

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF LANDS LIMITED

FOR THE FIFTEEN MONTHS' PERIOD ENDED 30 JUNE 2015

Paper Laid on the Table of the House on Wednesday

16th November 2016 by the Leader of the Majority

Party at 2.30pm







LANDS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

*FOR FIFTEEN MONTHS PERIOD ENDED
JUNE 30, 2015*

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

24 OCT 2016

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I. KEY COMPANY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

The *Lands Ltd* day-to-day administration is under the management of ADC.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	ADC Managing Director	Dr. Andrew Tuimur
2.	ADC Ag. Corporation Secretary	Anthony Ademba
3.	Senior Accountant	Gerald Karuga

(e) Headquarters & Registered Office

Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(f) COMPANY'S Contacts

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

(g) Corporation Bankers

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

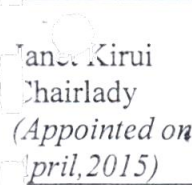
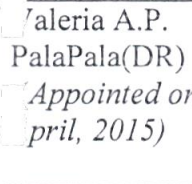
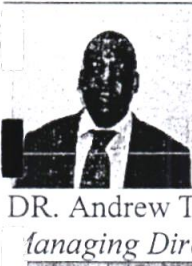

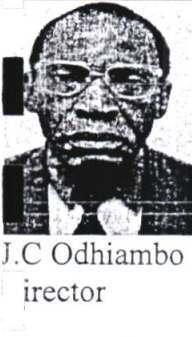

(h) Independent Auditors

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

(i) **Principal Legal Adviser**
Kiarie & company advocates
p.o. Box 1829 Kitale.

Kibichy & company advocates.
P.o. Box 6292 Eldoret.

II. THE BOARD OF DIRECTORS

 <p>Jane Kirui Chairlady (Appointed on 17th April, 2015)</p>	<ul style="list-style-type: none"> - Bachelor of Arts (Development Studies) 	<ul style="list-style-type: none"> - Date of Birth 1959 - Travel Consultant
 <p>Valeria A.P. PalaPala(DR) (Appointed on 17th April, 2015)</p>	<ul style="list-style-type: none"> - Phd (Applied Biosciences) - MBA (Strategic Management) - B.SC(Biological Sciences) 	<ul style="list-style-type: none"> - Age 45 years - Associate Professor Dean school of Science & Technology. Engineering-Rongo university college
 <p>DR. Andrew Tuimur Managing Director</p>	<ul style="list-style-type: none"> - MSC(Vet Medicine) - Bachelor of Vet Medicine 	<ul style="list-style-type: none"> - Date of Birth 1960 - Managing Director ADC
 <p>I. Martin Mithega Retired Chairman (Retired on 17th April 2015)</p>	<ul style="list-style-type: none"> - Msc(Business administration) - Bachelor of Law degree - Diploma in Law - Certified Public Secretary(CPS K) Commissioner for oath and notary 	<ul style="list-style-type: none"> - Date of birth 1962 - A partner at Mithega & Kariuki Advocates
 <p>J.C Odhiambo Director</p>	<ul style="list-style-type: none"> - Association of International Accountants (AIA) 	<ul style="list-style-type: none"> - Date of Birth 1942 - Accountant
 <p>Joseph Mugo</p>	<ul style="list-style-type: none"> - Pursuing Phd in Business Management, MBA(Strategic Management),B.Com (Accounting), CPA(K), ACI Arb, 	<ul style="list-style-type: none"> - Head of Finance ADC

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the *Lands Ltd* affairs.

Results

The results and the notes of the Company for the year ended 30th June, 2015 are set out on pages 1-9


Board of Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Corporation, in accordance with the Section 14 of the Public Audit Act 2003, the Auditor General will continue in Office.

By Order of the Board


Anthony Ademba
Corporation Secretary
Nairobi

Date: 21/10/16

II. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 14th September, 2015 and signed on its behalf by:

.....
Chairman

.....
Date

IV. REPORT OF THE INDEPENDENT AUDITORS ON THE AGRICULTURAL DEVELOPMENT CORPORATION

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LANDS LTD FOR THE FIFTEEN MONTHS' PERIOD ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Lands Ltd set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of cash flows and statement of changes in net assets for the period 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

Lands Limited – Financial Statements for the fifteen months period ended 30 June 2015

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified Opinion

Debtors

As previously reported, the company's land debtors of Kshs.27,466,000 as at 30 June 2015 includes balances totalling Kshs.15,093,408 owed by 12 large debt holders which have been outstanding for a period of over 11 years.

In the circumstances, it has not been possible to confirm the full recoverability of the receivable balance of Kshs.27,466,000

Qualified Opinion

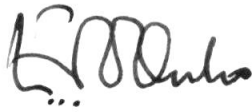
In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respect, the financial position of Lands Ltd as at 30 June 2015, and of its financial performance and its cash flows for the period then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

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenya Companies Act, I report based on the audit, that;

- i. I have obtained all information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion proper books of account have been kept by the Company, so far as appears from my examination of those books; and,

- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



FCPA Edward R.O. Ouko, CBS
AUDITOR GENERAL

Nairobi

08 August 2016

I. LANDS LTD STATEMENT OF FINANCIAL PERFORMANCE

For 15 Months Period Ended 30 June 2015

	Note	2014-2015 KSH '000'	2013-2014 KSH '000'
		<u>15 Month</u>	<u>12 Months</u>
Revenue from exchange transactions			
Sale of Land	1	2,940	9,178
Rental revenue from facilities and equipment		-	-
Total revenue		2,940	9,178
Expenses			
Employment(Administrative Cost)	2	2,798	2,573
Management Fees	3	598	598
Depreciation and amortization expense		231	306
Finance costs-Bank Charges		625	376
Total expenses		4,252	3,853
Surplus/ (Deficit) before tax		(1,312)	5,325
Taxation		-	-
Surplus/ (Deficit) for the period		(1,312)	5,325



The notes set out on pages 9 an integral part of the Financial Statements

LANDS LTD STATEMENT OF FINANCIAL POSITION

As at 30th June 2015

Assets	Note	2014-2015	2013-2014
Current assets		KSH '000'	KSH '000'
		<u>15 Month</u>	<u>12 Months</u>
Cash and cash equivalents	4	145	5,325
Receivables from exchange transactions	5	27,466	31,598
		27,610	36,923
Non-current assets			
Property, plant and equipment	6	484,538	484,768
Current Account with Parent Co.	7	556,761	548,710
		<u>1,041,299</u>	<u>1,033,478</u>
Total assets		<u>1,068,909</u>	<u>1,070,401</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange	8	2,200	2,380
		2,200	2,380
Non-current liabilities			
Grants		55,694	55,694
Capital Reserve	9	12,775	12,775
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Total liabilities		<u>68,489</u>	<u>68,489</u>
		<u>70,689</u>	<u>70,869</u>
Net assets		999,532	999,532
Reserves		447,701	447,701
Accumulated surplus/ (Deficit)		550,519	551,831
Minority interest		-	-
Total net assets and liabilities		<u>1,068,909</u>	<u>1,070,401</u>

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

Managing Director 
 Date 

Chairman 
 Date

XIII. STATEMENT OF CHANGES IN NET ASSETS

For 15 Months Period ended 30th June 2015

	Attributable to the owners of the controlling entity				
	Share Capital	Capital Reserves	Revaluation Reserve	Profit/ Loss	Total
	Kshs '000'	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 1 April 2013	20	12,775	447,701	546,506	1,006,982
Profit/ Loss for the year	-	-	-	5,325	5,325
Over provision in bad debts	-	-	-	-	-
Balance as at 31 March 2014	20	12,775	447,701	551,831	1,012,307
Additions	-	-	-	-	-
Transfers to/from accumulated surplus/Deficit	-	-	-	(1,312)	(1,312)
Balance as at 30th June 2015	20	12,775	447,701	550,519	1,010,995

STATEMENT OF CASH FLOWS

For 15 Months Period Ended 30th June 2015

	Note	2015-2014 KSH '000'	2014-2013 KSH '000'
Cash flows from operating activities		(1,312)	5,337
Net profit/(Loss) for the year			
Adjustments for:			
Adjustments for:			
Depreciation		231	306
Operating profit before working capital changes		(1,081)	5,643
Increase/(decrease) in debtors		4,133	3,134
Increase/decrease in creditors		180	(250)
Current account - with ADC		10,838	(22,451)
		15,150	(19,567)
Cash generated from operations		14,069	(13,924)
Cash flows from investing activities		-	-
Net increase in cash and cash equivalents			-
Cash and cash equivalents at			
Beginning of period		(13,924)	19,249
Cash at the end		145	19,249
Net increase in cash and cash equivalents		14,069	(13,924)

V. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

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

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

Reporting Company

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

(a) Property, Plant and Equipment

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

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

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

b) Property, plant and equipment – IPSAS 17

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

Contingent liabilities

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

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.

c) Nature and purpose of reserves

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

d) Changes in accounting policies and estimates – IPSAS 3

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

e) Borrowing costs – IPSAS 5

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

f) Related parties – IPSAS 20

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

i) Cash and cash equivalents

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

j) Comparative figures

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

k) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

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

Useful lives and residual values

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

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

1) Subsequent events – IPSAS 14

There have been no material non-adjusting events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2015.

1. Sale of Land

Relates to income received from sale of allocated land

2. Employee costs

	<u>2015</u>	<u>Company</u> <u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>
Salaries	1,186	863
NSSF	9	6
Leave Expenses	14	10
House allowance	821	568
Commuter allowance	338	244
Responsibility allowance	90	72
Pension contribution	176	112
Medical expenses	45	53
Audit fees	120	120
Employee costs	<u>2,798</u>	<u>2,048</u>

3. Management fees relates to fees charged by ADC to Land Ltd (Wholly owned subsidiary) for administrative work.

4. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Bank	145	5,323
Cash-on-hand and in transit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	<u>145</u>	<u>5,323</u>

Current receivables

	<u>2015</u>	<u>2014</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	27,480	31,613
Specific provisio	(537)	(537)
General Provision	-	-
Total current receivables	<u>26,943</u>	<u>31,076</u>

Non- Trade Debtors

	<u>2015</u>	<u>2014</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Non - Trade	522	522
Less: impairment allowance	-	-
Total non-current receivables	<u>522</u>	<u>522</u>
Total receivables	<u>27,466</u>	<u>31,598</u>

6. PROPERTY PLANT & EQUIPMENT

COST	Lands Ltd Farms Managed by ADC	Lands Ltd- Leased Farms	Motor Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st April 2013	483,602	454	5,400	489,456
Adjustment	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
At 31st March 2014	483,602	454	5,400	489,456
Adjustment	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
At 30th June 2015	483,602	454	5,400	489,456
DEPRECIATION				
At 1st April 2013	-	178	4,204	4,382
Charge for the year	-	7	299	306
Adjustment Depreciation	-	-	-	-
Disposals	-	-	-	-
At 31st March 2014	-	185	4,503	4,688
Charge for the year	-	7	224	231
Adjustment Depreciation	-	-	-	-
Disposals	-	-	-	-
At 30th June 2015	-	192	4,727	4,919
NET BOOK VALUE				
At 30th June 2015	483,602	262	673	484,538
At 31st March 2014	483,602	269	897	484,768

7. Current Account- Lands Ltd

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

8. Trade and other payables from exchange transactions

	<u>2015</u> Kshs.'000'	<u>2014</u> Kshs.'000'
Trade Creditors	-	300
Non-trade creditors	2,200	2,080
Total trade and other payables	2,200	2,380

9. 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.

XVII.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Lands Debtors</p> <p>As previously reported, The Company's land debtors of Kshs. 31,598,000 as at 31 March 2014 includes balances totalling Kshs. 19,653,000 owed by 14 large debt holders which have been outstanding for a period of over 10 years. In the circumstances, it has not been possible to confirm the full recoverability of the receivables balance of Kshs. 31,598,000 as at 31st March 2014</p>	<p>The corporation has put caveats on the said parcels of land especially those with title deeds. Demands notes have been sent to allottees. We have also engaged the services of a debt collector and forwarded 10 main debtors totalling 8,425,098.45 for recovery out of which a total of Kshs.2.9m has been collected.</p>	<p>Gerald Karuga (Senior Accountant)</p>	<p>Not resolved</p>	<p>31st December 2015</p>