

REPUBLIC OF KENYA



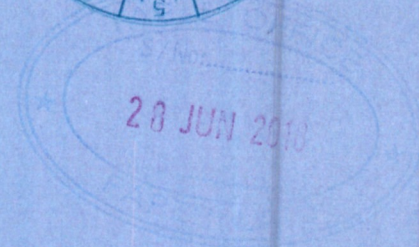
*paper loan by the table
of majority party
M ref
Thursday 28/6/2018*

OFFICE OF THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY



REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
AGRICULTURE DEVELOPMENT
CORPORATION

FOR THE YEAR
ENDED 30 JUNE 2017





Agricultural Development Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

AGRICULTURAL DEVELOPMENT CORPORATION

Abbreviations, Key and Definitions

1. **IPSAS** - International Public Sector Accounting Standards
2. **ADC** - Agricultural Development Corporation.
3. **AOG** - Office of the Auditor General.
4. **NDMA** - National Drought Management Authority.
5. **MOALF** - Ministry of Agriculture Livestock and Fisheries.
6. **GOK** - Government of Kenya
7. **ISO** - International standards Organization
8. **QMS** - Quality Management standards

Table of Content**Page**

I.	KEY CORPORATION INFORMATION AND MANAGEMENT.....	iii
II.	BOARD OF DIRECTORS	v
III.	MANAGEMENT TEAM	viii
IV.	REPORT OF THE MANAGING DIRECTOR	x
V.	CORPORATE GOVERNANCE STATEMENT.....	xii
VI.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xiii
VII.	REPORT OF THE DIRECTORS	xiv
VIII.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xv
IX.	REPORT OF THE INDEPENDENT AUDITORS	xvi
X.	CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	1
XI.	CORPORATION STATEMENT OF FINANCIAL PERFORMANCE	2
XII.	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
XIII.	CORPORATION STATEMENT OF FINANCIAL STATEMENT POSITION	4
XIV.	LANDS LTD STATEMENT OF FINANCIAL POSITION.....	5
XV.	STATEMENT OF FINANCIAL POSITION	6
XVI.	STATEMENT OF CASHFLOWS.....	7
XVII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL	8
XVIII.	NOTES TO THE FINANCIAL STATEMENTS	9
XIX.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	32

AGRICULTURAL DEVELOPMENT CORPORATION

I. KEY CORPORATION INFORMATION AND MANAGEMENT

(a) Background information

The Agricultural Development Corporation is a state Corporation, established in 1965 through an Act of Parliament Cap 346; to facilitate the land transfer programme from European settlers to locals after independence. However, after successful completion of the land transfer programme, the objectives of the Corporation were revised through the Act of Parliament Cap 444 of 1986 to include promotion and execution of agricultural schemes among other Agricultural services.

(b) Principal Activities

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

- ~ Provision of quality seeds to the Kenyan farmers.
- ~ Custodian of national livestock studs.
- ~ Playing a major role in the transfer of technology from research institutions to the Kenyan Farmer.
- ~ Playing a major role in support of industries processing agricultural goods being a major Producer of agricultural produce.

(c) Key Management

The *Agricultural development corporation's* day-to-day management is under the following key organs:

- Board of Directors.
- Managing Director.
- Corporation Secretary
- Head of Finance.
- Head of Corporate Planning and Administration.
- Head of Finance.
- Head of Technical.
- Head of Business Development.
- Head of Internal Audit.

(d) Fiduciary Management

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

No.	Designation	Name
1.	Managing Director	Mr. Richard Ayabei
2.	Corporation Secretary	Mr. Anthony Ademba
3.	Financial Controller	Mr. Patrick Moturi.
4.	Head of Planning	Dr. Winnie Macharia(Phd)
5.	Head of Technical	Mr. Mohmed Bulle
6.	Head of Business Development	Mr. Maxwell Mugonyi
7.	Head of Internal Audit	Mr. Jonathan Keitany

KEY CORPORATION INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

1. The Board operates under three committees as follows;

Audit Committee activities include;

- Charged with the responsibility of safeguarding of the corporation assets
- Ensuring adequate financial systems and controls are in place
- Ensuring financial statements and reports are in compliance with legal requirements and meet the relevant accounting standards.
- Reviewing the internal Audit reports and management action thereon.

Finance, Staff and General Purpose Committee

- Oversee sourcing and utilization of Corporation's Funds
- In charge of staff Remuneration, recruitments of senior managers, incentives and filling of vacancies.
- Reviewing the monthly management accounts
- Review of the corporation budgets and financial statements.

Project Committee activities

- Ensuring Projects undertaken by the corporation are viable and properly managed.

(f) Headquarters & Registered Office

Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(g) Corporation Contacts

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

(h) Corporation Bankers

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

(i) Independent Auditors

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

j) Principal Legal Adviser

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

AGRICULTURAL DEVELOPMENT CORPORATION

II. BOARD OF DIRECTORS



Hon. Sylvester Wakoli Bifwoli

Chairman

Appointed 17th April 2015

Hon. Bifwoli is a senior teacher and a seasoned politician with invaluable experience in leadership, management and politics. He has versed experience in planning and actualization of strategic plans having served as an Assistant Minister in the ministry of Lands Kenya Government between 2007-2013 and management of constituency development fund, Before that he served as a the Secretary General Kenya Union of Teachers for 16 years. Hon. Bifwoli holds a master in Philosophy, Religion and a Bachelors of Arts in conflict resolution and peace building from Kibabii University.



Mr. Richard Aiyabei

Managing Director

Appointed 17th April 2015

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

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

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



Hon. Musa Cherutich Sirma EGH

Member

Appointed 17th April 2015

Hon. Sirma has versed experienced in management of public recourses and policy formulation and implementation and administration having served as a District Forest Officer there after elected as a member of parliament where he went on to serve as a minister in East African Community Government of Kenya, Assistant Minister for Local Government. He holds Bachelor's in business management and business administration from Mount Kenya University and Washington International University respectively.



Susan Akinyi Wakiaga

Member

Appointed 17th April 2015

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

BOARD OF DIRECTORS (Continued)



Mr. James M. Karanja

Member

Appointed 17th April 2015

Mr Karanja holds O-level certificate from Molo T. Secondary School. He has attended various courses which include foreign exchange management, introduction to data base III+, introduction to lotus 1-2-3, leadership, motivation and communication, Supervisor role in management, cashier course, intermediate in banking, bills of exchange course among others from various institutions.

Karanja is the Finance Manager Mount Kenya Foundation, has vast experience in finance having worked as Finance Officer –Party of National unity, Accountant –Maendeleo Trust Fund, Accounts Assistant –Kenya Reinsurance Corporation, Clerical Officer- Kenya Commercial Bank



Mrs. Janet Chelagat Kirui

Member

Appointed 17th April 2015

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

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



Duncan M. Kuria.

Member

Appointed 17th April 2015

Mr. Kuria holds Bachelor's Degree in Business management, Advanced Diploma and Standard Diploma in Business management all from Cambridge Association of Managers. He also holds Certificate in forestry from Forest Industrial Training Centre - Nakuru. He has vast experience in various firms which include, Managing Director- Dormy Enterprises and Kivuno Construction Ltd, Purchasing and Supplies Manager – Excel International Ltd,

Marketing Trainee – Nickel Instruments Ltd.



(Prof.) Valeria A.P. Palapala

Member

Appointed 17th April 2015

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

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

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

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

AGRICULTURAL DEVELOPMENT CORPORATION

BOARD OF DIRECTORS (CONT)



Mr. Joseph Miriti Mwireria

Member

Appointed 17th April 2015

Mr. Mwireri holds Doctor of Philosophy (PHD) in Education Management, Leadership and Administration from Mount Kenya University. He also holds Bachelor of Education in Leadership and Policy Education and Bachelor of Education in Arts from Moi University.

He has a post graduate diploma in modern management and Administration from Cambridge Tutorial College – Britain.

Mr. Mwireria has over 20 years' experience in Education Sector. He has held various positions in a number of institutions. These include being District Examination Officer, Deputy District Education Officer, In charge of Secondary schools administration, Chairman staff welfare Igembe south Education Office, member of the board of Management - Maua united football club and Patron Maua Parish Catholic choir.



Mr. Abdo Mohamed Bahajj

Member

Appointed 17th April 2015

Mr. Bahajj holds Master of Arts Degree project planning management.

He is the current Chief Executive Officer – Ambaco Ltd, Chairman – Somworld Consultant International, Has been Director Tourism Development Corporation and also Chairman Golf Hotel Kakamega.

Has played a key role in settling Somalis settle and start business in Nairobi and Mombasa.



Mr. Antony Ademba

Corporation Secretary

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

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

III. MANAGEMENT TEAM

Mr. Richard Aiyabei
Managing Director.

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

He holds Master of Science degree, Agronomy from University of Eldoret, Bachelor of Science in Agriculture -Moi University and Diploma in Farm Management from Egerton University.

Mr. Aiyabei has over 27 years' experience in different capacities which include Technical, Research, Financial management and socio –Economic fields. He has attended Corporate Governance course, Finance for non-finance managers, Risk management, and Anti-Fraud/corruption, performance management and Mwongozo induction course workshops accordingly.

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



Mr. Antony Ademba
Corporation Secretary

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

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



Mr. Patrick Moturi
Financial Controller

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

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



Winnie Macharia (Dr.)
Head of Corporate Planning & Administration

Dr. Macharia was appointed Head of Corporate Planning and Administration four year ago.

She holds Doctor of Philosophy in Business Administration from University of Nairobi as well as Master of Business Administration from Kenyatta University. She also holds a Bachelor of Education Degree from the same University as well as Higher Diploma in information Technology among other professional qualifications. She is a member of Kenya Institute of Management and Kenya Association of Public Administration professional bodies

She is a professional and accomplished administrator and manager with over 20 years' experience in senior management, administration and leadership in diverse work environment. She has four years' experience as Head of Corporate Planning and Administration in ADC, three years' experience as Provincial Director Youth Development Nairobi under the Ministry of Youth Affairs and sports and Head of Department for four years at Parklands Boys High School as well as a teacher for nine years.

AGRICULTURAL DEVELOPMENT CORPORATION

MANAGEMENT TEAM (Continued)

Dr. Macharia has attended many management courses and seminars including Senior Strategic Leadership programme as well as leading with impact from Kenya School of Government, Corporate governance training for Directors, senior internal Auditor training.



Mr. Mohamed Bulle
Head of Technical Division

He was appointed the Head of Technical Division in June 2017. He holds Master of Science in Environmental Studies with specialization in sustainable development and climate change Antioch University-USA.

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.

Mohamud 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



Mr. Maxwell Mugonyi
Head of Business Development

Mr. Mugonyi hold a Bachelor degree in Insurance, Higher diploma in Human Recourse Management and diploma in Business Management. He joined the Corporation in April 2006 as Human Resource Manager and rose through ranks to the current position which he has been holding since December 2013.

He has vast experience gained through working in various companies which include Kenya National Assurance Company as a management trainee, Assistant Training and personnel Officer, Personnel and training officer. Spin Knit Group of Companies as a Human Resource Manager as well as West Kenya Sugar.



Mr. Jonathan Keitany
Head of Internal Audit

Mr Keitany holds MBA (accounting) option from University of Nairobi; He is a Certified Public Accountant of Kenya and a member of ICPAK and IIA as well as certified Monitoring and Evaluation Officer.

He was appointed Head of Internal Audit in June 2017.

He has grown in the ranks within the Corporation having gained over 10 years' experience in Audit of Agricultural branches. He served as an audit and risk assessment officer in various Audit firms.

IV. REPORT OF THE CHAIRMAN

Once again I am pleased to present the annual financial statement and report for Agricultural Development Corporation for the year ended 30th June 2017.

Business environment

The year began well in general and we experienced relatively stable and conducive weather conditions in Kitale which contributed to an improved production of seed maize from 6.9 to 7.1 million Kilos being a 3% increase in production. The corporation experienced improved production in some of its crop enterprises. However, adverse weather conditions were experienced in other places such as Tana-River and Laikipia counties where the Corporation exercises beef rearing that resulted in loss of animals and reduced herd size.

Corporate Governance

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

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


Future Outlook

The Corporation has collaborated with the Government of Kenya to set up a Semen production centre in Kitale which construction stage was completed during the year under review and we in the process of equipping it. Once its operational, the corporation will embark on large scale production of semen to be availed to Kenyan farmer thus improved breeds while boosting the Corporation's revenue base. To this end I would like to acknowledge with thanks the support we are currently receiving from the Ministry of Agriculture, Livestock and Fisheries.

The Corporation continued growth and success is dependent on collective efforts by all its stakeholders. 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.

I confidently look forward to a continued strong relationship with all of our stakeholders and partners in the year 2017 – 2018 for our mutual benefits.


.....
CHAIRMAN.

11/04/2018
.....
Date

AGRICULTURAL DEVELOPMENT CORPORATION

V. REPORT OF THE MANAGING DIRECTOR

Implementation of Quality Management Systems.

The corporation currently is ISO 9001:2008 certified and was recertified during the year. The Corporation is now transiting to ISO 9001:2015 through training in the new QMS prior to implementation in 2017/2018 financial year.

Development and Implementation of Strategic Plan.

The corporation revised its five year strategic plan 2015-2019 and is now in the process of implementing the objectives set out in its plan. Our budget and performance contract is anchored on this strategic plan, whose 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 corporations needs; however, there are challenges and the corporation has commenced the process of implementing a more robust ERP system.

Core Values.

The Corporation shall continue to uphold the practice of ethical behaviour 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 teamwork, professionalism, innovation, creativity, accountability and passion for quality at all times.

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 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 production. 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 investors in order to increase utilization of the idle land in various regions.

I wish to extend management gratitude to the Board of Directors for their wise leadership, all Government Agencies in particular the Ministry of Agriculture Livestock and Fisheries for their invaluable support during the year.



.....
Managing Director



.....
Date

VI. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board Committees

The Corporation has set up three Board Committees to help in the implementation of its policy guidelines and strategy. These committees meet quarterly. The committees report their findings to the full Board for deliberations and subsequent ratification by the Board.

i. The Audit Committee

Charged with the responsibility of oversight and ensuring the integrity of financial statements, risk management, internal controls, compliance and 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.

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) Project Committee

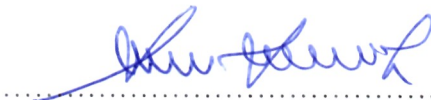
The Committee approves and provides an oversight role on the execution of major projects in the Corporation.

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 ten non-executives and one executive director, the Managing Director



11/4/2018

Chairman

Date

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Corporation is people driven and focuses on food security through promotion and availing of quality seed and technology transfer at subsidised prices to Kenyan farmers. The corporation exists courtesy of the farmers and other stakeholders.

As a way of appreciating the community we developed a Corporate Social Responsibility (CSR) policy to guide in identification and implementation of various community based activities aimed at improving the social well being of our people. In support of local initiatives, various CSR activities have been sponsored by the corporation thus creating a synergy of ethics where our people and the corporation come together to contribute towards improving physical infrastructure and social well being. During the year 2016/2017 the corporation undertook the following CSR activities:-

Education Support

The corporation donated materials and resources towards ensuring less fortunate students and pupils have access to education. Towards this end;

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

Community Policy

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

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

Environment Conservation

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

Women Empowerment

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

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2017 which show the state of affairs of *Agricultural Development Corporation* and its subsidiary – *Lands Ltd.*

Principal activities

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

Results

The results of the Corporation for the year ended 30th June, 2017 was a profit of Kshs. 71.2M which was a improvement from profit of Kshs. 18.8M reported in 2015-2016 as set out on pages 1.

Board of Directors

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

Auditors

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

By Order of the Board



Anthony Ademba
Corporate Secretary
Nairobi

Date: 11/4/18.

IX. 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 Lands Ltd, which give a true and fair view of the state of affairs of the Corporation and its subsidiary at the end of the financial year and the operating results of the Corporation and its subsidiary for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation and its subsidiary. The Directors are also responsible for safeguarding the assets of the Corporation and its subsidiary.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year ended on 30th June 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 30th June 2017, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

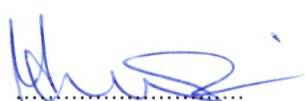
Approval of the financial statements

The Corporation's financial statements were approved by the Board on 29.09.2017 and signed on its behalf by:



.....
Director

.....
Date 11/09/18



.....
Director

.....
Date 11/4/18



.....
Director

.....
Date 10/4/18

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURE DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation (ADC) set out on pages 1 to 31, which comprise the consolidated statement of financial position as at 30 June 2017, 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Agricultural Development Corporation and its Subsidiary as at June 30, 2017, and of their financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

(i) Repossessed Land

As reported in the previous year, property, plant and equipment balance of Kshs.684,283,000 as at 30 June 2017 includes farms managed by the Corporation valued at Kshs.37,910,000. These farms, referred to as ADC Private Forest Ndadibi L.R. 7281/3 & 20591/86 relates to 4,000 acres of land re-possessed from allottees who

Report of the Auditor-General on the Financial Statements of Agriculture Development Corporation for the year ended 30 June 2017

had been unable to pay allotment fees. In addition, land L.R. No.20591/86 in Ndabibi and the parcel in Molo do not have ownership documents including title deed, while LR 7281/3 has been encroached on by squatters although the Corporation has secured the title deed. Further, and according to information available, the process of exchanging 700 acres in Molo with 1,000 of the Corporation's land at Ndabibi had not been finalized as at 30 June 2017. In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm their ownership.

(ii) Home Farm Land

As reported also in the previous year, the Corporation's land net book value of Kshs. 521,513,000 as at 30 June, 2017 disclosed under Note 22(a) excludes the value of land L.R. No.10668 measuring about 2,908.42 acres known as Home Farm. Further, the Corporation does not have ownership documents to this parcel of land. It is also not clear and the management has not explained how the home farm parcel of land was allocated to private developers in year 1994 and the effect on the operations of the Corporation in fulfillment of its mandate.

(iii) Garissa Irrigation Project Land

The property, plant and equipment balance of Kshs. 684,283,000 as at 30 June 2017 still exclude the value of land measuring 319.4 hectares located in Garissa Municipality whose value has not been determined, despite a disclosure under Note 19 to the financial statements for 2015/2016 that the unit's assets were merged and included in the Corporation's financial statements.

In view of the foregoing, the completeness and accuracy of property, plant and equipment balance of Kshs. 684,283,000 cannot be ascertained.

2. Capital Work in Progress

As reported in the previous year and as highlighted under Note 22 (c) to the financial statements, the capital work-in-progress balance of Kshs. 553,618,000 as at 30 June, 2017 includes a construction project at Suam Orchards farm in Kitale valued at Kshs. 9,978,000 that was started in 2006. In addition, the capital-work –in progress includes an amount of Kshs. 4,899,287 relating to projects that have remained idle for the last six (6) years. In the circumstances, I am unable to confirm the carrying value of the capital work-in-progress reflected in the financial statements of Kshs. 553,618,000 as at June 2017.

3. Investments

The investment balance of Kshs.467,283,000 reflected in the statement of financial position as at 30th June 2017 includes amounts relating to investments in shares held in Chemelil Sugar Co. Ltd Kshs.203,592,000, Development House Kshs.90,251,000, Muhoroni Sugar Company Kshs.41,342,000, Kenya Co-operative Creameries

Kshs.4,151,000, Kenya Grain Growers' Co-op Union Kshs.1,404,000, Kenya Seed Company Ltd Kshs.114,014,000, Pyrethrum Board of Kenya Kshs.36,000, Kenya Planters' Co-op Union Kshs.31,000 and Agro-Chemical and Food Ltd 16,900,000, which were acquired between 1975 and 1995.

Information available indicates that Muhoroni Sugar Company, Kenya Grain Growers Co-op Union and Kenya Planters Co-op Union with investments totalling Kshs.42,777,000 are either in receivership or liquidation. In addition, Chemelil Sugar Company and the Agro-Chemical & Food Company with an investment totalling Kshs.220,492,000 have been making losses and have not paid dividend for a considerably long time. The value of the investments in these companies is, therefore, doubtful and may not be recovered. However, no provision has been made in the financial statements for the likely diminution in value of the investments.

4. Biological Assets

(i) Valuation

The consolidated statement of financial position reflects biological assets valued Kshs.1,471,633,000 as at 30 June, 2017. Included in this figure is an amount of Kshs.989,033,000 relating to crops as disclosed in Note 24 to the financial statements. It was noted that the value 'special crops- plantations' as at the end of the year under review remained the same at Kshs.772,336,240 as was similarly reported in the financial year 2015/2016. No valuation report was provided for audit to confirm how the value of Kshs. 772,336,240 was arrived at. Consequently, the accuracy of the valuation of 'special crops- plantations' during the year under review cannot be confirmed.

(ii) Purchase of Livestock

Information available indicate that the Corporation received an amount of Kshs. 250,000,000 from the government during the year under review for purchase of livestock as a mitigation to the pastoralists against loss due to drought. Schedules provided for audit shows that the Corporation acquired 4008 animals at a total cost of Kshs. 105,608,000. After effecting the loss of 60 animals and deaths of 770 animals, the management reported a net value of Kshs.86,714,000 for the animals. However, this amount is not reflected in the value of biological assets of Kshs.1,471,633,000 as at 30 June, 2017.

Consequently, the value of the biological assets of Kshs.1,471,633,000 reflected in the financial statements is not complete or fairly stated.

5. Trade and Other Payables-exchange Transactions

- (i) The consolidated statement of financial position as at 30 June 2017 reflects trade and other payables balance of Kshs.1,267,914,000, which includes trade creditors and non-trade creditors of Kshs.744,162,000 and Kshs.523,751,000,

respectively. As reported in the previous years, non-trade creditors balance of Kshs.523,751,000 includes audit fees totalling Kshs.18,888,080 that have been outstanding since 1995. No satisfactory reason has been provided for failure to pay the fees.

- (ii) The non-trade creditors balance also includes unremitted statutory deductions of Kshs. 21,842,832, Kshs.26,932,145, Kshs.57,934,238 and Kshs.60,454,532 for Pay As You Earn (PAYE), National Social Security Fund (NSSF), pension scheme deductions and Agdeco Society deductions respectively dating back to 1998.
- (iii) The trade and other payables balance for the year then ended, like in the previous years, includes an outstanding balance of Kshs.267,279,416, payable to M/S Supplies and Services Limited in respect of fertilizer supplies. The amount includes Kshs.112,219,009 being interest charged at the rate of 18% per annum based on the number of days in default as at 30 June 2014. Any interest that may be accruing to the account has not been included in these financial statements from 1 July 2014 to date. The matter is still in court.

6. Grants Reserves

The consolidated statement of financial position reflects a balance of Kshs.2,732,616,000 (2015/2016 – Kshs.1,742,616,000) under grant reserves, and as disclosed under Note 28 to the financial statements, the amount includes grants from various sources. During the year, the amount of grant from Government of Kenya increased by Kshs.990,000,000. The amount of increase included Kshs. 50,000,000 in respect of drought mitigation grant recorded but not received as of 30 June 2017. Further, there is no documentary evidence that this amount would be received in future and consequently it is not possible to confirm the validity of the grant receivable to the extent of the Kshs. 50,000,000. In addition, the comparative figure for grant reserves of Kshs.1,742,616,000 included an amount of Kshs.31,414,000 that was not be supported.

Consequently, the accuracy and completeness of the grants reserve balance of Kshs.2,732,616,000 reflected in the financial statements cannot be confirmed.

7. Receivables from Exchange Transactions

- (i) As reported in the previous year, trade and non-trade receivables from exchange transactions balances of Kshs.394,087,000 and Kshs.194,150,000, respectively as at 30 June, 2017 and disclosed under Note 19 to the financial statements includes an amount of Kshs. 9,859,415 that has remained outstanding for a long period of time dating back to 1980. In addition, the management has not provided the analyses of the specific provision of Kshs.52,499,000 for bad and doubtful debts for audit review. Further, the basis for determining the general provision of Kshs.4,909,000 has not been explained.

- (ii) Included in the non-trade debtors figure of Kshs.194,150,000 is an amount of Kshs.7,226,797 (2015/2016 – Kshs.3,782,739) described as lost cash. The current financial year loss includes an amount of Kshs.2,065,000 that has been attributed to loss of imported potato seeds that were rotten on arrival and a further loss of Kshs.1,150,900 worth of potatoes that was destroyed in a fire. It is not clear why the corporation had not insured the consignment to mitigate against such loss. Further, an amount of Kshs.4,507,635 described as provision for obsolete items/loss on investments' in the previous year has not been explained.
- (iii) In addition, the non-trade debtors includes deferred grants of Kshs.70,000,000 receivable from the parent ministry. However, no documentary evidence was provided during the audit to indicate that the amount would be received in the foreseeable future.
- (iv) As reported in the previous year, verification of records in 2015/2016 revealed that lease rental receivables totalling Kshs. 214,458,668 had not been included in the financial statements. No adjustment has similarly been made in the financial statements for 2016/2017 to record this omission.

In view of the above, it has not been possible to confirm the completeness, accuracy and recoverability of receivables from exchange transactions and non-trade transactions figures of Kshs. 394,087,000 and Kshs. 194,150,000 respectively.

8. National Livestock Project

The consolidated statement of financial position and as disclosed in Note 20 to the financial statements reflects an amount of Kshs.32,412,000 in respect of National Livestock Project account that is claimable from the parent ministry by the Corporation. The project started in 2006 when the Government granted ADC an amount of Kshs. 198,000,000 to purchase livestock under the emergency off-take programme in drought stricken arid areas. The Corporation subsequently incurred costs totalling Kshs.32,412,000 during the year on maintenance and daily running of the project operation. The following unsatisfactory matters have been noted:

- (i) The project has been reporting losses over the years while a similar livestock enterprise under ADC is ever reporting profits.
- (ii) The current account balance of Kshs.32,412,000 is not supported by demand notes to the parent ministry or State Department of Livestock and as such it is not possible to confirm the validity and accuracy of the debt.

The project did not prepare financial statements during the year, and as a result, it is not clear how the operating overheads were apportioned between ADC and the National Livestock Project. In addition, the state of financial performance and financial position of the project cannot be ascertained in absence of the financial statements.

9. Rental Revenue from Facilities

The consolidated statement of financial performance reflects an amount Kshs.89,766,000 under rental revenue from facilities for the year ended 30 June 2017, which is a drop of Kshs.97,859,000, from last year's figure of Kshs.187,625,000. The management attributes the shortfall to the stopped leases in Galana by the Government to create space for the Galana/Kulalu Food Security Programme. Evidence available indicate that the lessees are still occupying the land and it is therefore not clear why the management has stopped accruing and receipting the income.

10. Management Fees

The consolidated statement of financial performance reflects an amount of Kshs.1,634,000 in respect of management fees. This amount is attributed to an agreement entered into between Agricultural Development Corporation (ADC) and National Disaster Management Authority (NDMA) on 'Commercial Destocking for Drought Mitigation on 8 March 2017. According to Clause 5 on Costs and Payments, the Corporation was to receive Kshs.19,136,867 on signing of the agreement. This amount was to be used for purchase, translocation and managing 1,000 heads of cattle for three months and a further Kshs.38,273,733 thereafter for the additional 2,000 heads of cattle. ADC was to be compensated at Kshs.30/= per cow per day as management fees. Examination of the Corporation documents did not disclose details of amounts received from this agreement and how it was applied.

In view of the foregoing, the completeness and accuracy of the management fee figure of Kshs.1,634,000 as at 30 June 2017 can not be confirmed.

11. Loss of Fertilizer

As reported in the previous years, the Corporation lost a sum of Kshs.24,447,500 through fake bank deposit slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade worth Kshs.111,680,000 had for unclear reasons been stored in a private store in the town. According to information available, the mode of payment was to be either through direct bank deposits where bank slips would be issued and later used for collection of the fertilizer, or by banker's cheques which had to be confirmed before the sale. The Corporation, however adopted the direct bank deposits method but due to weak controls, fertilizer worth Kshs.24,447,500 was released before the respective bank deposits had been confirmed. Although the management has indicated that the criminal case on the matter opened at Eldoret High Court and that some of the accused persons were acquitted, a warrant of arrest against one of the accused who absconded during the trial, has not yet been effected. Consequently, and until the matter is concluded, the recovery of the loss of Kshs.24,447,500 remains doubtful.

12. Undisclosed Material Uncertainty

The statement of financial position as at 30 June 2017, reflects total current assets of Kshs.1,162,086,000 and total current liabilities of Kshs.1,377,944,000 resulting in a negative working capital of Kshs.215,858,000 (2015/2016 - Kshs.891,890,000). The Corporation is, therefore, technically insolvent and its continued existence as a going concern is dependent upon support from the National Government and its creditors. However, this material uncertainty has not been disclosed in the notes to the financial statements.

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

Key Audit Matters

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

Other Matter

1. Under-collection of Revenue

The statement of comparison of budget and actual for the year ended 30 June 2017 reflects an under collection of revenue of Kshs. 577,835,000. This represents 34% of the gross estimates of Kshs. 1,669,742,000. The under collection of revenue was attributed to failure to collect income on rendering services Kshs. 14,113,000, farming income Kshs.430,324,000, investment income Kshs.60,228,000 and other income 72,063,000.

Consequently, the Corporation might not have been able to achieve the objectives set during the financial year under review.

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

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

13 June 2018

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

	Note	2016-2017 KSH '000'	2015-2016 KSH '000'
Revenue from Non-Exchange transactions			
Revenue Grants	1	300,000	-
Revenue from exchange transactions			
Service units income	2	22,327	16,516
Farming Income	3	882,778	845,608
Rental revenue from facilities	4	89,766	187,625
Investments Income	5	24,772	80,625
Management Fee	6	1,634	-
Other Income	7	73,266	93,906
		1,094,543	1,224,281
		1,394,543	1,224,281
Expenses			
Employee costs	8	461,942	502,428
Depreciation and amortization expense	9	30,035	31,784
Repairs and maintenance	10	34,339	33,595
Subscription & Donations	11	500	1,052
Contracted services	12	68,229	90,592
General expenses	13	524,960	609,050
Finance costs	14	57,852	89,501
		1,177,857	1,358,001
Other gains/(losses)			
unrealized (Loss)/gain on changes in Biological Assets	15	(73,595)	150,937
Loss due to death of Livestock	16	(71,968)	-
Gain / Loss on foreign exchange transactions		7	(13)
Gain on sale of fixed assets	17	86	1,623
Surplus before tax		71,216	18,827
Taxation		-	
Surplus for the year		71,216	18,827

The notes set out on pages 17 to 26 form an integral part of the Financial Statements

AGRICULTURAL DEVELOPMENT CORPORATION

XIII. CORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2016-2017 KSH '000'	2015-2016 KSH '000'
Revenue from Non-Exchange transactions			
Revenue Grants	1	300,000	-
Revenue from exchange transactions			
Service units income	2	22,327	16,516
Farming Income	3	882,778	845,608
Rental revenue from facilities	4	89,766	187,625
Investments Income	5	24,772	80,626
Management Fee	6	1,634	598
Other Income	7	68,648	92,957
		1,089,926	1,223,930
		1,389,926	1,223,930
Expenses			
Employee costs	8	459,252	499,857
Depreciation and amortization expense	9	29,903	31,615
Repairs and maintenance	10	34,339	33,595
Subscription & Donations	11	500	1,052
Contracted services	12	68,229	90,592
General expenses	13	524,137	608,949
Finance costs	14	57,392	89,041
		1,173,752	1,354,701
Other gains/(losses)			
Unrealize (Loss)/gain on changes in Biological Assets	15	(73,595)	150,941
Loss due to death of Livestock	16	(71,968)	-
Gain/Loss on foreign exchange transactions		7	(13)
Gain on sale of fixed assets	17	86	1,623
Surplus before tax		70,704	21,780
Taxation		-	
Surplus for the year		70,704	21,780

The notes set out on pages 17 to 26 form an integral part of the Financial Statements

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

Assets

Current assets	Note	2016-2017	2015-2016
		KSH '000'	KSH '000'
Cash and cash equivalents	18	410,444	21,424
Receivables from exchange transactions	19	588,237	479,923
Current Account with National Live stock Project	20	32,412	24,466
Inventories	21	130,993	177,575
		1,162,086	703,388
Non-current assets			
Property, plant and equipment	22(a)	684,283	689,479
Capital Work In progress	22(c)	553,618	338,514
Investments	23	467,283	467,283
Biological Assets	24	1,471,633	1,460,327
		3,176,817	2,955,603
		4,338,903	3,658,991
Liabilities			
Current liabilities			
Trade & other payables-exchange transactions	25	1,267,914	1,595,278
Borrowings	27(a)	110,030	-
		1,377,944	1,595,278
Non-current liabilities			
Borrowings	27(b)	230,469	394,439
		1,608,413	1,989,717
Net assets			
		2,730,490	1,669,274
Grants Reserves	28	2,732,616	1,742,616
Capital Reserve	29	12,775	12,775
Reserves	30	447,701	447,701
Accumulated (Deficit)		(462,602)	(533,818)
		2,730,490	1,669,274
		4,338,903	3,658,991

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 29.09.2017 and signed on behalf of by:

Managing Director

Name: Ayyabei K.

Sign: [Signature]

Date: 10/4/18

Head of finance

Name: [Signature]

ICPAK No. 4452

Sign: [Signature]

Date: 10/4/2018

Chairman

[Signature]

Sign: [Signature]

Date: 11/4/18

AGRICULTURAL DEVELOPMENT CORPORATION

XV. CORPORATION STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

	Note	2016-2017 KSH '000'	2015-2016 KSH '000'
Assets			
Current assets			
Cash and cash equivalents	18	409,452	16,952
Receivables from exchange transactions	19	566,839	457,966
Current Account with National Live stock Project	20	32,412	24,466
Inventories	21	130,993	177,575
		1,139,696	676,959
Non-current assets			
Property, plant and equipment	22(b)	200,053	205,116
Capital Work In progress	22(c)	553,618	338,514
Investments	23	467,283	467,283
Biological Assets	24	1,471,633	1,460,327
Investment in Subsidiary- LANDS Ltd		31,434	31,434
		2,724,021	2,502,674
		3,863,717	3,179,633
Liabilities			
Current liabilities			
Trade & other payables - exchange transactions	25	1,265,474	1,592,958
Borrowings	27(a)	110,030	-
		1,375,504	1,592,958
Non-current liabilities			
Current Account With Subsidiary- LANDS Ltd	26	560,064	555,262
Borrowings	27(b)	230,469	394,439
		790,533	949,701
		2,166,037	2,542,659
Net assets		1,697,679	636,973
Grants Reserves	28	2,708,336	1,718,336
Accumulated (Deficit)		(1,010,656)	(1,081,362)
		1,697,680	636,974
		3,863,717	3,179,633

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 29.09.2017 and signed on behalf of by:

Managing Director

Name: Amber PV

Sign: [Signature]

Date: 10/4/18

Head of finance

Name: P. MOTURI

ICPAK No. 4452

Sign: [Signature]

Date: 10/4/2018

Chairman

Name: J. KARANGA

Sign: [Signature]

Date: 11/4/18

**XVI. LANDS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

Assets		2016-2017	2015-2016
Current assets	Note	KSH '000'	KSH '000'
Cash and cash equivalents	18	992	4,472
Receivables from exchange transactions	19	21,398	21,957
		<u>22,390</u>	<u>26,429</u>
Non-current assets			
Property, plant and equipment		484,231	484,363
Current Account with Parent Co.	26	560,064	555,262
		<u>1,044,295</u>	<u>1,039,625</u>
		<u>1,066,685</u>	<u>1,066,054</u>
Liabilities			
Current liabilities			
Trace & other payables -exchange transactions	25	2,440	2,320
Net assets		2,440	2,320
Equity			
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants Reserves		55,694	55,694
Capital Reserve	29	12,775	12,775
Reserves	30	447,701	447,701
Accumulated surplus/ (Deficit)		548,055	547,544
		<u>1,064,245</u>	<u>1,063,734</u>
		<u>1,066,685</u>	<u>1,066,054</u>

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 29.09.2017 and signed on behalf of by:

Managing Director

Name: Ayubei M

Sign: [Signature]

Date: 10/10/18

Head of finance

Name: [Signature]

ICPAK No. 4452

Sign: [Signature]

Date: 10/10/2018

Chairman

Sign: [Signature]

Date: 10/10/18

AGRICULTURAL DEVELOPMENT CORPORATION

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

	Equity (Grants) Kshs '000	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1st June 2016	1,389,634	12,775	447,701	(443,082)	1,407,028
Adjustments				(109,563)	(109,563)
Addition	352,982	-	-	-	352,982
Transfers to accumulated surplus/Deficit	-	-	-	18,827	18,827
Balance as at 30 June 2016	1,742,617	12,775	447,701	(533,818)	1,669,274
Addition	990,000	-	-	-	990,000
Transfers to accumulated surplus/Deficit	-	-	-	71,216	86,633
Balance as at 30 June 2017	2,732,616	12,775	447,701	(462,602)	2,745,907

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

	Note	2016-2017 KSHS '000'	2015-2016 KSHS '000'
Cash flows from operating activities			
Surplus for the year		71,216	18,827
Adjustments for:			
Depreciation of property and equipments	21(a)	30,035	31,784
Profit on Disposal of fixed assets	16	(86)	(1,623)
Revaluation in fair value of biological assets	15	247,598	(150,937)
Operating profit before working capital changes		348,763	(101,949)
Increase/(decrease) in:			
Debtors	19	(108,314)	(146,907)
Inventories	21	46,581	(12,045)
Biological assets	24	(11,306)	(119,190)
Injection to National livestock project	20	(7,946)	6,011
Borrowings		-	37,622
Creditors		(327,364)	177,767
Purchase of fixed assets	22(a)	(24,873)	(16,423)
Purchase of Livestock		(355,478)	(358)
		(788,700)	(73,523)
Cash generated from operations		(439,937)	(158,692)
Cash flows from investing activities			
Dividend received	4	-	80,625
Garissa irrigation project		-	(41,253)
Rental income	3	-	187,625
Caital WIP	22(c)	(215,104)	(170,776)
Proceeds from sale of assets	16	120	4,503
Net cash flows used in investing activities		(214,984)	43,943
Cash flows from financing activities			
Borrowings	27	53,940	(177,841)
Government Grants	28	990,000	255,184
		1,043,940	77,344
Net increase in cash and cash equivalents		389,020	(37,406)
Beginning of period		21,424	58,830
Net increase in cash and cash equivalents	18	389,020	(37,406)
Cash at the end		410,444	21,424

AGRICULTURAL DEVELOPMENT CORPORATION

XIX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30TH JUNE 2017

		Budget 2016-2017	Actual 2016-2017	Variance	Reasons for the variance
Revenue	Note	Kshs '000	Kshs '000	Kshs '000	
Revenue from services units	34(a)	36,440	22,327	14,113	
Farming Income	34(b)	1,313,102	882,778	430,324	
Rent/ Eco-Tourism		88,482	89,766	(1,284)	
Investment Income		85,000	24,772	60,228	Due non payment of dividend by Kenya seed company
Management Fees		838	1,634	(796)	
other incomes		<u>145,880</u>	<u>73,266</u>	<u>72,614</u>	
		1,669,742	1,094,543	577,835	
Expenses					
Employees cost	34(c)	590,759	461,942	128,817	
Depreciation and amortization		44,695	30,035	14,660	
Repair and maintenance	34(d)	60,773	34,339	26,434	Old machinery hence high breakdown
Subscription & Donation		1,595	500	1,095	
Contracted Services		67,987	68,229	(242)	Reduced acreage under seed by Kenya seed Company
General Expences	34(e)	772,033	534,960	237,073	
Finance Costs	34(f)	<u>45,736</u>	<u>47,852</u>	<u>(2,116)</u>	
Total expenditure		1,583,578	1,177,857	302,698	

XX. NOTES TO THE FINANCIAL STATEMENTS**A. Statement of compliance and basis of preparation**

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

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

Reporting Entity

Agricultural Development Corporation (ADC) (the corporation) is a body corporate incorporated in Kenya under Cap 444 of the laws of Kenya and is domiciled in Kenya. The consolidated financial statements comprise the Corporation and its Subsidiary Land Ltd (Wholly Owned) (Together referred to as the 'group' and individually referred to as 'Company')

Property, Plant and Equipment

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

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

Land	Nil
Building	5% p.a.
Fencing and water supply	10% p.a.
Furniture and equipment	20% p.a.
Computers	30% p.a.
Motor vehicles and tractors	25% p.a.
Permanent improvements in subsidiary company	2.5% p.a.
Farm equipment and machinery	20% p.a.
Small tools	50% p.a.
Land reclamation and drainage	20% p.a.

Taxation

There is no tax Liability arising because the Corporation has been exempted from taxation as per Kenya Gazette Supplement Number 59 of 21st April, 1986

Harvested crops and cultivation

Harvested crops and cultivation are valued at net realisable value. Costs comprise expenditure incurred in normal course of business including direct material cost, labour and production overheads wherever appropriate. Net realisable value is the price at which the stocks can be realised in normal course of business after allowing for costs of realisation.

Notes to Financial Statements (Continued)

B. Summary of significant accounting policies

Revenue recognition

i) Revenue from non-exchange transactions

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

Revenue from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the assets (cash, good, 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.

Government Grants

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 Corporation has three service units Engineering service, Farm Advisory Management Services (FAMS) and Agribusiness. Engineering services unit deal with repair of equipments and fabrication of farm implements. During the year Ksh 22,326,984 was realized from the units from completed contracts.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Farming Income

Revenue from the sale of farm outputs is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Corporation.

Dividends and Other external Investments

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

Notes to Financial Statements (Continued)***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.

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

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.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Notes to Financial Statements (Continued)

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.

i) Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

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

k) Changes in accounting policies and estimates

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

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Borrowing costs

Borrowing costs Include interest, amortization of discounts or premiums on borrowing, and amortization of ancillary costs incurred in the arrangements of borrowing. The Corporation adopts expenses model where borrowing costs are charged to expenses in the period when they are incurred.

n) Related parties

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 imprests and advances to authorised staff which were not surrendered or accounted for at the end of the financial year.

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 Financial Statements (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.

u) Comparative figures

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

v) 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

Notes to Financial Statements (Continued)

liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

w) Subsequent events

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 2017.

x) 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.

Notes to Financial Statements (Continued)**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 of financial assets and Liabilities.

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 behaviour. 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.

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 area:

- 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 Audit Committee.

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

1. Income from Non- Exchange transaction

The Government in the year under review through the Ministry of Agriculture allocated Kshs.300,000,000 expenditure in a bid to restructure the Corporation

	<u>Consolidated</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
State Department of Agriculture	100,000	-	100,000	-
State Department of Agriculture	200,000	-	200,000	-
Total	300,000	-	300,000	-

2. Service units incomes

	<u>Consolidated</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contract Income	18,035	12,953	18,035	12,953
Transport Income	4,292	3,564	4,292	3,564
Total	22,327	16,516	22,327	16,516

3. Farming Income

	<u>Consolidated</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Commercial maize	124,852	54,038	124,852	54,038
Sale of seed maize	484,182	491,831	484,182	491,831
Other Farm produce	101,379	111,414	101,379	111,414
Sale of steers	44,677	58,935	44,677	58,935
Sales of in-calf Heifer	9,358	14,935	9,358	14,935
Other Livestock	21,835	24,739	21,835	24,739
Sale of Milk	71,306	77,002	71,306	77,002
Sale of other animal products	2,686	5,612	2,686	5,612
Sale of Hay	22,241	5,787	22,241	5,787
Grazing fees	263	1,315	263	1,315
Total	882,778	845,608	882,778	845,608

Note; sale of seed maize include kshs. 33,075,430 of ADC maize variety and Kshs.450,776,291 respectively during the year.

4. Rental Revenue from

	<u>Consolidated</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Lease Rental	82,273	56,829	82,273	56,829
Rent of Property	7,494	130,796	7,494	130,796
Total	89,766	187,625	89,766	187,625

5. Investments income

	<u>Consolidated</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Proceeds from Development house	24,772	61,852	24,772	61,852
Devidend from Kenya Seed Co.	-	18,773	-	18,773
Total	24,772	80,625	24,772	80,625

AGRICULTURAL DEVELOPMENT CORPORATION

6. Management fees

	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Management fees	1,634	-	1,634	598	-	-

Management fees relates to fees charged by ADC to National Drought Management Authority for their animals kept at ADC Galana Ranch

7. Other income

	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Feeds	48,448	54,048	48,448	54,048	-	-
Sale of seed Maize	-	25,191	-	25,191	-	-
Training Fees AI center	4,248	1,299	4,248	1,299	-	-
Miscellaneous Income	20,570	13,368	15,952	12,419	4,618	949
Total	73,266	93,906	68,648	92,957	4,618	949

Miscellaneous income include Kshs. 6,547,140 from galana on impounded charcoal and illegal grazers, 4,248,718, 5,168,687 from lands ltd on survey fees by Lands Ltd and 3,219,582 by head office among others

8. Employee costs

	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Salaries	107,429	111,340	106,240	110,191	1,188	1,149
Wages	137,724	168,374	137,724	168,374	-	-
NSSF	2,147	2,530	2,139	2,522	7	7
Leave Expenses	1,926	2,027	1,914	2,015	12	12
House allowance	59,449	61,183	58,549	60,333	900	850
Commuter allowance	10,466	10,300	10,190	10,027	276	274
Responsibility allowance	9,363	9,382	9,243	9,282	120	100
Gratuities	13,007	15,903	13,007	15,903	-	-
Terminal dues	3,816	4,883	3,816	4,883	-	-
Administrative wages	46,003	45,740	46,003	45,740	-	-
Pension contribution	11,098	12,252	10,911	12,071	187	181
Acting Allowance	690	884	690	884	-	-
Hardship Allowance	1,792	1,961	1,792	1,961	-	-
Duty Allowance	2,899	2,725	2,899	2,725	-	-
Education & training	2,302	2,309	2,302	2,309	-	-
Medical expenses	19,537	19,716	19,537	19,716	-	-
Free Issues to staff	4,786	5,317	4,786	5,317	-	-
Travel, accomodation, subsistence and other	27,510	25,602	27,510	25,602	-	-
Total	461,942	502,428	459,251	499,857	2,691	2,571

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

9. Depreciation and amortization expense

	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Property, plant and equipment	30,035	31,784	29,903	31,615	133	168
Total	30,035	31,784	29,903	31,615	133	168

10. Repairs and maintenance

	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Property	4,198	7,816	4,198	7,816	-	-
Machinery & Equipment	17,647	14,263	17,647	14,263	-	-
Vehicles	12,494	11,517	12,494	11,517	-	-
Total	34,339	33,595	34,339	33,595	-	-

11. Subscription and Donations

	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Donations	500	1,052	500	1,052	-	-

12. Contracted services

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

	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Contracts Costs	68,229	90,592	68,229	90,592	-	-
Total						

Notes to Financial Statements (Continued)

13. General Expenses

The following cost items has been reinstated for the year 2015/2016:

	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Advertising, Show and publications	10,096	9,254	10,096	9,254	-	-
Audit fees	1,186	1,186	1,066	1,066	120	120
Consulting fees	-	387	-	387	-	-
Consumables	11,480	11,163	11,480	11,163	-	-
Electricity & Water	5,935	8,699	5,935	8,699	-	-
Fuel and oil	61,954	54,493	61,954	54,493	-	-
Insurance	20,072	29,626	20,072	29,626	-	-
Legal expenses	65,908	50,994	65,908	50,994	-	-
Licenses and cesses	5,101	6,912	5,101	6,912	-	-
Fertilizer	80,708	101,072	80,708	101,072	-	-
Herbicides, Insecticides ,Veterinary	78,527	111,184	78,527	111,184	-	-
Feed stuffs & Menerals	33,193	31,753	33,193	31,753	-	-
Packing materials	12,328	13,985	12,328	13,985	-	-
Board Expenses	13,831	18,458	13,128	18,458	703	-
Seed	31,009	52,552	31,009	52,552	-	-
Raw Marterials -Feedmill	45,859	67,120	45,859	67,120	-	-
Postage & Telephone	3,341	3,138	3,341	3,138	-	-
Printing and stationery	4,620	5,691	4,620	5,691	-	-
Rent & Rates	335	162	335	162	-	-
Security costs	578	1,219	578	1,219	-	-
Inspection Fees	6,232	7,856	6,232	7,856	-	-
Training Costs- AI Center	2,177	710	2,177	710	-	-
Professional Fees	932	2,289	932	2,289	-	-
Fines and penalties	-	26	-	26	-	-
Transport	21,475	13,927	21,475	13,927	-	-
Research Expenses	1,567	614	1,567	614	-	-
Milk To Calves	5,166	2,822	5,166	2,822	-	-
Other	1,350	2,354	1,350	1,756	-	598
Total	524,960	609,050	524,137	608,949	823	718

AGRICULTURAL DEVELOPMENT CORPORATION

14. Finance Costs	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Bank charges	13,355	1,339	12,895	880	459	460
Interest	44,497	88,162	44,497	88,162	-	-
Total	57,852	89,501	57,392	89,041	459	460

15. Change in Biological Assets

In line with Accounting Standards No.41, the Corporation biological asstes Decreased in value by Ksh 73.6 M during the year arising from changes in fair value. The Corporation adoprts the market value less cost to sell valuation model

16. Livestock worth 71.9M died during the year unsder review due to persistence drought as follows

	Consolidated		Company		Lands Ltd	
	2017	2016	2015	2014	2013	2012
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Purchases of cattle	66,368	-	66,368	-	-	-
Purchase of sheep	3,262	-	3,262	-	-	-
Purchase of goats	2,338	-	2,338	-	-	-
Loss due to death of livestock	71,968	-	71,968	-	-	-

17. Gain on Sale of Assets

	Motor Veh & Tractors
Cost	3,400
Acc. Depreciation	(3,366)
NBV	34
Sales Proceeds	120
Total Gain on Sale of Assets	86

18. Cash and Cash Equivalentents	Consolidated		Company		Lands Ltd	
	2017	2016	2017	2016	2017	2016
17 a)Bank	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Name of the Bank						
Consolidated Bank	596	596	596	596	-	-
National Bank	15,637	15,637	11,165	11,165	4,472	4,472
Kenya Com Bank	5,020	4,615	5,020	4,615	-	-
	21,253	20,847	16,781	16,375	4,472	4,472
17b)Cash-in-hand	220	577	220	577	-	-
Total	21,473	21,424	17,001	16,952	4,472	4,472

Notes to Financial Statements Continued

19. Receivables from Exchange Transactions

Current receivables	Consolidated		Company		Lands Ltd	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Trade Debtors	451,495	429,015	430,082	407,044	21,413	21,972
Specific provision	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(537)
General Provision	(4,909)	(4,909)	(4,909)	(4,909)	-	-
Total Current Receivables	394,087	371,607	373,211	350,172	20,876	21,435
Non- Trade Debtors						
Non - Trade	194,150	108,316	193,628	107,794	522	522
Total	588,237	479,923	566,839	457,966	21,398	21,957

Note: Non trade debtors includes Kshs. 50M deferred grants from the MOLAF for drought management that had not been received as at the close of the year.

20. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation incurred Kshs.32,411,518 on maintenance and daily running of the projects operation.

	<u>2017</u>	<u>2016</u>
	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>
NLP Current Account	230,412	222,466
Grants	(198,000)	(198,000)
TOTAL	32,412	24,466

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

21. Inventories	<u>2017</u>	<u>2016</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Building materials	1,901	1,937
Fencing & Water Supplies	8,198	8,071
Fertilizer	12,081	36,353
Feedstuffs & Minerals	1,409	1,644
Herbicides & Insecticides	9,099	19,184
Packing Materials	1,665	2,636
Petroleum Products	2,428	2,170
Machinery & Equipment Spares	7,324	7,755
Vehicles & Tractor Spares	10,337	10,231
Veterinary Products	3,212	2,432
Seeds	5,174	8,215
Sundries	1,725	2,991
Feedmill Raw Materials	2,514	1,796
Feedmill Finished products	506	1,082
Stationery	1,518	1,312
Laboratory Chemicals	691	800
Lubricants	10	10
Embroy Transfer	336	336
ADC Seed	53,172	40,347
Harvested Crops	12,879	33,455
Provision for Obsolete stock	(5,184)	(5,184)
Total	<u>130,993</u>	<u>177,575</u>

Notes to Financial Statements (Continued)

22(a). PROPERTY PLANT & EQUIPMENT

COST	Leased Farms		Farms Managed by ADC		Fencing		Motor Vehicles	Small Tools	Land Reclamation	Totals	
	Farms	Kshs '000'	ADC	Kshs '000'	Water Supply	Farm Equipment					Furniture & Equipment
At 1st July 2015	454	521,513	-	99,828	54,736	293,213	47,222	445,353	4,017	9,132	1,475,468
Adjustment	-	-	-	1,256	13,902	898	42	-	36	-	16,134
Additions	-	-	-	25,853	-	2,377	1,091	11,843	44	45	41,253
Disposals	-	-	-	-	-	-	-	(22,768)	-	-	(22,768)
At 30th June 2016	454	521,513	-	126,937	68,638	296,488	48,355	434,428	4,097	9,177	1,510,088
Additions	-	-	-	1,639	-	21,710	1,102	357	65	-	24,873
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(3,400)	-	-	(3,400)
At 30th June 2017	454	521,513	-	128,576	68,638	318,199	49,457	431,385	4,162	9,177	1,531,561
DEPRECIATION											
At 1st July 2015	192	-	-	56,231	50,242	239,655	38,107	398,759	3,866	6,321	793,374
Charge for the year	7	-	-	3,483	507	11,187	2,041	13,889	98	571	31,784
Adjustment Depreciatic	-	-	-	1,038	13,325	898	42	-	36	-	15,339
Disposals	-	-	-	-	-	-	-	(19,887)	-	-	(19,887)
At 30th June 2016	199	-	-	60,753	64,074	251,740	40,190	392,761	3,999	6,892	820,609
Charge for the year	7	-	-	3,391	456	13,292	1,853	10,497	81	457	30,035
Adjustment Depreciatic	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(3,366)	-	-	(3,366)
At 30th June 2017	206	-	-	64,143	64,530	265,032	42,043	399,892	4,081	7,349	847,279
NET BOOK VALUE											
At 30th June 2017	248	521,513	-	64,433	4,108	53,167	7,414	31,492	81	1,828	684,283
At 30th June 2016	255	521,513	-	66,185	4,564	44,747	8,165	41,667	98	2,285	689,479

Notes to Financial Statements (Continued)

22(b). PROPERTY PLANT & EQUIPMENT

COST	Farms managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture & Equipment	Motor Vehicles	Small Tools	Land Reclamation	Totals
	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'
At 1st July 2015	37,910	99,828	54,736	293,212	47,222	439,933	4,017	9,132	985,991
Adjustments		1,256	13,902	898	42	-	36	-	16,134
Additions	-	25,853	-	2,377	1,091	11,843	44	45	41,253
Disposals	-	-	-	-	-	(22,736)	-	-	(22,736)
At 30th June 2016	37,910	126,937	68,639	296,489	48,355	429,040	4,096	9,177	1,020,642
Adjustments		-	-	-	-	-	-	-	-
Additions	-	1,639	-	21,710	1,102	357	65	-	24,873
Disposals	-	-	-	-	-	(3,400)	-	-	(3,400)
At 30 June 2017	37,910	128,576	68,639	318,201	49,457	425,997	4,161	9,177	1,042,116
DEPRECIATION									
At 1st July 2015	-	55,894	50,242	239,656	38,108	393,986	3,865	6,321	788,435
Charge for the year	-	3,500	1,840	11,367	2,041	12,204	116	571	31,639
Adjustments Depreciation		1,038	13,325	898	42	-	36	-	15,339
Disposals	-	-	-	-	-	(19,887)	-	-	(19,887)
At 30th June 2016	-	60,432	65,406	251,921	40,191	386,303	4,017	6,892	815,526
Charge for the year	-	3,407	323	13,256	1,853	10,765	72	457	29,903
Adjustments Depreciation		-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(3,366)	-	-	(3,366)
At 30th June 2017	-	63,839	65,729	265,177	42,044	393,702	4,089	7,349	842,062
NET BOOK VALUE									
At 30th June 2017	37,910	64,737	2,910	53,024	7,413	32,295	72	1,828	200,053
At 30th June 2016	37,910	66,504	3,232	44,568	8,165	42,737	80	2,285	205,116

Notes to Financial Statements (Continued)

22(c). Capital Work In Progress

Relates to in-complete capital works .

	<u>2017</u>	<u>2016</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Eco House (ADC Chorlim)	1,022	1,022
Eco House (ADC Nai)	292	292
Eco House (ADC Olgantongo)	1,152	1,152
Eco House (ADC Sabwani)	1,055	1,055
Maize Shade (ADC Feedmill)	1,157	1,157
Dam (ADC Suam Orchards)	21,526	22,951
Katuke	13	13
Kitchen (ADC A I Centre)	233	233
Bull Station (ADC Sabwani)	510,390	298,136
Galana	-	572
Shade (ADC Engineering Services)	266	266
Office Block (ADC Molo)	2,851	-
Sirikwa	5,111	3,596
Seed Unit(Construction of a Godowr	8,549	8,068
	<u>553,618</u>	<u>338,514</u>

23. Investments

	<u>2017</u>	<u>2016</u>
	<u>Shs 000</u>	<u>Shs 000</u>
Opening balance at 1 June 2015	<u>467,283</u>	<u>467,283</u>
Balance as at 30th June 2016	<u>467,283</u>	<u>467,283</u>
Balance as at 30 June 2017	<u>467,283</u>	<u>467,283</u>

24. Biological Assets

	<u>2017</u>	<u>2016</u>
Beef Cattle	324,565	261,148
Dairy Cattle	132,229	127,955
Pigs	1,052	1,336
Sheep	13,835	14,567
Goats	10,129	12,456
Horses	590	380
Dogs	61	55
Donkey	75	-
Poultry	65	-
Crops	989,033	1,042,431
TOTAL	<u>1,471,633</u>	<u>1,460,327</u>

25. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Trade Creditors	744,162	816,797	744,162	816,797	-	-
Non-trade creditors	<u>523,751</u>	<u>778,481</u>	521,311	776,161	<u>2,440</u>	<u>2,320</u>
	<u>1,267,914</u>	<u>1,595,278</u>	<u>1,265,474</u>	<u>1,592,958</u>	<u>2,440</u>	<u>2,320</u>

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

26. 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).

27.(a) Borrowings	2017	2016
(a)Total current borrowings	Kshs 000	Kshs 000
AFC Livestock Loan	6,013	-
AFC Crop Seasonal Loan	104,016	-
	110,030	-

AFC Livestock Loan

Agricultural Finance Corporation advanced ADC Kshs 120,000,000 to assist in Its operations. The Loan was payable in 12 Months at an interest rate of 12% per annum payable in a single bullet payment of Kshs. 134,403,600. The Loan was secured by LR No. 5532

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 Moths at an interest rate of 12%. The Loan was to be serviced through the Corporation's share of rent from Development House which is Jointly owed by the two Corporations.

27 (b)Total non-current borrowings	2017	2016
	Kshs 000	Kshs 000
KCB TERM LOANS	230,469	394,439

KCB Term Loan

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's base rate plus 2%. The loan was secured by L.R No. 2993, L.R No. 5722, L.R No.5345/1 and L.R No. 9078/2 of the Corporation's Land Parcels

28. Grants	2017	2016
	KShs'000s	KShs'000s
Government of Kenya	2,487,329	1,497,329
British Government	67,582	67,582
ASARECCA	1,898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
Grants to ADC	2,708,336	1,718,336
Grants to subsidiary	24,280	24,280
ADC and Subsidiary	2,732,616	1,742,616

Notes to Financial Statements (Continued)

29. 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.

30. 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

D) Board members of the Corporation

	Consolidated		Company		Lands	
	2017	2016	2017	2016	2017	2016
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Honoraria	540	480	540	480	-	-
Sitting Allowances	2,492	4,074	2,310	3,892	182	182
Nightout	5,988	6,588	5,533	6,516	455	73
Training	-	720	-	720	-	-
Other (Medical,Mileage)	4,809	6,596	4,786	6,521	23	75
	13,829	18,458	13,169	18,128	660	330

ii) Key Management

	Consolidated		Company		Lands	
	2017	2016	2017	2016	2017	2016
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Gross Salary	20,692	18,959	20,692	18,959	-	-
Pension	193	5,399	193	5,399	-	-
Gratuity	3,104	2,984	3,104	2,984	-	-
	23,989	27,342	23,989	27,342	-	-

33. Contingent Liabilities

There are certain pending legal litigations brought against the Corporation as at 30th June 2017, among them is case number HCC No.156 where the Corporation was held jointly liable with the Office of the Anthony General and ordered to pay Kshs. 100,000,000 in damages However, the case was appealed and we await the outcome of the appeal. In Addition, the Corporation has not accrued Kshs. 67,502,492 being fee note from one of it's advocate J.J Chesaro & Co. Adv being fees charged. Due to an objection raised on the value of land in question upon which the fee note was computed. In the opinion of the directors and after taking appropriate legal advice, the outcome of these legal claims will not result to any significant loss beyond the amounts provided for in these financial statements and will not materially affect the Corporation's financial ability.

AGRICULTURAL DEVELOPMENT CORPORATION

Notes to Financial Statements (Continued)

34. Notes to the statement of comparison of budget

a) Service unit's income.

This is income generated from hiring out of tractors for farm activities such as ploughing, harrowing, harvesting and transport services to farmers mainly by Engineering services unit. The unit did not achieve its target revenue due to Old machinery hence recurring breakdown. Further, the unit was no able to acquire new machinery as had been budgeted due to inadequate cashflows.

b) Farming Income

This enterprise was adversely affected by a number of factors which lead to reduction in revenue from budget as follows:

- Kenya Seed Company reduced the price of basic seed maize from Kshs. 65 to Kshs. 61 resulting to total revenue reduction of Kshs. 36.4M.
- Reduction in yields due to adverse weather conditions experienced in the year under review resulting to reduction in production by 2M Kilos which is equivalent to Kshs. 222M in revenue reduction.
- Revenue from seed potato dropped by Kshs. 84.6M due to blight and frost.
- The livestock enterprise was adversely affected by prolonged drought that resulted in death of animals thus affecting the revenue from sale of livestock and animal products consequently reduced revenue by Kshs. 89.5M.

c) Investment Income.

The deficit in investment income was as a result of undeclared dividends from Kenya Seed Company because the Company's audited financial statements were not certified as at the end of the financial year.

d) Other Income

This category of income was not achieved as a result of unavailability of raw materials in Feedmill due to the adverse weather conditions and inadequate cash.

e) Employee costs.

The corporation was able to rationalize its labour force through reduced casual labour to match the reduction in area under seed maize. Further, a good number of employees who retired during the year were not replaced thus bring down payroll costs.

f) Depreciation and amortization costs.

The corporation had budgeted to purchase some assets under capital budget but due to in adequate cashflow these assets were not bought during the year thus affecting the budgeted depreciation costs.

g) Repair and maintenance

The inability to replace the old machinery with new once resulted in reduced repair and maintenance costs.

h) General Expenses

Reduction in area under seed maize resulted in reduction in the costs of inputs such as fertilizer, herbicides & insecticides, seed and petroleum products which are the major components in the expenditure line.

Notes to Financial Statements (Continued)

35. Events after the reporting period

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

AGRICULTURAL DEVELOPMENT CORPORATION

XXI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	<p>Reposessed Land</p> <p>i) As reported in the previous year, property, Plant and equipment balance of 689,479,000 as at 30th June 2016 includes farms managed by the Corporation valued at Kshs. 37,910,000. These farms, referred to as ADC Private Forest Ndabibi L.R. Nos 7281/3& 20591/86, relates 4000 acres of land reposessed from allottees who had been unable to pay the allotment fees. In addition, land L.R. 20591/86 in Ndabibi and the parcel in Molo L.R 9748/35 do not have ownership documents including title deeds, while LR 7281/3 has been encroached on by squatters although the Corporation has secured the title deed. Further, according to information available, the process of exchanging 700 acres in Molo with 1,000 acres of the Corporation's land at Ndabibi had not been finalized as at 30th June 2016. In the absence of title deeds for the parcel of land in Molo and in Ndabibi, it has not been possible to confirm their</p>	<ul style="list-style-type: none"> <i>In the 18th report on implementation of PIC Committee recommendation on the accounts, of State Corporations, it was recommended that the Inspectorate of State Corporation investigate the process of exchange of the two farms Ndabibi and Molo. The corporation is still awaiting this report to enable completion of the transfer of property and issuance of title deed.</i> <i>The Corporation in collaboration with the Government of Kenya and the County Government of Nakuru have agreed to establish a police post in the farm in order to address the issue of Security and squatters and enable the Corporation to utilize the land</i> <i>In order to enhance transfer and processing of titles we have launched deed plan for LR No. 20591/119 through our lawyer</i> 	Corporation's Secretary	Not resolved	30 th June 2018

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>ownership.</p> <p>ii) The land's net book of Kshs. 521,513,000 of the Corporation's land as at 30th June 2016 disclosed under Note 21(a) excludes the value of land L.R No. 10668 measuring about 2,908.42 acres known as Home Farm. Further, the corporation does not have ownership documents to this parcel of land. It is also not clear and the management has not explained how the Home Farm parcel of land was allocated to private developers in year 1994 and the effects on the operations of the Corporation in fulfilment of its mandate</p>	<p><i>Cheptumo and Company Advocates for certificate of Title to the Ministry of Lands & Housing. This Certificate of Title will then be transferred to the owner of Asante Farm in exchange for the title of Asante Farm The issue of Home Farm LR10668 is under investigation by the Ethics and Anti Corruption (EACC). The Corporation is awaiting the conclusion of the same.</i></p>	<p>Corporation's Secretary</p>	<p>Not Resolved</p>	<p>30th June 2018</p>
<p>1.2</p>	<p>Capital Work-in-progress As reported during 2014/2015 financial year and as noted under Note 21(c) to the Financial statements, the capital work-in-progress figure of Kshs. 338,514,000 as at 30 June 2016 includes a construction project at Suam Orchard in Kitale valued at Kshs. 9,978,000 that was started in the year 2006. In addition, the</p>	<p>The corporation has had financial constraints to facilitate completion of these projects. However, efforts have been made to complete most of the projects especially the Eco-houses to make them habitable and we are in the process of evaluation for possible issuance of completion certificate to facilitate capitalization.</p>	<p>Head of Business Development)</p>	<p>Not Resolved</p>	<p>30st June 2018</p>

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>capital-work-in Progress includes an amount of Kshs. 26,706,373 relating to projects that have remained idle for the last five (5) years. In the Circumstances, I am unable to confirm the carrying value of the capital works in progress reflected in the financial statements of Kshs. 338,514,000 as a 30th June 2016.</p>				
1.3	<p>Garissa Irrigation Project. The property, plant and equipment balance of Kshs. 689,479,000 as at 30 June 2016 exclude the value of land measuring 319.4 Hectares located in Garissa Municipality whose value has not been determined, despite a disclosure under Note 19 that the units assets were merged and included in the Corporation's financial statements for 2015/2016. In view of the above, completeness and accuracy of property, plant and equipment balance of kshs. 689,479,000 cannot be</p>	<p>By the Time this land was handed over to the Corporation, there was no value attached to it. However, the Corporation has since secured a title deed and efforts are being made to have it valued and included in the Corporation's books</p>	Corporation Secretary	Not Resolved	30 th June 2018

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ascertained				
2	<p>Gain on Change in biological Assets As previously reported a gain on biological assets of Kshs. 150,941,000(2014/2015)-Kshs. 600,285,000) was again recorded in the year under review. The management has attributed to the gain to growth in the herd of animals and valuation of crops in the fields. However, no documentary evidence has been provided for verification to confirm that the valuation was done in accordance with the provisions of paragraph 12,13 and 16 of the International public Sector Accounting Standard (IPSAS) No.41</p>	The Corporation has adopted IPSAS 27 in the valuation of biological assets	Financial Controller	Resolved	30 June 2017
3	<p>Trade and other payables i) As disclosed in Note 24 to the financial statements, trade and other payables balance of Kshs. 1,595,278,000 includes trade and non-trade creditor figure of Kshs.816,797,000 and Kshs. 778,481,000 respectively. As reported in the previous years, the non-trade balance oh Kshs. 778,481,000 further includes audit fees totaling Kshs. 17,072,000 that has been outstanding since 1995 contrary to the</p>	<ul style="list-style-type: none"> • <i>These outstanding debt and liabilities have accumulated over the years when the Corporation was financially constrained. The Corporation has commenced clearing the debts on installments as follows:-</i> • <i>National Social Security Fund (NSSF)This relates to unremitted deductions, with special and statutory</i> 	Financial Controller	Not Resolved	30 th June 2018

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>requirements of Section 41 (1) (c) of Public Audit Act, 2015.</p> <p>ii) The non-trade creditors balance also includes unremitted statutory deductions of Kshs. 19,974,38, Kshs 28,520,715, Kshs. 47,929,832 and Kshs. 67,819,676 in respect of PAYE, NSSF, Pension and Agdeco society deductions respectively, dating back to 1998. Similarly non trade creditors figure includes kshs. 56,970,642, Kshs. 181,468,875, Kshs. 113,652,623 and Kshs. 189,464,646 under provision for gratuities, wages control, sundry creditors respectively that are not supported with analysis and it is not clear what the balances represent.</p> <p>iii) The trade and other payables balance for the year then ended, like in previous years, includes an outstanding balance of Kshs.267,279,406 (2015/2015 – Kshs. 252,621,409) payable to M/S Supplies and Services Ltd in respect to fertilizer supplies. The amount includes Kshs. 112,219,009 being interest charged at the rate of 18% per annum</p>	<p><i>and penalties charged thereon. In 2014/15 the Corporation entered into a repayment arrangement with NSSF in which Kshs. 1.1m is paid on a monthly basis</i></p> <ul style="list-style-type: none"> • <i>Pension Scheme This relates to un-remitted pension deductions to ADC Pension Scheme. A repayment arrangement has been agreed with Zimele Assets Managers – who are the Scheme Administrators in which Corporation is paying Kshs. 300,000 towards the arrears while remitting the current deductions.</i> • <i>On Agedco Saving and Credit Society The Corporation is paying Kshs. 1m to liquidate the outstanding amount in addition to paying the current deductions.</i> • <i>Outstanding Audit Fees. The Corporation through Ref: MD/1/C/WKK made a request for consideration to waive 50% of this debt we are still awaiting the response.</i> 			

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	on the number of days in default.	<i>For the other creditors, the Corporation continues to make payment on first in first come basis but where it is unable to settle the amount in full due to financial challenges we enter into a repayment program with the creditors in order to ensure continued supply of goods and services</i>			
4	<p>Loss of Fertilizer As Reported in the previous years, the Corporation lost a sum Kshs. 24,447,500 through fake bank deposit slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade worth Kshs. 111,680,000 had for unclear reasons been stored in a private store in the town. According to information available, the mode of payment was to be either through direct bank deposits where bank slips would be issued and later used for collection of the fertilizer or by bankers' cheques which had to be confirmed before the sale. The Corporation however adopted the direct bank deposits method where and as a result of weak</p>	<p><i>These cases were heard and judgment delivered on 28th April 2011 where the court in its wisdom acquitted the accused persons under Sec. 215 of criminal procedure. The judge Mr. Shiundu in his ruling observed that the burden of prove lies with the prosecution, and that the prosecution did not prove their case against the accused persons beyond reasonable doubt. The investigating officer and a crucial witness in this case were not called in to testify and his evidence/testimony was to produce in court the falsified or forged documents. On the 1st accused Isaack Kiprop Chuma who absconded ADC has been following up the matter</i></p>	Corporation Secretary	Not Resolved	30 June 2018

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>controls, fertilizer worth Kshs. 24,447,500 was sold before the respective bank deposits had been confirmed. Although the management has indicated that the criminal case opened at Eldoret High court, was decided on and the accused acquitted, a warrant of arrest is still in force for one of the accused acquitted, a warrant of arrest is still in force for one of the accused who absconded during the trail and has not been effected. Consequently, and until the matter has been concluded, the recovery of the loss of Kshs. 24,447,500 remains doubtful.</p>	<p><i>with the Eldoret Divisional C.I.D who has since promised to put in concerted efforts in ensuring that Mr. Isaack who absconded during trail is arrested and thereafter arraigned in court as directed by the judge in his ruling. Attached is a copy of the judgment.</i></p>			
5.	<p>Government Grants During the year under review, the Corporation received specific Government grants amounting to Kshs. 255,000,000 to fund two development projects namely Molo green house project and construction of Kitale bull station. However, part of the grant totaling Kshs. 67,838,332 was spent on recurrent expenditure, without the required authority from the Government to transfer the development funds to recurrent expenditure.</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.	<p>Investments The investment balance of Kshs. 467,283,000 reflected in the statements of position as at 30th June 2015 includes an amounts relating to investments in shares held in chemelil Sugar Co. Ltd (Kshs. 203,592,000), Development House(Kshs. 90,251,000), Muhoroni Sugar Company (Kshs. 41,342,000), Kenya Co-operative creameries (Kshs 4,151,000),Kenya Grain Growers’s Co-op Union (Kshs.1,404,000, Kenya Seed Company Ltd (Kshs. 114,014,000), Pyrethrum Board of Kenya (Kshs 36,000), Kenya Planters’ Co-op Union (Kshs.31,000) and Agro-Chemical and Food Ltd (Kshs. 16,900,000) which were acquired between 1975 and 1995. Information available indicates that Chemelil sugar Company, Kenya Grain Growers, Kenya Planters Co-op Union and Agro Chemicals & Food Company with the Corporation’s investments totalling Kshs.218,478,572 are either in receivership or liquidation. The value of the investments in these companies is therefore doubtful and may not be recovered. However, no</p>	<p>As disclosed in the financial statements under note 35. The Corporation did not provide for dividend due to a change in dividend policy by Kenya Seed Company as the company pays dividend as a percentage of profits for the year contrary to the earlier policy where the company adopted a fixed dividend policy.</p> <p>The Corporation upon Information that Kenya Co-operative creameries is now wholly owned by the Government as the New KCC did a 100% provision for amortization of its share in KCC hence writing them off.</p> <p>For the other companies the corporation is hopeful that some of the companies that have since been restructured will turn around</p>	Financial Controller	Not Resolved	30 June 2018

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	provision has been made in the financial statements for the diminution in value of the investment.				
7.	<p>Receivables from exchange Transactions</p> <p>i) Trade and other receivables from exchange transactions balances of Kshs. 371,607,000 and Kshs. 108,316,000, respectively disclosed under Note 17 to the financial statements included an amount of Kshs. 9,859,415 that has remained outstanding for a long period of time dating back to 1980. In addition, the management has not provided the analyses of the specific provision of Kshs.52,499,000 for bad and doubtful debts for audit review. Further, the basis for determining the general provision of Kshs.4,909,000 has not been explained.</p> <p>ii) Included in the non-trade debtors figure of Kshs.108,316,000 is Kshs. 3,782,739 described as lost cash. However, no documents have been produced showing the nature of loss and actions in place to recover the lost cash. In addition, the management has not explained what the</p>	<p><i>A comprehensive reconciliation and classification of the Corporation debtors was carried out in view of establishing those that are recoverable and those that are doubtful /bad. A total of Kshs. 71,304,001.76 considered recoverable debtors has been forwarded to the prequalified debt collectors for recovery. We have further instructed the debt collector to pursue legal course to ensure full recovery of the balance of Kshs. 66,665,012.76.</i></p> <p><i>The other debtors amounting to Kshs. 25,045,364.24 considered unrecoverable due to age of the debt will be forwarded to the Board of Directors for approval to write them off.</i></p>	Chief Accountant	Not Resolved	30 th June 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.4,507,635 described as provision for obsolete items/loss on investments' represents.</p> <p>ii) Verification of records revealed that the lease rental receivables totalling Kshs. 214,458,668 for the year under audit was omitted from the the figure of receivables from exchange transaction balance of 479,923,000 as at 30 June 2016.</p> <p>In view of the above, it has not been possible to confirm the completeness, accuracy and recoverability of receivables from exchange transactions and non-trade transaction figures of Kshs. 371,607,000 and Kshs. 108,316,000 respectively.</p>				
8.	<p>Grants The consolidated statements of financial position reflects an amount of Kshs.1,742,616,000 under grants, and as disclosed under Note 26 to the financial statement includes an amount of Kshs.24,280,000 grants to a subsidiary. However, the financial statements of the subsidiary, Lands limited, discloses an amount of Kshs. 55,694,000 that is not supported with any documentary evidence. The</p>	<p><i>The amount reflected in the Lands Ltd financial statements include both what was provided by the ADC Kshs. 24,280,000 and Kshs. 31,414,000 from other external Sources grants</i></p>	Financial Accountant	Resolved	30 th June 2017

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	resulting difference of Kshs. 31,414,000 in respect of grant to subsidiary has not been explained.				
9.	<p>National Livestock Project</p> <p>The statement of financial position and as disclosed under Note 18 to the financial statement reflects an amount of Kshs. 24,280,000 in respect of National Livestock project account that is claimable from the Ministry Corporation. The project started in 2006 when the Government granted ADC Kshs 198,000,000 to purchase livestock under the emergency off take programme in drought stricken arid areas. The Corporation incurred costs totalling Kshs 30,737,434 during the year on maintenance and daily running of the project operation. The following unsatisfactory matters have also been note:</p> <p>i) The project has been reporting losses over the years while a similar Livestock enterprise under ADC is ever reporting profits.</p> <p>ii) The current account balance of Kshs. 24,466,000 is not supported by demand</p>	<p><i>The management has engaged the ministry of Agriculture for a way forward on this project. We have proposed the corporation takes over the remaining animals and close the project to enable us include the herd into the corporation assets effectively absorbing the amount owed by the Ministry.</i></p> <p><i>The increase in the value of the herd was due to a change in valuation policy where by the animals were valued based on a percentage of the current market prices.</i></p>	Financial Controller	Not Resolved	30 th June 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>notes to the Ministry of Agriculture and as such it is not possible to confirm the debt.</p> <p>iii) The Project did not prepare financial statements during the year, and as a result, it is not clear how operating overheads were apportioned between ADC and the National Livestock Project. In addition, the state of financial performance and financial statements.</p>				
9	<p>General Expenses</p> <p>i) The statement of financial performance for the year ended 30 June 2016 reflects an amount of Kshs. 608,949,000 under general expenses (Direct), which includes an amount of Kshs.18,458,000 disclosed as Board expenses in Note 12 to the financial statements. The Board expenses figure of Kshs.18,458,000 includes an amount of Kshs.274,938 paid out to non-members of the Board, but charged to the Board expenses account contrary to Section 6 and 10 of the State Corporation Act, Cap 466.</p> <p>ii) The Corporation also paid a director an amount of Kshs.493,927 as</p>	<p><i>These allowances were paid to top management who were sitting in the Board of Lands Ltd(a wholly owned subsidiary of ADC). Upon recommendation by the audit team, correction was made and the amount charged to staff travel and accommodation.</i></p> <p><i>The Director had been appointed by the Board to follow up with the</i></p>			

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>allowances for meeting the Cabinet Secretary for Treasury to facilitate funding. The Corporation did not however, provide evidence to show that the expenditure complied with the Office of the President Circular REF:OP/CAB 17/34A of 14 January 2008 on payment of allowances or State Corporations Act. On sitting allowances paid to Board members attending Board and Committee meetings.</p> <p>ii) Records examined revealed that the Board held special meeting on 31 March 2016 with the agenda of confirming minutes of a special meeting held the previous day, 30 March 2016 which resulted in the cost of Kshs.420,000. The Corporation has not justified the urgency to confirm the Minutes.</p> <p>iv)The Board paid medical insurance cover of Kshs. 104,919 for an appointee who did not take up the position. No evidence has been provided to show that the amount was refunded to the Corporation.</p>	<i>treasury</i>			
11.	<p>Revenue from Leases As disclosed under Note 33 to the financial statements, the Corporation did not</p>	<i>The Government in its implementation of Galana Kulalu Food Security Project, Ordered these</i>	Corporation Secretary	Not Resolved	30 June 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>recognize revenue from leases of its Galana and Kulalu Raches amounting to Kshs.214,458,668 during the year under review. This was occasioned by dispute between the corporation and the lessees, where the latter cited interruption on their operations by the Government through implementation of Galana Kulalu Food Security Project. The Lessees went to court in 2014 and the matter is yet to be determined.</p>	<p><i>lessees to stop operations after which they stopped paying the lease rental citing this interference.</i></p>			
	<p>Going Concern The statements of financial position as at 30 June 2016, reflects a negative working capital of Kshs. 891,890,000 (2012/2014 – Kshs 818,804,000). The Corporation is therefore technically insolvent and its continued existence as a going concern is dependent upon the financial support of the Government and its creditors.</p>	<p><i>The Management has undertaken several measure to address the going concern Issue as follows;</i></p> <ul style="list-style-type: none"> <i>i) Engaging Kenya Commercial Bank to consider a restructuring of the current facility and a request to have an overdraft facility</i> <i>ii) We have approached the Ministry of Agriculture to assist clear some of the outstanding debts</i> <i>iii) The Corporation has gone into collaboration with the Ministry of Agriculture where Funds have been granted for expansion of potato seed production in</i> 	<p>Financial Controller</p>	<p>Not yet</p>	<p>30th June 2017</p>

AGRICULTURAL DEVELOPMENT CORPORATION

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Responsible officer	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p><i>Molo through establishment of additional green houses and satellite centers in various counties.</i></p> <p><i>iv) The corporation is exploring other revenue streams including joint ventures and leasing idle land.</i></p>			