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Deputy Leader, Majority Party

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THE-TABLE:

A. Shubuko

THE AUDITOR-GENERAL

ON

**AGRICULTURAL DEVELOPMENT
CORPORATION**

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

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Agricultural Development Corporation & Its Subsidiary

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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AGRICULTURAL DEVELOPMENT CORPORATION
Annual Report and Financial Statements
For the year ended June 30, 2023.

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

IPSAS	International Public Sector Accounting Standards
ADC	Agricultural Development Corporation
MD	Managing Director
OAG	Office of the Auditor General
LGC	Livestock Genetic Centre
UOE	University of Eldoret
DLS	Diffused Light Store
GLS	Grey Leaf Spot
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
FAW	Fall Army Worm
AFC	Agricultural Finance Corporation
KCB	Kenya Commercial Bank

2. Key Corporation Information and Management

(a) Background information

The Agricultural Development Corporation is a Government parastatal, established in 1965 under the Act of Parliament Cap 346; to facilitate the land transfer programme from European settlers to local farmers following the country's independence. However, after successful completion of the land transfer programme, the objective of the Corporation were revised through the Act of Parliament Cap 444 of 1986 to include promotion and execution of Agricultural schemes among other Agricultural services. The Entity is domiciled in Kenya and has branches in Trans-Nzoia County, Nakuru County, Kilifi County, Tana River County and Garissa County.

(b) Principal Activities

The Corporation principal activity is to develop and promote Agriculture in Kenya which includes:-

- Production of quality seed varieties to the Kenyan farmers.
- Custodian of National livestock studs.
- Transfer of agricultural technology from research institution to the Kenyan farmer.
- Support of industries processing agricultural products, being the major producer of agricultural produce.

(c) Key Management

The Agricultural Development Corporation day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors (Chairman)	Dr. Joseph Rotumoi
2.	Managing Director	Mr. Mohammed Bulle
3.	Head of Technical	Mr. Samuel Bundotich
4.	Head of Corporate Planning and Administration	Dr. Winnie Macharia
5.	Head of Finance	Mr. Jonathan Keitany
6.	Corporation Secretary	Mr. Rogers Karumpu
7.	Head of Business Development	Dr. Shadrack Jirma
8.	Head of Internal Audit	Mr. Gerald Karuga

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Key Corporation Information and Management (Cont.)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Ag. Managing Director	Mr. Mohammed Bulle, EBS
2.	Head of Technical	Mr. Samuel Bundotich
3.	Head of Finance	Mr. Jonathan Keitany
4.	Head of Corporate Planning	Dr. Winnie Macharia
5.	Corporation Secretary	Mr. Rogers Karumpu
6.	Head of Business Development	Dr. Shadrack Jirma
7.	Head of Internal Audit	Mr. Gerald Karuga

(e) Fiduciary Oversight Arrangements

The Corporation Board of Directors operate through the following committees:-

• **Audit and Risk Committee**

- Charged with responsibility of safeguarding Corporations assets
- Ensures adequate financial systems and controls are in place.
- Ensures that financial statements and reports are in compliance with legal requirements and meet the relevant accounting standards.
- Carry out reviews of internal Audit reports and management decision thereon.

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

- Review the organisational structure and recommends creation/abolition of positions;
- Reviewing and making recommendations to the Board on all matters pertaining to staff remuneration and benefits as well as approving the Corporation's human resource and remuneration policies and strategies. Conducts recruitment of senior management positions from job group C and above
- Review of finance and accounting policies and procedures
- Review and recommend for approval the financial plans and budgets
- Review and recommend resources mobilisation strategies

Key Corporation Information and Management (Cont.)

• **Agriculture, Livestock and Projects Committee**

Covers Agriculture, Livestock and Projects and is charged with responsibilities of formulating of policies and practices related to the Agricultural Practices. The duties shall include:

- Review and recommends crops and livestock policies and procedures
- Review reports on development and implementation of innovative strategies in crops, animal production and breeding
- Review and make recommendations on applications initiated under the public partnership programmes (PPP) which are to be considered by the Board
- Review of initiatives to enhance the agricultural production and promote Agri-business and Agri-tourism opportunities
- Recommend actions, education and marketing initiatives which promote increased public awareness and participation of our customers

• **Lands, Legal Services & Partnership Committee**

Covers land matters within the Corporation, partnerships and investments. The duties shall include:

- Recommends and review legal policies and procedures.
- Monitoring compliance with the constitution, ADC Act Cap 444, all applicable laws and regulations.
- Reviewing and recommending appropriate strategies for establishing partnerships, collaborations and lease arrangements.
- Assuring the Board of Directors that the “risk evaluation for investment decisions” policy is deployed against the Investment Strategy.
- Reviewing and recommending to the Board of Directors proposals for new business development acquisitions, potential investments and dis-investments.
- Ensuring Projects undertaken by the Corporation are viable and properly managed.

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Key Corporation Information and Management (Cont.)

Our Mission

To promote commercially oriented agricultural resource development, enhance food and nutrition security and expand agricultural undertakings in a sustainable manner.

Our Vision

To be a global leader in sustainable agricultural resource development

Core Values

- Integrity and Professionalism
- Partnership with other stakeholders
- Delivery of quality service
- Innovativeness
- Corporate social responsibility
- Teamwork

Key Corporation Information and Management (Cont.)

(f) Headquarters & Registered Office

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

(g) Corporation Contacts

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

(h) Corporation Bankers

1. **National Bank of Kenya**

Harambee Avenue
P.O. Box 41862-00100
NAIROBI, KENYA

2. **Kenya Commercial Bank**

Moi Avenue
P.O. Box 48400-00100
NAIROBO, KENYA

3. **Consolidated Bank of Kenya**

Harambee Avenue Branch
P.O. Box 34823-00100
NAIROBI, KENYA

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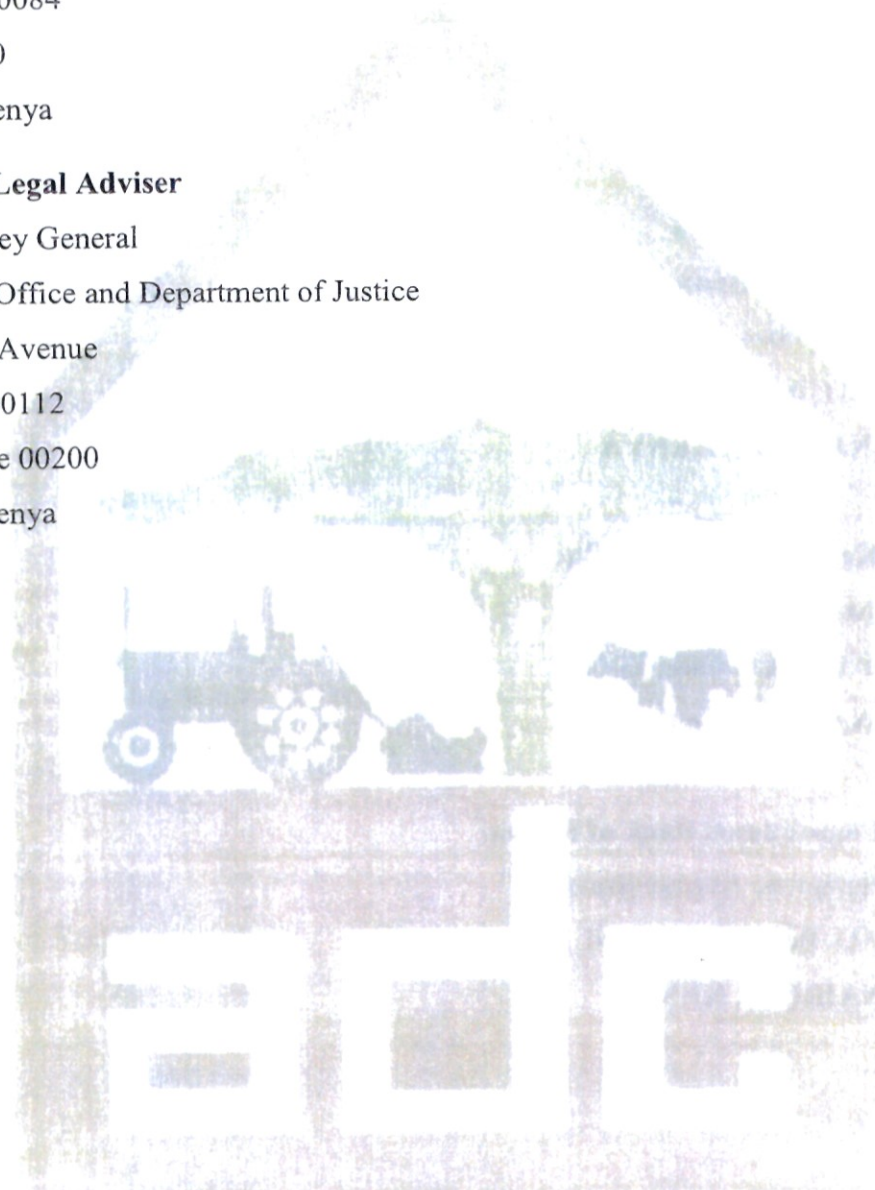
Key Corporation Information and Management (continued)

(i) Independent Auditor


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

(j) Principal Legal Adviser



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



3. The Board of Directors

Ref	Directors	Details
1.	 <p>Dr. Joseph Rotumoi Chairman of The Board Profession: Scholar Academics: Phd in Educational Communication Technology</p>	<p>Dr. Joseph Rotumoi was born in 1966. He is a distinguished scholar, expert in corporate governance, risk management consultant, environmental impact/audit expert, trainer of trainers and educator who has been involved in dispensation of knowledge across different levels of education ranging from secondary school all the way to post graduate level. He has also served in various boards including NOCK and KVDA. Dr. Rotumoi has a PhD in Educational Communication Technology from Moi University, a Masters of Philosophy in Literature Education from Moi University, a post graduate diploma in Human Resource Management from Moi University, a Bachelors of Education Degree in English and Literature from Catholic University of East Africa and a diploma in English/History from Siriba TTC. As the Chairman, Rotumoi has been responsible for leading the Board in strategic matters, overseeing the Corporation's business and setting high governance standards. He has also been pivotal in fostering effectiveness of the ADC Board and individual Directors both inside and outside the boardroom. He is also responsible for promoting effective relationships that create an environment that allows constructive debates and engagements between ADC Board of Directors and the Management.</p>

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2.	 <p>Mr. Ephantus Murage Mundia, MBS Profession: Surveyor Academics: Masters in Land Information Systems.</p>	<p>Mr. Murage was born on 10th August 1956. He was appointed on 6th October, 2021 as an Independent Board Member. Mr. Murage is the Chair of the Lands, Legal Services and Partnerships Committee of the Board.</p> <p>Mr. Murage is a licensed Surveyor with 33 years of experience. He is a member of the Institution of Surveyors of Kenya (FISK). A full member of the Institution of Surveyors of Kenya (MISK). Mr. Murage holds a Masters in Land Information System from ITC Netherlands and a Bachelor's degree in Surveying from the University of Nairobi. Mr. Murage has served as a member of the Ministerial Human Resource Management Advisory Committee in the Ministry of Lands, Ministry of Interior, and Coordination of National Government. Previously, he worked as Acting Deputy Director of surveys before being promoted to be the Director of Surveys Kenya. Mr. Murage's last assignment was the Director, National and International Boundaries Ministry of Interior and Coordination of National Government.</p>
3.	 <p>Ms. Jean Njiru Profession: Plants Pathologist Academics: Masters of Science in Plants Pathology</p>	<p>Ms. Njiru was born in 1961. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Agriculture, Livestock and Projects Committee of the Board.</p> <p>Ms. Jean holds - Masters of Professional Studies from Cornell University, USA, and Masters of Science in Plant Pathology, and a Bachelor of Science in Agriculture from the University of Nairobi. She has vast experience in supply chain management, research, leadership among others. She also undertook a professional development program under the Hubert Humphrey Fellowship Program at Cornell University to enhance leadership and management skills.</p>



Mr. Richard Ngomo

Profession: Corporate & Humanitarian Risk Management Professional

4 **Academics:** Bachelor's Degree in Political Science

Mr. Ngomo was born in 1971. He was appointed on 6th October, 2021 as an Independent Board Member.

Mr. Ngomo is a seasoned Corporate and Humanitarian Risk Management Professional with over 20 years of combined consulting and management experience in Africa, the Middle East, and Asia. He is a holder of a Bachelor's Degree in Political Science from the University of Nairobi. Currently, he is pursuing MSc. Security, Conflict and International Development. He has vast experience and has worked with organizations such as the United Nations, World Vision, Oxfam, and Kenya Seed. He is currently the Regional Risk Advisor for Relief International.



Mr. Zephania Yego



Profession: Advocate of the High Court of Kenya.




5 **Academics:** Bachelors of Law; Post graduate diploma Kenya School of Law.

Mr. Yego was born on 10th March 1979. He was appointed on 6th October, 2021 as an Independent Board Member. He chairs the Finance, Staff and General Purposes Committee of the Board.

Mr. Yego is an advocate of the High Court of Kenya with over 15 years' legal practice experience.



He is the Managing Partner Z.K. Yego Law Offices. Mr. Yego was the former Chairman of, Law Society of Kenya, North Rift Branch. Previously, he worked as the Secretary General, Law Society of Kenya, North Rift Branch, and was an Associate Advocate at Kibichy and Company Advocates.

<p>6</p>	 <p>Eng. Jemutai Barkebo Profession: Chemical Engineer Academics: Bachelor of technology in chemical and process Engineering</p>	<p>Eng. Barkebo was born on 1st October 1974. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Audit and Risk Committee of the Board.</p> <p>Eng. Barkebo Holds a bachelor of technology in chemical and process Engineering from Moi University.</p> <p>She is a qualified internal auditor in ISO9001:2015 having undertaken various courses and versed knowledge on its implementation. She has sound knowledge in public resources management having served the Chairperson Ng-CDF Baringo central county vice Chairperson Kenya Red cross Kabarnet Branch among others.</p>
<p>7</p>	 <p>Ms. Cecilia Mbaka Profession: Development worker and a strategic management professional. Academics: Masters in Education for Rural Development</p>	<p>Ms. Mbaka was born on 4th April, 1962. She was appointed on 6th October, 2021 as an Independent Board Member.</p> <p>Ms. Mbaka is a distinguished development worker and a strategic management professional with over 30 years' experience working with the Government of Kenya as a senior officer who had headed key departments with the highest level being Secretary Social Development.</p> <p>Cecilia has acquired extensive leadership and management training locally and abroad, including the 'Leaders in Development' programme at Harvard University and Training in Corporate Governance involving handling of board matters.</p> <p>She has served in the boards of, the National Fund for the Disabled of Kenya as a Trustee, the Board of the National Council for Persons with Disabilities and the National Government Affirmative Action Fund. Cecilia holds a Master's Degree (Education for Rural Development) of the University of Manchester, UK (1991) and an Advanced Diploma (Education for Rural Development) University of Manchester, UK (1990)</p>



<p>8</p>	 <p>Ms. Lina Nduta Kihoro.</p> <p>Professional: Project Management, marketing</p> <p>Academics: Bachelor of Arts in Communication and political science.</p>	<p>Ms. Lina Nduta Kihoro was born 4th June 1988. She was appointed on 30th April, 2020 as an independent Board Member.</p> <p>Ms. Lina Nduta Kihoro holds a Bachelor of Arts degree in Communication and Political Science from University of Nairobi. She also has a diploma in Project Management from Zetech University.</p> <p>Ms. Kihoro has over 7 years' experience and expertise in project management, marketing, product development, policy implementation. She is currently the Managing Director of Jelink Limited.</p>
<p>9</p>	 <p>Mr. Gitonga Kamiti</p> <p>Profession: an Advocate of the High Court of Kenya</p> <p>Academics: Bachelor of Law degree</p>	<p>Mr. Gitonga was born in 1968. He was appointed on 13th May, 2022 as an Independent Board Member.</p> <p>Mr. Gitonga Kamiti is an Advocate of the High Court of Kenya. He holds a Bachelor of Law degree from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law. He is currently practicing at Gitonga Kamiti Kairaria and Company Advocates with over 20 years' experience in Corporate and Commercial Law Practice.</p> <p>He is also a member of the Law Society of Kenya, East African Law Society and International Commission of Jurists</p>
<p>10</p>	 <p>Ms.</p>	<p>Ms. Wahome was born on 9th March, 1972. She was appointed on 13th May, 2022 as an Independent Board Member.</p> <p>Ms. Virginia hold a Masters in Developments Studies, Social science from Mount Kenya University, Bachelors degree of Arts in Development Studies from Mount Kenya University and a Diploma in Community based Development from Premise Africa Development Institute.</p> <p>She is a result driven multi –talented and highly accomplished professional with over 11 years'</p>

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	<p>Virginia Wahome</p> <p>Profession: Social Scientist and Development Professional</p> <p>Academics: Masters in Developments Studies</p>	<p>experience skilled at project management through diligent resource allocation and specialized in taking a solution based approach for meeting project requirements and exceeding organization expectation.</p>
11	 <p>Mr. Josphat Muhunyu</p> <p>Profession: Agriculture secretary Min. Agriculture</p> <p>Academics : Msc in Agricultural Sciences (Agri-resource Management) University of Tsukuba Japan; Sustainable Rural Development (Japan and Thailand)</p>	<p>Representative Ministry of Agriculture - Department of Crops Appointed: 16th November 2020</p> <p>Alternate Director</p> <p>Mr. Muhunyu is currently deployed as the Agriculture Secretary. Previously he held various management posts as Director, National Program Coordinator and Principal of Kenya School of Agriculture. Worked in extension and capacity building to farmers for more than 30 years. Academic/ Professional qualifications:</p>
12	 <p>Mr. Bishar Elmi</p> <p>Profession: Ag. Director of Livestock Production in the MoALFC.</p> <p>Academics: MSc in Agriculture and Rural Development</p>	<p>Mr. Elmi was born on 12th December 1964. He was appointed on 22nd April, 2022 as an Alternate Director.</p> <p>Mr. Bishar Fille Elmi is currently deployed as Ag. Director of Livestock Production in the Ministry of Agriculture, Livestock, Fisheries and Co-operatives.</p> <p>He holds a MSc in Agriculture and Rural Development from Kenya Methodist University Meru, Bachelor's degree in Natural Resource Management from Egerton University, Diploma in Range Management from Egerton University and a Certificate in Range Management from Animal Health and Industry Training (AHITI Kabete)</p> <p>Mr. Bishar is a Range Ecologist technically and a registered member of Animal Production Society of Kenya.</p>

<p>13</p>	 <p>Mr. Chrisologus Makokha</p> <p>Profession : Snr. Deputy Inspector-General of State Corporations under the ministry of MALFC.</p> <p>Academics : MBA and BSc. (Applied statistics with IT)</p>	<p>Representative state advisory committee (SCAC)</p> <p>Mr. Makakha has risen from the position of Asst. Inspector I to position of Snr. Deputy Inspector-General of State Corporations under the ministry of MALFC. He boast of vast training and practical experience in the area of corporate governance gained from years of sitting on and advising Boards of various state corporations. He has got extensive exposure and experience in strategic planning and strategy execution, competent in the field of statistics, encompassing data collection, analysis and dissemination, wide ranging experience in management audit of state corporations, in monitoring and evaluation in the public sector among others. He holds MBA and BSc. (Applied statistics with IT) from JKUAT and is currently pursuing Phd. In business Administration for the same University.</p>
<p>14</p>	 <p>Mr. George Kariuki</p> <p>Profession: Acting Head of the Debt Recording & Settlement Department in the National Treasury.</p> <p>Academics: Degree in Computer Science & Statistics.</p>	<p>Mr. Kariuki was born on 1st October 1969. He was appointed on 10th March, 2022 as an Alternate Director.</p> <p>Mr. George Kariuki is currently the acting Head of the Debt Recording & Settlement Department in the National Treasury. Previously he served as the head of the ICT unit in the same Ministry. George has an Information Technology background, having graduated from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya with a degree in Computer Science and Statistics. He is also an accredited Fellow of the macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).</p> <p>He is a member of ISACA.</p>

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15.	 <p>Mr. Mohamed Bulle, EBS Ag. Managing Director Profession: Environmental Consultant Academics: Masters of Science in Environmental Studies</p>	<p>Mr. Bulle was born in 1958. He was appointed the Acting Managing Director in April 2019.</p> <p>Mr. Bulle holds Master of Science in Environmental Studies with specialization in sustainable development and climate change Antioch University-USA.</p> <p>Mr. Bulle also holds Bachelor of Science in Agricultural Education and Extension, and Diploma in Agriculture from Egerton University, a certificate in animal health from Animal Health and Industry Training Institute (AHITI) and a certificate in meat inspection from the University of Nairobi. He is also a member of the board of the directors of North-Eastern Muslim Welfare Society which caters for the orphans and the vulnerable members of the society and a founder of Clean Air-Cool Planet Kenya Ltd, an agricultural and environmental consulting firm. Mr. Bulle has held key positions in the livestock and agriculture industry.</p> <p>Mohamed is a member of the Environmental Institute of Kenya-EIK (a professional body for environmentalists). He also has accreditation with National Environmental Management Authority-NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert.</p>
16.	 <p>Mr. Rogers Karumpu Profession: Corporation Secretary Academics: Bachelor of Law (LLB)</p>	<p>Mr. Rodgers is Certified Public Secretary (CPS-K) from the Institute of Certified Public Secretaries of Kenya. He holds a Diploma in Law from Kenya School of Law. He has practiced law as an Advocate of the High Court of Kenya for the last 20 years.</p> <p>Mr. Karumpu has also worked as Head of Legal and Human Resource and later as the Managing Director of Netro Technologies Limited, a Tier 2 telecommunication firm that has a presence in seven countries within Africa, between 2017 and 2021, from where he resigned to join ADC. He is an active member of Law Society of Kenya, The East African Law Society, the International Commission of Jurists and The Commonwealth Lawyers Association. As a practicing lawyer, Mr. Karumpu has handled many cases in basically all fields and has been more inclined on land matters particularly on community land issues which he confirms to be very close to his heart.</p>

4. Key Management Team

	Management	Details
1.	 <p>Mr. Mohamed Bulle, EBS Profession: Enviromental Consultant Academics: Masters of Science in Environmental Studies</p>	<p>Managing Director MD</p>
2.	 <p>Dr. Winnie Macharia Academics: Doctor of Philosophy in Business Administration, Master of Business Administration, Bachelor of Education Degree, Higher Diploma in information Technology.</p>	<p>Head of Corporate Planning & Administration HCPA</p>
3.	 <p>Mr. Samuel Bundotich Academics: BSC. Agricultural Economics, MBA (Strategic Management)</p>	<p>Head of Technical Services HTD</p>
4.	 <p>CPA. Jonathan Keitany Academics: MBA (accounting) a Certified Public Accountant of Kenya and a member of ICPAK</p>	<p>Financial Controller FC</p>

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5.		<p>DR. Shadrack Jirma Academics: Doctor of Philosophy Degree in Strategic Management, MBA Degree from Costa Rica and a Bachelor of Business Administration from Messiah College, Grantham, USA</p>	<p>Head of Business Development HBD</p>
6.		<p>CPA. MORRISON ANDWATI Academics: Bachelor of Commerce, Certified Public Accountant</p>	<p>Head of Internal Audit HIA</p>
7.		<p>CPA Gerald Karuga Academics: Bachelors of Commerce, Certified Public Accountant (CPA-K)</p>	<p>Ag. Head of Internal Audit</p>
8.		<p>MR. Rogers Karumpu Academics: Bachelor of Laws degree (LLB)</p>	<p>Corporation Secretary & Head of Legal Services CS</p>

5. Chairman's Statement

It is with great pleasure that I present to you the annual report and financial statements of Agricultural Development Corporation and its subsidiary Lands Ltd for the year ended 30th June 2023.

Business Environment Overview

The year started well in general and we experienced relatively stable and conducive weather conditions in Kitale which contributed to marginal improved production of seed maize from 7.6 to 7.8 Million clean kilos. The corporation experienced improved production in some of its crop enterprises. However, adverse weather conditions and effect of diseases were experienced in other places such as Tana-River, Kilifi and Laikipia counties where the Corporation exercises beef animal rearing that resulted in loss of animals and reduced herd size due low restocking. Notwithstanding these drawbacks, the board and management was able to control the adverse effect of weather by ensuring that enough fodders and pastures are available as well as well as good control of diseases.

Financial Review

We are hereby delighted to report that the Corporation posted a marked improvement in performance of Ksh 1.662 billion in operational revenues realized as compared to the same period last year of Kshs 1.409 billion. The revenues of the Corporation however, fell below the targeted estimates of Kshs 2.418 billion for the year by 31%. The recorded profit/(Loss) before tax was Kshs. 15.6 million in the financial year ended 30th June 2023 from loss of Kshs 227 million in the year ended 30th June 2022. This was attributed to increased price of clean seed maize from Kshs 74 to Kshs 88.

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 in collaboration with the Government of Kenya set up a Semen Production Centre in Kitale which is the second bull station in the country. The Centre provides high quality genetics at affordable prices to the farmer across all regions in the country and beyond. This is a 100 bull capacity zero grazing production unit covering 100 acres.

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5. Chairman's Statement (Cont.)

The facility design is one of its kind in Africa equipped with state of the art equipment to ensure quality traceable superior genetics ensuring disease free product and environmental sustainability. The Centre has capacity to produce 1 million straws of semen annually and from its inception, it has distributed over 900,000 doses of semen. To this end, I would like to acknowledge with thanks the support we are currently receiving from the Ministry of Agriculture, Livestock, Fisheries & Cooperatives.

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

The Corporation recognizes the important role played 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, professional training and workshops. In addition, the Corporation has embraced the performance contracting as a tool to ensuring service delivery and actualization of its strategic plan.

Appreciation

I wish to extend my sincere appreciation to board of directors, management team, business partners, product suppliers, farmers and the entire staff for their unwavering support and confidence in the Corporation.

I confidently look forward to a continued strong relationship with all of you in the year 2023-2024 for our mutual benefit.

for **Mr. Joseph Rotumoi**
Chairman of the Board

Sign: 

Date: *8/02/2024*

6. Report of the Managing Director

It is with great honor and pleasure that I present to you the annual report and financial statements of Agricultural Development Corporation for the year ended 30th June 2023. The Corporation managed to post exemplary results in crop production despite weather challenges since the Corporation relies mainly of rain fed agriculture.

Financial Performance

During the period the Corporation turnover increased by 9% from Kshs 1.409 billion in the year 2022 to Kshs 1.662 billion in the year ending 30th June 2023. This remarkable performance was occasioned by increased price of seed maize from Kshs 74 to Kshs 88. The Corporation posted a positive net operating profit before tax from a loss of Kshs 227 million to profit of Kshs 10.5 million.

The Corporation total expenditure increased during the year to Kshs 1,709.3 million compared to Kshs 1,637.6 million the same period last financial year 2021/2022.

Development and Implementation of Strategic Plan.

The corporation formulated a five year strategic plan 2019-2024 and is now in the final process of implementing the objectives set out in its plan. Our budget and performance contract is anchored on this strategic plan, whose aim 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 Corporation's needs though it's very old; however, there are many challenges with the system and the Corporation has commenced the procuring for a more robust enterprise resource planning (ERP).

In line with our mission of availing top quality seed and good genetics to the farmers, we continue to majorly focus on the production seed materials and quality semen for superior breeds. The Corporation through LGC is working on enhancement of breeding technologies such as embryo transfer technology (ET) which has been in Kenya for over 40 years but has not made significant impact in dairy production.

The achievements aimed by the corporation in improving services include modernization of corporation farm machinery and plant. Investment in farm equipment at engineering Services (ES) and modern plant at Livestock Genetic Centre (LGC) to improved efficiency in crop production and livestock semen processing.

6. Report of the Managing Director (Cont.)

Employee Productivity

The Corporation boasts of a well-trained human resource manpower which has successfully handled the challenges in agricultural sector such as climate change and diseases and pests. Currently, the staff complement comprise of over 276 employees working in the corporation. The corporation also engages a large number of seasonal workers from time to time whose services are temporary in nature depending on the seasonal activities of the corporation.

Core Values.

The Corporation shall continue to uphold the practice of ethical behavior in order to exhibit good corporate image and citizenship. We will continue to pursue growth in line with our core values and a solid culture of integrity and professionalism, innovativeness partnership with other stakeholders, delivery of quality service, corporate social responsibility and team work.

Performance contracting

The Corporation has operated under performance contracting system in accordance with state corporation regulations 2004. We are committed to achieve the set targets through cascading from the top management level to the Unit staff.

Future outlook

The Corporation will prioritize on strategic areas including certified potatoes and seed maize production, investment in information technology and increase in ADC Certified seed maize and seed bean production.

As the nation and regional population increases and living standards improves, the demand for quality seed maize, quality livestock breeds for both dairy and beef, quality seed grass, quality seed beans and quality semen is set to maintain its growth trend. The country is already struggling to secure stable food supplies to meet the increasing needs of her ever growing population and supplies are expected to tighten further due to the increasing water deficits brought by effects of climate change in the world. As a country, we are already importing large quantities of food to sustain our population.

The Dairy sector shall also be refocused to ensure increased milk production and production of breeding in-calf heifers. Restocking of our ranches will also continue in line with the Corporation target of increasing production and productivity in the Ranches. The Corporation will enhance collaboration with the parent ministry and potential private investors under public private partnership (PPP) in order to increase utilization of the idle land in various regions.

6. Report of the Managing Director (Cont.)

Acknowledgement

I take this opportunity to express my sincere gratitude to our customers for their loyalty and continued support. My appreciation also goes out to our Board of Directors whose leadership and guidance have continued to inspire and challenge us, to the government agencies and particularly the Ministry of Agriculture whose invaluable support and assistance have been key to our progress so far, to our stakeholders and the surrounding communities that we have privilege of serving. We hereby remain indebted to you all, and look forward to your continued support and goodwill as we pledge to continue serving you all with quality products promptly and efficiently as a Corporation through our corporate vision of – “To be a global leader in sustainable Agricultural Resource Development”.

for

Mr. Mohammed M. Bulle

Sign: 

Date: 08/02/2024

Managing Director



**Agricultural Development Corporation
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For the year ended June 30, 2023.**





Seed maize field at ADC

**Agricultural Development Corporation
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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Corporation has 6 Strategic pillars and objectives within its Strategic Plan for the FY 2019-2024. These strategic pillars/department are as follows:

- Pillar 1: Economic Perspective
- Pillar 2: Customer Focus
- Pillar 3: Internal Business Processes
- Pillar 4: Capacity Building and Innovation
- Pillar 5: Corporate Governance
- Pillar 6: Environmental Sustainability

The table below summarizes the Corporation's performance across all objectives set for the 2019-2024 Strategic Plan. It also provides a commentary on the achievement and progress relating to each objective.

Table 1: Activities Implemented as at 30th June 2023

Strategic Pillars/ Department	Objectives	Key Performance Indicators (KPI)	Activities	Achievements
Economic Perspective	To build a sustainable financial resource base	Engage the government for funding	Have a standing committee to continuously engage the parent ministry & Treasury	The Corporation based on engagement with the parent ministry received Kshs 15m for mechanization.
		Engage private sector for partnership	Have a standing committee to continuously engage the parent ministry & Treasury	Plans are underway to engage other private stakeholders for partnership.
		Devolve financial management to units	Strengthen internal control	Strict internal control measures have been put in place to prevent against pilferages
		Management of debts	Restructuring of debts with key stakeholders	On- going with stakeholders (KFA)
			Seek government support in payment of historical debts	The Corporation is still engaging the government for bail out.

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Strategic Pillars/ Department	Objectives	Key Performance Indicators (KPI)	Activities	Achievements
			Develop an effective debt management policy	The policy has been developed and was approved for implementation by the board
		Asset Management	Acquire title deeds	This is continuing
			Gazette all ADC Land	fully done
			Secure ADC land by fencing	The corporation has commenced this process and its continuing in Kitale and Galana where cutline is being done
Customer Focus	To Continuously improve customer satisfaction	Provision of quality goods & services	Recruit qualified PR staff	Two staff were recruited during the year. One in customer service and one intern
			Timely reporting to ombudsman	Done on quarterly basis
			Conform our services to service charter	Our services conforms with the charter.
		Continuously interact with customers	Exhibitions in ASK Shows	The Corporation participated in all major shows in the country (Nairobi, Eldoret, Nakuru and Mombasa shows)
			Online & print media adverts	Done on leading daily newspapers
			Customer care desk	Available
			Corporate image enhancement	Customer satisfaction survey
			Corporate uniform enforcement	This has been achieved for the security officers and office assistants at farm levels
			Train of staff on PR Skills	

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Strategic Pillars/ Department	Objectives	Key Performance Indicators (KPI)	Activities	Achievements
		iv) Corporate Social Responsibility (CSR)	Tree Planting	
			Giving out seedlings to schools	Given out through county government
			Contribution towards charitable organization	
Internal Business Processes	Increase Productivity in all our enterprises	i) Increase yield per unit area	i) Precision farming	This is done both for seed maize and seed potatoes in the respective farm
			Timely operation & supply of inputs	Procurement of subsidized inputs like fertilizer were done timely as well as those of chemicals which are key in production
			Conservative tillage	
			iv) Irrigation	Plans are underway
			v) Mechanization of all operations	About 60% of farm operations have been mechanized.
	Increase milk yields per cow	i) Good quality forage & pastures	Forage, crop residues and by products are normally consumed fresh by domestic animals. However, the Corporation has managed to possible conserve them for use during future period of feed shortages.	
		ii) improve animal management practices		
	Increase dairy & beef herd size	Use breeding technology	The Corporation is implementing use of ET technology in our farms as well use of ADC semen	
		Improve breeding stock	The Corporation purchased breeding bulls for the farms	

**Agricultural Development Corporation
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Strategic Pillars/ Department	Objectives	Key Performance Indicators (KPI)	Activities	Achievements
			Restocking	Partly done as we await veterinary clearance on infestation of deadly viral disease in one of our ranch.
	To attain optimum utilization of resources	Enhance land utilization	Cash crop in isolation area	Done by planting cash crops like sugarcane, sunflower, leys and macadamia nuts
			Land reclamation	over 10 field reclaimed for use by opening drainages and de-stumping
			Hay in ranch land	Not achieved this financial year due to harsh weather conditions in the ranches
		Enhance use of processing plant (Feed mill & Seed unit)	Enough raw material	The Corporation has always strive to ensure procurement of raw material for continuous production of animal feed for our own use and external sales.
			Modernization of processing plant	The Corporation is yet to commence plans to modernize the units
	Re-engineering internal business process in line with global based practices	Automation of processes	Ensure full electricity in the units	This has been achieved at 90%. Almost all Kitale units have been electrified. Few units in Nakuru and Coast are yet to have electricity.
			Acquisition of ERP	Long overdue but plans are there and

8. Corporate Governance Statement (Cont.)

i. The Audit Committee

Charged with the responsibility of oversight and ensuring the integrity of financial statements, risk management, internal controls, compliance, ethics and effectiveness of internal and external audit activities of the Corporation and its subsidiaries. It also ensures the safeguard of the Corporation's assets.

The Audit Committee comprise of four members, all of whom are non-executive directors. All committee meetings are usually held at the registered office of the Corporation and attended by the Head of Internal Audit Division who acts as secretary of the committee.

ii. The Finance Staff and General Purpose Committee

The Committee oversees the recruitment of Senior Management staff, Review the performance of the corporation on quarterly basis, Ensure the Human Resource policy is observed and staff matter are dealt with in accordance with laid down procedures. Further, the Committee ensures available funds are utilized prudently.

iii) Agriculture, Livestock and Project Committee

Agriculture, Livestock and Project Committee is responsible for formulation of policies and practices related to the Agricultural Practices.

iv) Lands, Legal Services & Partnership Committee

Covers land matters within the Corporation, partnerships and investments Lands, Legal Services & Partnership Committee.

Directors Remuneration

In every Board meeting, Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within the set limits for state agencies. The chairman receives honorarium every month. Below is a summary analysis of payments per board member in **Kshs '000'**

8. Corporate Governance Statement (Cont.)

Directors Name	Sitting Allowances	Travelling & Accomodation	Others	Total
Ephantus Murage	600	2545	583	3,728
Zephania Yego	545	1625	500	2,671
Jemutai Barkebo	600	2123	583	3,307
Jean Njiru	650	1615	583	2,848
Joseph Rotumoi	545	1775	1220	3,540
Lina Nduta	520	1463	417	2,400
Richard Ngomo	570	2320	542	3,432
Cecelia Mbaka	546	1745	500	2,791
Gitonga Kamiti	545	1895	500	2,941
Virginia Wahome	675	1660	583	2,919
Tom Odek	-	117	-	117
Total	5796	18,884	6,012	30,692

Code of Conduct

The Corporation has a code of conduct in place which seeks to guide employees in ethical conduct of business. All directors, management and employees are expected to observe high standard of integrity and ethical conduct when dealing with other staff, customers, suppliers and government.

Conflict of interest

Board of Directors and management are under duty to avoid conflict of interest in their place of work. Conflict of interest requirements are embedded in the code of conduct and ethics as well as the appointment letters to the directors. The full board and board committees have standing agenda of declaration of interest where members declare actual, potential or perceived conflict of interest. The declared items of interest are part of the minutes and the directors are needed to disclose their interest that would conflict the Corporations business.

Going Concern

The Board of Directors confirmed that the Corporation has enough resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis of accounting in its preparation of financial statements.

**Agricultural Development Corporation
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8. Corporate Governance Statement (Cont.)

Independence

All the Directors of 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 quarterly and has a formal Board calendar. All directors have access to the Corporation Secretary and Legal Counsel. Currently, the Board comprises of nine non-executives and one executive director, the Managing Director

for

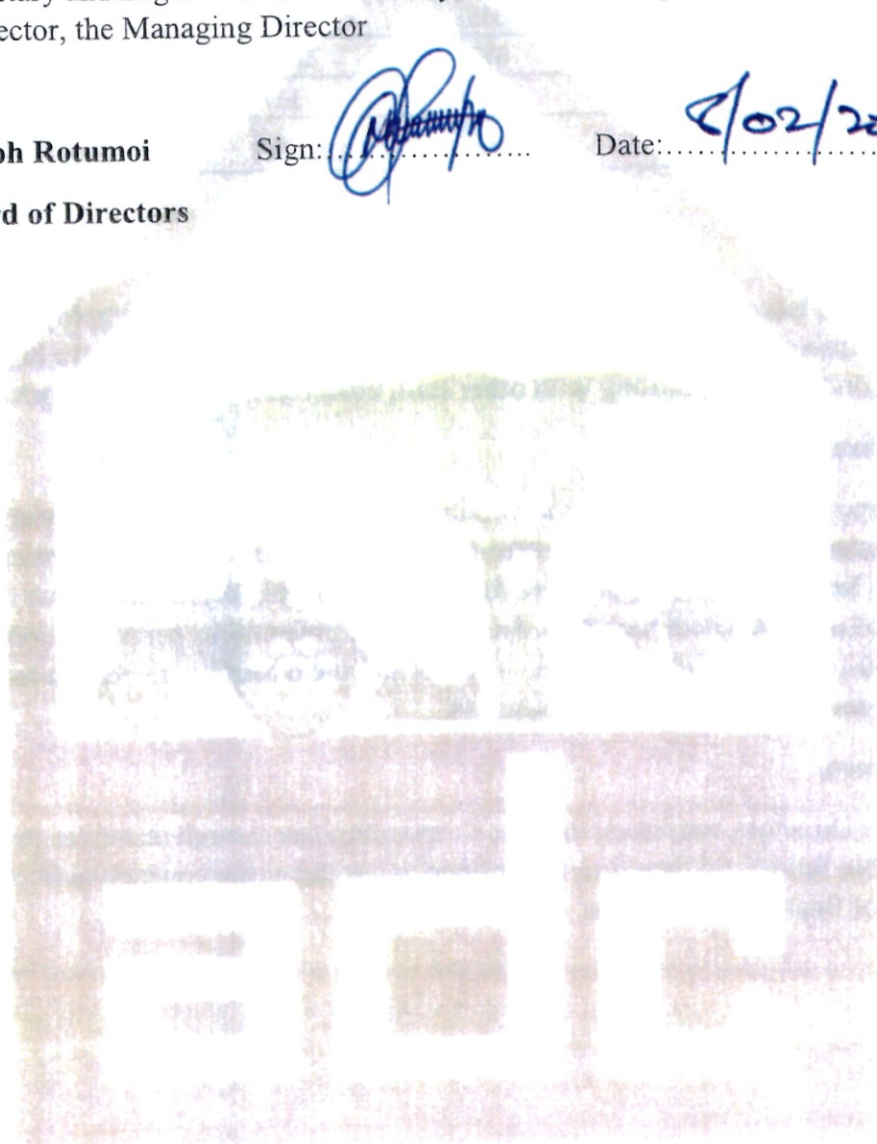
Name: **Mr. Joseph Rotumoi**

Sign:

Date:

1/02/2024

Chairman, Board of Directors



9. Management Discussion and Analysis

Agricultural Development Corporation mission and vision is to promote commercially oriented agricultural resource development, enhance food and nutrition security and expand agricultural undertaking in a sustainable manner and to be a global leader in sustainable Agricultural Resource Development respectively.

SECTION A

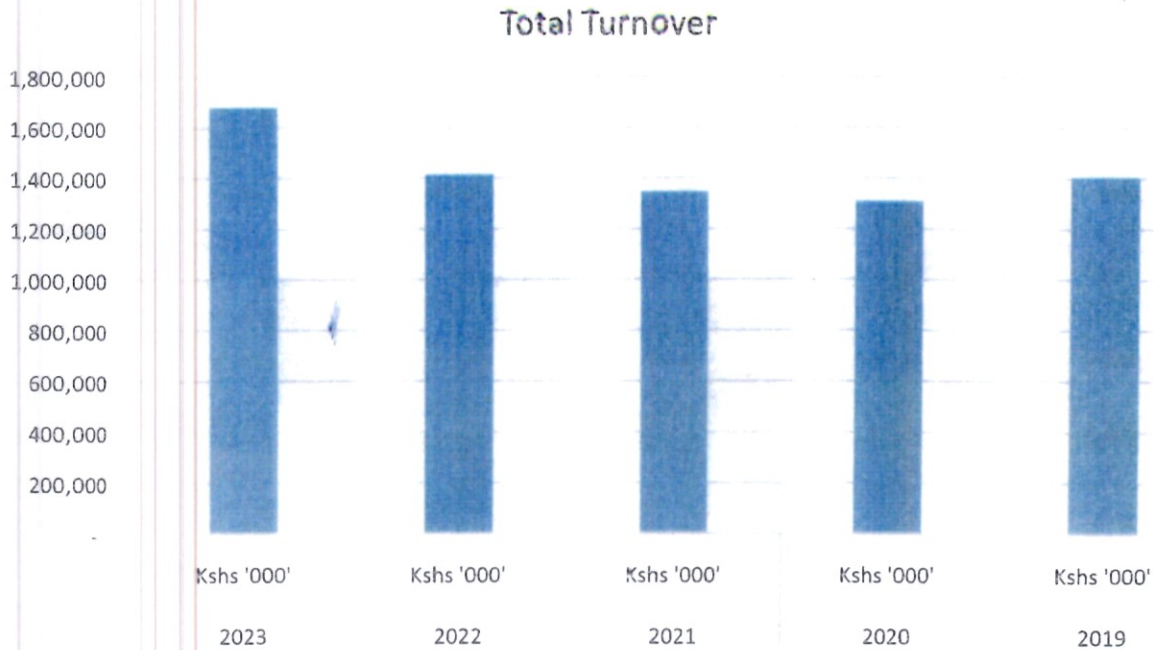
The entity's operational and financial performance

The total turnover achieved this financial year was 1.6 billion from the annual target of 2.4 billion equivalent 66 %. Revenue from the major enterprises like seed potatoes were not realized as a result of low production brought by weather challenges.

The non-current assets and current liabilities for the Corporation remained unfavorable throughout the period but improved compared to the previous year. The Corporation has continuously cleared its current debts as they fall due as well as the historical debts through committal agreements with the suppliers. The high debts that the Corporation strives to settle have been as a result of the unstable flow of income which has resulted in inadequate cash flow which was occasioned by erratic weather conditions and poor mechanization in the previous years.

This has also been compounded by the legal cases awarded against the Corporation. Many of the legal matters are historical land issues with some cases coming from accidents incurred by casual laborers being ferried to the farms for work.

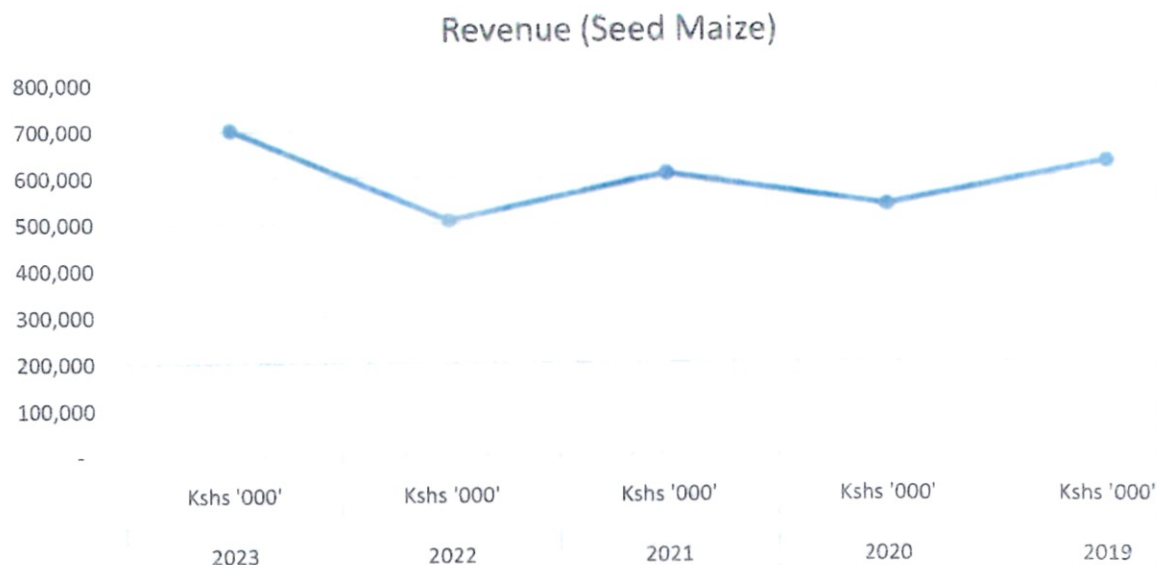
A1. Five years Turnover Performance Trend



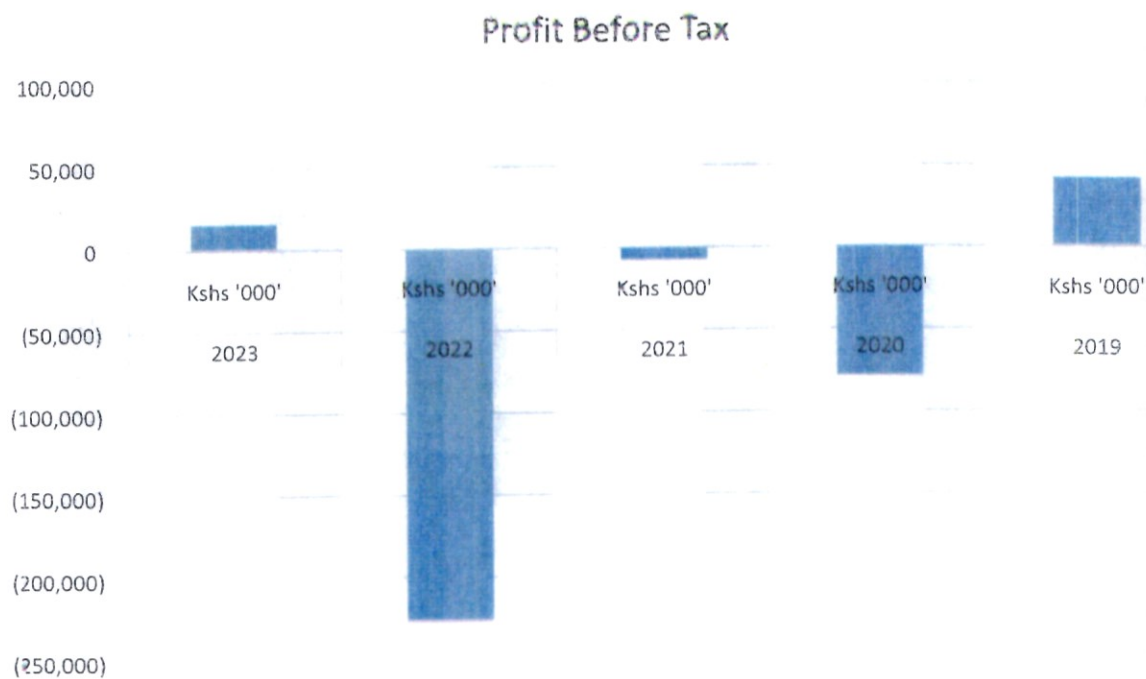
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9. Management Discussion and Analysis (Cont.)

A2. Revenues from seed maize



A3. Profit Before tax



9. Management Discussion and Analysis (Cont.)

SECTION B

Entity's compliance with statutory requirements

The Corporation has remained compliant in filing of the statutory returns, save for historical debts that the Corporation has not been able to pay. The total statutory deduction that remained unpaid is Kshs. 37.1 million while staff deductions unremitted is Kshs.269 million.

SECTION C

Key projects and investment decisions the entity is planning/implementing

- I. Establishment of Modern Semen Production Centre
- II. Mechanization (Farm machinery and Equipment)
- III. Adoption of sexed semen in livestock
- IV. Use of Diffused light store (DLS) for potato
- V. Modernization of Feed mill and Driers Unit
- VI. Establishment of seed processing unit for ADC seed maize and seed beans
- VII. Modernization of Dairy sector by installing milking machine and coolers

SECTION D

Major risks facing the entity

The main risks are:

- I. Inadequate cash flows
- II. Legal cases (Land & Accident) and Grabbing of ADC land.
- III. Adverse weather & Climate change due to over reliance on rain fed agricultural practices.
- IV. Poor mechanization of the agricultural activities
- V. Inability to service debts as they fall due.
- VI. Staff accrued wage arrears
- VII. Competition where the competitors may price their products below our prices.

**Agricultural Development Corporation
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9. Management Discussion and Analysis (Cont.)

SECTION E

Material arrears in statutory/financial obligations

The following are the material obligations:

- Unpaid NSSF Kshs. 13.4 million
- Pension Contribution Kshs. 1.7 million (principal amount).
- Gratuity Kshs. 83.2 million
- Terminal Dues Kshs. 7.9 million
- Agdeco Sacco dues Kshs. 176.2 million.
- Trade Creditors Kshs 706.3 million
- Pay As You Earn (PAYE) Kshs. 23.7 million
- Loans: KCB Loan Kshs 156 million and AFC Loan Kshs. 12.6 million.

SECTION F

The entity's financial probity and serious governance issues

No reported case of financial impropriety and governance issues to any government agencies against the Corporation.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

Agricultural Development Corporation (ADC), being one of the leading agricultural institution in Kenya, plays a critical role in the development of agricultural sector in the country. The Corporation ensures that the Kenyan farmers have access to quality certified seed. This is accomplished through its mandate of supporting the agricultural industry by production and supply of quality seeds, superior livestock breeding stock (Dairy, beef cattle and shoats), production and supply of superior cattle semen to farmers, animal feeds, trainings as well as technology transfer from research institutions to farmers. The Corporation main focus was to align its initiatives to the government BETA agenda of ensuring food security and nutrition in the country. This would be achieved through increased production of seed products by adopting new modern and precise production techniques of crop enterprises including seed maize, seed potatoes, seed beans and seed grass which are critical inputs for farmers to increase their crop productivity and profitability. In addition, initiatives were undertaken to also improve production of livestock breeding stock.

This was achieved through:

- **New seed crop varieties**

We continue to respond to high demand for seed maize (600-23A and new 500-series) to cover all altitude areas in Kenya, bean seed (Malkia Variety) and seed potatoes for similar ecological zones. The demand for the products remained high and more resources will be allocated to this area in future for growth in production and profit as well as cope with high demand.

- **Precision farming:**

The Corporation is continuously searching for effective and efficient agricultural technologies available that will revolutionize our current production to optimal levels. Precision farming has been used to enable the management of each crop production input (fertilizer, herbicide, fungicide, seed, insecticide, etc.) on a site-specific basis to reduce waste, increase profits, and maintain the environment. For instance, in Kitale, we have introduced use of drones and light aircrafts in field operations as a cheap, fast, efficient and more effective way in the management of Grey Leaf Spot (GLS), Fall Army Worm (FAW) and Maize Lethal Necrosis Disease (MLND). With this technology, precise amount of input that optimize production and minimizing wastage of inputs and nutrient run-off is achieved and thus cutting down cost of farm inputs, labour and repairs of farm equipment.

10. Environmental and Sustainability Reporting (Cont.)

- **Conservation tillage**

The Corporation continues to embrace minimum tillage in land preparation and thereby reducing the costs of land preparation, soil erosion while conserving soil moisture, hence avoiding fluctuations of soil temperature in the arable soil depth. Field performance has been encouraging as crops planted under the system have given higher yields per hectare which are higher than those under the conventional system.

- **Adoption of sexed semen in livestock**

In ADC, sexed semen became a major resource in managing, developing and increasing the size of our dairy herds at our farms. Efforts taken to address the challenges include timely heat detection, estrus synchronization and improved nutrition to bring more cows into production. The technology allowed new ways to plan mating between dairy females and males as well as the renewal of herds increasing our herd size at a 10% growth in our breeding stock, annually.

- **Capacity improvement**

We were able to train staff and students on various crop and livestock production enterprises the corporation is engaged to improve on their skills so that they can offer quality service to customers. We had new collaboration with other institutions for improvement and release of new varieties. During the year we partnered with University of Eldoret (UOE) for adaptability studies of pyrethrum production in Nakuru.

- **Innovations and technology adoption**

One of our corporation objectives is to leverage on new technologies to improve on operational efficiency. The initiative we embraced is the appropriate technologies on use of apical cuttings to speed up multiplication of healthy certified seed potatoes focused on customer preferences. The technique together with hydroponics, aeroponics and green house system enhanced production of our own breeder's seed and later field production of basic seed. Consequently, the Corporation was able to supply more certified seeds to farmers. We will continue to leverage on the success in order to guarantee production of more varieties required by the potato growers. Conversion of manual payment system to electronic. For a very long time, the Corporation has been making payment to creditors and staff through cheque system.

10. Environmental and Sustainability Reporting (Cont.)

The online payment system is time saving and convenient to the management since it doesn't require physical presences. Mobile till collection of revenue was also implanted in all the units.

For a long time now, the demand for dairy breeding animals exceeds the supply by a large margin. Thus, the Corporation continued to apply available breeding technologies as a means to solve the problem. We achieved targets in Embryo Transfer (ET) programme, use of sexed semen and estrus synchronization in cattle.

- **Use of Diffused light store (DLS) for potato**

We established a 100-tonne diffused light store in Nakuru region. The DLS was able to store seed potato in a natural, diffused light (indirect sunlight) structure with good ventilation. The simple technique reduced significantly tuber damage as it allowed the storage for a longer period of time at the farm units before planting.

ii) **Employee Welfare**

The Corporation guided by its Human Resource Policy and Procedures Manual which is aligned to prevailing Labour laws, regulations and policies guiding Human Resource Management and development in the Public Service.

The manual provides specific guidelines in HR Management development rules governing recruitment, selection and appointment on basis of fair competition and merit, representation of Kenya's diverse communities, equal opportunities to all gender, ethnic groups and people living with disabilities (PLWD).

The Corporation has a Performance Management System, which is predicated upon work planning, setting agreed targets and feedback. It is linked to other HR systems and processes including staff development, career progression, placement, rewards and sanctions. The system measures the performance and essential for the growth of the Corporation and employees. It assist the Corporation to find out whether the employee is being productive or a liability and also helps the employee to improve the services they offer to the Corporation.

The Corporation provides guidelines and standards for prevention and protection of employee's against accidents and occupation hazards arising at the work place in accordance with Occupational Safety and Health Act 2007 (OSHA). Occupational safety and health training was done during the year.

10. Environmental and Sustainability Reporting (Cont)

iii) Corporate Social Responsibility

Our CSR Approach

Agricultural Development Corporation (ADC) subscribes to being a good Corporate Social Citizen by committing itself to behave ethically and contribute to economic development, while at the same time improves the quality of life of its workforce and their families as well as the surrounding community and society at large.

ADC is charged with promotion of the production of Kenya's essential agricultural inputs as the Corporation may decide from time to time, such as seeds and pedigree livestock including hybrid seed maize, other cereal seeds, potato seed, pasture seed, vegetable seed, pedigree cattle, sheep, goats, citrus seedlings and bees keeping.

ADC supports community driven social and development initiatives aimed at creating situations conducive for individuals, groups and the community's improvement. The Corporation believes that such support plays the role of empowering and enabling people pursue their life improving agenda.

Guided by the Corporate Social Responsibility (CSR Policy) the Corporation has identified specific needs of various communities and has ensured implementation from initial project planning through to commissioning.

During the financial year under Review, ADC managed to donate Commercial Maize and Oranges to Catholic Church at Show ground as well as Coffee and Citrus seedling to Ministry of Agriculture for small scale farmers in Trans Nzoia County through County government.

The Corporation during the year would donated 195 Litres of milk per day to the disciplined forces in Trans-Nzoia county stationed at Suam Border post.

On environmental conservation, the Corporation in Collaboration with both the National and Country Government undertook tree planting exercise in one of its farms: ADC Sirikwa in Molo Nakuru County with a view to promoting afforestation.



Ayrshire breed at ADC Katuke Complex

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ADC Livestock Genetics Centre



ADC Livestock Genetics Centre - Laboratory



Citrus tree at ADC Suam Orchards



Friesian dairy breed at ADC Namandala



Seed maize plantation at ADC farm in Kitale

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30th June 2023, which show the state of affairs of the Agricultural Development Corporation and its subsidiary –Lands Limited.

i) Principal activities

The Corporation principal activities is development of agriculture in Kenya which includes:

- Custodian of national livestock studs.
- Provision of high quality seeds to the farmers.
- Transfer of technologies from research institution the farmers.
- Support to industries processing agricultural products being the major producer of agricultural produce

ii) Results

The results of the Corporation for the year ended 30th June 2023, are set out in the statement of comprehensive income on page 1.


iii) Directors

The Directors who served during the year and to the date of this report are shown on page ix to xvi

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Corporation financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Rogers Karumpu

Corporation Secretary

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - cap 486, require the Directors to prepare financial statements in respect of the Corporation and its subsidiary, 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 and its subsidiary for that year. The Directors are also required to ensure that the Corporation and its subsidiary keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. 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 Corporations financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2023. 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.

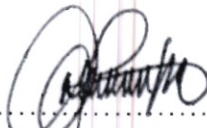
The Directors accept responsibility for the Corporation financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 486. The Directors are of the opinion that the Corporation financial statements give a true and fair view of the state of Corporation transactions during the financial year ended June 30, 2023, and of the Corporation financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation financial statements as well as the adequacy of the systems of internal financial control.

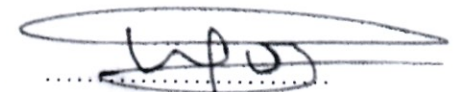
Statement of Directors Responsibilities (Cont.)

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

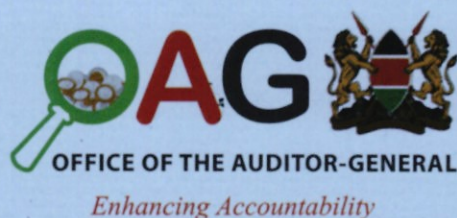
The Corporation financial statements and its accompanying notes were approved by the Board 25th AUGUST 2023 and signed on its behalf by:


.....
for Mr Joseph Rotumoi
Chairman of the Board


.....
for Mr Mohammed M. Bulle
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Agricultural Development Corporation set out on pages 1 to 53, which comprise of the consolidated statement of financial position as at 30 June, 2023, and the consolidated statement of financial performance, statement of changes in net assets, statement of cash flows and statement

of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Agricultural Development Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The consolidated statement of financial position reflects current liabilities balance of Kshs.1,495,452,000 which exceeds the current assets balance of Kshs.798,453,000 resulting to a negative working capital of Kshs.796,957,548. Further, the Company's statement of financial performance reflects an operating loss of Kshs.29,612,000 resulting to an increase in accumulated deficit from Kshs.1,239,254,000 as at 30 June, 2022 to Kshs.1,251,552 as at 30 June, 2023. The Corporation is therefore, technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors. In addition, this material uncertainty has not been disclosed in the financial statements.

In the circumstances, the Corporation's ability to continue sustaining its services could not be confirmed.

2.0 Receivables from Exchange Transactions

The consolidated statement of financial position and Note 21 to the financial statements reflects receivables from exchange transactions balance of Kshs.432,044,000. However, the following issues were observed; -

2.1. Unsupported Receivables from Exchange Transactions

Management made a provision for doubtful debts totalling Kshs.132,477,000 whose basis was not provided. In addition, as previously reported, included in the balance is non-trade debtors of Kshs.130,801,000 out of which Kshs.12,865,307 related to outstanding safari advances. Management did not provide the details of the safari advances and no explanation was provided as to why they were not surrendered at the closure of the financial year as required by law.

2.2. Long Outstanding Trade Debtors

Review of the trade debtors' records revealed debtors amounting to Kshs.238,614,013 which relate to entities that have since been wound up or their records cannot be traced by the Management for verification as detailed in the table below;

Invoice Date	Debtor	Amount (Kshs.)
2016	Vital Plantation	14,521,099
2016	Bushlands	7,682,448
2021	Boit James	3,853,816
2012	Africa Business Centre	3,727,125
2009	Chemelil Sugar Company	40,481,469
1993	KGGCU (KFA)	6,782,864
2009	KPCU	5,842,554
2013	Kenya Seed Company	7,793,265
2010	Ministry of Agriculture	45,105,883
2016	National Irrigation Board	91,365,213
2010	KCC-O30-Kitale	9,271,027
2015	Wondernuts Kenya Limited	1,635,250
2017	CAI Station	552,000
	Total	238,614,013

In the circumstances, the accuracy and completeness of receivable from the exchange transactions balance of Kshs.432,044,000 could not be confirmed.

3.0 Unsupported and Long Outstanding Payables

As previously reported, the consolidated statement of financial position and Note 26 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,427,985,000. Included in the balance are the Corporation's non-trade creditors amounting to Kshs.756,031,000 out of which payables amounting to Kshs.154,030,000 relates to unpaid wages for casual laborers with Kshs.126,014,000 having been outstanding for more than one year and with some balances dating back to the year 2001.

In addition, the balance includes outstanding unremitted Pay As You Earn (PAYE) tax of Kshs.24,522,205 which had been outstanding for more than one year. However, the Kenya Revenue Authority-I tax portal reflected a balance of Kshs.34,183,799 resulting in an unreconciled variance of Kshs.9,661,594.

Further, trade creditors of Kshs.7,058,579 described as invoice to receive did not have details of the creditors.

Moreover, included in the trade and other payables from exchange transactions are payables amounting to Kshs.696,244,000 out of which payables amounting to Kshs.568,099,806 have remained unpaid for more than two hundred and seventy (270) days.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,427,985,000 could not be ascertained.

4.0 Property, Plant and Equipment

The consolidated statement of financial position and Note 23(a) to the financial statements reflects property, plant and equipment balance of Kshs.1,225,948,000. Review of records held by the Corporation revealed the following matters;

4.1. Inaccuracies and Inconsistencies in the Financial Statements

4.1.1. Unsupported Adjustments

The property, plant and equipment balance includes adjustments in buildings, fencing and water supply, farm equipment, furniture and equipment and motor vehicles of Kshs.25,171,000, Kshs.250,000, Kshs.34,090,000, Kshs.4,479,000 and Kshs.50,246 respectively all totalling Kshs.114,236,000. However, these adjustments were not supported by journal vouchers.

4.1.2. Unsupported Assets Balances

The property, plant and equipment balance of Kshs.1,225,948,000 includes Kshs.1,022,691,000 in respect to leased farms, farms managed by ADC, building, fencing and water supply. However, valuation reports and asset inventory for buildings, fencing and water supply and leased farms were not provided for audit.

4.1.3. Revaluation of Assets

Review of assets movement schedule provided revealed that residual values over the remaining useful life of assets are not estimated hence significant number of assets are fully depreciated but still in use. In addition, the depreciation policy adopted under Note 4(d) in the summary of significant accounting policies in the financial statements does not disclose how depreciation will be calculated and recognized in the year that an asset is acquired or disposed.

Further, the Corporation has no assets and liabilities management policy contrary to Paragraph 4 -(4.5) of The National Treasury Policy on Assets and Liabilities Management in the Public Sector, June, 2020 which requires Public Sector Entities to align their policies to this policy and policy guidelines issued by The National Treasury.

4.1.4. Unsupported Prior Year Adjustment to Depreciation Expense

Review of prior year net book value disclosed in Note 23 (a) under property, plant and equipment differ with prior year audited account as tabulated below;

	2022/2023 Financial Statement Amount (Kshs.)	2021/2022 Audited Financial Statements Amount (Kshs.)	Variance (Kshs.)
Assets			
Leased Farms	220,000	216,000	4,000
Fencing and Water Supply	14,246,000	14,954,000	-708,000
Farm Equipment	166,528,000	166,711,000	-183,000
Motor Vehicles	144,549,000	138,592,000	5,957,000
Furniture and Equipment	22,492,000	22,491,000	1,000
Total	348,035,000	342,964,000	5,071,000

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,225,948,000 could not be confirmed.

4.2. Lack of Motor Vehicle Ownership Documents

Included in the property, plant and equipment balance is an amount of Kshs.63,220,000 in respect to motor vehicle. However, review of copies of logbooks certified by CMC Motors Group Ltd revealed that thirty-seven (37) motor vehicles with a net book value of Kshs.2,246,255 are jointly owned by CMC Motors Group Ltd and original logbooks were still held by CMC. In addition, included in the corporation's assets register is a vehicle GKB100R that is in use at Galana Ranch. Available information revealed that the vehicle had been handed to the Corporation by the Ministry of Agriculture. However, there was no document provided to confirm the ownership of the vehicle.

In the circumstances, the ownership of the motor vehicles valued at Kshs.63,220,000 could not be confirmed.

4.3. Leased Land

4.3.1. Expired Lease Agreements

Review of the lease agreements maintained by the Corporation revealed that some of the lease agreements had long expired and hence the tenants were in occupation irregularly. The expired leases are for, Kudu Camp Galana, Drake Management, National Irrigation Board, Sabaki Tropical Fruits Ltd and Bushlands.

4.3.2. Encroached Land

The Corporation entered into an agreement with a tenant for lease of land in Rumuruti measuring 15,000 acres for fifteen (15) years. The lease was effective from 1 October, 2015 at a lease rent of Kshs.500 per acre per annum. It was noted that the acreage changed from 15000 acres to 13,103 acres from 1 October, 2019. In a correspondence dated 27 February, 2017, the surveyors had indicated that 1897 acres had been lost due to illegal grazers invading the said piece of land. In addition, no further correspondence has been seen to explain what has since transpired with the 1897 acres that are no longer in the custody of tenant.

4.3.3. Unpaid Leases

An agreement was done to lease 5 acres for six (6) years in Tsavo East Wilderness Camp with effect from 1 January, 2021. The rent payable was Kshs.15,000 per acre quarterly. The tenant was to complete construction works in the leased land within a period of not more than six (6) months from the commencement of the lease during which rent was not payable. In the event the tenant was not able to complete the construction works within the stipulated period, they were to apply for extension of a further period at least two (2) months before the expiry of six (6) months. As at 23 April, 2023 there was no physical development on the property or physical presence. Further, the lessee was not paying the lease fees despite the grace period having lapsed.

In the circumstances, the completeness, accuracy and valuation of leases could not be confirmed.

4.4. Farms Managed by ADC

Included in the property, plant and equipment balance is value of farms managed by the ADC amounting to Kshs.521,513,000. Review of land records revealed the following matters;

4.4.1. Lack of Land Ownership Documents

The balance includes parcels of land as detailed below whose ownership documents were not provided for audit review;

No.	Farm	Acreage	Location	Reason
1	Enchili	685	Mau Narok	Title not processed - letter dated 11 July, 2023 from Ministry of Lands informed the Corporation that farms were bought by settlement fund trustees in October, 2010 which is a resettlement programme
2	Enchil	822	Mau Narok	Title not processed
3	Enchil	225	Mau Narok	Title not processed
4	Lanet	1504	Nakuru	Title deed was not provided
5	Suam	300	Kitale	Title deed was not provided
6	Ndabibi	2021.3	Nakuru	Pending registration
7	Ndabibi	425.01	Nakuru	Pending registration

4.4.2. Parcels of Land with Ownership Dispute

4.4.2.1. ELC Petition No.2 of 2022

There was an ongoing court case ELC Petition Number 2 of 2022 where the suit property of 175 acres belonged to Lands Limited. The petitioner alleged to be the lawful proprietor of all parcel of 200 acres land, Grant No.1.r 19981 having acquired from another owner other than ADC in the year 2021.

4.4.2.2. KTL ELC Petition No E001 of 2023

There was an ongoing Court case in the Environment and Land Court at Kitale ELC Petition Number 1 of 2023 for two parcels of land. The petitioner alleged that Land Limited executed an instrument of transfer in respect to one parcel measuring 300 acres located at Suam Orchard Farm at Kshs.1,238,350,000 and 5355/23 grant numbers and the second parcel of land comprised of two titles situated in Trans-Nzoia County. On 1 December, 1997, in favour of the petitioner, Chief Land Registrar duly registered the instrument of title in favour of the petitioner vide presentation book number 1140 of 18 April, 2000.

In the circumstances, the ownership of the above parcels of land could not be confirmed.

4.5. Farms Managed by the Corporation

Included in the balance is value of farms managed by the Corporation amounting to Kshs.37,910,000 with the following issues; -

- i. Included in the balance are seven (7) parcels of land whose ownership documents were not in the custody of the Corporation. Records provided for audit revealed that two of the parcels were charged against a bank loan with a commercial bank and the loan was in arrears. Further, review of loan records for the commercial bank loan

reveal that the loan has been charged against four (4) parcels of land and shows that the loan was in arrears of Kshs.156,389,000.

- ii. In addition, although Management had indicated that the entity had leased some parcels of land to various organizations, an inventory of all the leased parcels and Board Policy to guide on the lease charges were not provided while the lease agreements and receipts were not supported by lease valuation reports.
- iii. A parcel of land in Molo sub-county has been encroached on by informal settlers although the Corporation has secured ownership documents.
- iv. As previously reported, the financial statements exclude the value of land measuring about 2,908.42 acres known as Home Farm. The land was allocated to private developers in the year 1994 under unclear circumstances. Although, Management has explained that the matter is still under investigations, the status of the investigations was not provided for audit review.
- v. The property, plant and equipment balance excluded land of undetermined value measuring 319.4 hectares located in Garissa Municipality which Management has explained that was donated. No explanation has been provided for failure to value the land and include it in their books.
- vi. The financial statements reflect capital work in progress of Kshs.50,909,000. The balance includes Kshs.8,549,000 incurred on construction of seed drier and store project in Kitale that was started in the year 2006 and Kshs.23,681,000 incurred on construction of a dam and store at Suam Orchards Farm also in Kitale. Review of project progress report revealed that the projects had stalled.

In the circumstances, the accuracy, completeness, valuation and ownership of Corporation land balance of Kshs.37,910,000 could not be confirmed.

5.0 Investments

The consolidated statement of financial position reflects an investment balance of Kshs.467,283,000 as disclosed in Note 24 to the financial statements.

However, the following inadequacies were observed;

5.1. Non-Consolidation of Subsidiaries Financial Statements

Included in the investments balance of Kshs.467,283,000 are investments in shares held in Chemelil Sugar Company Ltd of Kshs.203,592,000, Muhoroni Sugar Company of Kshs.41,342,000, and Kenya Seed Company Ltd of Kshs.114,014,400 where Agricultural Development Corporation holds 96.22%, 74.17% and 51.83% respectively which is more than half in nominal value of share capital. However, the subsidiaries financial performance and financial position are not consolidated in the Agricultural Development Corporation consolidated financial statement as the holding company. Further, there is no documentary evidence or disclosure notes in the financial statement for the exemption.

5.2. Unpaid Dividends from Investments

The Corporation holds investments at Chemelil Sugar Company Ltd of Kshs.203,592,000, Muhoroni Sugar Company of Kshs.41,342,000, Kenya Grain Grower's Co-op Union of Kshs.1,123,424, Pyrethrum Board of Kenya of Kshs,35,640,000, Kenya Planters'

Co-operative Union of Kshs.24,960,000, and Agro-Chemical and Food Ltd Kshs.16,900,000 respectively all totalling Kshs.323,557,424. However, no dividends have been received for a considerably long time.

5.3. Unsupported Investment at Kenya Grain Growers Co-operative Union

Included in the investment is an investment at Kenya Grain Growers Co-operative Union of Kshs.1,123,424 of 70,214 Ordinary shares of Kshs.20 supported by various share certificates. However, review of the share certificates revealed that 700 shares were not supported by certificates.

5.4. Investment at Kenya Seed Company

Note 24 to the financial statements reflects investment of Kshs.467,283,000 which comprises of investment of Kshs.114,014,400 in respect to 5,700,720 shares of Kshs.20 each in Kenya Seed Company bought in the year 1986 which is a holding of 52.88%. However, there is ongoing case Nairobi HCC NO.575 of 2004-ADC-VS-Kenya Seed Company & 9 Others since Kenya Seed Company issued for sale 4,000,000 Ordinary Share to existing shareholder. However, the Corporation did not subscribe and floatation resulted to dilution of shareholding from 52.88% to 40.28%.

Under the circumstances, the accuracy and completeness of investments balance of Kshs.467,283,000 could not be confirmed.

6.0 Unsupported Receivables from National Livestock Project

As previously reported, the statement of financial position and Note 21 to the financial statements reflects receivables from exchange transaction balance of Kshs.432,044,000. Included in the balance is an amount of Kshs.37,914,000 in respect of the National Livestock Project account that is claimable by the Corporation from the parent Ministry. According to records, the project was started in the year 2006 when the Government granted the Corporation an amount of Kshs.198,000,000 to purchase livestock under the emergency off-take program in drought stricken arid areas. The amount was to be spent on maintenance and daily running of the project operations. However, the balance of Kshs.37,914,000 was not supported with documentary evidence to confirm that the amount is reimbursable by the State Department of Livestock.

In the circumstances, the accuracy and completeness of the receivables on National Livestock Project balance of Kshs.37,913,748 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.2,418,928,000 and Kshs.1,662,494,000 respectively, resulting to an unrealized revenues of Kshs.756,434,000 or 31% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.2,226,799,000 and Kshs.1,709,261,000 respectively, resulting to under absorption of Kshs.517,538,000 or 23% of the budget.

In the circumstances, the under collection of revenue and under absorption affected the planned activities and may have impacted negatively on goods and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unserviced Borrowings

Review of the loan records provided for audit verification including the inventory of the title deeds for the land that the entity owns revealed that two of the entity's title deeds for parcels in Trans Nzoia County have been charged by a Commercial Bank for a loan owed to the bank which was valued at Kshs.156,389,000 as at 30 June, 2023 of which a monthly installment of Kshs.4,600,000 was to be paid. Review of the bank statement further revealed that within the financial year, only installments amounting to Kshs.8,846,391 were paid leading to accrual of interest and default charges amounting to Kshs.17,659,485.

In the circumstances, Management was in breach of loan agreement and the entity's land is at risk of being auctioned.

2.0 Failure to Remit Statutory Deductions

The statement of financial position and Note 26 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,427,985,000. Included

in the balance are deductions amounting to Kshs.255,889,129 not remitted to the respective entities with some which have been outstanding for over twenty-three (23) years as tabulated below:

Details	Ref No.	Amount (Kshs.)	No. of Years Outstanding
P.A.Y.E	9202	23,688,039.91	11
N.S.S.F	9204	23,659,509.15	24
N.H.I.F	9205	1,587,994	6
Pension Scheme Deductions	9211	1,714,440.59	8
AGDECO Society Deductions	9212	175,239,144.12	11
Total		255,889,129	

This was contrary to Section 19(4) of the Employment Act, 2007 which states that an employer who deducts an amount from employees' remuneration in accordance with Subsection 19(1) shall pay the amount so deducted in accordance with time period and other requirements specified in law, agreement, court order or arbitration as the case may be.

In the circumstances, Management was in breach of the law.

3.0 Non-Compliance with Law on Ethnic Diversity

Review of the staff records revealed that the Corporation has two hundred and seventy-eight (278) members of staff on permanent and pensionable terms out of which one hundred and two (102) staff members or 37% of the total workforce were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

4.0 Staff Exceeding Mandatory Retirement Age

Review of the records maintained by the Human Resource Department including the payroll and the staff bio-data revealed that a total of nine (9) members of staff in various job groups were above the mandatory retirement age of sixty (60) years as at 30 June, 2023. Management did not provide any evidence that the said officers possessed rare knowledge, skills and competencies, are willing to work under contract and their performance shall not in any way be impaired by age as stipulated in Section 80(2) of the Public Service Commission Act, 2017.

In the circumstances, Management was in breach of the law.

5.0 Staff on Acting Capacity

Review of the records maintained by the Human Resource Department including the payroll and the staff bio-data revealed that a total of two (2) members of staff have been in acting capacity for more than the recommended six months. This is contrary to Section C.14 (1) of Human Resource Policies and Procedures Manual for Public Service May, 2016.

In the circumstances, Management was in breach of policy guidelines.

6.0 Lack of Contractual Agreements on Sale of Seed Maize

Review of Board minutes revealed that a meeting held on 28 June, 2022 had ratified Agriculture, Livestock and Project Committee report on review of Kenya Seed Company (KSC) contract on seed maize pricing to Kshs.114 from Kshs.74. The Managing Director wrote to Kenya Seed Company Managing Director vide letter dated 12 September, 2022 Ref; ADC-HQ/TEC/OC/14/C/VOL.19 (126) confirming that ADC had agreed to the new producer price of Kshs.95.57 per kilo of clean seed and requested KSC to finalize signing of the contract.

However, the Corporation sold 7,891,048.83 Kgs of clean maize at a price of Kshs.88 amounting to Kshs.694,412,297 to Kenya Seed Company Ltd with no basis and without entering into a contractual agreement resulting in loss revenue for the Corporation of Kshs.59,735,160 using the agreed price of Kshs.95.57 per kilo. This was in contravention of Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer to sign a contract incorporating all the agreements.

In the circumstances, Management was in breach of the law.

7.0 Failure to Close Non-Designated Payment Platforms

As at the time of audit, the corporation was still operating on and receiving payments via different pay bills after the 8th August, 2023 deadline. This is contrary to the Government digitization plan that all ministries, government departments and agencies were directed to terminate all non-designated payment platforms and migrate to the designated paybill number by 8th August, 2023.

In the circumstances, Management was in breach of policy guidelines.

8.0 Under-Utilization of Feed Mill and Engineering Complexes in Kitale

During the physical audits to the Feed Processing Complex and Engineering Complex carried out in the month of August, 2023, it was noted that the Corporation was operating below its optimum as highlighted below;

8.1. Feed Mill Processing Complex

- i. The feed mill equipment was very old and could not meet the huge demand for the livestock feeds.
- ii. The old equipment at the feed mill operates at very low efficiency, consumes a lot of power and therefore high operation costs for the complex.
- iii. The feed mill complex had an annual production target of 3500 tonnes of feed unit but only managed to produce 2170 tons. This is 62.8% of the annual target hence a shortfall of 37.2%.

8.2. Engineering Complex

- i. The engineering service complex/machinery pool was poorly equipped to meet the demand of repair services both externally and internally despite there being a huge market for its specialized services.

- ii. The complex had an annual revenue target of Kshs.53,598,673 but realized Kshs.20,083,686 thus achieving 37% of its target from its four revenue streams - code 1434, 1701, 1702 and 1703 resulting in a shortfall of 62.8%.

In the circumstances, Management has not effectively utilized the resources available.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Use of Outdated Software and Stand-Alone Systems

Review of the Information and Communication Technology (ICT) environment of the Corporation revealed that it uses a software called SERA blue version which covers stores management, accounting modules, revenue, purchases, production, unit and cost centers. However, the following anomalies were noted:

- i. Although the contract for acquisition of the system was not availed for audit verification, available information revealed that the system was acquired more than twenty-five (25) years ago and thus its efficiency level is too low due to changes in technology over time.
- ii. There was no service level agreement with the vendor and thus maintenance of the system is highly hindered.
- iii. The system is not web based and thus the head office and regional offices are not integrated.
- iv. The acquisition and maintenance cost of the system could not be determined as no documentation was availed as at the time of audit.

In addition, the Corporation's human resource department uses a standalone memory soft payroll system. However, the system is hosted within the HR department and not shared with any of the farm and regional managers and hence the payroll officer must print copies for HRM and other managers for checking. The system is not compatible with

the Sera Blue Version. Further, it was not possible to confirm the cost and time of acquiring the system as the records of its purchase could not be traced.

In the circumstances, the Corporation may suffer compromised efficiency due to use of ineffective ICT systems.

2.0 Failure by the Corporation to Undertake Governance Audit

Review of the internal controls environment revealed that Corporation did not undertake a governance audit as required by Section 1.13 of the Mwongozo Code of Conduct for State Corporations.

In the circumstances, the effectiveness of the governance structure could not be confirmed.

3.0 Unsurrendered Tablets from Former Board Members

Review of the records provided for audit including the board minutes and assets register revealed that a total of seventeen (17) former directors of the Corporation did not return tablets issued to them for official use. Although the resolutions of the board for recovery are still in force, Management did not avail any evidence of initiating the recovery process as stipulated.

In the circumstances, the effectiveness of the Corporation's controls on assets could not be confirmed.

4.0 Composition of the Corporation Board

Review of the files of individual board members revealed that the chairperson does not have a degree related to the operations of the corporation as required in the first attachment of Mwongozo, some members did not have a degree but a diploma and two board members did not attach their CVs for audit verification.

In the circumstances, the effectiveness of the governance structure could not be confirmed.

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Corporation or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


05 April, 2024


Agricultural Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2023.


14. Consolidated Statement of Financial Performance
For the year ended 30th June 2023

	Note	2022-2023 KSH '000'	2021-2022 KSH '000'
Revenue from Non-Exchange transactions			
Transfer from other Government Agencies	1	15,000	-
Revenue from exchange transactions			
Rendering of Services	2	118,355	153,176
Farming Income	3	1,278,680	1,132,483
Rental revenue from facilities and equipment	4	37,412	38,127
Investments Income	5	178,208	64,231
Other Income	6	49,839	21,961
		1,662,493	1,409,978
Total revenue		1,677,493	1,409,978
Expenses			
Use of Goods & Services	7	876,446	836,334
Employee costs	8	553,368	518,484
Board Expenses	9	30,693	20,130
Depreciation and amortization expense	10	114,294	137,397
Repairs and maintenance	11	39,673	48,082
Contracted services	12	48,757	32,413
Subscription & Donations	13	1,048	2,698
Finance costs	14	44,982	42,021
		1,709,261	1,637,559
		(31,768)	(227,581)
Other gains/(losses)			
Gain/(Loss) on changes in Biological Assets	15	75,760	96,443
Loss due to death of Livestock	16	(28,930)	(99,447)
Gain on foreign exchange transaction	17	14	-
Gain on sale of fixed assets	18	-	3,503.00
		15,078	(227,082)
Surplus/ (Loss) before tax		15,078	(227,082)
Taxation @ 30%		(4,523)	-
Surplus/ (Loss) for the year		10,554	(227,082)

The notes set out on pages 9 to 38 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:


 for Mr. Mohammed M. Bulle
Managing Director


 Mr. Jonathan Keitany
Head of Finance
 (ICPAK M/NO. 15114)


 for Mr. Joseph Rotumoi
Chairman of the Board

Date: 08/02/2024

Date: 08/02/2024

Date: 8/02/2024

Agricultural Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2023.

15. Company Statement of Financial Performance
For the year ended 30th June 2023

	Note	2022-2023 KSH '000'	2021-2022 KSH '000'
Revenue from Non-Exchange transactions			
Transfer from Government Agencies	1	15,000	-
Revenue from exchange transactions			
Rendering of services	2	118,355	153,176
Farming Income	3	1,278,680	1,132,483
Rental revenue from facilities and equipment	4	37,412	38,127
Investments Income	5	178,208	64,231
Other Income	6	49,839	21,313
		1,662,493	1,409,330
Total revenue		1,677,493	1,409,330
Expenses			
Use of Goods and Services	7	876,326	836,214
Employee costs	8	551,946	517,083
Board Expenses	9	30,693	20,130
Depreciation and amortization expense	10	114,265	137,361
Repairs and maintenance	11	39,673	48,082
Contracted services	12	48,757	32,413
Donation & Subscription	13	1,048	2,698
Finance costs	14	44,397	41,392
		1,707,105	1,635,373
Total expenses		1,707,105	1,635,373
Operating Profit/(Loss)		(29,612)	(226,043)
Other gains/(losses)			
Gain/(Loss) on changes in Biological Assets	15	75,760	96,443
Loss due to death of Livestock	16	(28,930)	(99,447)
Gain on foreign exchange transaction	17	14	-
Gain on sale of fixed assets	18	-	3,503
		17,233	(225,544)
Surplus before tax		17,233	(225,544)
Taxation @ 30%		(5,170)	-
Surplus for the year		12,063	(225,544)

The notes set out on pages 9 to 38 form an integral part of these Financial Statements.



for Mr. Mohammed M. Bulle
Managing Director

Date: 08/02/2024



Mr. Jonathan Keitany
Head of Finance

(ICPAK M/No: 15114)

Date: 08/02/2024



for Mr. Joseph Rotumoi
Chairman of the Board


Date: 08/02/2024


Agricultural Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2023.


16. Consolidated Statement of Financial Position
As at 30th June 2023

Assets	Note	2022-2023	2021-2022
		KSH '000'	KSH '000'
Current assets			
Cash and cash equivalents	19	117,148	27,563
Current Account with National Live stock Project	20	39,931	37,914
Receivables from exchange transactions	21	432,044	579,567
Inventories	22	209,330	284,883
		798,453	929,927
Non-current assets			
Property, plant and equipment	23(a)	1,225,948	1,420,735
Investments	24	467,283	467,283
Biological Assets	25	1,837,667	1,696,148
		3,530,898	3,584,166
		4,329,351	4,514,093
Liabilities			
Current liabilities			
Trade & other payables-exchange transactions	26	1,427,985	1,592,655
Borrowings	28(a)	67,467	65,291
		1,495,452	1,657,946
Non-current liabilities			
Borrowings	28(b)	101,189	125,139
Total liabilities		1,596,641	1,783,085
Net assets		2,732,710	2,731,008
Grants	29	3,523,786	3,509,786
Capital Reserves	30	12,775	12,775
Revaluation Reserves	31	447,701	447,701
Accumulated (Deficit)		(1,251,552)	(1,239,254)
		2,732,710	2,731,007
		4,329,351	4,514,093

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


for Mr Mohammed Bulle
Managing Director
Date: 08/02/2024


Mr. Jonathan Keitany
Head of Finance (ICPAK M/No 15114)
Date: 08/02/2024


for Mr. Joseph Rotumoi
Chairman of the Board
Date: 8/02/2024

Agricultural Development Corporation
Annual Report and Financial Statements
For the year ended June 30, 2023.

17. Company Statement of Financial Position
As at 30th June 2023

Assets	Note	2022-2023	2021-2022
		KSH '000'	KSH '000'
Current assets			
Cash and cash equivalents	19	20,366	22,762
Current Account with National Livestock Project	20	39,931	37,914
Receivables from exchange transactions	21	411,768	559,290
Inventories	22	209,330	284,883
		681,395	904,849
Non-current assets			
Property, Plant and Equipment	23(b)	742,065	936,822
Investments	24	467,283	467,283
Biological Assets	25	1,837,667	1,696,148
Investment in Subsidiary- LANDS Ltd		31,434	31,434
		3,078,449	3,131,687
Total assets		3,759,844	4,036,536
Liabilities			
Current liabilities			
Trade & other payables - exchange transactions	26	1,424,771	1,589,561
Borrowings	28(a)	67,467	65,291
		1,492,238	1,654,852
Non-current liabilities			
Current Account With Subsidiary- LANDS Ltd	27	460,601	554,885
Borrowings	28(b)	101,189	125,139
		561,790	680,024
Total liabilities		2,054,028	2,334,876
Net assets		1,705,816	1,701,660
Grants	29	3,523,786	3,509,786
Accumulated (Deficit)		(1,817,970)	(1,808,126)
Total net assets and liabilities		3,759,844	4,036,536

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


 Mr Mohammed Bulle

Managing Director

Date: 08/02/2024



Mr. Jonathan Keitany

Head of Finance: ICPAK M/No 15114

Date: 08/02/2024


 for Mr. Joseph Rotumoi

Chairman of the Board

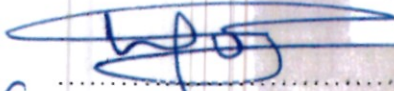
Date: 8/02/2024


Agricultural Development Corporation
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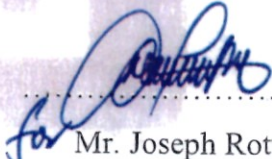
18. Lands Limited Statement of Financial Position
As at 30th June 2023

ASSETS	NOTE	2022-2023	2021-2022
Current Assets		KSH '000'	KSH '000'
Cash and cash equivalents	19	96,782	4,801
Receivables from exchange transactions	21	20,276	20,277
		117,058	25,078
Non-current assets			
Property, plant and equipment		483,884	483,912
Current Account with Parent Co.	27	460,601	554,885
		944,485	1,038,797
Total assets		1,061,544	1,063,875
Liabilities			
Current liabilities			
Trace & other payables -exchange transactions	26	3,214	3,094
Equity			
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants		55,694	55,694
Capital Reserve	30	12,775	12,775
Reserves		447,701	447,701
Accumulated surplus/ (Deficit)		542,140	544,591
Total		1,058,330	1,060,781
Total net assets and liabilities		1,061,544	1,063,875

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


 for Mr Mohammed Bulle
 Managing Director
 Date: 08/02/2024


 Mr. Jonathan Keitany
 Head of Finance ICPAK M/No 15114
 Date: 08/02/2024


 for Mr. Joseph Rotumoi
 Chairman of the Board
 Date: 8/02/2024

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

	Equity (Grants) Kshs '000	Capital Kshs '000	Revaluation Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1st June 2021	3,459,786	12,775	447,701	(853,838)	3,066,424
Addition	50,000	-	-	-	50,000
Prior year adjustment				(158,334)	(158,334)
Transfers to accumulated surplus/Deficit	-	-		(227,082)	(227,082)
Balance as at 30 June 2022	3,509,786	12,775	447,701	(1,239,254)	2,731,008
Addition	15,000	-	-	-	15,000
Prior year adjustment	(1,000)			(22,852)	(23,852)
Transfers to accumulated surplus/Deficit	-	-		10,554	10,554
Balance as at 30 June 2023	3,523,786	12,775	447,701	(1,251,552)	2,732,710



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For the year ended June 30, 2023.

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

	Note	2022-2023 KSH '000'	2021-2022 KSH '000'
Cash flows from operating activities			
Surplus/ (Loss) for the year		10,554	(227,082)
Adjustments for:			
Depreciation of property and equipments	23(a)	100,351	137,397
Gains on Disposal of fixed assets	18	-	(3,503)
Loss due to death of Livestock	16	28,930	99,447
Revaluation in fair value of biological assets	15	(75,760)	(96,443)
Operating profit before working capital changes		64,075	(90,184)
Increase/(decrease) in:			
Debtors	21	147,523	55,792
Inventories	22	75,553	(11,600)
Injection to National livestock project	19	2,017	(5,895)
Creditors	26	(164,670)	147,224
		60,423	185,521
Cash generated from operations		124,498	95,337
Cash flows from investing activities			
Purchase of fixed assets	23(a)	(21,864)	(87,379)
Purchase of Livestock	35	(6,274)	(22,780)
Proceeds from sale of assets	18	-	4,066
Net cash flows used in investing activities		(28,138)	(106,093)
Cash flows from financing activities			
Borrowings	27	(21,774)	(57,045)
Government Grants	26	15,000	50,000
		(6,774)	(7,045)
Net increase in cash and cash equivalents		89,586	(17,802)
Cash & cash equivalent at the Beginning		27,562	45,364
Net increase in cash and cash equivalents		89,586	(17,802)
Cash & cash equivalent at the end		117,148	27,562

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For the year ended June 30, 2023.**

**21. Statement of Comparison of Budget and Actual Amounts
For the year ended 30th June 2023**

	Original Budget	Adjustments	Final Budget	Actual	Variance	% of Utilization
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Revenue						
Rendering of Services	180,963	-	180,963	118,355	62,608	65
Farming Income	2,069,503	-	2,069,503	1,278,680	790,823	62
Rental from facilities	41,044	-	41,044	37,412	3,632	91
Investment Income	93,600	-	93,600	178,208	(84,608)	190
other incomes	33,818	-	33,818	49,839	(16,021)	147
	2,418,928	-	2,418,928	1,662,494	756,434	
Expenses						
Use of Goods & Services	1,192,729	-	1,192,729	876,446	316,283	73
Employees Cost	649,623	-	649,623	553,368	96,255	85
Board Expenses	30,000	-	30,000	30,693	(693)	102
Depreciation and Amortatization	128,457	-	128,457	114,294	14,163	89
Repair and maintanance	62,026	-	62,026	39,673	22,353	64
Contracted Services	124,362	-	124,362	48,757	75,605	39
Subscription & Donation	2,474	-	2,474	1,048	1,426	42
Finance Costs	37,128	-	37,128	44,982	(7,854)	121
Total expenditure	2,226,799	-	2,226,799	1,709,261	517,538	
Surplus for the period	192,129	0	192,129	(46,767)	238,896	



22. Notes to the Financial Statements

1. General Information

Agricultural Development Corporation is a State Corporation established by an act of parliament Cap 486 and derives its authority and accountability from parliament Act Cap 444 of 1986. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation principal activity is development of agriculture in Kenya which includes:

- Custodian of national livestock studs
- Provision of quality seeds to the farmers
- Transfer of technology from research institutions to the farmers
- Support of industries processing agricultural products being major producer of agricultural produce

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousands (Ksh'000'). The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of</p>

**Agricultural Development Corporation
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Standard	Effective date and impact:
	<p>the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023

Agricultural Development Corporation
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Standard	Effective date and impact:
	IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) 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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

Recurrent Grant

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate recurrent expenditure financial support to the Corporation with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Development Grant

Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/ acquisition of the non-current asset.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. The Corporation has an engineering service unit that deals with repair of equipment's, land preparation, transport and fabrication of farm implements, during the year Ksh 19.9 Million was realized. Where the contract income cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies (Continued)

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 must be recognized when the shareholder's or the Corporation right to receive payments is established. The Corporation receives dividends from Kenya Seed Company where it has a 52.88% shareholding. Further, the Corporation has a joint ownership of the Development House with Agricultural Finance Corporation (AFC) where proceeds on the rented space is shared 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

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

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Investment property (Cont.)

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 (PPE)

Property, plant and equipment are stated initially at cost less accumulated depreciation and any 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.

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:-

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Cont.)

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

Land	Nil
Leased Farms	2.5% p.a
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.

e) Leases

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 term of the relevant lease.

f) Intangible assets

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

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:

- i) Raw materials: purchase cost using the weighted average cost method
- ii) 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

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Contingents

Contingent liabilities

The Corporation had contingent liability during the period. The details of contingencies are disclosed in the notes to the financial statements. The possibility of an outflow of resources embodying economic benefits or service potential is remote since there is no reliable method to estimate the monetary value of the obligation.

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.

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 revaluation of land.

k) Changes in accounting policies and estimates

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

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Borrowing costs

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 expense model where borrowing costs are charged to expenses in the period when they are incurred.

n) Related parties

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

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 imprest and advances to authorized 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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

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.

t) Comparative figures

Where necessary comparative figures for the previous financial year have been included.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

u) Subsequent events

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 2023.

v) Financial Risk management

The Corporation operates through borrowing from financial institutions which brings exposure to variety of financial risks including credit risk and effects of changes in debt and interest rates. The Corporation's overall risk management objectives focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its performance.

Risk management is carried out by a select committee under the guidance of the Board under the audit and risk committee. The Committee review the market trends and information available to evaluate the potential exposures. After which it develop strategies of mitigating against market risks. The Board committee provide policies for overall risk management.

i) Market Risk

Market risk is the risk that the fair value of instrument will fluctuate due to change in market valuables such as interest rates and foreign exchange rates. The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk exposure within acceptable parameters and to optimize the funding of business operations and facilitate capital expansion

a) Interest rate risk

Interest rate risks arise from fluctuation in the bank borrowing rate. After the Government introduced capping of base rate charged by banks, this risk has become easy to manage since there is no much fluctuations in the interest rate.

b) Exchange risks

Though the Corporation operates in Kenyan Currency, It's exposed to risks arising from various currency exposures, primarily with respect to Eco-tourism activities in Galana ranch where customers pay in US Dollar.

ii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Corporation's short, medium and long term funding and liquidity requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching profiles for financial assets and Liabilities.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

iii) Operational risk

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk such as legal and regulatory requirements and generally acceptable standards of corporate behavior. The Corporation seeks to ensure that the key operational risk are managed in a timely and effective manner through a framework of policies , procedures and tools to identify, assess, monitor, control and report such risks.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Financial Risk management (Cont)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

This responsibility is supported by the development of overall Corporation standards for management of operational risk in the following areas:-

- Requirement for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for reconciliation and monitoring of transactions.
- Compliance with regulatory framework.
- Documentation of controls and procedures.
- Training and professional development.
- Development of contingency plans.
- Risk mitigation, including insurance where this is effective.

Operational risk is managed by a programme of regular reviews undertaken by the Internal Audit and the results of the reviews are discussed with the management, with summaries submitted to the Board Audit Committee.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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Notes to the Financial Statements (Continued)

1. Transfer from Other Government Entities

Name of the entity sending the grants	Amount recognized to statement of financial	Amount differed under differed income	Amount recognized in capital fund	Total transfers 2022/2023	Prior year 2021/2022
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
MOALF					
State department of Agriculture	15,000				-
State department of Livestock					
Total	15,000				-

2. Rendering of Service units incomes

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Sale of Animal feeds	95,709	120,447	95,709	120,447
Contract Income	16,148	26,598	16,148	26,598
Transport Income	6,498	6,131	6,498	6,131
Total	118,355	153,176	118,355	153,176

3. Farming Income

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Sale of Commercial maize	124,692	152,314	124,692	152,314
Sale of seed maize	702,326	506,317	702,326	506,317
Other Farm produce	224,726	225,433	224,726	225,433
Sale of steers	33,675	39,053	33,675	39,053
Sales of in-calf Heifer	8,277	1,182	8,277	1,182
Other Livestock	38,656	49,252	38,656	49,252
Sale of Milk	69,871	83,557	69,871	83,557
Sale of other animal products	52,035	53,285	52,035	53,285
Sale of Hay	22,628	21,970	22,628	21,970
Grazing fees	1,793	120	1,793	120
Total	1,278,680	1,132,483	1,278,680	1,132,483

Farming is the core business of the Corporation, and the major activity being growing of seed maize that is sold to Kenya Seed Co. Ltd for processing where Kshs 694.4 Million was realized.

The Corporation has also developed its own seed maize variety where Kshs 7.9 Million was realized in the year under review. Other farm produce relates to revenue generated from other crop varieties such as citrus, coffee, sugarcane, potatoes etc.

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Notes to the Financial Statements (Continued)

4. Rental revenue from facilities and equipments

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Lease Rental	22,010	16,977	22,010	16,977
Rent of Property	15,402	21,150	15,402	21,150
Total	37,412	38,127	37,412	38,127

5. Investment income

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Development House	58,493	64,231	58,493	64,231
Dividends from (KSC)	119,715	-	119,715	-
Total	178,208	64,231	178,208	64,231

6. Other Income

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Training Fees (AI center)	4,056	4,217	4,056	4,217	-	-
Eco- Tourism	25,362	403	25,362	403	-	-
Miscellaneous Income	20,421	17,341	20,421	16,693	-	648
Total	49,839	21,961	49,839	21,313	0	648

The Corporation has a training centre for A.I technicians that generate training fee income. Eco-tourism income is generated from conservancy in ADC Galana in Tana river county which is operated under PPP. Miscellaneous income includes revenues from sale of manure, hides and skins etc

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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Advertising, Show & Publications	10,291	21,208	10,291	21,208	-	-
Audit fees	1,187	1,186	1,067	1,066	120	120
Consulting fees	50	236	50	236	-	-
Consumables	-	11,165	-	11,165	-	-
Electricity & Water	10,113	12,519	10,113	12,519	-	-
Fuel and oil	126,744	103,471	126,744	103,471	-	-
Insurance	3,857	3,810	3,857	3,810	-	-
Legal expenses	19,713	43,807	19,713	43,807	-	-
Licenses and cesses	8,234	7,242	8,234	7,242	-	-
Fertilizer	247,752	203,532	247,752	203,532	-	-
Herbicides, Insecticides, Veterinary & Other Chemical	134,879	128,668	134,879	128,668	-	-
Liquid Nitrogen	4,144	4,803	4,144	4,803	-	-
Feed stuffs & Menerals	59,261	73,368	59,261	73,368	-	-
Packing materials	11,376	12,816	11,376	12,816	-	-
Seed	31,048	76,190	31,048	76,190	-	-
Raw Marterials -Feedmill	56,231	68,951	56,231	68,951	-	-
Postage & Telephone	3,581	3,905	3,581	3,905	-	-
Printing and stationery	9,719	5,385	9,719	5,385	-	-
Rent & Rates	5,140	83	5,140	83	-	-
Security costs	3,379	311	3,379	311	-	-
Royalties(Seed)	304	2,232	304	2,232	-	-
Inspection Fees	7,492	8,482	7,492	8,482	-	-
Training Costs- AI Center	1,136	1,377	1,136	1,377	-	-
Professional Fees	1,075	372	1,075	372	-	-
Fines and penalties	112	73	112	73	-	-
Transport	36,228	36,144	36,228	36,144	-	-
Research Expenses	893	62	893	62	-	-
Milk To Calves	1,855	3,109	1,855	3,109	-	-
VAT Tax	4,964	1,312	4,964	1,312	-	-
Other	75,688	515	75,688	515	-	-
Total	876,446	836,334	876,326	836,214	120	120



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Notes to the Financial Statements (Continued)

8. Employee costs

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Salaries	120,488	107,815	119,753	107,109	735	706
Wages	190,145	176,187	190,145	176,187	-	-
NSSF	5,255	2,680	5,241	2,675	14	5
Leave Expenses	1,423	1,496	1,416	1,488	8	8
House allowance	53,955	56,302	53,612	55,942	343	360
Commuter allowance	10,345	10,600	10,196	10,444	149	156
Responsibility allowance	8,849	9,250	8,849	9,250	-	-
Gratuities	14,298	12,319	14,182	12,208	116	111
Terminal dues	4,481	3,738	4,481	3,738	-	-
Administrative wages	67,820	61,815	67,820	61,815	-	-
Pension contribution	11,047	10,481	10,990	10,426	57	55
Acting Allowance	567	1,025	567	1,025	-	-
Hardship Allowance	1,869	1,905	1,869	1,905	-	-
Duty Allowance	3,527	3,459	3,527	3,459	-	-
Education & training	2,327	5,296	2,327	5,296	-	-
Medical expenses	23,029	26,118	23,029	26,118	-	-
Free Issues to staff	4,272	3,659	4,272	3,659	-	-
Subsistence and other Allowances	29,670	24,339	29,670	24,339	-	-
Total	553,368	518,484	551,946	517,083	1,422	1,401

9. Board Expenses

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Chairman's Honoraria	928	301	928	301	-	-
Sitting Allowances	5,796	6,128	5,796	6,128	-	-
Medical Insurance	837	497	837	497	-	-
Induction and Training	1,571	259	1,571	259	-	-
Travel and Accommodation	14,614	12,196	14,614	12,196	-	-
Other Allowances	6,947	749	6,947	749	-	-
Total	30,693	20,130	30,693	20,130	-	-

10. Depreciation and amortization expense

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Property, Plant and Equipment	100,351	122,807	100,322	122,771	28	36
Amortization of Sugarcane	13,943	14,590	13,943	14,590	-	-
Total	114,294	137,397	114,265	137,361	28	36

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Notes to the Financial Statements (Continued)

11. Repairs and maintenance

	Consolidated		Company		Lands Ltd	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'
Property	5,816	6,242	5,816	6,242	-	-
Machinery & Equipment	20,106	25,725	20,106	25,725	-	-
Vehicles	13,752	16,115	13,752	16,115	-	-
Total	39,673	48,082	39,673	48,082	-	-

12. Contracted services

	Consolidated		Company		Lands Ltd	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'
Contracts Expenses	48,757	32,413	48,757	32,413	-	-
Total	48,757	32,413	48,757	32,413	-	-

Contract Services relate to expenditure incurred on land preparation for Ploughing, harrowing, Planting and spraying among other operations.

13. Subscription and Donations

	Consolidated		Company		Lands Ltd	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'
Donations	1,048	2,698	1,048	2,698	-	-
Total	1,048	2,698	1,048	2,698	-	-

14. Finance Costs

	Consolidated		Company		Lands Ltd	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'
Bank charges	2,365	2,141	1,780	1,512	585	629
Interest	42,617	39,880	42,617	39,880	-	-
Total	44,982	42,021	44,397	41,392	585	629

15. Change in Biological Assets

In line with International Public Sector Accounting Standards No.27, the Corporation biological assets increased in Value by Ksh 75,760 Million arising from changes in fair value. The Corporation adopts the market value less cost to sell valuation model

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Notes to the Financial Statements (Continued)

16. Loss due to death of Livestock

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Loss due to death	28,930	99,447	28,930	99,447
Total	28,930	99,447	28,930	99,447

17. Foreign exchange transactions

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Gains on foreign exchange	14	-	14	-
Total	14	-	14	-

18. Gains on sale of fixed assets

	Consolidated		Company	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Gains on sale of Fixed .A	-	3,503	-	3,503
Total	-	3,503	-	3,503

19. Cash and Cash Equivalents

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
19. (a) Banks						
Name of the Bank						
Consolidated Bank	2,703	3,728	2,703	3,728	-	-
National Bank	98,151	7,631	1,369	2,830	96,782	4,801
Kenya Com Bank	15,994	16,146	15,994	16,146	-	-
	116,849	27,505	20,067	22,704	96,782	4,801
19. (b) Cash-in-hand						
Cash	300	58	300	58	-	-
Total	117,148	27,563	20,366	22,762	96,782	4,801

20. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year, the Corporation incurred Kshs 39.9Million on maintenance and daily running of the project operations

	2022-2023 KSH '000'	2021-2022 KSH '000'
NLP Current Account	237,931	235,914
Grants	(198,000)	(198,000)
TOTAL	39,931	37,914

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Notes to the Financial Statements (Continued)

21. Receivables from Exchange Transactions

	Consolidated		Company		Lands Ltd	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Trade Debtors	408,724	505,652	388,433	485,360	20,291	20,292
Specific provision	(127,568)	(52,499)	(127,031)	(51,962)	(537)	(537)
General Provision	(4,909)	(4,909)	(4,909)	(4,909)	-	-
Total Current Receivables	276,247	448,244	256,493	428,489	19,754	19,755
Non- Trade Debtors						
Non - Trade	155,797	131,323	155,275	130,801	522	522
Total	432,044	579,567	411,768	559,290	20,276	20,277

22. Inventories

	2022-2023	2021-2022
	KSH '000'	KSH '000'
Building materials	2,198	2,576
Fencing & Water Supplies	7,930	8,243
Fertilizer	42,150	71,015
Feedstuffs & Minerals	1,527	1,018
Herbicides & Insecticides	29,381	34,612
Packing Materials	4,280	4,326
Petroleum Products	5,605	3,056
Machinery & Equipment Spares	8,181	7,852
Vehicles & Tractor Spares	13,217	12,035
Veterinary Products	3,968	3,684
Seeds	4,266	10,928
Sundries	1,182	1,254
Feedmill Finished products	2,596	189
Feedmill Raw Materials	4,783	3,349
Stationery	2,417	1,894
Laboratory Chemicals	2,755	3,935
Bean Seed	90	277
Embroy Transafer	2,742	3,055
Semen	57,125	23,609
Harvested Crops	13,252	88,290
Provision for Obsolete stock	(314)	(314)
Total	209,330	284,883

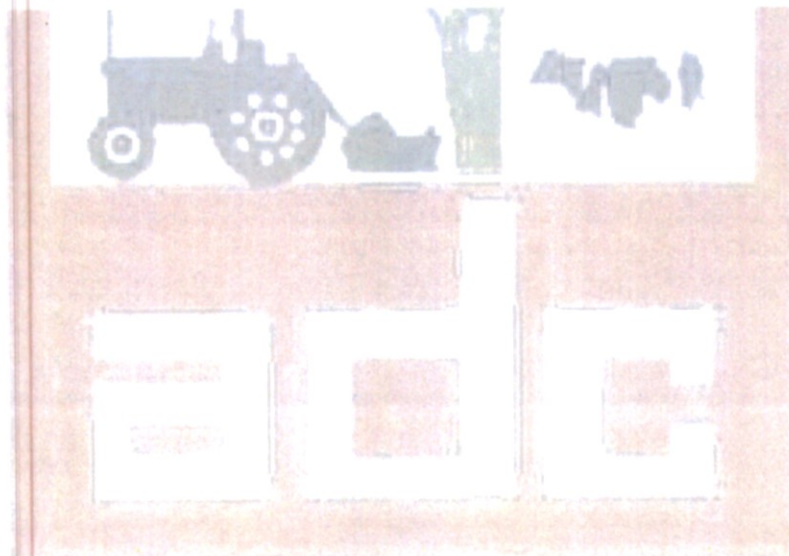
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Notes to the Financial Statements (Continued)

23. Capital Work In Progress

CWIP Relates to in-complete capital projects.

Location	Project	2022-2023	2021-2022
		KSH '000'	KSH '000'
ADC Lanet	Dairy Unit	140	140
ADC Ndabibi	Store	737	657
ADC Seed Unit	Seed Drier	8,549	8,549
ADC Chorlim	Sugarcane Est.	427	1,031
ADC Suam	Dam	23,681	23,681
ADC Nai	Sugarcane Est.	-	4,808
ADC Namandala	Store	434	434
ADC Olgatongo	Shade	380	1,116
ADC Sabwani	Sugarcane Est.	16,241	3,468
ADC LGC	Nitrogen Plant	200	200
ADC Garissa	Destumping	120	-
ADC Japata	Store	-	1,222
Total		50,909	45,306



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Notes to the Financial Statements (Continued)

CONSOLIDATED

23(a). PROPERTY PLANT & EQUIPMENT

COST	Leased	Farms	Buildings	Fencing &	Farm	Furniture	Motor	Small	Land	Capital	Totals
	Farms	Managed		Water Supply	Equipment	&Equipment	Vehicles	Tools	Reclamation	WIP	
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	000'	Kshs '000'
Cost											
At 1st July 2021	454	521,513	676,205	86,555	585,599	66,736	649,948	4,377	12,770	79,324	2,683,481
Additions	-	-	26,957	2,119	11,201	13,503	28,887	159	1,787	2,766	87,379
Disposal	-	-	-	-	(3,894)	(4,663)	(21,562)	-	-	(36,784)	(66,903)
At 30th June 2022	454	521,513	703,162	88,674	592,906	75,576	657,273	4,536	14,557	45,306	2,703,958
Additions	-	-	-	5,532	940	2,192	-	137	90	12,973	21,864
Disposal	-	-	-	-	-	-	-	-	-	(7,370)	(7,370)
At 30th June 2023	454	521,513	703,162	94,206	593,846	77,768	657,273	4,673	14,647	50,909	2,718,452
Depreciation											
At 1st July 2021	228	-	168,665	72,845	388,425	51,921	487,732	4,343	10,408	-	1,184,567
Disposal	-	-	-	-	(3,679)	(4,460)	(21,392)	-	-	-	(29,531)
Charge for the year	6	-	26,725	1,583	41,632	5,623	46,384	97	830	-	122,880
At 30 June 2022	234	-	195,390	74,428	426,378	53,084	512,724	4,440	11,238	-	1,277,916
Adjustments	-	-	25,171	250	34,090	4,479	50,246	-	-	-	114,236
Disposal	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	6	-	24,894	2,161	36,282	4,990	31,083	133	802	-	100,351
At 30th June, 2023	240	-	245,455	76,839	496,750	62,553	594,053	4,573	12,040	-	1,492,503
Net book values											
At 30th June 2023	214	521,513	457,707	17,367	97,096	15,215	63,220	100	2,607	50,909	1,225,948
At 30th June 2022	220	521,513	507,772	14,246	166,528	22,492	144,549	36	3,319	45,306	1,426,041



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Notes to the Financial Statements (Continued)

COMPANY

23(B). PROPERTY PLANT & EQUIPMENT

COST	Farms Managed by ADC	Buildings	Fencing & Water Supply	Farm Equipment	Furniture & Equipment	Motor Vehicles	Small Tools	Land Reclamation	Capital WIP	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	shs '000'	Kshs '000'	000'	Kshs '000'
As At 1st July 2021	37,910	676,205	86,555	585,601	66,736	644,550	4,377	12,770	79,324	2,194,028
Additions	-	26,957	2,119	11,201	13,503	28,887	159	1,787	2,766	87,379
Disposal	-	-	-	(3,894)	(4,663)	(21,562)	-	-	(36,784)	(66,903)
As At 30th June 2022	37,910	703,162	88,674	592,908	75,576	651,875	4,536	14,557	45,306	2,214,504
Additions	-	-	5,532	940	2,192	-	137	90	12,973	21,864
Disposal	-	-	-	-	-	-	-	-	(7,370)	(7,370)
As At 30th June 2023	37,910	703,162	94,206	593,848	77,768	651,875	4,673	14,647	50,909	2,228,997
Depreciation										
At 1st July 2021	-	168,665	72,845	388,425	51,921	487,732	4,343	10,408	-	1,184,339
Disposal	-	-	-	(3,679)	(4,460)	(21,392)	-	-	-	(29,531)
Charge for the year	-	26,725	1,583	41,632	5,623	46,384	97	830	-	122,874
At 30 June 2022	-	195,390	74,428	426,378	53,084	512,724	4,440	11,238	-	1,277,682
Adjustments	-	25,171	250	34,090	4,479	44,938	-	-	-	108,928
Disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	24,894	2,161	36,282	4,990	31,061	133	802	-	100,322
At 30th June, 2023	-	245,455	76,839	496,750	62,553	588,723	4,573	12,040	-	1,486,932
Net book values										
At 30th June 2023	37,910	457,707	17,367	97,098	15,215	63,152	100	2,607	50,909	742,065
At 30th June 2022	37,910	507,772	14,246	160,530	22,492	139,151	96	3,319	43,306	936,822



Notes to the Financial Statements (Continued)

24. Investments

	2022-2023	2021-2022
	KSH '000'	KSH '000'
Opening balance as at 1st July 2021	467,283	467,283
Balance as at 30th June 2022	467,283	467,283
Balance as at 30th June 2023	467,283	467,283

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25. Biological Assets

		2022-2023	2021-2022
		KSH '000'	KSH '000'
Beef Cattle		330,765	263,938
Dairy Cattle		171,183	175,115
Sheep		25,362	19,767
Goats		11,470	11,403
Horses		990	1,500
Dogs		532	347
Donkey		30	30
Breeding Bulls		34,358	45,085
Crops		1,262,978	1,178,963
TOTAL		1,837,667	1,696,148

26. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'	KSH '000'
Trade Creditors	671,954	696,364	671,834	696,244	120	120
Non-trade creditors	756,031	896,291	752,937	893,317	3,094	2,974
Total trade and other payables	1,427,985	1,592,655	1,424,771	1,589,561	3,214	3,094

27. 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).

Notes to the Financial Statements (Continued)

28.(a) Total Current Borrowings

	2022-2023	2021-2022
	KSH '000'	KSH '000'
(a) Total non-current borrowings		
KCB Term loan	55,200	55,974
AFC Crop Seasonal Loan	12,267	9,317
	67,467	65,291

AFC Crop Seasonal Loan

Agricultural Finance Corporation granted the ADC 150,000,000 Guaranteed by Corporation land L.R No.5532 Trans Nzoia and repayable within a period of 12 months at an interest rate of 12%. The loan is being to be serviced through the Corporation's share of rent from Development House which is owned jointly by the two institutions.

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28 (b) Total Non-Current Borrowings

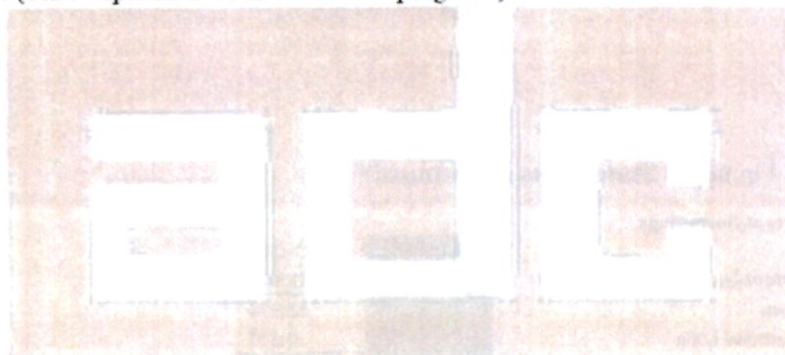
	2022-2023 KSH '000'	2021-2022 KSH '000'
KCB TERM IV LOANS	101,189	91,539
AFC Crop Seasonal Loan	-	33,600
Total	101,189	125,139

In 2014 the Corporation restructured its facilities held with KCB by amalgamating them into a term loan payable in 48 months at an interest rate of bank base rate (BBR) plus 2%. The loan was secured by ADC Land parcel L.R.No. 2993, L.R. No. 5722, L.R. No. 5345/1 and L.R. No. 9078/2. L.R.No. 5722, L.R. No. 5345/1 and L.R.No 9078/2.

29. Grants

	2022-2023 KSH '000'	2021-2022 KSH '000'
Government of Kenya	3,279,499	3,264,499
British Government	67,582	67,582
ASARECCA	898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
Grants to ADC	3,499,506	3,485,506
Grants to subsidiary	24,280	24,280
Consolidated	3,523,786	3,509,786

The Corporation received K.shs. 15 Million from the Ministry of Agriculture, Livestock and Fisheries (State department of mechanization programs)



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Notes to the Financial Statements (Continued)

30. 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.

31. Revaluation Reserve

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

32. Related Party Transaction

	Consolidate		Company		Lands	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
I) Board members						
Honoraria	928	301	928	301		
Sitting Allowances	5,796	6,128	5,796	6,128		
Medical Insurance	836	497	836	497		
Induction & Training	1,571	259	1,571	259		
Travel & Accommodation	14,614	12,196	14,614	12,196		
Other Allowances	6,947	749	6,947	749		
	30,692	20,130	30,692	20,130	-	-

ii) Key Management

	Consolidate		Company		Lands	
	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'	2022-2023 KSH '000'	2021-2022 KSH '000'
Gross Salary	21,120	21,034	21,120	21,034	-	-
Pension	46	257	46	257	-	-
Gratuity	3,442	2,605	3,442	2,605	-	-
Pension	23		23	130	-	-
	24,631	23,896	24,631	24,026	-	-

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Notes to the Financial Statements (Continued)

33. Contingent Liabilities

	2022-2023 Kshs '000'
Pending litigation claims	100,000
Claim by Trans-Nzoia Cour	309,127
Claim by Kilifi County	211,000
Claim by Tana river County	6,958
Claim by KRA	336,360
	<u>963,445</u>

Pending litigation claims

The pending legal claims relates to cases instituted against the Corporation and the verdict in respect of these cases had not been determined as at 30th June 2023. The major pending claim of Kshs 100 million relates to land issues between the Corporation and third parties called (court case no E004 of 2023 SKOV LTD). Based on the advice of the Corporation lawyers, the directors are of the opinion that no liabilities related to the case will materialized. Therefore, no provision has been made for the amount in these financial statements.

Claims by County governments

The county governments of Trans-nzoia, Tana river, Kilifi and Laikipia have laid claims for the pending land rates that relates to previous years. The County government of Laikipia agreed with the Corporation after negotiation to waive the entire claim upon payment of principal amount. The Corporation is also considering negotiating with the other Counties on the same platform to waive the interests and penalties. No provision on land rates has been made in these financial statements.

Claim by KRA

KRA in March 2023, carried out an in depth tax audit of the Corporation which relates to the financial years 2015-2022. After the assessment, KRA through the domestic tax department, issued a demand of Kshs 336.4 Million which comprise of principal amount, interest and penalties for unpaid corporation tax, lease and rental income received by the Corporation. After reviewing the tax demand, the Corporation engaged KRA on negotiation to waive the interest and penalties and also to re-do the principal amount demanded. The management position is that KRA will reduce the total amount demanded and will waive the entire penalties charged against the Corporation.

34. Notes to the statement of comparison of budget

Notes on variance between actual and budget amounts

i) Rendering of services

The Corporation did not achieve set targets due to lack of enough farm machinery. The Corporation outsourced part of contract service like planting and spraying due to delay in securing subsidized fertilizer thus low income. The Corporation is working with the National government for funding of mechanization to enable it acquire new farm implements.

ii) Farming Income

The Corporation did not achieve set targets due to reduced target production acreage of Kenya Seed Company who are our main seed maize customer. In Addition, other crop enterprises were affected by vari factors as follows;

- Seed Potato was affected by hailstorm and unavailability of basic Seed
- Sugarcane production was low in terms of yields as a result of harvesting last ratoons in some fields as well as delays in harvesting due to slow uptake of cane by West Kenya.

The livestock enterprise did not meet the target of Kshs 200 million as it was affected adversely by prolonged drought in our two major ranches Mutara and Galana in Laikipia and Tana river counties respectively

The drought in the two ranches resulted in unfavourable results through opportunistic diseases, debility and prediction. Relocation of cattle to areas where grass, supply of hay and other supplementary feeds was undertaken by management as a mitigation measure to reduce losses.

Notes to the Financial Statements (Continued)

34. Notes to the statement of comparison of budget (Cont.)

iii) Investment Incomes

Dividend from Kenya seed Company which forms a major component of this revenue was realized during the year. where Kenya Seed paid accrued which had not been declared in the last 4 years. The other revenue stream under investment is income from development house which jointly owned by ADC and AFC.

iv) Other incomes

Other income relates to revenues from eco-tourism which is mainly undertaken in our two ranches of Mutara and Galana. Due to robust follow up of the debts by the debt collect on eco tourism revenue, many camp owners who operate within the ranches opted to make payment hence good results.

v) Employee Costs

The favorable variance was due to a reduced work force as a result of reduced acreage under seed maize and rationaliza corporation's work force

v) Repair and Maintenance

Repairs and maintenance were lower at 64% compared to the budget due to inadequate cashflow and due to partly outsourcing of planting and spraying operations.

vi) Contracted Services

The favourable variance was due to the reduced operations due to outsourcing.

vii) Use of goods and services

This was within the budget at 66% utilization. This was achieved due to the Corporation securing subsidized fertilizer fro the government through KNTC.

viii) Finance costs

The unfavorable variance was as a results of interest rate charged on two loans taken by the Corporation.

ix) Board expenses

Board expenses surpassed the budget due to special board meetings on issues touching on land invasion in Nakuru and Coast regions.

35. Purchase of Livestock

During the year, the Corporation managed purchased livestock worth Kshs. 6.3 Million in order to boost its numbers in Nakuru farms. The livestock were purchased from Kajiado County as one way of assiting farmers to mitigate drought effects that had affected the region.

36. Events after the reporting period

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

23. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Failure to disclose material uncertainty in relation to sustainability of services</p> <p>The consolidated statement of financial position reflects current liabilities balance of Kshs.1,657,946,000 which exceeds the current assets balance of Kshs.929,927,000 resulting to a negative working capital of Kshs.728,019,000. Further, the statement of financial performance reflects a deficit of Kshs.227,082,000 resulting to an increase in accumulated deficit from Kshs.853,838,000 as at 30 June, 2021 to Kshs.1,239,254,000 as at 30 June, 2022. The Corporation was therefore, technically insolvent and its continued sustainability of services is dependent</p>	<p>Management noted that current liabilities of Kshs 1,657,946 exceeded the current assets of Kshs 728,019. Management has put in place mitigation measures by ensuring that the prices of seed maize is negotiated with the seed merchant which in this case is mainly Kenya seed company Ltd in order to comfortable cover the cost of production. The cost of inputs have in the recent past escalated with no corresponding adjustment of producers prices. Other steps taken</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>upon support from the National Government and its creditors. In addition, the material uncertainty is not disclosed in the financial statements as required by Paragraph 43 of the International Public Sector Accounting Standards (IPSAS) 1 – Presentation of Financial Statements. In the circumstances, the Corporation continued ability to continue to sustain its services could not be confirmed.</p>	<p>to mitigate the loses is by reducing post-harvest loses which is caused by lack of dryers and good storage facilities, on this, management has been able to construct stores in most of its farm</p>		
2.	<p>Long outstanding and unsupported receivables from exchange transactions.</p> <p>The consolidated statement of financial position and Note 20 to the financial statements reflects receivables from exchange transactions balance of Kshs.579,567,000. Included in the balance are the Corporation's trade debtors of Kshs.485,360,000 and non-trade debtors of Kshs.130,801,000 whose aging analysis were not</p>	<p>The management is carrying out in-depth reconciliations and evaluation of these long outstanding receivables. In the meantime, management has engaged debt collectors to follow up recovery from debtors whose details are available. The provision of Kshs 57,408,000 which is inadequate to cover the uncollectible debts will be enhanced in the coming financial year,</p>	<p>Partly resolved After the approval of credit policy by the board of directors. Management will now be able to manage its debts by applying the guidelines provided. The safari imprest issue is being sorted by management by recovering</p>	30 Th June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>provided. In addition, Management has made a provision for doubtful debts totalling Kshs.57,408,000 whose basis was not provided.</p> <p>Further, included in the balance is non-trade debtors of Kshs.130,801,000 out of which Kshs.12,865,307 related to outstanding safari advances. Management has not provided the details of the safari advances and no explanations was provided as to why they were not surrendered at the closure of the financial year as required by law. In the circumstances, the accuracy and completeness of receivable from the exchange transactions balance of Kshs.559,290,000 could not be confirmed.</p>	<p>since management now has a creditors policy in place that will guide on adequate provisions for bad debts.</p> <p>The Safari advances of Kshs 12,865,307 partly relates to un-reconciled amounts in the previous years. Reconciliations of the same is on-going and the un-surrendered imprest amounts from the staff after the reconciliations shall be recovered from their salaries.</p>	un-surrendered imprest from staff salaries who fail to surrender.	
3.	<p>Unsupported prior year adjustments</p> <p>The statement of changes in net assets reflects a prior year adjustment of Kshs.158,334,000.</p>	The prior year adjustments are prior period expenses that occurred previously	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Management has explained that the amount relates to accrued interest charged to the Corporation for the period 2013-2017 for non-remittance of Sacco deductions. However, the amount varies with the amount reflected under the payables balance as accrued interest 2013-2017 of Kshs.149,736,837 resulting to unreconciled variance of Kshs.8,597,163. Further, the expenditure is an unavoidable expenditure and therefore a waste of public funds.</p> <p>In the circumstances, the accuracy and completeness and regularity of the expenditure could not be confirmed.</p>	<p>that relates to interest charged by the sacco due to non-payment of member's deductions and were adjusted in the year's financial statement. This was carried out against the accumulated retained earnings.</p>		
4.	<p>Unsupported and long outstanding payables</p> <p>The consolidated statement of financial position and Note 26 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,592,655,000.</p>	<p>Management is currently carrying out in-depth reconciliation of all creditors and debtors in order to establish the true position of creditors</p>	Not resolved	30 th June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Included in the balance are the Corporation's non-trade creditors amounting to Kshs.893,317,000 out of which payables amounting to Kshs.154,030,000 relates to unpaid wages for casual laborers with Kshs.126,014,000 having been outstanding for more than one year and with some balances dating back to the year 2001. In addition, the balance includes outstanding unremitted Pay As You Earn tax of Kshs.24,522,205 which had been outstanding for more than one year. However, the Kenya Revenue Authority- I tax portal reflected a balance of Kshs.34,183,799 resulting in an unreconciled variance of Kshs.9,661,594.</p> <p>Further, trade creditors of Kshs.7,058,579 described as invoice to receive did not have details of the creditors. Moreover, included in the trade and other payables from exchange transactions are payables amounting to</p>	<p>maintained by the corporation since most are historical that dates back to 1990s.</p> <p>Management is also in the process of circularizing its creditor's in order to come up with updated listing of those exiting creditors with supporting documents.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.696,244,000 out of which payables amounting to Kshs.568,099,806 have remained unpaid for more than two hundred and seventy (270) days.</p> <p>In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,592,655,000 could not be ascertained.</p>			
5	<p>Misstatement of borrowings balances</p> <p>The current portion of borrowings of Kshs.65,291,000, Included in the balance is term loans due to Kenya Commercial Bank (KCB) of Kshs.55,974,000. Review of records revealed that the contractual annual repayment amounting to Kshs.55,200,000 and the reported balance excludes arrears of loan repayments instalments for eight months amounting Kshs.36,800,000. In addition, Note 28(b)</p>	<p>Kshs 125,139,000 is long term loan facility with KCB while Kshs 65,291,000 is current loan term which was being serviced by the corporation in the year under review. The loan was split into two where the obligation of paying monthly amounts of Kshs 4,600,000 was categorized as current facility while the balance was categorized as long term facility. We concurred with the auditor observations that management needs to clear the</p>	Not resolved	30 th June 2027

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>reflects non-current portion of borrowings balance of Kshs.125,139,000 out of which Kshs.91,539,000 relates to the KCB loan balance. However, the certificate of loan balance for the KCB loan as at 30 June, 2022 was not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness of the current and non-current borrowing portion of Kshs.65,291,000 and Kshs.125,139,000 could not be confirmed</p>	<p>outstanding arrears and adhere to the repayment schedule.</p> <p>It true that the management is in arrears of 8 months at the close of the financial year in June 2022 but we are in touch with the bank and the arrears will be cleared once our cash-flow improves. Management has also written to the parent Ministry and National treasury for support in paying off this debt.</p>		
6	<p>Unsupported Property, Plant and Equipment</p> <p>The consolidated statement of financial position and Note 23(a) to the financial statements reflects property, plant and equipment balance of Kshs.1,420,735,000 which includes value of farms managed by the Corporation amounting to Kshs.37,910,000. Review of land records</p>	<ul style="list-style-type: none"> Title deeds for the listed L.R numbers could not be provided during audit since the title deed of suam orchards was being held at lands settlement office, and others were charged by KCB against the loan facility taken by the corporation and the one for 	Partly resolved	30 th June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>held by the Corporation revealed the following matters;</p> <p>i) Included in the balance are seven parcels of land whose ownership documents were not in the custody of the Corporation. Review of records revealed that two of the parcels were charged against a bank loan with Kenya Commercial Bank and the loan was in arrears as at the time of audit in January, 2023.</p> <p>ii) In addition, although Management had indicated that the entity had leased some parcels of land to various organizations, an inventory of all the leased parcels and Board Policy to guide on the lease charges were not provided while the lease agreements and receipts were not supported by lease valuation reports.</p> <p>iii) A parcel of land in Molo sub county has been encroached on by informal settlers although the Corporation has secured ownership</p>	<p>Ndabibi is not yet issued by the lands department. Kenya Commercial Bank loan to the corporation had an outstanding balance of Kshs 36,800,000 which was 8 eight months in arrears as at end of the financial year under review and management has negotiated with the bank on how to liquidate the loan.</p> <ul style="list-style-type: none"> The Management is in the process of developing a lease policy to ensure harmony in lease rentals. The lease rate of ksh. 3,000 per acre that is being used by the corporation was informed by a valuation done by the Ministry of Lands, Housing and Urban Development. The issue of Molo 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>documents.</p> <p>iv) As previously reported, the financial statements exclude the value of land measuring about 2,908.42 acres known as Home Farm. The land was allocated to private developers in the year 1994 under unclear circumstances. Although, Management has explained that the matter is still under investigations, the status of the investigations was not provided for audit review.</p> <p>v)The property, plant and equipment balance excluded land of undetermined value measuring 319.4 hectares located in Garissa Municipality which Management has explained that was donated. No explanation has been provided for failure to value the land and include it in their books.</p> <p>vi)The financial statements reflects capital work in progress of Kshs.45,306,000. The balance includes Kshs.8,549,000 incurred</p>	<p>land that has been encroached by informal settlers is being handled by the investigative authorities to ensure that the illegal settlers vacate the place.</p> <ul style="list-style-type: none"> In the early 1990s, Home farm was fully allocated to individuals and Companies by the then management. The process leading to this allocation have been under investigation by the Ethics and Anti- corruption commission (EACC) and we await the outcomes of this investigation. In the meantime we continue to occupy and fully utilize the parcel of land. This land was donated by the MOALF to ADC at no cost. The 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>on construction of seed drier and store project in Kitale that was started in the year 2006 and Kshs.23,681,000 incurred on construction of a dam and store at Suam Orchards Farm also in Kitale. Review of project progress report revealed that the projects had stalled. In the circumstances, the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.1,420,735,000 could not be confirmed.</p>	<p>Corporation wishes to value all the assets. We have approached the Chief Valuer from Ministry of Lands, Housing and Urban Development for assistance in order to have the exercise done at a manageable cost.</p> <ul style="list-style-type: none"> The capital work in progress of Ksh 45,306,000 where a balance of Kshs 23,681,000 is in respect of capital work in progress for construction of Dam and store at Suam Orchards farm in kitale and Kshs 8,549,000 is related to cost incurred by seed unit for construction of seed drier and store. We concurred with the observations that both projects had stalled due to lack of funds, but the suam dam was contracted to Chinese company 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>constructing suam-uganda road. The removal of boulders was done and only laying of dam liners and piping is remaining to complete the project.</p>		
7.	<p>Unconfirmed investments</p> <p>The statement of financial position and Note 24 to the financial statements reflects investment balance of Kshs.467,283,000. The investments includes shares held in Chemelil Sugar Company Limited- 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 Cooperative Union – Kshs.1,404,000, Kenya Seed Company Limited – Kshs.114,014,000, Pyrethrum Board of</p>	<p>Management for a long period of time has not re-evaluated its investments in the above mentioned companies where some are already in receivership, wounded up or are making loses. We concur with the observation that management need to re-look into its investment in these institution for evaluation and also have general provision in the financial statement for the anticipated future loses from the loss making</p>	Not resolved	30 th June 2026

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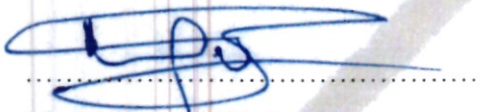
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kenya – Kshs.36,000, Kenya Planters Co-op Union – Kshs.31,000 and Agro-Chemical and Food Company Ltd – Kshs.16,900,000 which were acquired between the years 1975 and 1995. Available information confirmed that Muhoroni Sugar Company, Kenya Grain Growers Co-op Union and Kenya Planters Co-op Union with investments totalling Kshs.42,777,000 were either under receivership or liquidation. In addition, Chemelil Sugar Company and Agro-Chemical and Food Company with investments totalling Kshs.220,492,000 have been making losses and have not paid dividend for a long time. In the circumstances, the investments in these companies may not be fairly stated.</p>	<p>institution. Management through the board of directors is in the process of revaluating its investment in most of the loss making institutions.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8	<p>Unsupported receivables on national livestock project.</p> <p>The statement of financial position and Note 21 to the financial statements reflects a balance of Kshs.37,914,000 in respect of the National Livestock Project account that is claimable by the Corporation from the parent Ministry. According to records, the project was started in 2006 when the Government granted the Corporation an amount of Kshs.198,000,000 to purchase livestock under the emergency off-take program in drought stricken arid areas. The amount was to be spent on maintenance and daily running of the project operations. However, the balance of Kshs.37,914,000 was not supported with documentary evidence to confirm that the amount is reimbursable by the State Department of Livestock. In the circumstances, the</p>	<p>Management has been engaging the Ministry of Agriculture Livestock and Fisheries for an amicable termination of this project and thus possible transfer of the project herd to ADC. The ministry to treat the amounts as grant to the corporation</p>	Not resolved	30 th June 2025

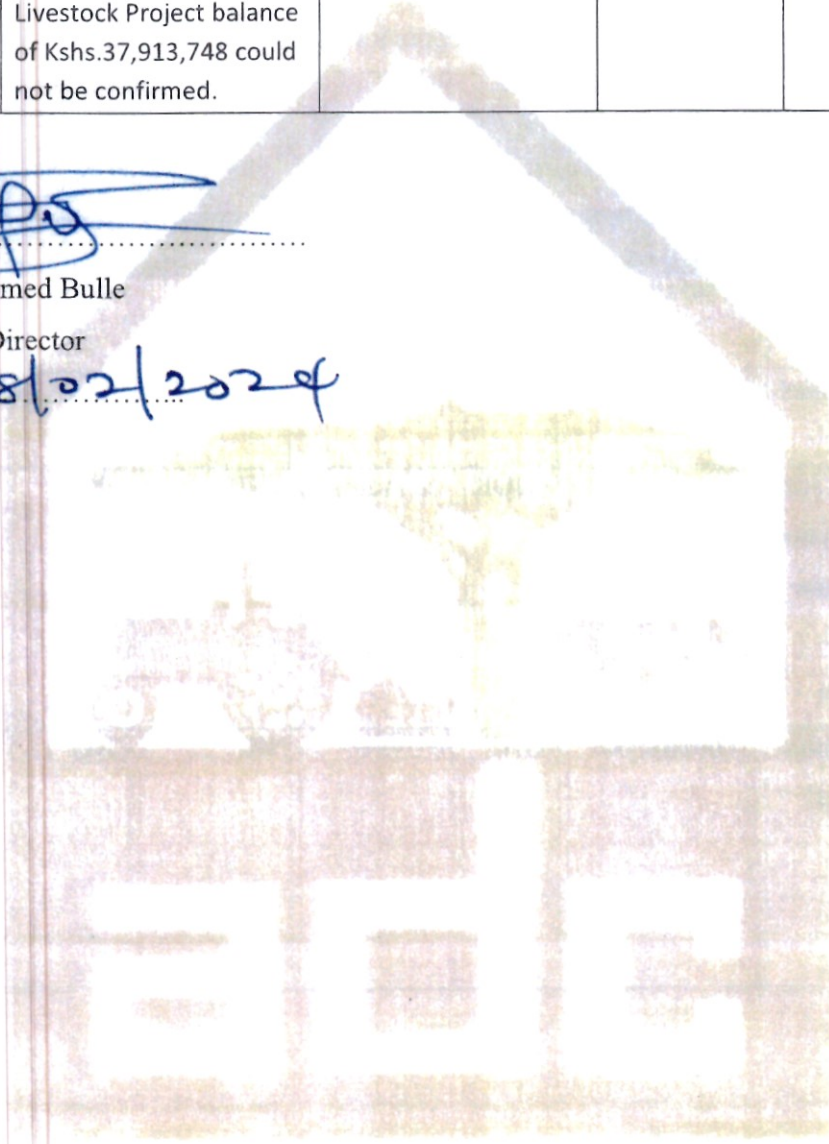
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	accuracy and completeness of the receivables on National Livestock Project balance of Kshs.37,913,748 could not be confirmed.			



Mr. Mohammed Bulle
 Managing Director

Date: 08/02/2024



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Appendix II: Projects implemented by Agricultural Development Corporation

Projects implemented by Agricultural Development Corporation Funded by the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting(Yes/No)	Consolidated in these financial statements. (Yes/No)
1. Establishment of semen production centre and embryo transfer (ET).	1165101000	GOK	2015 -2018	NIL	NO	YES
2. Enhanced Seed potato production through satellite centre establishment		GOK	2015-2018	NIL	NO	YES
3. Mechanization of Agricultural Projects	1169003600	GOK	2018-2022	NIL	NO	YES

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