalu Ranches amounting to ksh. 214,458,668 This was occasion by a dispute between the Corporation and Lessees where the later cited interruption on their operation by the Government wherethrough the implimentation of Galana Kulalu Food Security Project, the Government orded them to cease further undertakings on the land. Some of these lessee have moved to court and we are awaiting the outcome of these cases.

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)
1.1	<p>Cash and cash Equivalents The cash and cash equivalents figure of Kshs 58,830,000 as disclosed under note 18 to the accounts differs with the net increase in cash and cash equivalents figure of kshs. 187,103,000 disclosed in the statements of cashflow by unreconciled variance of negative Kshs. 128,273,000. In addition, the cash and cash equivalents figure of nKshs. 58,830,000 as disclosed under note 18 to the accounts differs with the figure in the schedule provided for audit verification of Kshs. 62,925,000 Under the circumstances, it is not possible to confirm the accuracy of cash and cash equivalents figure of Kshs.58, 830,000 as at 30 June 2015.</p>	<ul style="list-style-type: none"> The presentation of the cashflow statement will be revised to present to have the cash and cash equivalent 	Financial Account	Resolved	30 th June 2016
2.1	<p>Repossessed Land As previously reported, included in property, Plant and Equipment balance of 682,093,000 are Farms Managed by ADC valued at Kshs. 37,910,000. These farms, referred to as ADC Private Forest Ndabibi L.R. Nos 7281/3 20591/86, were in respect</p>	<ul style="list-style-type: none"> In the 18th 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 	Anthony Ademba (Ag. Company Secretary)	Not Resolved	31 st December 2017

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>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 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 Corporation's land at Ndabibi had not been finalized as at 30th June 2016. 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 valued at Kshs. 521,513,000 as at 30th June 2016 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 effects it will have on the operations of the Corporation in fulfilment of its mandate</p>	<p><i>of the two farms Ndabibi and Molo. The corporation is still awaiting this report to enable completion of the transfer of property and issuance of title deed.</i></p> <ul style="list-style-type: none"> • <i>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</i> • <i>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 & Housing. This Certificate of Title will then be transferred to the owner of Asante Farm in exchange for the title of Asante Farm 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> 			

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)
2.2	<p>Capital Work-in-progress As reported during 2013/2014 financial year and as noted under Note 23 (c) to the accounts, the capital work-in-progress figure of Kshs. 167,738,000 includes Kshs. 9,978,000 the cost of a construction project at Suam Orchard in Kitale started in the year 2006. In addition, the capital-work-in Progress includes amounts totalling to Kshs. 4,536,086 relating to projects that have remained idle for the last five (5) Year. The current valuation of the projects has not been carried out. Consequently, in light of the above observations, it was not possible to confirm the carrying value of the capital works in progress reflected in the financial statements of Kshs. 167,738,000 as a 30th June 2016.</p>	<p>The corporation has had financial constraints to facilitate completion of these projects. However, efforts have been made to complete most of the projects especially the Eco-houses to make them habitable and we in the process of evaluation for possible issuance of completion certificate to facilitate capitalization.</p>	<p>Mr. Maxwell Mugonyi(Head of Business Development)</p>	<p>Not Resolved</p>	<p>31st December 2016</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)
3	<p>Gain on Change in biological Assets As previously reported a gain on biological assets of Kshs. 167,738,000 was reported in the financial statement. And, although the management has explained that this is attributed to the growth in the herd of animals and valuation of crops in the fields, no documentary evidence has been provided for verification showing that the valuation was done in accordance with the provisions of paragraph 16 of the International public Sector Accounting Standard (IPSAS) No.27</p>				
4	<p>Trade and other payables i) As previously reported the trade and other payables balance of Kshs. 1,417,511,000 as disclosed under Note 26 to the accounts includes trade and non-trade creditor figure of Kshs.784,453,000 and Kshs. 633,059,000 respectively. The non-trade balance includes an outstanding audit fees amounts of Kshs. 15,386,000 which has been outstanding since 1995 contrary to the requirements of Section 19(1) of Public Audit Act, 2003</p> <p>The amounts also includes unremitted statutory deductions of Kshs. 18,953,270, Kshs 32,326,316, Kshs.</p>	<ul style="list-style-type: none"> • <i>These outstanding debt and liabilities have accumulated over the years when the Corporation was financially constrained. The Corporation has commenced clearing the debts on installments as follows:-</i> • <i>National Social Security Fund(NSSF)This relates to unremitted deductions, with special and statutory and penalties charged thereon. In 2014/15 the Corporation entered into a repayment arrangement with NSSF in which Kshs.</i> 	Financial Controller	Not Resolved	30 th June 2017

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>35,054,576 and Kshs. 53,109,530 in respect of PAYE, NSSF, Pension and Agdeco society deductions respectively, dating back to 1998. Also included in the trade and other payables are amounts of kshs. 83,123,650 and Kshs. 153,120,371 under provision for gratuities, wages control and sundry creditors that are not supported with analysis and it is not clear what the figures represent.</p>	<p><i>1.1m is paid on a monthly basis</i></p> <ul style="list-style-type: none"> • <i>Pension Scheme This relates to un-remitted pension deductions to ADC Pension Scheme. A repayment arrangement has been agreed with Zimele Assets Managers – who are the Scheme Administrators in which Corporation is paying Kshs. 300,000 towards the arrears while remitting the current deductions.</i> • <i>On Agedco Saving and Credit Society The Corporation is paying Kshs. 1m to liquidate the outstanding amount in addition to paying the current deductions.</i> • <i>Outstanding Audit Fees. The Corporation through Ref: MD/1/C/WKK made a request for consideration to waive 50% of this debt we are still awaiting the response. For the other creditors, the Corporation continues to make payment on first in first come basis but where it is unable to settle the amount in full due to financial challenges we enter into a repayment</i> 			

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)
		<i>program with the creditors in order to ensure continued supply of goods and services</i>			
(ii)	<p>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 supplied and which includes Kshs97,561,000 being interest charged at the rate of 18% per annum based on the number of days in default. No evidence has been provided showing the computation of the interest amount charged.</p>	<i>This interest is charged on invoices that remain unpaid. A schedule of computation of this interest has been provided.</i>	Expenditure Accountant	Resolved	
5	<p>Loss of Fertilizer As previously reported, the Corporation lost a sum 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 bankers' cheques which had to be confirmed before the sale. The Corporation however adopted the direct bank</p>	<p><i>These cases were heard and judgment delivered on 28th April 2011 where the court in its wisdom acquitted the accused persons under Sec. 215 of criminal procedure. The judge Mr. Shiundu in his ruling observed that the burden of prove lies with the prosecution, and that the prosecution did not prove their case against the accused persons beyond reasonable doubt. The investigating officer and a crucial witness in this case were not called in to testify and his evidence/testimony was to produce in court the falsified or forged documents. On the 1st accused Isaack</i></p>	Anthony Ademba(Ag. Company Secretary)	Not Resolved	31 st December 2016

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>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 acquitted, a warrant of arrest is still in force for one of the accused who absconded during the trail and has not been effected.</p> <p>Consequently, and until the matter has been concluded, the recoverability of the loss of Kshs. 24,447,500 remains unresolved</p>	<p><i>Kiprop Chuma who absconded ADC has been following up the matter with the Eldoret Divisional C.I.D who has since promised to put in concerted efforts in ensuring that Mr. Isaack who absconded during trail is arrested and thereafter arraigned in court as directed by the judge in his ruling. Attached is a copy of the judgment.</i></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)
6	<p>Investments The statements of position as at 30th June 2015 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 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, during the year, the Corporation earned Kshs. 89,007,000 as dividends on investments property whereas no dividend income was earned during the 2013/2014 financial year. No justification has been provided. Available information further show that chemelil sugar Company, Kenya Grain Growers Co-Operative Union, and Agro Chemicals & Food Company are either in receivership of facing liquidation</p>	<p>As disclosed in the financial statements under note 35. The Corporation did not provide for dividend due to a change in dividend policy by Kenya Seed Company as the company pays dividend as a percentage of profits for the year contrary to the earlier policy where the company adopted a fixed dividend policy.</p> <p>The Corporation upon Information that Kenya Co-operative creameries is now wholly owned by the Government as the New KCC did a 100% provision for amortization of its share in KCC hence writing them off.</p> <p>For the other companies the corporation is hopeful that some of the companies that have since been restructured will turn around</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)
7	<p>Receivables from exchange Transactions As previous reported and as disclosed under Note 19 to the accounts, included under receivables from exchange transaction figure of Kshs. 222,625,000 and Kshs. 110,256,000 respectively which have remained outstanding for a considerable long time dating back to 1980. In addition, the management has not provided the analysis of the specific provision for bad and doubtful debts figure of Kshs.52,499,000 for audit verification. Also included in the non-trade debtors figure of Kshs.110,392,000 is an amount of Kshs. 3,640,572 described as lost cash. However, no documents have been produced showing the nature of loss and actions in place to recover the lost cash.</p> <p>In view of the above, it has not been possible to confirm recoverability of receivables from exchange transactions and non-trade transaction figures of Kshs. 222,624,000 and Kshs. 110,392,000 respectively as at 30 June 2015. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.</p>	<p><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 collectors for recovery. We have further instructed the debt collector to pursue legal course to ensure full recovery of the balance of Kshs. 66,665,012.76. The other debtors amounting to Kshs. 25,045,364.24 considered unrecoverable due to age of the debt will be forwarded to the Board of Directors for approval to write them off.</i></p>	Morrison Andwati (Chief Accountant)	Not Resolved	30 th June 2017

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)
8	<p>National Livestock Project The statement of financial position and as disclosed under Note 20 to the accounts reflects an amount of Kshs. 30,477,000 in respect of National Livestock project account that is claimable from the Ministry by the Agricultural development Corporation. The project started in 2006 when the Government granted ADC Kshs 198,000,000 to purchase livestock under the emergency off take programme in drought stricken arid areas. The Corporation incurred costs totalling Kshs 30,737,434 during the year on maintenance and daily running of the project operation. However, the following anomalies were noted:-</p> <ul style="list-style-type: none"> i) Projects normally have a lifespan but the duration of this project has been running and the manner of operations defy the definition of a project ii) The project has been reporting losses over the years while a similar Livestock enterprise under ADC is ever reporting profits. iii) The current account balance of Kshs. 30,734,000 is not supported by demand notes to the ministry of 	<p><i>The management has engaged the ministry of Agriculture for a way forward on this project. We have proposed the corporation takes over the remaining animals and close the project to enable us include the herd into the corporation assets effectively absorbing the amount owed by the Ministry.</i></p> <p><i>The increase in the value of the herd was due to a change in valuation policy where by the animals were valued based on a percentage of the current market prices.</i></p>	Financial Controller	Not Yet	30 th June 2017

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>Agriculture and as such it is not possible to confirm the debt.</p> <p>iv) The running costs for the project appears too high and it is not clear how the operating overheads are apportioned between ADC and the Livestock Project.</p> <p>v) The National Livestock Project financial statements reflect Biological Assets of Kshs. 114,976,980 from 36,376,280 reported in the previous year. Given that there were sales in the year amounting Kshs. 14,081,108 and that there were no purchases during the year it is still not clear how the value of Kshs. 114,976,980 was arrived at.</p>				
9	<p>General Expenses Included under General expenses is kshs. 8,363,000 in respect of the Board expenses. However, audit verifications revealed that the an amount of Kshs.236,000 was paid to staff members of the corporation as sitting allowances and lunches centrally to Section 10 of the State Corporation Act, Cap 446 of the laws of Kenya. Management has not provided justification for this irregularity. The General Expenses also</p>	<p><i>These allowances were paid to top management who were sitting in the Board of Lands Ltd(a wholly owned subsidiary of ADC). Upon recommendation by the audit team, correction was made and the amount charged to staff travel and accommodation.</i></p> <p><i>The NSSF penalties were charged on unremitted amount that accrued that dated back to 1996 when the Corporation was undergoing serious</i></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)
	include Fines and penalties amounting Kshs. 35,446,000 paid to NSSF following a courts order for failure by the Corporation to remit employee NSSF deductions. This is a cost that could have been avoided had the remittances been made promptly.	<i>financial constraints.</i>			
10	<p>Going Concern As at June 2016 the statements of financial position reflects a negative working capital of Kshs. 818,804,000(2012/2014 – Kshs 732,188,000). In view of the foregoing. It would appear that the Corporation is technically insolvent and its continued existence as a going concern is dependent upon the financial support of the Government and its creditors.</p>	<p><i>The Management has undertaken several measure to address the going concern Issue as follows;</i></p> <ul style="list-style-type: none"> <i>i) Engaging Kenya Commercial Bank to consider a restructuring of the current facility and a request to have an overdraft facility</i> <i>ii) We have approached the Ministry of Agriculture to assist clear some of the outstanding debts</i> <i>iii) The Corporation has gone into collaboration with the Ministry of Agriculture where Funds have been granted for expansion of potato seed production in Molo through establishment of additional green houses and satellite centers in various counties.</i> <i>iv) The corporation is exploring other revenue streams including joint</i> 	Financial Controller	Not yet	30 th June 2017

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)
		<i>ventures and leasing idle land.</i>			