

AGRICULTURAL DEVELOPMENT Library CORPORATION



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ANNUAL REPORT & ACCOUNTS

31st March 2005



GARISSA IRRIGATION PROJECT



7-3
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Excellence in Agriculture





AGRICULTURAL DEVELOPMENT CORPORATION

GARISSA IRRIGATION PROJECT

ACCOUNTS

FOR THE YEAR ENDED

31st March 2005

KENYA NATIONAL ASSEMBLY
Accession: 10013456
Call No: 657-3/ADC



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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 my 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

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 value.

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 International Financial Reporting Standards and comply with the Agricultural Development Corporation Act (Cap.444).



E. N. Mtwai
CONTROLLER AND AUDITOR GENERAL

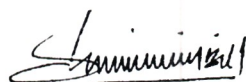
Nairobi
26 May, 2006

BALANCE SHEET

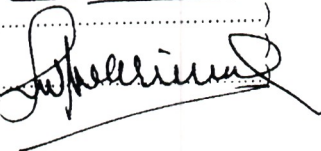
As at 31st March 2005

	NOTES	31st March 2005 Ksh.	31st March 2004 Ksh.
FIXED ASSETS	4	2,318,660	2,554,686
CURRENT ASSETS			
Stores	2	3,434,342	3,434,342
Debtors and Prepayments	5	6,050	161,050
Cash and Bank Balances	6	10,981	620
		3,451,373	3,596,012
CURRENT LIABILITIES			
Creditors and Accruals	7	378,423	343,423
		378,423	343,423
NET CURRENT ASSETS		3,072,950	3,252,589
TOTAL ASSETS		5,391,610	5,807,275
FINANCED BY:			
Grants from the Government	8	65,798,000	65,798,000
Funds provided by ADC	9	29,286,975	28,547,804
Profit & Loss Account	10	(89,693,365)	(88,538,529)
		5,391,610	5,807,275

The accounts were approved by the Board of Directors of Agricultural Development Corporation.



DIRECTORS



PROFIT AND LOSS ACCOUNT STATEMENT

For the year ended 31st March 2005

	NOTES	YEAR 2005 KSH.	YEAR 2004 KSH.
TURNOVER	3	52,760	82,353
PROFIT / (LOSS) FOR THE YEAR		(1,154,836)	(1,251,878)
After Charging:-			
Depreciation		236,026	261,114
Auditor's Remunerations		35,000	35,000
Management Fees		240,000	240,000
STATEMENT OF ACCUMULATED LOSSES			
PROFIT / (LOSS) FOR THE YEAR		(1,154,836)	(1,251,878)
ACCUMULATED PROFIT / (LOSSES) B/ FWD		(88,538,529)	(87,286,651)
ACCUMULATED PROFIT / (LOSSES) C/ FWD		<u>(89,693,365)</u>	<u>(88,538,529)</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

DEPRECIATION

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

Buildings	5% p.a.
Fencing and Water supply	10% p.a.
Farm Equipment and Machinery	20% p.a.
Furniture and Equipment	20% p.a.
Motor Vehicles and Tractors	25% p.a.
Small tools	50% p.a.

2. STORES

Stores are stated at cost net of provision for obsolete/dead stocks.

	Year 2005 Kshs.	Year 2004 Kshs.
Stores	3,592,648	3,592,648
Less: Specific Provisions	<u>(158,306)</u>	<u>(158,306)</u>
	<u>3,434,342</u>	<u>3,750,954</u>

3. TURNOVER

Turnover represents sale of fruits.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

4. FIXED ASSETS

	Building	Fencing & Water Supply	Farm Equip. & Machinery	Furnitures & Equipment	Small Tools	Totals
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
COST						
01.04.2004	1,256,424	13,902,297	898,343	41,603	35,811	16,134,478
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
31.03.2005	1,256,424	13,902,297	898,343	41,603	35,811	16,134,478

DEPRECIATION

01.04.2004	866,282	11,738,338	897,995	41,387	35,790	13,579,792
Charge for the year	19,507	216,396	70	43	10	236,026
Disposals	-	-	-	-	-	-
31.03.2005	885,789	11,954,734	898,065	41,430	35,800	13,815,818

N.B.V.

31.03.2005	370,635	1,947,563	278	173	11	2,318,660
31.03.2004	390,142	2,163,959	348	216	21	2,554,686

5. DEBTORS AND PREPAYMENTS

Debtors and Prepayments consist of loss of stores.

6. CASH AND BANK BALANCES

Made up of cash and bank balances of Kshs. 10,981.00 and Kshs. 620.00 at the end of financial years 2004/2005 and 2003/2004 respectively.

7. CREDITORS AND ACCRUALS

Composed of the following as at 31st March 2005

	<u>Kshs.</u>
Creditors	63,423
Provision for audit fees	<u>315,000</u>
Total	<u>378,423</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2005

8. GRANTS

The grants are from the Government of Kenya

9. FUNDS PROVIDED BY ADC

Net of total expenditure by ADC to run the project on behalf of the Government of Kenya (Kshs. 95,084,795.00) less total grants from the Government of Kenya (Kshs. 65,798,000.00) as at 31st March 2005.

10. PROFIT AND LOSS ACCOUNT

The Comparative accumulated losses carried forward at the end of each of the two financial years.

TRADING, PROFIT AND LOSS ACCOUNT*For the year ended 31st March 2005***MANAGEMENT
INFORMATION
SCHEDULE A**

	YEAR 2005 KSH.	YEAR 2004 KSH.
SALE OF CROPS		
Fruits	52,440	82,353
OTHER INCOME		
Miscellaneous	<u>320</u>	<u>0</u>
TOTAL TRADING INCOME	<u>52,760</u>	<u>82,353</u>
Less: EXPENDITURE (Schedule C)		
Administration	<u>1,207,596</u>	<u>1,334,231</u>
Profit / (Loss) for the year	<u>(1,154,836)</u>	<u>(1,251,878)</u>

TRADING, PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2005

**MANAGEMENT
INFORMATION
SCHEDULE B**

YEAR 2005 KSH.	YEAR 2004 KSH.
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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>

TRADING, PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2005

MANAGEMENT INFORMATION SCHEDULE C

	YEAR 2005 KSH.	YEAR 2004 KSH.
EXPENDITURE		
Administration		
Gratuities	28,640	-
Bank Charges and Interests	10,278	13,083
Depreciation	236,026	261,114
Incidentals / Security	3,010	895
Medical Expenses	30,000	30,000
Postage and Telephone	4,415	4,205
Staff Costs	311,029	286,470
Stationery	1,995	807
Travelling and Subsistence	36,717	33,889
Wages, Uniforms and NSSF	270,486	270,462
Management Fees	240,000	240,000
Auditors' Fees	35,000	35,000
Obsolete / dead stock	-	158,306
	1,207,596	1,334,231



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



AGRICULTURAL DEVELOPMENT CORPORATION
DEVELOPMENT HOUSE - MOI AVENUE

P.O. BOX 47101 - 00100

NAIROBI, KENYA

Tel. : 254-020-250695

Cell: 0724 930920

0735 930920

Fax: 254-020- 243571

E-Mail: info@adc.co.ke

Web : www.adc.co.ke