

REPUBLIC OF KENYA



Paper laid by the
Leader of Opposition
M of
25/7/2018.

OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

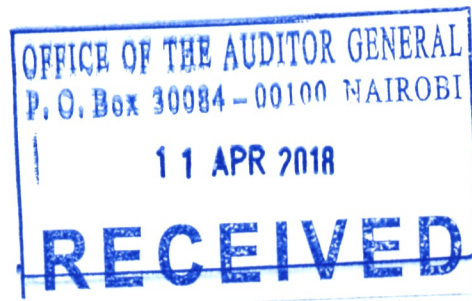
ON

**THE FINANCIAL STATEMENTS OF
LANDS LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2017**







LANDS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

*FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017*

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

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I. KEY COMPANY INFORMATION AND MANAGEMENT**(a) Background information**

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

(b) Principal Activities

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

(c) Key Management

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

1. Mrs. Susan Akinyi Wakiaga
2. Mr. Richard Aiyabei
3. Dr. Valeria A.P. Palapala
4. Mr Antony Ademba

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	ADC Managing Director	Richard Aiyabei
2.	ADC Corporation Secretary	Anthony Ademba
4.	ADC Financial Controller	Patrick Moturi
3.	Senior Accountant	Gerald Karuga

(e) Headquarters & Registered Office

Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(f) COMPANY'S Contacts

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

(g) Corporation Bankers

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

KEY COMPANY INFORMATION AND MANAGEMENT (Continued)

(h) Independent Auditors

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

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O Box 40112 - 00200
Nairobi, Kenya

II. HE BOARD OF DIRECTORS



Mrs. Janet Chelagat Kirui

Director

Appointed on 17th April, 2015

Mrs. Kirui holds Bachelor of Arts Degree in Development Studies. She also holds Diploma in International Air Travel Association from Utalii College.

Janet has vast experience in aviation industry which includes Dnata Travel / Emirates Airlines in Dubai, Air Mauritius, Elite Travels.



Mr. Richard Aiyabei

Managing Director

Mr. Richard Aiyabei was appointed Managing Director on 22nd December 2015 after rising through the ranks from Assistant Complex Manager, complex manager, Senior Complex manager, Technical Officer, Regional Manager, Technical Manager Strategy implementation and planning and Head of Technical Division.

He holds Master of Science degree, Agronomy from University of Eldoret, Bachelor of Science in Agriculture -Moi University and Diploma in Farm Management from Egerton University. Mr. Aiyabei has over 27 years' experience in different capacities which include Technical, Research, Financial management and socio –Economic fields. He has attended Corporate Governance course, Finance for non-finance managers, Risk management, and Anti-Fraud/corruption, performance management and Mwongozo induction course workshops accordingly.

He is a board member of the following institutions, Agro-Chemical and food Company, Kenya Seed Company, Chemelil Sugar Company, Kenya Ploughing Organization, World Ploughing Committee.



Valeria A.P. PalaPala(DR)

Director

Appointed on 17th April, 2015

Dr. Palapala holds MBA (Strategic Management) from Moi University, PhD. Applied Biosciences (Gene Science): Hiroshima Prefecture University, Research Student: Hiroshima University, M. Phil. Botany (Plant Pathology): Moi University, B.Sc. (Biological Sciences): Egerton University.

She is a senior academician with over 10 years teaching at the University, A senior researcher with over 13 years' experience, a consultant in strategic planning and management,

She is a member to many committees which include:- Twin Laboratory Project Committee, Chairperson Gender Mainstreaming Committee, Iso Certification Committee, Corruption Prevention Committee, Research Publication Committee, Member RUC Academic Board among others. She is also Dean School of Science, Technology and Engineering (RUC).

She has published a lot of research publications with her area of specialization being food security and climate change, Promotion of indigenous and underutilized food crops through bio-resource (germplasm) collection, conservation, characterization, breeding and improvement , Plant and disease, control, Applied mushroom biology , Applied molecular biology and microbiology.

THE BOARD OF DIRECTORS (Continued)



Mrs. Susan Akinyi Wakiaga

Director

Appointed on 17th April, 2015

Mrs. Wakiaga has vast experience in legal and insurance fields having worked in various reputable legal firms and currently serving as the Senior Assistant Manager, Legal and Recoveries after having risen from the position of a Legal Assistant, Legal Affairs and recoveries to senior assistant manager, legal and recoveries at ICEA Lion General Insurance Company Limited. She's an advocate of the high court and a member of the Law Society of Kenya, commissioner of Oaths and Notary Public. Mrs. Wakiaga holds bachelor's of Law and Arts Degrees from University of Bombay and Jabalpur respectively.



Mr. Patrick Moturi

Financial Controller

He was appointed Financial Controller in April 2017. Holds Master of Business Administration in Finance and Bachelor of Commerce (BCOM) both from University of Nairobi. He is a Certified Public Accountant of Kenya and Certified Public Secretary. He is a member of ICPAK.

He worked in both private and public Sector in various capacity as an accountant. Previous engagements include Rgni Shah &Co (CPA), Nalin Shah and Co. (CPA) and Kentrade in various capacities ranging from Audit Senior, Audit Manager, Accountant I, Senior Accountant and Management Accountant.



Mr. Antony Ademba

Corporation Secretary

Mr. Ademba holds a Bachelor of Law degree from University of Nairobi, Post graduate diploma in law – Kenya School of law. He was appointed Corporation Secretary on 1st December 2015 after rising through the ranks from Legal Officer to Senior Legal Officer. He has vast experience within legal fraternity. He was a Resident Magistrate as well as a state counsel prior to joining the Corporation. He is the Legal Officer of Development

House Management Committee as well as Technical Committee on implementation of legal advisory on Kenya Seed Company ownership dispute. He is a member of the Law society of Kenya.

I. REPORT OF THE MANAGING DIRECTOR

Technology and automation

The company continues to undertake and embrace technology through automation of its operations. Currently the company uses (sera system) for its accounting. The company has also digitalized its titles for quick recovery.

Title documentation

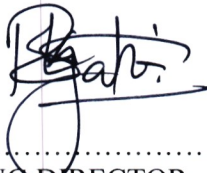
The company has instituted measures to ensure that all the lands under its custody and its mother corporation ADC have titles.

Securing of land boundaries

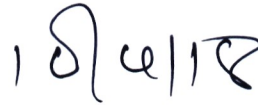
The company has instituted measures to secure our land boundaries by replacing beacons which have been missing in some of our farms. Our survey department has constantly sorted out boundary disputes with our neighbours with the assistance of various county surveyors.

Future plans

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



.....
MANAGING DIRECTOR



.....
DATE

II. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

III. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the *Lands Ltd* affairs.

Results

The results of the Company for the year ended 30th June, 2017 was a surplus of Kshs.512, 438 which was a an improvement from a loss of Kshs. 2,920,000 reported in 2015/2016 as set out on pages 1 and the notes thereof

Board of Directors

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

Auditors

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

By Order of the Board



Anthony Ademba
Corporation Secretary
Nairobi

Date: 10/14/18

IV. STATEMENT OF DIRECTORS' RESPONSIBILITIES

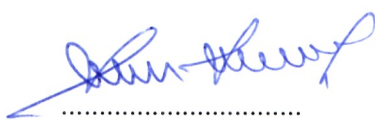
The Lands Limited established under Companies Act, Cap. 486 of the Laws of Kenya requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. It also requires the directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and the related operating profit. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

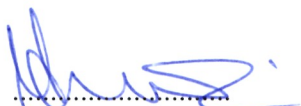
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of these statements.

Approval of the financial statements

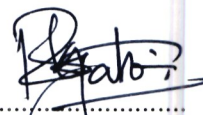
The Corporation's financial statements were approved by the Board on 29th September 2017 and signed on its behalf by:



.....
Director



.....
Directors



.....
Director

11/09/2018
.....

Date

11/4/18
.....

Date

10/4/18
.....

Date

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lands Limited as at June 30, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenyan Companies Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Trade and Other Payables

The statement of financial position as at 30 June, 2017 reflects a balance of Kshs.2,440,000 under trade and other payables. This amount relates to audit fee payable that has been outstanding since 1995 and no satisfactory reason has been given for failure by the Company to pay the audit fee.

2. Receivables from Exchange Transactions

As previously reported, the Company's debtors balance of Kshs.21,398,000 as at 30 June 2017 (2016 – Kshs.21,957,000) similarly includes an amount of Kshs.14,542,464

Report of the Auditor-General on the Financial Statements of Lands Limited for the year ended 30 June 2017

owed by twelve large debt holders, which has been outstanding for a period of over 12 years. The balance also includes an amount of Kshs.6,870,422. relating to more recent debts that were more than three months old as of 30 June 2017. Further the non-trade debtors balance of Kshs.522,000 disclosed under Note 8 to the financial statements includes an amount of Kshs.315,117 described as loss of cash and stores that has been outstanding for a considerable period of time. In addition, the specific provision for bad debts of Kshs.537,000 (2016 – Kshs.537,000) was not supported with documentary evidence. Consequently, the recoverability of the receivables balance of Kshs.21,398,000 reflected in the financial statements appears doubtful.

3. Grants

As previously reported in 2015/2016, the statement of financial position as at 30 June, 2017 still reflects a balance of Kshs.55,694,000 under grants. Although no records were provided to indicate the nature of grants, the general ledger describes the amount as long-term finance, whose source was, however, not indicated or explained. The amount has been in the ledgers since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994. Under the circumstance, the validity and accuracy of the balance of Kshs.55,694,000 in respect of the grants cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lands Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Failure to Prepare Budget

During the financial year ended 30 June 2017, the Company operated without an approved budget contrary to Public Finance Management Act, 2012 Section 68 (2) (h) and (j) which requires the Accounting Officer to prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan and submit the estimates of the entity to the Cabinet Secretary responsible for the state corporation who, after approving it, shall forward it to the Cabinet Secretary/National Treasury.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available to me after that date.

My opinion on the financial statements does not cover other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report if, I conclude that there is material misstatement of this other information, I am required to report that fact, I have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and the requirements of the Kenyan Companies Act, 2015 and for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the

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

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

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

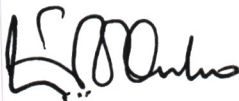
I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- iii. The Company's statement of financial position and statement of financial performance are in agreement with books of account; and
- iv. In my opinion the information given in the report of the directors on pages vii to viii, is not consistent with the financial statements;



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

Nairobi

25 June 2018

**VII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2016-2017 KSH '000'	2015-2016 KSH '000'
Revenue from exchange transactions			
Survey Fees	1	4,618	949
		4,618	949
Expenses			
Employment	2	2,690	2,693
Management Fees	3	-	598
Board Expenses	4	703	-
Provision for audit fees	5	120	-
Finance costs	6	459	460
Depreciation expense	9	133	175
		4,105	3,926
Net Surplus /Deficit for the year		513	(2,977)

The notes set out on pages 5 to 9 are integral part of the Financial Statements

**VIII. STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30TH JUNE 2017**

Assets			2016-2017	2015-2016
Current assets	Note		KSH '000'	KSH '000'
Cash and cash equivalents	7		992	4,472
Receivables from exchange transactions	8		21,398	21,957
			22,390	26,429
Non-current assets				
Property, plant and equipment	9		484,231	484,363
Current Account with Parent Co.	10		560,064	555,260
			1,044,295	1,039,623
			1,066,685	1,066,052
Liabilities				
Current liabilities				
Trade and other payables from exchange trans	11		2,440	2,320
Authorized and issued fully paid 1,000 Ord. Shares @20			20	20
Grants Reserves			55,694	55,694
Capital Reserve	12		12,775	12,775
Revaluation Reserves	13		447,701	447,701
Accumulated surplus			548,055	547,542
			1,064,245	1,063,732
			1,066,685	1,066,052

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 27.09.2017 and signed on behalf of by:

Managing Director

Name: Ayabei R.V.

Sign: [Signature]

Date: 10/11/18

Head of finance

Name: [Signature]

ICPAK No. 4452

Sign: [Signature]

Date: 10/11/2018

Chairman

Name: J. KARANDA

Sign: [Signature]

Date: 11/11/2018

**IX. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2017**

	Share Capital Kshs '000'	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1 July 2015	20	12,775	447,701	550,519	1,011,015
Loss for the year	-			(2,977)	(2,977)
Balance as at 30th June 2016	20	12,775	447,701	547,542	1,008,038
Transfers to/from accumulated surplus	-	-		513	513
Balance as at 30th June 2017	20	12,775	447,701	548,055	1,008,551

**X. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2016-2017 KSH '000'	2015-2016 KSH '000'
Net Loss for the year		513	(2,977)
Adjustments for:			598
Depreciation	6	133	175
Operating profit before working capital changes		646	(2,204)
Increase/(decrease) in debtors			
Debtors	5	559	5,509
Creditors	8	120	120
		679	5,629
Cash generated from operations		1,325	3,425
Cashflows from financing activities			
Cash from parent Company ADC		(4,805)	3,107
Net increase in cash and cash equivalents		(3,480)	4,327
Cash and cash equivalents at			
Beginning of period		4,472	145
Net increase in cash and cash equivalents		992	4,472
Cash at the end		992	4,472

XI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Company's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

Reporting Company

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

(a) Property, Plant and Equipment

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

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

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

b) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are 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.

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 disclosure is made in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

c) Nature and purpose of reserves

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

d) Changes in accounting policies and estimates

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

e) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

f) Related parties

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

i) Cash and cash equivalents

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

j) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**k) Significant judgments and sources of estimation uncertainty**

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

l) Subsequent events

There have been no material non-adjusting events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2017.

(j) Statement of Comparison of Budget

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Survey Fees

Relates to income received from the recovery of survey fees paid by the company but recovered from the allottees of the land.

2. Employee costs

	<u>Company</u>	
	<u>2017</u>	<u>2016</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Salaries	1,188	1,149
NSSF	7	7
Leave Expenses	12	12
House allowance	900	850
Commuter allowance	276	274
Responsibility allowance	120	100
Pension contribution	187	181
Provision for audit fees	-	120
Employee costs	2,690	2,693

3. Management fees relates to fees charged by ADC to Land Ltd (Wholly owned subsidiary) for administrative work, However, the Board resolved that ADC stop charging this fees vide Minute No. 72/5/2017

4. Board members of the Corporation

	<u>2017</u>	<u>2016</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Sitting Allowances	147	-
Nightout	200	-
Other (Medical, Mileage)	356	-
	<u>703</u>	<u>-</u>

There were no comparative figures for the year since these costs were being absorbed by the Parent Company ADC which formed the basis upon which the management fees in note 3 above was charged

5. Provision for audit fees by the Office of the Auditor General.

	<u>2017</u>	<u>2016</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Audit fees	120	-

6. Finance cost are bank charges on National bank account

7. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
National Bank of Kenya	992	4,472

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Receivables from exchange transactions

	<u>2017</u>	<u>2016</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	21,413	21,972
Specific provision	(537)	(537)
	20,876	21,435
Non - Trade	522	522
	21,398	21,957

9. PROPERTY PLANT & EQUIPMENT

COST	Farms	Leased	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2015	483,602	454	5,400	489,456
At 30th June 2016	483,602	454	5,400	489,456
At 30th June 2017	483,602	454	5,400	489,456
DEPRECIATION				
At 1st July 2015	-	192	4,727	4,919
Charge for the year	-	7	168	175
At 30th June 2016	-	198	4,895	5,094
Charge for the year	-	6	126	133
At 30th June 2017	-	204	5,021	5,226
NET BOOK VALUE				
At 30th June 2017	483,602	250	379	484,231
At 30th June 2016	483,602	256	505	484,363

10. Current Account- Lands Ltd

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

11. Trade and other payables from exchange transactions

	<u>2017</u>	<u>2016</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Non-trade creditors	2,440	2,320

12. 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.

13. Revaluation Reserves

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

XII. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Receivables from Exchange Transactions As previously reported, The Company's debtors balances of Kshs. 21,957,000 as at 30 June 2016 includes balances totalling Kshs. 15,093,408 owed by 12 large debt holders which have been outstanding for a period of over 12 years. The balance also includes an amount of Kshs.6,878,423 relating to more recent debts that were more than three months old as of 30 June 2016. Further the non-trade debtors balance of Kshs.522,000 disclosed under Note 5 to the financial statements includes an amount of Kshs.315,117 described as loss of cash and stores that has been outstanding for more than one year. Consequently the recoverability of the receivables balance of kshs.21,957,000 reflected in the financial statements appears doubtful.</p>	<p>The corporation has put caveats on the said parcels of land especially those with title deeds. Demands notes have been sent to allottees. We have also engaged the services of a debt collector and forwarded 10 main debtors totalling 8,425,098.45 for recovery out of which a total of Kshs.2.9m has been collected.</p>	Senior Accountant	Not resolved	30 st June 2018
2.	<p>Grants The statement of financial position reflects a balance of Kshs.55,694,000 under grants. Although no records were provided to indicate the nature of grants, the general ledger described the amount as long term financing, whose</p>	Senior Accountant	Not resolved	30 st June 2018	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>source was, however, not indicated. The amount has been in the ledger since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994. Under the circumstance, the validity and accuracy of the balance of kshs.55,694,000 in respect of the grants cannot be confirmed.</p>				

