

AGRICULTURAL DEVELOPMENT CORPORATION

ANNUAL REPORT & ACCOUNTS

31st March 2005

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AGRICULTURAL DEVELOPMENT CORPORATION

GARISSA IRRIGATION PROJECT

ACCOUNTS

FOR THE YEAR ENDED

31st March 2005

KENYA NATIONAL ASSEMBLY

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REPORT OF THE DIRECTORS

For the year ended 31st March 2005

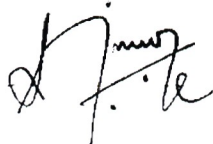
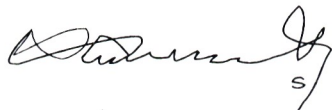
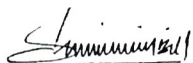
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Agricultural Development Corporation Act (Cap.444 of the Laws of Kenya) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the profit or loss for that period. It also requires the directors to ensure that the Corporation and its wholly-owned subsidiary, Lands Limited, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation and Lands Limited. They are also responsible for safeguarding the assets of the Corporation and its wholly-owned subsidiary, Lands Limited.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the ADC Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Agricultural Development Corporation and its wholly-owned subsidiary, Lands Limited, and the related operating profit / loss. The directors further accept the responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Corporation and its wholly-owned subsidiary, Lands Limited will not remain going concerns for at least the next twelve months from the date of this statement.

MANAGING DIRECTOR



REPORT OF THE DIRECTORS

For the year ended 31st March 2005

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31st March 2005, which show the state of the Corporation's affairs.

1. PRINCIPAL ACTIVITY

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

- i. Provision of quality seeds to the Kenyan farmer,
- ii. Custodian of the national livestock stud,
- iii. Playing a major role in the transfer of technology from research institutions to the Kenyan farmer,
- iv. Playing a major role in support of industries processing agricultural goods being a major producer of agricultural produce.

2. LEGAL STATUS

The Corporation was formed through an act of parliament, referred to as the Agricultural Development Corporation Act, No.7 of 1965.

3. EQUITY

The Corporation was financed through various grants. During the year the Corporation did not receive grants.

4. RESULTS

The profit for the year amounted to Kshs. 71,120,000 which comprises: -

	<u>Kshs.'000</u>
Profit / (loss) attributable to Lands Ltd	28,344
Profit / (loss) attributable to A.D.C.	42,776

REPORT OF THE DIRECTORS

For the year ended 31st March 2005

5. DIRECTORS

The Board of Directors comprises:-

Mr. L. Waruinge	- Chairman
Mr. W.K. Kirwa	- Managing Director
Mr. Francis Tuiyot	
Mr. J.B.K. Mbandi	
Mr. S.M. Gitonga	
Mr. Mwenda Thiribi	
Mr. W. Auma Oriare	
Mr. Mike Tanyassis	
Prof. S.G. Mbogo	
Mr. David Maina	
Mr. Mohamed M. Duale	
Permanent Secretary	- Office of the President
Permanent Secretary	- Treasury
Permanent Secretary	- Ministry of Agriculture and Rural Development.

6. AUDITORS

The Controller and Auditor General will continue in the office under powers vested in him by the Exchequer and Audit Act (Cap. 412).

7. BANKERS

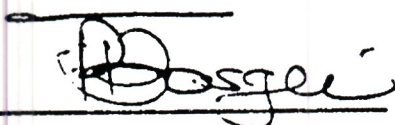
Kenya Commercial Bank Ltd.
National Bank of Kenya Ltd.
Standard Chartered Bank Ltd.

8. LAWYERS

Kiarie & Company Advocates
J.A. Wandera Advocates

By order of the Board

Beatrice Kosgei



Corporation Secretary

REPORT OF CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2005

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AGRICULTURAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY LANDS LIMITED FOR THE YEAR ENDED 31 MARCH 2005.

I have audited the financial statements of Agricultural Development Corporation and its subsidiary Lands Limited for the year ended 31st March 2005 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors responsibilities, the directors are responsible for the preparation of Financial Statements which give a true and fair view of the Corporation's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

COMMENTS

1. Budgetary Control

The Corporation's capital budget for the year ended 31 March 2005 totalling Kshs. 198,038,000 for which approval was sought in accordance with the provisions of section 11 and 12 of State Corporations Act Cap 446 was returned by the Treasury with recommendations that it should not be approved due to lack of details. However, although in July 2004 the Corporation resubmitted improved budget to the Ministry with their recommendations for approval by the Treasury, the necessary budget approval for the year 2004-2005 was not availed for audit review. The Corporation incurred capital expenditure totalling Kshs.6,306,599 on purchase of a Toyota Prado at Kshs. 4,853,745 and on construction of a Patron Gate at Nyeri Show ground at Kshs.1,452,854. Approval of these capital expenditures totalling Kshs.6,306,599 was not made available. Further, the Corporation incurred expenditure totalling Kshs.113,142,376 over and above the

REPORT OF CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2005

budgetary provisions on twenty five (25) expenditure accounts.

The Corporation has not justified these over expenditures and no authority for the over expenditures was obtained from the Ministry and the Treasury.

2. Garissa Irrigation Project

As disclosed in Note 8 to the financial statements, total expenditure incurred by ADC on Garissa Project totalled Kshs.95,085,000 of which Kshs. 65,798,000 was financed by a grant received from Government leaving a balance of Kshs.29,287,000 reflected in the Balance Sheet as capital injection by the Corporation to Garissa Irrigation Project. Current Financial Statements available for the Garissa Irrigation Project reflect an accumulated loss of Kshs.89,693,365. The future of the project is therefore uncertain and recoverability of the funds injected in the project is doubtful. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

3. Investment in Dormant Organizations

As disclosed in Note 5 to the financial statements, out of the balance sheet investments figure of Kshs.310,435,000, Kshs.305,499,000 (98.4%) is in non performing dormant companies and the amounts are carried at cost. No provision has been made in these financial statements for diminution of value of investments in these companies that have posted accumulated losses. This treatment does not comply with the requirements of International Accounting Standards (IAS) No.39 which require entities with financial assets or liabilities to carry them at their fair values.

4. Statutory Deductions

The balance sheet figure for sundry creditors and accruals of Kshs.215,476,000 includes statutory deductions of Kshs.12,222,000 and wage arrears of Kshs.70,383,000 as at 30 June 2005. The Corporation has not been remitting National Social Security Fund, national Hospital Insurance Fund and Pay As You Earn statutory deductions and thus, has breached tax and retirement benefit laws which may result in penalties and interest. Also not remitted are Staff Savings Co-operative Society's deductions amounting Kshs.6,197,000.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Corporation and its subsidiary as at 31st March, 2005 and the results of the group's operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Agricultural Development Corporation Act (Cap.444).



E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

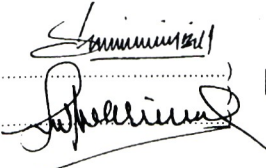
Nairobi
26 May, 2006

CONSOLIDATED BALANCE SHEET

As at 31st March 2005

	NOTES	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
FIXED ASSETS			
Fixed Assets	3(a)	165,644	148,452
Capital work in progress	4	7,299	6,233
		172,943	154,685
INVESTMENTS			
Investments	5	310,435	310,435
NON CURRENT ASSETS			
Loans - Lands Ltd.	6	3,896	3,648
Capital injections to Kulalu Ranch	7	-	196,023
Capital injections to Garissa Irrigation Project	8	29,287	28,548
		33,183	228,219
CURRENT ASSETS			
Trade Debtors	9	58,436	63,870
Sundry Debtors	10	209,216	183,590
Livestock	11a	160,271	155,656
Crops and Cultivations	11a	86,432	65,142
Stores	11b	109,846	99,739
Cash & Bank Balances	12	35,914	16,964
		660,115	584,961
CURRENT LIABILITIES			
Overdraft	13	2,040	-
Trade Creditors	14	116,996	82,373
Sundry Creditors and Accruals	15	215,476	237,193
Creditors - Lands Ltd.	16	13,208	27,920
		347,720	347,486
NET CURRENT ASSETS		312,395	237,475
		828,956	930,814
FINANCED BY:			
Grants	17	917,065	917,065
Capital Reserves	18	12,775	12,775
Revaluation Reserves	19	123,132	123,132
Profit and Loss	20	(259,256)	(170,335)
Loans	21	35,240	48,177
		828,956	930,814

These Accounts were approved by the Board of Directors.



 Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2005

	NOTES	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
TURNOVER	1	579,368	328,500
Profit / (loss) on farming operations (exclusive of depreciation, rent receivable, revaluation, interest payable and provision for obsolete stocks and bad debts)		112,401	50,281
RENT RECEIVABLE	26	412	68
Tenant farmers	27	17,442	16,150
Other properties		17,854	16,218
Interest receivable	28	7,447	6,261
Dividends receivable	29	29,930	17,102
Miscellaneous income	30	16,178	891
Management Fees	31	291	240
		53,846	24,494
		184,101	90,993
Board Members' Allowances		2,095	2,106
Administrative Expenses		79,938	53,020
Depreciation	3a	37,514	32,316
Provision for Bad Debts	9	14,040	-
Provision for Obsolete Stocks		-	7,380
		133,587	94,822
INTEREST PAYABLE			
Loan and overdraft		8,634	7,385
		8,634	7,385
		142,221	102,207
NET PROFIT / (LOSS) FOR THE YEAR		41,880	(11,214)
Profit on sale of Fixed Assets	2	3,609	39
Profit on sale of land	22	25,631	109,590
Extraordinary Items		-	373,733
NET PROFIT / (LOSS) FOR THE YEAR		71,120	472,148
STATEMENT OF ACCUMULATED LOSS			
Net Profit / (Loss) for the year		71,120	472,148
Accumulated Loss brought forward		(170,335)	(642,483)
Prior year adjustment	24	35,205	-
Kulalu Reserves B/Fwd.	32	(195,252)	-
Accumulated Loss carried forward		(259,262)	(170,335)

CASH FLOW STATEMENT

For the year ended 31st March 2005

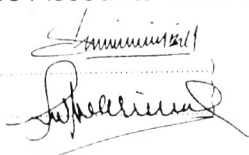
	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
Cash Flows From Operating Activities:		
Net profit (Loss) for the year	71,120	(11,214)
Adjustments for: -		
Depreciation	37,514	32,316
Interest	5,062	7,384
Profit on sale of Fixed Assets	(29,240)	(6,539)
Prior year adjustment to reserves	35,205	
Management Fees	(240)	
Kulalu Reserves B/d	(195,252)	
Provision for obsolete stocks	-	7,380
Provision for bad debts	14,040	
Rent income	(412)	-
Dividend income	(29,929)	(17,102)
Interest income (loans & mortgages)	(7,447)	(6,329)
Operating Profit before Working Capital changes	(99,579)	5,896
Increase/decrease in debtors	(9,606)	18,837
Increase/decrease in stores	(10,107)	(2,104)
Increase/decrease in Crops & cultivation	(21,290)	9
Increase/decrease in livestock	(4,615)	261
Increase/decrease in creditors	17,203	38,061
Increase/decrease in deposit refundable	2,688	(57,087)
Cash Generated From Operations	(125,306)	3,873
Returns on Investments and servicing of finance		
Dividends received	17,102	17,102
	17,102	17,102
Cash Flows from Investing Activities		
Purchase of fixed assets	(55,771)	(6,434)
Current Account - Garissa Irrigation project	(499)	(800)
Current Account - Kulalu Ranch	196,023	488
Loan Recovery	(248)	(167)
Proceeds from sale of assets	3,609	(618)
	143,114	(7,531)
Cash Flows from Financing Activities:		
Loan and interest repayments	(18,000)	(12,482)
Net Increase in Cash and Cash equivalents	16,910	962
Cash and Cash equivalents at: -		
Beginning of period	16,964	16,002
End of period	33,874	16,964
	16,910	962

ADC BALANCE SHEET

As at 31st March 2005

	NOTES	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
FIXED			
Fixed Assets	3(b)	149,225	129,503
Capital work in progress	4	7,299	6,233
		<u>156,524</u>	<u>135,736</u>
Investments	5	310,435	310,435
NON CURRENT ASSETS			
Capital Injections to Kulalu Ranch	7	-	196,024
Capital injections to Garrisa Irrigation Project	8	29,287	28,548
		<u>29,287</u>	<u>224,572</u>
SUBSIDIARY COMPANY - LANDS LTD.			
1000 Ordinary Shares of Ksh.20 Each		20	20
Grant to subsidiary		31,414	31,414
		<u>31,434</u>	<u>31,434</u>
CURRENT ASSETS			
Trade Debtors	9	58,436	64,710
Sundry Debtors	10	143,434	125,457
Livestock	11a	160,271	155,656
Crops and Cultivation	11a	86,432	65,142
Stores	11b	109,846	99,739
Cash & Bank Balance	12	33,546	15,633
		<u>591,965</u>	<u>526,337</u>
CURRENT LIABILITIES			
Overdraft	13	2,040	-
Trade Creditors	14	116,996	82,371
Accruals	15	214,476	232,011
Current Account - Lands Limited	23	557,674	551,167
		<u>891,186</u>	<u>865,549</u>
NET CURRENT ASSETS		<u>(299,221)</u>	<u>(339,212)</u>
		228,459	362,965
FINANCED BY:			
Grants	17	892,785	892,785
Profit and Loss (pg. 8)	20	(822,698)	(701,129)
Revaluation Reserves	19	123,132	123,132
Loans	21	35,240	48,177
		<u>228,459</u>	<u>362,965</u>

These Accounts were approved by the Board of Directors.



Directors

PROFIT AND LOSS ACCOUNTS SUMMARY

For the year ended 31st March 2005

	BALANCE 01.04.2004 Kshs'000s	RESULT 31.03.2005 Kshs'000s	BALANCE 31.03.2005 Kshs'000s
a) Operational Units			
Chorlim	28,033	3,948	31,981
Japata	58,787	29,674	88,461
Katuke	(6,390)	13,973	7,583
Kiswani	(26,468)	(2,589)	(29,057)
Mutara	88,564	3,446	92,010
Nai	(5,877)	8,624	2,747
Namandala	12,938	(6,820)	6,118
Ol'Ngantongo	81,334	10,082	91,416
Sabwani	39,973	10,058	50,031
Suam Orchards	18,292	16,214	34,506
Lanet Feedlot	(48,763)	(10,128)	(58,891)
Galana / Kulalu	(326,711)	(4,430)	(331,141)
Molo Potato Project	(53,992)	(4,178)	(58,170)
	(140,280)	67,874	(72,406)
b) Service Units			
Machinery pool	(107,956)	(5,235)	(113,191)
Feedmill and Driers	(30,736)	6,762	(23,974)
A.I. Centre	(1,032)	(160)	(1,192)
	(139,724)	1,367	(138,357)
c) Administrative Offices			
Head Office	(410,865)	(13,309)	(424,174)
Prior year adjustment	-	-	30,908
Kulalu Reserves B/d	-	-	(195,252)
	(410,865)	(13,309)	(588,518)
Kitale Office	(10,260)	(13,156)	(23,416)
	(421,125)	(26,465)	(611,934)
TOTALS	(701,129)	42,776	(822,698)

BALANCE SHEET - LANDS LIMITED

As at 31st March 2005

	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
FIXED ASSETS	16,419	18,949
NON CURRENT ASSETS		
Loans Advanced	3,896	3,648
CURRENT ASSETS		
Current Account with Parent Co. Debtors	557,674	551,167
Cash & Bank Balance	65,782	57,292
	2,368	1,331
	<u>625,824</u>	<u>609,790</u>
CURRENT LIABILITIES		
Accruals	1,000	5,177
Sundry Creditors	13,208	27,920
	<u>14,208</u>	<u>33,097</u>
NET CURRENT ASSETS	611,616	576,693
TOTAL ASSETS	631,931	599,290
FINANCED BY:		
Authorised and issued fully paid 1,000 ordinary shares of Kshs. 20 each	20	20
Capital Reserves	12,775	12,775
Grants	55,694	55,694
Profit and Loss Account	563,442	530,801
	<u>631,931</u>	<u>599,290</u>

PROFIT AND LOSS ACCOUNTS - LANDS LIMITED

For the year ended 31st March 2005

	NOTES	YEAR 2005 Kshs'000s	YEAR 2004 Kshs'000s
INCOME			
Interest on loans		7,447	6,261
Rent Receivable		412	68
Profit / (Loss) on sale of Motor Vehicle		(67)	-
Miscellaneous Income		436	-
Profit / (Loss) on sale of Land		25,631	109,590
		33,859	115,919
EXPENDITURE			
Management Fees payable to Parent Company		598	598
Bank Charges		37	6
Audit Fees		120	120
Staff Costs		2,001	3,124
Depreciation		186	903
Legal FEES		791	-
Incidentals		36	17
Provision for bad Debts		1,594	-
Survey Fees		152	260
		5,515	5,028
NET PROFIT / (LOSS) FOR THE YEAR		28,344	110,891
STATEMENT OF ACCUMULATED LOSS			
Accumulated Profit / (Loss) Brought Forward		530,801	419,910
Net Profit / Loss for the year		28,344	110,891
Prior year adjustment		4,297	-
Accumulated Profit / (Loss) Carried Forward		563,442	530,801

ACCOUNTING POLICIES

For the year ended 31st March 2005

The principal accounting policies adopted in the preparation of these financial statements are as set below.

(a) Basis of Preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings (Kshs.) and prepared under historical cost convention.

(b) Consolidated Financial Statements

The consolidated accounts comprise the accounts of the Agricultural Development Corporation and its subsidiary, Lands Limited. They do not include the accounts of Chemelil Sugar Company and Muhoroni Sugar Industries Limited which are subsidiaries of the corporation. The Corporation has no control in the management of non-consolidated subsidiaries.

(c) Income Recognition

Income is recognized in the period in which it is earned. However, dividends from investments are recognized when declared.

(d) Property, Plant and Equipment

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

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

Land	Nil
Building	5% p.a.
Fencing and Water Supply	10% p.a.
Furniture and Equipment	20% p.a.
Motor Vehicles and Tractors	25% p.a.
Permanent Improvements in Subsidiary Company	2.5% p.a.
Farm Equipments and Machinery	20% p.a.
Small Tools	50% p.a.
Land Reclamation and Drainage	20% p.a.

(e) Investments

Investments in subsidiaries is stated at cost without provision for possible impairment losses.

(f) Taxation

There is no tax liability arising because the Corporation has been exempted from taxation according to Kenya Gazette Supplement No. 25 of 21st April, 1986.

(g) Inter-Group Item

Rents: The wholly owned subsidiary, Lands Limited, did not charge the Corporation rent for farms occupied during the year. Results of farms as disclosed in the financial statements do not therefore include any charge for rent.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

Notes forming part of the Financial Statements.

1. Turnover

		YEAR 2005 Kshs.000s	YEAR 2004 Kshs.000s
Group	Schedule 1	571,074	322,171
Subsidiary (Lands Ltd.)	Schedule 1	8,294	6,329
		579,368	328,500

Turnover is shown at net of inter-unit transactions involving the Corporation's major service providing units, i.e. Machinery pool, Artificial Insemination Centre and Feedmill and Driers and excludes extra-ordinary items and profit on sale of fixed assets.

2. Net Profit

The net profit for the year is stated:

	GROUP		ADC	
	YEAR 2005 Ksh '000s	YEAR2004 Ksh '000s	YEAR 2005 Ksh '000s	YEAR2004 Ksh '000s
<u>After Charging:</u>				
Depreciation	37,514	32,316	37,327	31,414
Auditors' Remuneration	884	849	764	729
Interest on Loans	5,063	7,385	5,063	7,385
Provision for obsolete stocks	-	7,380	-	7,380
Provision for bad & doubtful Debts	14,040	-	12,446	-
<u>And Crediting:</u>				
Profit on sale of Fixed Assets	3,606	39	3,676	39
Profit on Sale of Land	25,632	483,323	-	373,733

3. Schedule of Fixed Assets

As per schedule 3a and 3b

4. Capital Work in progress

Relates to up-to-date construction costs of ADC Namandala Milk Plant.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

5. Investments

Investments are stated at cost. No provision has been made in the accounts against the cost of the investments in companies which have accumulated losses. The shares are not traded at The Nairobi Stock Exchange, hence the difficulty in establishing their fair market values as required by IAS 40 - Investment Property.

	YEAR 2005 KSHS.'000s	YEAR 2004 KSHS.'000s
1 Chemelil Sugar Company Limited	181,203	181,203
2 Development House Phase I & II	82,088	82,088
3 Muhoroni Sugar Company Limited	19,500	19,500
4 Kenya Cooperative Creameries	4,151	4,151
5 KCC Holding	200	200
6 Kenya Grain Growers' Co-op Union	1,404	1,404
7 Kenya Seed Company Ltd.	4,936	4,936
8 Pyrethrum Board of Kenya	36	36
9 Kenya Planters Co-op Union Ltd.	17	17
10 Agro-Chemicals & Food Co. Ltd.	16,900	16,900
Total Cost of Investments	310,435	310,435

Except for Kenya Seed Company, the rest of the companies have been dormant and did not declare any dividends/interest during the year.

6. Loans - Lands Limited

Relates to loans advanced to staff.

	Year 2005 Kshs.'000	Year 2004 Kshs.'000
Secured	1,994	1,679
Unsecured	1,902	1,969
Total	3,896	3,648

7. Capital Injection to Kulalu Ranch

Funds provided by the Agricultural Development Corporation for the Ranch's operations.

8. Capital Injection to Garissa Irrigation Project

	Year 2005 Kshs.'000	Year 2004 Kshs.'000
Total Expenditure by ADC on the project	95,085	94,346
Less: Total grant received from the Government of Kenya	(65,798)	(65,798)
	29,287	28,548

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

9 Trade Debtors

Debtors are stated at net of provision for bad and doubtful debts.

	GROUP		ADC	
	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Trade Debtors	99,014	93,049	99,014	93,050
Less: Specific Provision	(12,446)	-	(12,446)	-
Less: General Provision	(28,132)	(29,179)	(28,132)	(28,340)
	58,436	63,870	58,436	64,710

10 Sundry Debtors

	GROUP		ADC	
	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Sundry Debtors	211,649	184,429	143,434	125,457
Less: Specific Provision	(839)	(839)	-	-
Less: General Provision	(1,594)	-	-	-
	209,216	183,590	143,434	125,457

Comprise of unsurrendered imprest, Sales Accruals, Prepayments, Deposits and Land allottees debtors for Ndabibi, Kimwani and Kiswani.

11 Stocks

(a) Crops and Cultivations and Livestock

The corporation adopted the International Accounting Standard No. 41 "Agriculture" in the valuation of its biological assets. Consequently, the valuation of both crops and cultivations and livestock have been done on the basis of their "fair value less estimated point-of-sale-cost".

(b) Stores

The stores have been stated at net of provision for obsolete stocks.

	GROUP	
	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Stores	122,431	107,119
Less : Specific Provision	(12,585)	(7,380)
	109,846	99,739

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

12 Cash and Bank Balances

	GROUP		ADC	
	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Cash in hand	988	272	988	272
Cash in bank	34,926	16,692	32,558	15,361
	35,914	16,964	33,546	15,633

13 Bank Overdraft

Relates to an overdraft facility by Kenya Commercial Bank to ADC Feedmill & Driers

14 Trade Creditors

Relates to trade creditors' amounts outstanding as at 31 March 2005

15 Sundry Creditors & Accruals

Comprise of provisions for audit fees and gratuities, payroll deductions including statutory ones, AGDECO Co-operative Society dues, wages arrears, sundry creditors, staff terminal benefits and pension scheme deductions.

16 Creditors - Lands Limited

Composed of the following as at 31st March 2005

	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Sundry Creditors	13,208	27,920
Survey fees payable to Thomas Kirui	-	4,297
Total	13,208	32,217

17 Grants

	Year 2005 Kshs. 000s	Year 2004 Kshs. 000s
Government of Kenya	809,071	809,071
Dutch Government	16,132	16,132
British Government	67,582	67,582
	892,785	892,785
ADC and Subsidiary	917,065	917,065
Grants attributable to subsidiary	(24,280)	(24,280)

18 Capital Reserves

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 Fund.

19 Revaluation Reserves

This relates to an increase in value arising out of a valuation of Harvested Crops, Livestock and Crops and cultivations during the year as compared to their respective opening balances.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

20 Profit and Loss

Comparative profit/(loss) carried forward at the end of each of the two financial years.

	GROUP	ADC	LANDS LTD.	GROUP	ADC
	Year 2005	Year 2005	Year 2005	Year 2004	Year 2004
	Kshs. 000s	Kshs. 000s	Kshs. 000s	Kshs. 000s	Kshs. 000s
Profit / (Loss) B/d	(170,335)	(701,129)	530,801	(642,483)	(1,062,386)
Prior year adjustment	35,205	30,908	4,297	-	-
Kulalu Reserves b/d	(195,252)	(195,252)	-	-	-
Profit / (Loss) for the year	71,120	42,776	28,344	472,148	361,257
Profit / (Loss) C/d	(259,262)	(822,697)	563,442	(170,335)	(701,129)

21 Loans

	Year 2005	Year 2004
	<u>Kshs. 000s</u>	<u>Kshs. 000s</u>
Kenya Commercial Bank Limited	35,240	48,177

The loan is secured by land owned by the subsidiary company - Lands Limited.

22 Profit on Sale of Land

During the year the Corporation realised land allottees' receipts (previously categorized as Lands Limited creditors) against the cost of land recognising a profit on sale of ADC Kiswani of Kshs. 25,631,000 as it appears on page 4.

23 Current Account Lands Ltd.

This is a control account for transactions between subsidiary company (Lands Ltd) and its parent company (Agricultural development Corporation)

24 Prior Year Adjustment.

	Year 2005
	<u>Kshs.'000</u>
Legal fees written back	(7,630)
ADC/AFC Rent Forfeited	3,467
Withholding Tax used to offset PAYE	(2,339)
Land receipts (Ndabibi & Kimwani)	(24,406)
Survey Fees written back (Lands Ltd.)	(4,297)
	(35,205)

25 Contingent Liabilities

The Corporation has a contingent liability of Kshs. 10,937,000 arising out of unremitted pension contributions and interest held from 1994 to March 2004

26 Rent Receivable - Tenant Farmers

These are assisted farmers who pay rent to the Corporation for the land they occupy.

27 Rent Receivable - Other Properties

Relates to rent received for half ownership of Development House and Kitale go-down.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

28 Interest Receivable

This is interest income charged on house loans, car loans and land tenants.

29 Dividends Receivable

Relates to dividend income from Kenya Seed Company declared at Kshs. 5.25 per share.

30 Miscellaneous Income

Relates to income from agro-forestry agreement with Kenya Agro-Forestry.

31 Management Fees

Relates to fees for managing Garissa Irrigation Project.

32 Kulalu Reserves

Relates to reserves held by Kulalu Ranch on absorption of the unit by ADC.

ADC TURNOVER**Schedule 1**

		Year 2005
		<u>Kshs.'000</u>
1. Production Units	Mutara	27,801
	Galana	11,275
	Molo	1,138
	Lanet	4,433
	Kiswani	5,016
	Kulalu	2,000
	Chorlim	37,737
	Japata	74,562
	Katuke	58,069
	Nai	40,290
	Namandala	38,218
	OINgantongo	71,875
	Sabwani	85,324
	Suam	52,241
		<u>509,979</u>
2. Administrative Units	Head Office	61,439
	Kitale Office	2,844
		<u>64,283</u>
Total Turnover		574,262
Less: Profit on sale of fixed assets		<u>(3,188)</u>
		<u>571,074</u>
Lands Limited Turnover		33,859
Add: Loss on sale of fixed assets		66
Less: Profit on sale of land		<u>(25,631)</u>
		<u>8,294</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

3. (a) FIXED ASSETS**FIXED ASSETS - AGRICULTURAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY**

COST	01.04.2004	ADDITIONS	DISPOSALS	31.03.2005
	Ksh. 000s	Ksh. 000s	Ksh. 000s	Ksh. 000s
ADC Farms	-	-	-	-
Lands Ltd. Farms leased	454	-	-	454
Lands Ltd. Farms Managed by ADC	15,906	-	379	15,527
Buildings	63,262	962	-	64,224
Fencing & Water Supply	49,702	1,063	-	50,765
Farm Equipment and Machinery	81,142	15,006	515	95,633
Furniture and Equipment	19,356	1,569	37	20,888
Motor Vehicles and Tractors	188,513	38,652	14,125	213,040
Small Tools	2,124	59	20	2,163
Land Reclamation and Drainage	2,025	-	-	2,025
	422,484	57,311	15,076	464,719

DEPRECIATION

	01.04.2004	YR CHARGE	DISPOSALS	31.03.2005
	Ksh. 000s	Ksh. 000s	Ksh. 000s	Ksh. 000s
Farms Leased	115	2	-	117
Buildings	36,259	1,398	-	37,657
Fencing and Water Supply	40,855	991	-	41,846
Farm Equipment and Machinery	59,335	7,422	494	66,263
Furniture and Equipment	14,793	1,038	36	15,795
Motor Vehicles and Tractors	118,690	26,568	11,924	133,334
Small Tools	2,017	81	17	2,081
Land Reclamation and Drainage	1,968	14	-	1,982
	274,032	37,514	12,471	299,075

NET BOOK VALUE

	01.04.2004	31.03.2005
	Ksh. 000s	Ksh. 000s
ADC Farms	0	-
Lands Ltd. Farms leased	339	337
Lands Ltd. Farms Managed by ADC	15,906	15,527
Buildings	27,003	26,567
Fencing & Water Supply	8,847	8,919
Farm Equipment and Machinery	21,807	29,370
Furniture and Equipment	4,563	5,093
Motor Vehicles and Tractors	69,823	79,706
Small Tools	107	82
Land Reclamation and Drainage	57	43
	148,452	165,644

TRADING, PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2005

**MANAGEMENT
INFORMATION
SCHEDULE B****YEAR 2005
KSH.****YEAR 2004
KSH.**

Depreciation	236,026	261,114
Auditors' Remuneration	35,000	35,000
Management Fees	<u>240,000</u>	<u>240,000</u>

STATEMENT OF ACCUMULATED PROFIT/ (LOSSES)

PROFIT / (LOSS) FOR THE YEAR	(1,154,836)	(1,251,878)
ACCUMULATED LOSSES BROUGHT FORWARD	(88,538,529)	(87,286,651)
ACCUMULATED LOSSES CARRIED FORWARD	<u>(89,693,365)</u>	<u>(88,538,529)</u>

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2005

INVESTMENT AND NATURE OF INVESTMENT

CHEMELIL SUGAR CO. LTD.

DEVELOPMENT HOUSE PHASE I & II

Gratuities

Bank Charges and Interests

Depreciation

Incidentals / Security

MUCHRONI EXPORT COMPANY

Medical Expenses

Postage and Telephone

Staff Costs

KENYA CO-OPERATIVE CREAMERIES

Stationery

Travelling and Subsistence

Wages, Uniforms and NSSF

Management Fees

Auditors' Fees

Obsolete / dead stock

	YEAR 2005 KSH.	YEAR 2004 KSH.
	28,640	-
	10,278	13,083
	236,026	261,114
	3,010	895
	30,000	30,000
	4,415	4,205
	311,029	286,470
	1,995	807
	36,717	33,889
	270,486	270,462
	240,000	240,000
	35,000	35,000
	-	158,306
	1,207,596	1,334,231

KENYA GRAIN GROWERS CO-OP. UNION

KENYA SEED COMPANY LTD.

PYRETHRUM BOARD OF KENYA

KENYA PLANTERS CO-OP. UNION

AGRO-CHEMICAL & FOOD CO. LTD.



Pedigree animals. ADC is the custodian of all major livestock studs.



AGRICULTURAL DEVELOPMENT CORPORATION

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