



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
AGRICULTURAL DEVELOPMENT  
CORPORATION

FOR THE YEAR  
ENDED 30 JUNE 2015

*Paper Laid on  
the Table of  
the House by  
the Leader of  
the Majority  
Party on  
Wednesday  
16<sup>th</sup> November 2016*



*Attemoun*



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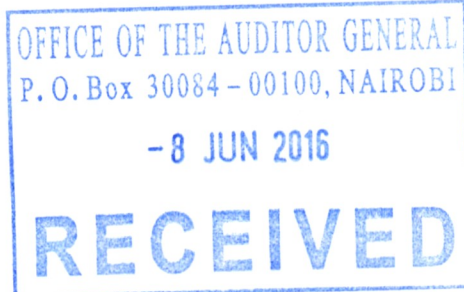
# **Agricultural Development Corporation**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

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



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## 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.

### (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:

- Managing Director.
- Head of Divisions & Head of Departments

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 31<sup>ST</sup> March 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Andrew Tuimur(Dr)
2.	Ag.Corporation Secretary	Anthony Ademba
3.	Financial Controller	Joseph Mugo
4.	Head of Planning	Winnie Macharia(Dr)
5.	Head of Technical	Richard Aiyabei
6.	Head of Business Development	Maxwell Mugonyi

### (e) Fiduciary Oversight Arrangements

There are three Committees of the Board namely;

1. The Audit Committee
2. The Finance, Staff and General Purpose Committee
3. The Project Committee

#### ***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 10<sup>th</sup> 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
2. Kenya Commercial Bank  
P.o. Box 48400-00100  
Nairobi, Kenya.
3. Consolidated Bank of Kenya  
Harambee Avenue Branch  
P.O Box 34823 -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**

Kiarie & company advocates  
p.o. Box 1829 Kitale.

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

## II. THE BOARD OF DIRECTORS

<p>Hon. Soita Peter Shitanda Chairman (Appointed on 17<sup>th</sup> April, 2015)</p>		<ul style="list-style-type: none"> <li>- Date of Birth 1958</li> </ul>
 <p>Andrew Tuimur(DR) Managing Director</p>	<ul style="list-style-type: none"> <li>- MSC(Vet Medicine)</li> <li>- Bachelor of Vet Medicine</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1960</li> <li>- Head of technical division ADC</li> </ul>
<p>Mr. Musa Sirma (Appointed on 17<sup>th</sup> April, 2015)</p>	<ul style="list-style-type: none"> <li>- Bachelor of Business Management</li> <li>- Bachelor of Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1961</li> <li>- GOK Minister for East African Community and Member of Parliament</li> </ul>
<p>Susan Akinyi Wakiaga (Appointed on 17<sup>th</sup> April, 2015)</p>	<ul style="list-style-type: none"> <li>- LLB – University of Bombay.</li> <li>- Bachelor of Laws Degree</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth -1965</li> <li>- Advocate of the High court of Kenya</li> <li>- Senior Assistant Manager, Legal and Recoveries ICEA Lion General Insurance Company</li> </ul>
<p>Joseph Miriti Mwireria (Appointed on 17<sup>th</sup> April, 2015)</p>	<ul style="list-style-type: none"> <li>- PHD (Education Management, Leadership and Administration)</li> <li>- Bachelor of Education in Leadership and policy Education</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1967</li> <li>- Education Officer</li> </ul>
<p>Valeria A.P. PalaPala(DR) (Appointed on 17<sup>th</sup> April, 2015)</p>	<ul style="list-style-type: none"> <li>- Phd ( Applied Biosciences)</li> <li>- MBA (Strategic Management)</li> <li>- B.SC( Biological Sciences)</li> </ul>	<ul style="list-style-type: none"> <li>- Age 45 years</li> <li>- Associate Professor Dean school of Science &amp; Technology. Engineering-Rongo university college</li> </ul>
<p>James Munyinyi Karanja (Appointed on 17<sup>th</sup> April, 2015)</p>	<ul style="list-style-type: none"> <li>- O level</li> </ul>	<ul style="list-style-type: none"> <li>- Date of Birth 1957</li> <li>- Finance Manager</li> </ul>

Janet Kirui (Appointed on 17 <sup>th</sup> April, 2015)	- Bachelor of Arts (Development Studies)	- Date of Birth 1959 - Travel Consultant
Abdo Mohamed Bahajj (Appointed on 17 <sup>th</sup> April, 2015)	- M.A ( Project Planning Management)	- Date of Birth 1966 - CEO- AMBACO LTD - Executive Chairman –Somworld Consultant International
Juliet Wanjiru Karanja (Appointed on 17 <sup>th</sup> April, 2015)		
Kipera Issa Athuman (Appointed on 17 <sup>th</sup> April, 2015)		
Duncan M. Kuria (Appointed on 17 <sup>th</sup> April, 2015)		
 Cleopas Okore Alt. Ministry Of Livestock	- Bachelor of science Agriculture	- Alternate Ps state representative of livestock. - CS- National Treasury
Wanyambura Mwambia Alt. CS – National Treasury		
Joseph Kirubi Alt. PS State Dept. of Agriculture		

### III. MANAGEMENT TEAM

<p><b>Andrew Tuimur(Dr)</b> MSC(Vet Medicine), Bachelor of Vet Medicine</p>	<p>Managing Director</p>
<p><b>Winnie Macharia (Dr.)</b> Phd in Business Management, MBA( Strategic Management), Bachelor of Education Diploma in IMIS,</p>	<p>Head of Corporate Planning &amp; Administration</p>
<p><b>CPA Joseph Mugo</b> Phd in Business Management(Candidate), MBA(Strategic Management),B.Com (Accounting), CPA( K), ACI Arb,</p>	<p>Financial Controller</p>
<p><b>Richard Aiyabei</b> MSC Agronomy, BSC(Agriculture), Diploma in Farm Management</p>	<p>Head of Technical Division</p>
<p><b>Maxwell Mugonyi</b> B.com(Insurance), Higher Diploma HRM, Diploma in Business Management</p>	<p>Head of Business Development</p>
<p><b>Antony Ademba</b> LL.B, Postgraduate Diploma in Law, Pursuing CPS</p>	<p>Ag. Corporation Secretary</p>

#### **IV. REPORT OF THE MANAGING DIRECTOR**

The year 2014/15 was a year of mixed fortunes with improvement in our seed maize production from 3.8M 2013/2014 to 6.3M in cleans Kilos. However, some of our farms were affected by the adverse weather condition which resulted in a decrease in output. There was severe drought in Mutara Ranch which affected livestock in the unit.

##### **Implementation of Quality Management Systems.**

The corporation is ISO 9001:2008 certified and was recertified during the year. We will continue to operate under the tenets of this quality management systems.

##### **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 aims 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 anticipates that in the financial year 2015/16 a more robust ERP system will be implemented.

##### **Research and Development.**

The corporation continues to undertake research activities in its products and services and in the year under review, the corporation launched a new variety of seed maize KH 600 16A and seed wheat varieties in collaboration with KALRO.

The corporation also benefited through assistance by the Ministry of Agriculture, Livestock and Fisheries with a grant of kshs 37M to enhance seed potatoes production and construction of Green Houses in ADC Molo. Further, the corporation was granted Kshs. 200M by the State Department of Livestock for construction of a Semen Production Centre (Bull Station) in Kitale . The project has commenced and is scheduled to be completed in February 2016.

##### **Core Values.**

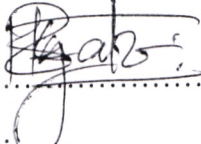
The corporation shall continue to uphold the practice of ethical behaviour in order to ensure maintenance of good corporate image and citizenship. We continue to pursue future growth in line with our core values and a solid culture of teamwork, professionalism, innovation, creativity, accountability and passion for quality at all times.

##### **Performance contracting**

The corporation has operated under performance contracting regime in accordance with state corporation regulations 2004. We commit ourselves to achieve the set targets.

**Future outlook.**

The corporation has prioritized on certain areas including both potatoes and seed maize production, investment in information technology and increase in ADC seed maize production. The Dairy sector shall also be refocused to ensure increased milk production. Restocking of our ranches will also continue in line with the Corporation requirements.  
The Corporation will continue to seek collaboration with the parent ministry and potential investors in enhancing our production system.



.....  
Managing Director

7/06/2016

.....  
Date

## V. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of clearly defined authorities and responsibilities, which results in the establishment, operation and maintenance of a system of internal control that is regularly tested to ensure effectiveness. The system enables the Board of Directors to ensure that the managers of the corporation and its subsidiary Land Ltd are acting in the interests of the shareholders and other key stakeholders.

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 the system of internal controls on a regular basis.

The Corporation has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

### Board Committee

The Corporation has set up three Board Committees to help in the implementation of its policy guidelines and strategy. These committees meet regularly and are chaired by non-executive directors. The committees report their findings to the Board for further vetting and subsequent ratification by the Board. They include:

- The Audit Committee- which is responsible for the oversight of the integrity of financial statements, risk management, internal controls, compliance and ethics and effectiveness of internal and external audit activities in the company and its subsidiaries.
- The Finance, Staff and General Purposes Committee- which handles human resources and finance matters including sourcing and application of funds and other operational issues.
- Project Committee – Facilitate and oversee the execution of major projects by the Corporation.

### Independence

All the non-executive directors on 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 regularly and has a formal schedule of matters reserved to it. All directors have access to the Company Secretary and Legal Counsel. Currently, the Board comprises eleven non-executive directors and a Managing Director.



CHAIRMAN

7/6/16

Date

## VI. 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 2014/2015 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;

- We donated total of 3,300 ft of timber to Maji Mingi Primary- Nakuru School for making desks chairs and tables.
- The Corporation in partnership with volunteers from Turkey constructed classrooms & staff room and drilled a borehole at ADC Nursery school in Kisiwani Malindi pupils, staff and the community.
- A total of 6 bags of maize were donated to Zokwo Primary School –Endebess for school free feeding programme.

### **Environment Conservation**

The Corporation worked closely both with National and County Governments and other stakeholders towards environment conservation, during the year the Corporation executed the following activities

- In collaboration with County government of Trans Nzoia we donated blue gum trees for rehabilitation of a bridge in the county.
- In collaboration with Seed of Hope (a Christian NGO) we donated murrum to rehabilitate Matisi – Kapsitwet feeder road.

### **Women Empowerment**

The Corporation donated funds towards promotion of women empowerment & development to Belgut Empowerment women organization.

## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2015 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 30<sup>th</sup> June, 2015 are set out on pages 1-35

### 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 the Section 14 of the Public Audit Act 2003, the Auditor General will continue in Office.

By Order of the Board

Anthony Ademba  
Ag. Corporate Secretary  
Nairobi

Date:.....

 7/6/2016

## VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, 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 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 30<sup>th</sup> June 2015. 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 and the State Corporations Act. 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 30<sup>th</sup> June 2015, 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 14<sup>th</sup> September, 2015 and signed on its behalf by:



.....  
Director

7/6/16  
.....  
Date

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE FIFTEEN MONTHS PERIOD ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation set out on pages 1 to 28, 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 the preparation 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 auditor's judgement, including the assessment of the risks of material misstatement

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*Agricultural Development Corporation – Annual Report and financial statements for the year ended 30 June 2015*

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**

### **1. Cash and Cash Equivalents**

The cash and cash equivalents figure of Kshs.58,830,000 as disclosed under note 18 to the accounts differs with the net increase in cash and cash equivalents figure of Kshs.187,103,000 disclosed in the statement of cash flows by unreconciled variance of negative Kshs.128,273,000. In addition, the cash and cash equivalents figure of Kshs.58,830,000 as disclosed under note 18 to the accounts further differs with the figure in the schedules provided for audit verification of Kshs.62,925,000.

Under the circumstances, it is not possible to confirm the accuracy of cash and cash equivalents figure of Kshs.58,830,000 as at 30 June 2015.

### **2. Property, Plant and Equipment**

#### **2.1 Repossessed Land**

As previously reported, included in property, plant and equipment balance of Kshs.682,093,000 are farms managed by ADC valued at Kshs.37,910,000. These farms, referred to as ADC Private Forest Ndabibi L.R. 7281/3 & 20591/86 were in respect of 4000 acres of land re-possessed from allottees who had been unable to pay allotment fees. In addition, land LR 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 a title deed has been secured by the Corporation. 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 2015. In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm its ownership.

Further, Land value of Kshs.521,513,000 as at 30 June,2015 excludes the value of land L.R. No.10668 measuring about 2,908.42 acres known as Home Farm which has the Kiswani offices and the Farm Manager's house to which the Corporation does not have ownership documents to this parcel of land. It is not clear and the management has not explained how the farm was allocated to private developers and the effect it will have on the operations of the Corporation in fulfillment of its mandate.

## **2.2 Capital Work In Progress**

As reported during 2013/2014 financial year and as noted under Note 23 (c) to the accounts, the capital work-in-progress figure of Kshs.167,738,000 includes Kshs.9,978,000 the cost of a construction project at Suam Orchard in Kitale started in the year 2006. In addition, the capital-work-in progress includes amounts totalling to Kshs.4,536,086 relating to projects that have remained idle for the last five (5) years. The current valuation of the projects has not been carried out. Consequently, in light of the above observations, it was not possible to confirm the carrying value of the capital works in progress reflected in the financial statements of Kshs.167,738,000 as at 30 June, 2015.

## **3. Gain on Change in Biological Assets**

As previously reported, a gain on biological assets of Kshs.606,285,000 was reported in the financial statements. And although the management has explained that this is attributed to the growth in the herd of animals and valuation of crops in the field, no documentary evidence has provided for verification showing that the valuation was done in accordance with the provisions of paragraph 16 of the International Public Sector Accounting Standard (IPSAS) No. 27.

## **4. Trade and Other Payables**

- i) As previously reported, the trade and other payables balance of Kshs.1,417,511,000 and as disclosed under Note 26 to the accounts includes trade and non-trade creditors figure of Kshs.784,453,000 and Kshs.633,059,000 respectively. The non-trade balance includes an outstanding audit fees amount of Kshs.15,386,000 that has been outstanding since 1995 contrary to the requirements of Section 19 (1) of the Public Audit Act, 2003.

The amount also includes unremitted statutory deductions of Kshs.18,953,270, Kshs.32,326,316, Kshs.35,054,576 and Kshs.53,109,530 in respect of PAYE , NSSF, Pension and Agdeco Society deductions respectively, dating back to 1988. Also included in the trade and other payables are amounts of Kshs.39,768,327, Kshs.83,123,650 and Kshs.153,120,371 under provision for gratuities, wages control and sundry creditors that are not supported with analysis and it is not clear what the figures represent.

### **ii) Interest Payable**

A review of the trade and other payables revealed an outstanding balance of Kshs.252,621,409 payable to M/S Supplies and Services Ltd in respect of fertilizer supplies and which includes Kshs.97,561,000 being interest charged at the rate of 18% per annum based on the number of days in default. No

evidence has been provided showing the computation of the interest amount charged.

## **5. Loss of Fertilizer**

As previously reported, 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 where and as a result of weak 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 who absconded during the trial and has not been effected. Consequently, and until the matter has been concluded, the recoverability of loss of Kshs.24,447,500 remains unresolved.

## **6. Investment**

i The statement of financial position as at 30 June 2015 includes an amount of Kshs.467,283,000 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 (Kshs.16,900,000) which were acquired between 1975 and 1995. However, during the year, the Corporation earned Kshs.89,007,000 as dividends on investment property whereas no dividend income was earned during the 2013/2014 financial year. No justification has been provided for this anomaly.

ii. Information available indicates that Chemelil Sugar Company, Kenya Grain growers Co-Op Union, Kenya Planters Co-Op union and Agro Chemical & Food Company with investment totalling Kshs.218,478,572 are either in receivership or liquidation. The value of the investments is therefore doubtful and may not be recovered. No provision has been made for this diminution in value in the financial statements.

## **7. Receivables from Exchange Transactions**

As previously reported and as disclosed under Note 19 to the accounts, included under receivables from exchange transactions are trade and non-trade figures of Kshs.222,625,000 and Kshs.110,256,000 respectively which have remained outstanding for a considerable period of time dating back to 1980. In addition, the management has not provided the analysis of the specific provision for bad and

doubtful debts figure of trade figure of Kshs.52,499,000 and for audit verification. Also included in the non-trade debtors figure of Kshs.110,392,000 is an amount of Kshs.3,640,572 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 view of the above, it has not been possible to confirm recoverability of receivables from exchange transactions and non-trade transactions figures of Kshs.222,624,000 and Kshs.110,392,000 respectively as at 30 June 2015. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in this financial statement.

## **8. National Livestock Project**

The statement of financial position and as disclosed under Note 20 to the accounts reflects an amount of Kshs.30,477,000 in respect of National Livestock Project account that is claimable from the ministry by the Agricultural Development 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. However, the following anomalies were noted:-

- i. Projects normally have a lifespan but the duration this project has been running and the manner of operations defy the definition of a project.
- ii. The project has been reporting losses over the years while a similar livestock enterprise under ADC is ever reporting profits.
- iii. The current account balance of Kshs.30,734,000 is not supported by demand notes to the ministry of Agriculture and as such it is not possible to confirm the debt.
- iv. The running costs for the project appears too high and it is not clear how the operating overheads are apportioned between ADC and the Livestock project.
- v. The National Livestock Project financial statement reflects Biological Assets of Kshs.114,976,980 from 36,376,280 reported in the previous year. Given that there were sales in the year amounting Kshs.14,081,108 and that there were no purchases during the year it is still not clear how the value of Kshs.114,976,980 was arrived at.

## **9. General Expenses**

i. Included under General Expenses is Kshs.8,363,000 in respect of the Board expenses. However, audit verifications revealed that an amount of Kshs.236,000 was paid to staff members of the Corporation as sitting allowances and lunches contrary to Section 10 of the State Corporations Act, Cap 446 of the Laws of Kenya. Management has not provided justification for this irregularity.

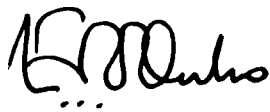
ii The General Expenses also include Fines and penalties amounting Kshs. 35,446,000 paid to NSSF following a courts order for failure by the Corporation to remit employee NSSF deductions. This is a cost that could have been avoided had the remittances been made promptly.

### **10. Going Concern**

As at June 2016, the statement of financial position reflects a negative working capital of Kshs.818,804,000 (2013/2014-Kshs.732,188,000). In view of the foregoing, it would appear that the Corporation is technically insolvent and its continued existence as a going concern is dependent upon the financial support of the Government and its creditors.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Agricultural Development Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Agricultural Development corporation Act, Cap 444 of the Laws of Kenya.



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

**Nairobi**

**08 August 2016**

**XI. AGRICULTURAL DEVELOPMENT CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

**For the period ended 30th June 2015**

	Note	2014-2015 KSH '000'	2013-2014 KSH '000'
		<u>15Months</u>	<u>12Months</u>
<b>Revenue from exchange transactions</b>			
Rendering of services	1	49,092	54,780
Farming Income	2	826,094	541,754
Rental revenue from facilities and equipment	3	176,376	88,260
Finance income - external investments	4	89,007	-
Finance income - outstanding receivables	5	-	13,625
Agency fees/ Management Fee	6	913	838
Sale of land	7	-	9,178
Other Income	8	109,680	85,853
		<b>1,251,162</b>	<b>794,287</b>
<b>Total revenue</b>		<b>1,251,162</b>	<b>794,287</b>
<b>Expenses</b>			
Employee costs (Administrative Cost)	9	568,636	417,664
Depreciation and amortization expense	10	46,764	45,524
Repairs and maintenance	11	42,264	38,231
Subscription & Donations	12	1,482	1,246
Contracted services	13	113,605	51,010
General expenses (Direct Cost)	14	796,392	513,557
Finance costs	15	107,828	122,607
<b>Total expenses</b>		<b>1,676,971</b>	<b>1,189,839</b>
<b>Other gains/(losses)</b>			
Gain on sale changes Biological Assets	16	606,285	(13,124)
Loss on foreign Exchange transaction		73	(120)
Gain on sale of fixed assets	17	1,809	39
<b>Surplus/ (Deficit) before tax</b>		<b>182,359</b>	<b>(408,757)</b>
Taxation			-
<b>Surplus/ (Deficit) for the period</b>		<b>182,359</b>	<b>(408,757)</b>

The notes set out on pages 17 to 20 form an integral part of the Financial Statements

**XI. AGRICULTURAL DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL PERFORMANCE**

**For the period ended 30 June 2015**

	Note	2014-2015 KSH '000' 15 Months	2013-2014 KSH '000' 12 Months
<b>Revenue from exchange transactions</b>			
Rendering of services	1	49,092	54,780
Farming Income	2	826,094	541,754
Rental revenue from facilities and equipment	3	176,376	88,260
Finance income - external investments	4	89,007	-
Finance income - outstanding receivables	5		13,625
Agency fees/ Management Fee	6	913	838
Other Income	8	106,740	84,974
		<b>1,248,222</b>	<b>784,231</b>
<b>Total revenue</b>		<b>1,248,222</b>	<b>784,231</b>
<b>Expenses</b>			
Employee costs (Administrative Cost)	9	565,958	415,736
Depreciation and amortization expense	10	46,536	45,221
Repairs and maintenance	11	42,264	38,231
Subscription & Donations	12	1,482	1,246
Contracted services	13	113,605	51,010
General expenses (Direct Cost)	14	795,674	512,434
Finance costs	15	107,203	122,111
<b>Total expenses</b>		<b>1,672,722</b>	<b>1,185,988</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets (Biological Assets)	16	606,285	(13,123)
Loss on foreign Exchange transaction		73	(120)
Gain on sale of fixed assets	17	1,809	39
<b>Surplus/ (Deficit) before tax</b>		<b>183,668</b>	<b>(414,962)</b>
Taxation			-
<b>Surplus/ (Deficit) for the period</b>		<b>183,668</b>	<b>(414,962)</b>


The notes set out on pages 17 to 20 form an integral part of the Financial Statements

**XII. AGRICULTURAL DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 June 2015**

	Note	2014-2015	2013-2014
		KSH '000'	KSH '000'
		15 Months	12 Months
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	58,830	25,479
Receivables from exchange transactions	19	333,016	352,169
Current Account with National Live stock Project	20	30,477	27,967
Current account with Garrisa irrigation Project	21	10,854	8,892
Inventories	22	165,530	172,433
		<u>598,707</u>	<u>586,939</u>
<b>Non-current assets</b>			
Property, plant and equipment	23(a)	682,093	720,309
Capital Work In progress	23©	167,738	34,397
Investments	24	467,283	467,283
Biological Assets	25	1,340,779	680,627
		<u>2,657,893</u>	<u>1,902,616</u>
<b>Total assets</b>		<u><b>3,256,600</b></u>	<u><b>2,489,556</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables-exchange transactions	26	1,417,511	1,162,628
Current portion of borrowings- OD	27	-	156,499
		<u>1,417,511</u>	<u>1,319,127</u>
<b>Non-current liabilities</b>			
Grants	29	1,389,634	1,110,489
Borrowings (Loans)	30	432,061	224,905
Capital Reserve - Lands Ltd.	31	12,775	12,775
		<u>1,834,470</u>	<u>1,348,169</u>
<b>Total liabilities</b>		<u><b>3,251,981</b></u>	<u><b>2,667,295</b></u>
<b>Net assets</b>			
Reserves	32	4,619	(154,433)
		447,701	447,701
Accumulated surplus/ (Deficit)		<u>(443,082)</u>	<u>(625,441)</u>
<b>Total net assets and liabilities</b>		<u><b>3,256,600</b></u>	<u><b>2,489,556</b></u>

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 14th September 2015 and signed on behalf of by:

.....  
  
 Managing Director  
 7/06/2016  
 .....

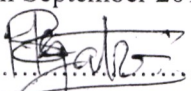
.....  
  
 Chairman  
 7/6/16  
 .....

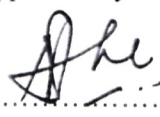
**XII. AGRICULTURAL DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION**

As at 31 June 2015

Assets	Note	2014-2015	2013-2014
Current assets		KSH '000'	KSH '000'
		15 Moths	12 Moths
Cash and cash equivalents	18	58,685	20,154
Receivables from exchange transactions	19	305,550	320,574
Current Account with National Live stock Project	20	30,477	27,967
Current account with Garrisa irrigation Project	21	10,854	8,892
Inventories	22	165,530	172,433
		<u>571,096</u>	<u>550,019</u>
<b>Non-current assets</b>			
Property, plant and equipment	23(b)	197,555	235,555
Capital Work In progress	23©	167,738	34,397
Investments	24	467,283	467,283
Biological Assets	25	1,340,779	680,627
Investment in Subsidiary- LANDS Ltd		31,434	31,434
		<u>2,204,789</u>	<u>1,449,296</u>
<b>Total assets</b>		<u>2,775,885</u>	<u>1,999,316</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables - exchange transactions	26	1,415,311	1,160,248
Current portion of borrowings- OD	27	-	156,499
		<u>1,415,311</u>	<u>1,316,747</u>
<b>Non-current liabilities</b>			
Current Account With Subsidiary- LANDS Ltd	28	556,761	548,710
Grants	29	1,365,354	1,086,209
Borrowings (Loans)	30	432,061	224,905
Capital Reserve	31	-	-
		<u>2,354,176</u>	<u>1,859,825</u>
<b>Total liabilities</b>		<u>3,769,487</u>	<u>3,176,571</u>
<b>Net assets</b>		(993,602)	(1,177,255)
Reserves			
Accumulated surplus/ (Deficit)		(993,602)	(1,177,255)
Minority interest		-	-
<b>Total net assets and liabilities</b>		<u>2,775,885</u>	<u>1,999,316</u>

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 14th September 2015 and signed on behalf of by:

.....  
  
 Managing Director  
 7/06/2016  
 .....


.....  
  
 Chairman  
 7/6/16  
 .....

## XII. LANDS LTD STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

Assets	Note	2014-2015 KSH '000'	2013-2014 KSH '000'
<b>Current assets</b>			
		<b>15 Months</b>	<b>12Months</b>
Cash and cash equivalents	18	145	5,325
Receivables from exchange transactions	19	27,466	31,598
		<b>27,610</b>	<b>36,923</b>
<b>Non-current assets</b>			
Property, plant and equipment		484,538	484,768
Current Account with Parent Co.	28	556,761	548,710
		<b>1,041,299</b>	<b>1,033,478</b>
<b>Total assets</b>		<b>1,068,909</b>	<b>1,070,401</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables -exchange transactions	26	2,200	2,380
		<b>2,200</b>	<b>2,380</b>
<b>Non-current liabilities</b>			
Grants		55,694	55,694
Capital Reserve	31	12,775	12,775
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
		<b>68,489</b>	<b>68,489</b>
<b>Total liabilities</b>		<b>70,689</b>	<b>70,869</b>
<b>Net assets</b>		<b>998,220</b>	<b>999,532</b>
Reserves		447,701	447,701
Accumulated surplus/ (Deficit)		550,519	551,831
Minority interest		-	-
<b>Total net assets and liabilities</b>		<b>1,068,909</b>	<b>1,070,401</b>

The Financial Statements set out on pages 1 to 8 and notes thereof were approved by the Board of Directors on 14th September 2015 and signed on behalf of by:

  
 .....  
 Managing Director  
 7/06/2016  
 .....

  
 .....  
 Chairman  
 7/6/16  
 .....

**XIII. AGRICULTURAL DEVELOPMENT CORPORATION**

**STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended 30 June 2015**

**Attributable to the owners of the controlling entity**

	<b>Grants</b>	<b>Capital</b>	<b>Revaluation</b>	<b>Profit/ Loss</b>	<b>Total</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Balance as at 1 April 2013</b>	1,098,403	12,775	447,701	(216,684)	1,342,195
Addition	12,087	-	-	-	12,087
Over provision in bad debts	-	-	-	(408,757)	(408,757)
<b>Balance as at 31 March 2014</b>	<b>1,110,490</b>	<b>12,775</b>	<b>447,701</b>	<b>(625,441)</b>	<b>945,525</b>
Additions	279,144	-	-	-	279,144
Transfers to/from accumulated surplus/Deficit	-	-	-	182,359	182,359
<b>Balance as at 30 June 2015</b>	<b>1,389,634</b>	<b>12,775</b>	<b>447,701</b>	<b>(443,082)</b>	<b>1,407,028</b>

**XIV. AGRICULTURAL DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	2014-2015	2013-2014 KSH '000'
<b>Cash flows from operating activities</b>		182,359	(408,757)
<b>Net profit/(Loss) for the year</b>			
<b>Adjustments for:</b>			
Adjustments for:			
Depreciation		46,764	45,524
Interest expense		-	122,607
Profit on sale of fixed assets		(1,809)	(9,216)
Interest on overdue account		-	(13,625)
Management fees		(913)	(838)
Revaluation		606,285	(13,124)
Rent income		<u>(176,376)</u>	<u>(88,260)</u>
<b>Operating profit before working capital changes</b>		<b><u>656,308</u></b>	<b><u>(365,689)</u></b>
Increase/(decrease) in debtors		19,153	36,568
Increase/(decrease) in stores		6,902	(6,983)
Increase/(decrease) in biological assets		(660,153)	24,381
Increase/decrease in creditors		254,883	347,562
		<u>(379,214)</u>	<u>401,528</u>
<b>Cash generated from operations</b>		277,095	35,838
Returns on investment and servicing of finance			
Dividend received		59,088	60,000
		<b><u>59,088</u></b>	<b><u>60,000</u></b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(13,217)	(20,711)
Current account-Garissa irrigation project		(10,854)	(8,892)
Rental income		36,376	53,113
Proceeds from sale of assets		2,641	2,953
<b>Net cash flows used in investing activities</b>		<b><u>14,945</u></b>	<b><u>26,463</u></b>
<b>Cash flows from financing activities</b>			
Loan and interest repayment		(133,547)	(222,607)
National livestock project		(30,477)	(27,967)
		<u>(164,023)</u>	<u>(250,574)</u>
<b>Net increase in cash and cash equivalents</b>		<b><u>187,103</u></b>	<b><u>(128,273)</u></b>
Cash and cash equivalents at			
<b>Beginning of period</b>		<u>(128,273)</u>	<u>(5,371)</u>
Cash at the end		58,830	(133,644)
<b>Net increase in cash and cash equivalents</b>		<b><u>187,103</u></b>	<b><u>(128,273)</u></b>

**VX. AGRICULTURAL DEVELOPMENT CORPORATION**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Budget	Actual	Variance
	2014-2015	2013-2014	
	Kshs '000	Kshs '000	Kshs '000
<b>Revenue</b>			
Rendering of services	103,116	49,092	54,024
Farming Income	1,358,977	826,094	532,883
Rental Income	132,574	176,376	(43,802)
Investment Income	107,596	89,007	18,589
Management Fees	838	913	(75)
Sale of Land	-	-	-
other incomes	342,906	109,680	233,226
	<b>2,046,007</b>	<b>1,251,162</b>	<b>794,845</b>
<b>Expenses</b>			
Employees cost	612,794	568,636	44,158
Depreciation and amortaization	61,422	46,764	14,658
Repair and maintanance	48,373	42,264	6,109
Subscription & Donation	2,110	1,482	628
Contracted Services	111,983	113,605	(1,622)
General Expences	985,673	796,392	189,281
Finance Costs	122,478	107,828	14,650
<b>Total expenditure</b>	<b>1,944,833</b>	<b>1,676,971</b>	<b>267,862</b>
<b>Surplus for the period</b>	<b>101,174</b>	<b>(425,809)</b>	<b>526,983</b>

## I. NOTES TO THE FINANCIAL STATEMENTS

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

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 Corporation

Agricultural Development Corporation (ADC) (the corporation) is a body corporate incorporated in Kenya under Cap 444 of the laws of Kenya and is domicile 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')

#### (d) Property, Plant and Equipment

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

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

Land	Nil
Building	5% p.a.
Fencing and water supply	10% p.a.
Furniture and equipment	20% p.a.
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 21<sup>st</sup> 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.

## 2. Summary of significant accounting policies

### a) Revenue recognition

#### i) Revenue from exchange transactions – IPSAS 9

##### *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 49,092,339 was realized from the unit in completed contracts. Agribusiness is a unit that carry out contracts on ploughing, harrowing, planting and other farm preparations for farmers at a subsidence price, during the year Ksh 19,643,621 worth of contracts were executed. However, during the year the Board of Directors reviewed the performance of this unit and in their meeting in January 2015 resolved to close this unit and the serviceable assets transferred to other ADC units.

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*

Dividends or similar distributions are recognized when the shareholder's or the Corporation's right to receive payments is established.

##### *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 – IPSAS 24

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 – IPSAS 16

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 – 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 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 – IPSAS 13**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Corporation. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Corporation also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

#### **f) Intangible assets – IPSAS 31**

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 – IPSAS 12**

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.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Corporation.

#### **h) Provisions – IPSAS 19**

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 – IPSAS 3**

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 – IPSAS 25**

##### **Retirement benefit plans**

The Corporation provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the Corporation pays fixed contributions into a separate Company (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) 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.

**n) Related parties – IPSAS 20**

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 – IPSAS 32**

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.

**q) Trade and other receivables**

Trade receivables are carried at their original invoiced amount less an estimate made for bad and doubtful receivables based on a review of all outstanding amounts, on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable.

#### **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 – IPSAS 1**

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

### *Estimates and assumptions*

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

### *Useful lives and residual values*

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

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

### **w) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2015.

**1. Rendering of services**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contract Income	42,550	45,114	42,550	45,114
Transport Income	6,542	9,666	6,542	9,666
Other	-	-	-	-
<b>Total Revenue From the Rendering of Services</b>	<b>49,092</b>	<b>54,780</b>	<b>49,092</b>	<b>54,780</b>

**2. Farming Income**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Sale of Farm Produce	622,302	366,984	622,302	366,984
Sale of livestock	106,897	88,461	106,897	88,461
Sale of Animal Products	86,801	76,509	86,801	76,509
Sale of Hay	7,859	7,904	7,859	7,904
Grazing fees	2,235	1,896	2,235	1,896
<b>Total Revenue From the Sale of Goods</b>	<b>826,094</b>	<b>541,754</b>	<b>826,094</b>	<b>541,754</b>

**3. Rental Revenue from Facilities and Equipment**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Lease Rental	60,997	47,118	60,997	47,118
Rent of Property	113,180	39,487	113,180	39,487
Others	2,200	1,655	2,200	1,655
<b>Total rentals</b>	<b>176,376</b>	<b>88,260</b>	<b>176,376</b>	<b>88,260</b>

**4. Finance Income - External Investments**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Dividend and Proceeds from Development house	89,007	-	89,007	-
<b>Total finance income – external investments</b>	<b>89,007</b>	<b>-</b>	<b>89,007</b>	<b>-</b>

**5. Finance Income - Outstanding Receivables**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Interest charge on overdue account	-	13,625	-	13,625
<b>Total Receivables Finance Income – Outstanding</b>	<b>-</b>	<b>13,625</b>	<b>-</b>	<b>13,625</b>

6. Management fees relates to fees charged by ADC to Land Ltd (Wholly owned subsidiary)

	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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	913	838	913	838	-	-

7. Sale of land of Ksh 2,825 relate to income generated by Lands Ltd from sale of land through recovery of agency fees paid on behalf of land debtors at the point of purchase which was down from 9,178 in 2014/2013 Financial Year.

8. Other income	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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	55,241	52,732	55,241	52,732	-	-
Sale of seed Maize	26,353	14,691	26,353	14,691	-	-
Insurance claim	-	7,164	-	8,164	-	-
Miscellaneous Income	28,086	11,267	25,146	9,388	2,940	1,879
<b>Total other income</b>	<b>109,680</b>	<b>85,853</b>	<b>106,740</b>	<b>84,974</b>	<b>2,940</b>	<b>1,879</b>

9. Employee costs	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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	121,162	96,737	119,976	95,874	1,186	863
Wages	191,911	135,409	191,911	135,409	-	-
NSSF	6,061	6,234	6,052	6,228	9	6.40
Leave Expenses	2,350	1,746	2,337	1,736	14	9.67
House allowance	70,820	57,188	69,999	56,620	821	568.00
Commuter allowance	12,978	10,535	12,641	10,291	338	244.00
Responsibility allowance	11,440	8,785	11,350	8,713	90	72.00
Gratuities	18,100	10,740	18,100	10,740	-	-
Terminal dues	4,885	5,270	4,885	5,270	-	-
Administrative wages	58,074	34,612	58,074	34,612	-	-
Pension contribution	12,806	9,824	12,629	9,712	176	111.80
Workman's compensation	-	-	-	-	-	-
Acting Allowance	1,065	1,383	1,065	1,383	-	-
Attachment Allowance	750	455	750	455	-	-
Hardship Allowance	1,425	1,011	1,425	1,011	-	-
Duty Allowance	3,164	2,569	3,164	2,569	-	-
Education & training	181	1,685	181	1,685	-	-
Medical expenses	13,664	10,495	13,619	10,442	45	53.33
Travel, accomodation, subsistence and other	37,799	22,985	37,799	22,985	-	-
<b>Employee costs</b>	<b>568,636</b>	<b>417,664</b>	<b>565,958</b>	<b>415,736</b>	<b>2,678</b>	<b>1,928</b>

10. Depreciation and amortization expense	Consolidated Group		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Property, plant and equipment	46,764	45,524	46,536	45,221	228	405
Investment property carried at cost	-	-	-	-	-	-
<b>Total depreciation and amortization</b>	<b>46,764</b>	<b>45,524</b>	<b>46,536</b>	<b>45,221</b>	<b>228</b>	<b>405</b>

11. Repairs and maintenance	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Property	7,349	4,215	7,349	4,215	-	-
Machinery & Equipment	19,989	17,119	19,989	17,119	-	-
Vehicles	14,927	16,898	14,927	16,898	-	-
<b>Total repairs and maintenance</b>	<b>42,264</b>	<b>38,231</b>	<b>42,264</b>	<b>38,231</b>	<b>-</b>	<b>-</b>

12. Subscription and Donations	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Donations	1,482	1,246	1,482	1,246	-	-

### 13. Contracted services

Contract Services relate expenditure incurred on contracts for Ploughing, harrowing, Planting and spraying. During the year the Corporation outsourced over 80% of its land preparation in a view of cutting down on these costs.

Contacts Cultivation & Harvestin	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Contacts Cultivation & Harvestin	113,605	51,010	113,605	51,010	-	-
<b>Total contracted services</b>	<b>113,605</b>	<b>51,010</b>	<b>113,605</b>	<b>51,010</b>	<b>-</b>	<b>-</b>

14. General Expenses The following are included in general expenses:	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Advertising, Show and publications	8,320	11,194	8,320	11,194	-	-
Audit fees	1,186	1,066	1,066	946	120	120
Consulting fees	490	172	490	172	-	-
Consumables	13,914	9,741	13,914	9,741	-	-
Electricity & Water	10,618	7,498	10,618	7,498	-	-
Fuel and oil	94,706	81,434	94,706	81,434	-	-
Insurance	42,871	3,099	42,871	3,099	-	-
Legal expenses	8,372	30,139	8,372	30,139	-	-
Licenses and cesses	4,346	2,403	4,346	2,403	-	-
Fertilizer	175,351	119,413	175,351	119,413	-	-
Herbicides, Insecticides ,Veterinary & O	174,920	94,179	174,920	94,179	-	-
Feed stuffs & Menerals	33,100	30,934	33,100	30,934	-	-
Packing materials	13,519	10,304	13,519	10,304	-	-
Board Expenses	8,363	10,122	8,363	10,122	-	-
Seed	50,655	25,000	50,655	25,000	-	-
Raw Marterials -Feedmill	64,987	34,215	64,987	34,215	-	-
Postage & Telephone	3,819	2,681	3,819	2,681	-	-
Printing and stationery	4,670	3,238	4,670	3,238	-	-
Rent & Rates	8,422	111	8,422	111	-	-
Security costs	2,134	1,843	2,134	1,843	-	-
Inspection Fees	8,308	7,080	8,308	7,080	-	-
Training Costs- AI Center	1,185	-	1,185	-	-	-
Professional Fees	2,573	5,464	2,573	5,059	-	405
Fines and penalties	35,446	-	35,446	-	-	-
Transport	14,345	10,528	14,345	10,528	-	-
Research Expenses	2,801	-	2,801	-	-	-
Other	6,971	11,697	6,373	11,099	598	598
<b>Total General Expenses</b>	<b>796,392</b>	<b>513,557</b>	<b>795,674</b>	<b>512,434</b>	<b>718</b>	<b>1,123</b>

15. Finance Costs	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Bank charges	3,362	1,112	2,737	616	625	496
Interest - bank overdraft	8,878	23,933	8,878	23,933	-	-
Interest - others	95,588	97,561	95,588	97,561	-	-
<b>Total finance costs</b>	<b>107,828</b>	<b>122,607</b>	<b>107,203</b>	<b>122,111</b>	<b>625</b>	<b>496</b>

#### 16. Change in Biological Assets

In line with Accounting Standards No.41, the Corporation biological asstes increased by Ksh 606,285M during the year arising from changes in fair value.

	Total	
Livestock	15,270	
Crops	591,015	
<b>Total</b>	<b>606,285</b>	<b>20</b>

16. Change in Biological Assets (Continued)

	Dairy Cattle	Beef Cattle	Sheep	Goats	Pig	Horses	Dogs	Total
	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>
Carrying amounts as at 1st April 2014	120,955	234,790	10,815	11,616	1,142	410	-	379,729
Increase due to Purchase	168	17,920	12	32	30	-	-	18,162
Gain arising from changes in fair value less costs to sell attributable to pysocal change	(12,167)	(2,556)	(1,295)	1,006	(88)	(120)	(50)	(15,270)
Carrying amount as at 30 June 2015	133,290	255,266	12,123	10,642	1,260	530	50	413,161
CROPS								
	Maize	Plantations	Coffee	Citrus	Grass	Harvested	Others	Total
	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>	<u>Ksh '000'</u>
Carrying amounts as at 1st April 2014	43,660	187,038	13,127	16,258	9,696	29,712	26,488	325,978
Increase due to Purchase	-	-	-	-	-	10,625	-	10,625
Gain arising from changes in fair value less costs to sell attributable to pysocal change	(263,592)	(369,191)	(2,892)	1,080	834	21,524	21,222	(591,015)
Carrying amount as at 30 June 2015	307,252	556,228	16,020	15,178	8,862	18,814	5,266	927,618
<b>GRAND TOTAL</b>								<b>1,340,779</b>

17. Gain on Sale of Assets

	Farm Equipments	Furniture & Off Equipments	Motor Veh & Tractors	Total
Cost	50	1,328	7,276	8,654
Acc. Depreciation	44	900	6,880	7,823
NBV	6	429	396	831
Sales Proceeds	9	525	2,107	2,641
<b>Total Gain on Sale of Assets</b>	<b>2</b>	<b>96</b>	<b>1,711</b>	<b>1,809</b>

18. Cash and Cash Equivalents

	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Bank	58,534	25,312	58,389	19,987	145	5,325
Cash-on-hand and in transit	296	167	296	167	-	-
Short-term deposits	-	-	-	-	-	-
<b>Total Cash and Cash Equivalents</b>	<b>58,830</b>	<b>25,479</b>	<b>58,685</b>	<b>20,154</b>	<b>145</b>	<b>5,325</b>

19. Receivables from Exchange Transactions

Current receivables

	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Trade Debtors	280,033	262,435	252,552	230,822	27,480	31,613
Specific provisio	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(537)
General Provision	(4,909)	(5,446)	(4,909)	(5,446)	-	-
<b>Total Current Receivables</b>	<b>222,624</b>	<b>204,490</b>	<b>195,681</b>	<b>173,414</b>	<b>26,943</b>	<b>31,076</b>

Non- Trade Debtors

	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Non - Trade	110,392	147,680	109,869	147,160	522	522
Less: impairment allowance	-	-	-	-	-	-
<b>Total non-current receivables</b>	<b>110,392</b>	<b>147,680</b>	<b>109,869</b>	<b>147,160</b>	<b>522</b>	<b>522</b>
<b>Total Receivables</b>	<b>333,016</b>	<b>352,169</b>	<b>305,550</b>	<b>320,574</b>	<b>27,466</b>	<b>31,598</b>

20. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation Incurred costs to a total of Kshs.30,734,437 on maintance and daily running of the projects operation.

	2015	2014
	Kshs.'000'	Kshs.'000'
NLP Current Account	228,477	225,967
Grants	(198,000)	(198,000)
<b>TOTAL</b>	<b>30,477</b>	<b>27,967</b>

**. Current account with Garrisa**

The Government of Kenya in promoting Agriculture in Arid areas provided Kshs. 97,798,000 to ADC to run the project, during the year the Corporation incurred 10.8M to sustain operations in the project. Further, The project stalled and there has been no activity on the project and costs incurred is for maintenance and the security.

	<u>2015</u>	<u>2014</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Garrisa Current Account	108,652	106,690
Grants	(97,798)	(97,798)
<b>TOTAL</b>	<u>10,854</u>	<u>8,892</u>

**22. Inventories**

	<u>2015</u>	<u>2014</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Building materials	2,019	870
Fencing & Water Supplies	5,504	6,768
Fertilizer	11,893	38,396
Feedstuffs & Minerals	1,087	1,150
Herbicides & Insecticides	12,808	49,811
Packing Materials	27,429	1,809
Petroleum Products	2,693	3,107
Machinery & Equipment Spares	5,314	8,190
Vehicles & Tractor Spares	6,355	10,610
Veterinary Products	9,685	2,563
Seeds	18,578	8,291
Sundries	2,328	1,115
Feedmill Raw Materials	7,820	3,409
Feedmill Finished products	3,700	1,000
Stationery H/Office only	4,134	2,243
Laboratory Chemicals	693	420
Lubricants	10	8
Embroy Transafer	113	-
Provision for Obsolete	(5,035)	(5,035)
ADC Seed	27,949	6,351
Harvested Crops	20,453	31,357
<b>Total inventories at the lower of cost and net realizable value</b>	<u>165,531</u>	<u>172,433</u>

	PROPERTY PLANT & EQUIPMENT											Totals
	Lands Ltd- Leased Farms	Lands Ltd Farms Managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture & Equipmen †	Motor Vehicles	Small Tools	Land Reclamation			
COST	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st April 2013	454	521,513	99,305	54,609	280,825	42,542	444,244	3,706	7,278	1,454,476		
Adjustment	-	-	-	523	-	605	-	-	-	605		
Additions	-	-	-	-	9,963	2,009	8,274	46	1,187	22,002		
Disposals	-	-	-	-	(2,120)	(249)	-	(22)	-	(2,391)		
At 31st March 2014	454	521,513	99,828	54,609	288,668	44,907	452,518	3,730	8,465	1,474,692		
Adjustment	-	-	(2,713)	-	-	33	-	(3)	-	(2,683.00)		
Additions	-	-	-	127	10,207	2,365	6,130	287	667	19,783		
Disposals	-	-	-	-	(12,664)	(50)	(38,674)	-	-	(51,387)		
At 30th June 2015	454	521,513	97,115	54,736	286,211	47,255	419,974	4,014	9,132	1,440,404		
DEPRECIATION												
At 1st April 2013	178	-	50,635	49,044	206,967	32,625	361,773	3,519	4,613	709,354		
Charge for the year	7	-	2,448	557	16,491	2,448	22,686	116	770	45,524		
Adjustment Depreciation	-	-	360	-	-	121	-	-	-	481		
Disposals	-	-	(118)	-	(755)	(81)	-	(22)	-	(975)		
At 31st March 2014	185	-	53,325	49,600	222,703	35,113	384,459	3,614	5,384	754,384		
Charge for the year	7	-	2,737	642	17,861	3,035	21,179	250	937	46,648		
Adjustment Depreciation	-	-	-	-	-	-	-	-	-	0		
Disposals	-	-	-	-	(7,935)	-	(32,259)	-	-	(40,194)		
At 30th June 2015	192	-	56,062	50,242	232,629	38,149	373,380	3,864	6,321	760,838		
NET BOOK VALUE												
At 30th June 2015	262	521,513	41,053	4,494	53,582	9,106	46,595	150	2,811	679,566		
At 31st March 2013	269	521,513	46,503	5,009	65,964	9,794	68,059	116	3,081	720,309		

23(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'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'	Kshs.000'
At 1st April 2013	37,910	99,305	54,609	280,825	42,542	438,844	3,706	7,278	965,019							
Adjustments					605				605							605
Additions	-	523	-	9,963	2,009	8,274	46	1,187	22,002							22,002
Disposals	-	-	-	(2,120)	(249)	-	(22)	-	(2,391)							(2,391)
At 31st March 2014	37,910	99,828	54,609	288,668	44,907	447,118	3,730	8,465	985,235							985,235
Adjustments		(2,713)	-	-	-	-	(3)		(2,716)							(2,716)
Additions	-	-	127	10,207	2,365	6,130	287	667	19,116							19,116
Disposals	-	-	-	(12,664)	(50)	(38,674)	-	-	(51,387)							(51,387)
At 30 June 2015	37,910	97,115	54,736	286,211	47,222	414,575	4,013	9,132	950,247							950,247
<b>DEPRECIATION</b>																
At 1st April 2013	-	50,635	49,044	206,967	32,625	357,543	3,525	4,613	704,953							
Charge for the year	-	2,448	557	16,491	2,448	22,394	113	770	45,221							
Adjustments Depreciation	-	360	-	-	121	-	-	-	481							
Disposals	-	(118)	-	(755)	(81)	-	(22)	-	(975)							
At 31st March 2013	-	53,325	49,600	222,703	35,113	379,937	3,616	5,384	749,679							
Charge for the year	-	2,189	514	12,702	4,009	8,659	16,328	750	45,150							
Adjustments Depreciation	-	-	-	-	-	-	-	-	-							
Disposals	-	-	-	-	(7,935)	-	(32,259)	-	(40,194)							
At 30th June 2015	-	55,515	50,114	235,405	31,187	388,596	(12,314)	6,133	754,636							
<b>NET BOOK VALUE</b>																
At 30th June 2015	37,910	41,600	4,623	50,806	16,035	25,978	16,328	2,999	195,611							
At 1st March 2013	37,910	46,503	5,008	65,964	9,794	67,181	113	3,082	235,555							

**23(c). Capital Work In Progress**

Relates to in-complete capital works .

	<u>2015</u>	<u>2014</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Namandala -Eco- Housing	0	63
Chorlim ( Construction of store & Eco housing)	601	601
Japata (Fencing, store & Eco housing construction)	1,211	1,211
Nai (Eco housing construction)	689	493
Olangantongo (Eco housing construction)	2,858	2,417
Sabwani (Zero grazing & Eco housing construction)	1,301	1,301
Feedmill (construction of Reject maize shade)	1,157	1,157
Suam Orchards (Dam )	22,399	21,312
Katuke	13	
A I Centre (Construction of a kitchen)	203	427
Kiswani (Bush clearing)	5	-
Lanet - Repair and maintenance	31	9
Headoffice (Construction Bull station)	114,893	-
Galana	39	-
Machinery pool (Construction of a shade)	266	266
Molo (Construction of green houses)	17,087	3,467
Seed Unit( Construction of a Godown)	4,983	1,672
	<u>167,738</u>	<u>34,397</u>

**24. Investments**

	Fair value	
	<u>2015</u>	<u>2014</u>
	<u>Shs 000</u>	<u>Shs 001</u>
<b>Opening balance at 1 April 2013</b>	<b>467,283</b>	<b>467,283</b>
Additional investments made	-	-
Fair value increase	-	-
<b>At 31 March 2014</b>	<b>467,283</b>	<b>467,283</b>
Additional investments made	-	-
Fair value increase	-	-
<b>At 30 June 2015</b>	<b>467,283</b>	<b>467,283</b>

**25. Biological Assets**

	<u>2015</u>	<u>2014</u>
Beef Cattle	255,266	234,790
Dairy Cattle	133,290	120,955
Pigs	1,260.00	3,399
Sheep	12,123	10,815
Goats	10,642	11,616
Horses	530	410
Dogs	50	-
Crops	908,805	298,642
<b>TOTAL</b>	<b>1,321,966</b>	<b>680,627</b>

Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	2015	2014	2015	2014	2015	2014
	<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	784,453	711,860	784,453	711,560	-	300
Non-trade creditors	633,059	450,768	630,859	448,688	2,200	2,080
<b>Total trade and other payables</b>	<b><u>1,417,511</u></b>	<b><u>1,162,628</u></b>	<b><u>1,415,311</u></b>	<b><u>1,160,248</u></b>	<b><u>2,200</u></b>	<b><u>2,630</u></b>

27. Current portion of borrowig

The corporation during the year restructured the overdraft facilities and converted it to a Term loan payable in 36 months months

28. 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).

29. Grants

	2015	2014
	<u>KShs'000s</u>	<u>KShs'000s</u>
Government of Kenya	1,144,347	865,202
British Government	67,582	67,582
ASARECCA	1,898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
<b>Grants to ADC</b>	<b><u>1,365,354</u></b>	<b><u>1,086,209</u></b>
Grants to subsidiary	24,280	24,280
ADC and Subsidiary	<b><u>1,389,634</u></b>	<b><u>1,110,489</u></b>

30. Borrowings

	2015	2014
	<u>Shs 000</u>	<u>Shs 000</u>
KCB term loan III LC	-	86,106
KCB term loan II LC	-	61,353
Consolidated Bank- Asset Financing	-	-
Galana Revolving	-	22,498
Assets Financing	-	33,761
Loan Arrears Acc-Consolidated Bank	-	21,187
Consolidated Bank Loan A/C -New	9,777	-
AFC Livestock Loan	35,625	-
AFC Crop Seasonal Loan	60,000	-
KCB TERM IV LOANS	326,659	-
<b>Total non-current borrowings</b>	<b><u>432,061</u></b>	<b><u>224,905</u></b>

### **31. 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.

### **32. Revaluation Reserve**

Revaluation reserves relates to a revaluation surplus on two farms L.R. Nos. 5337,5345,8855/3,0297,5345/2,5345/3,8855/R in ADC Ol'ngatongo Farm and L.R No. 2043/2 ADC Sabwani

### **33. Contigent Liabilities**

There are certain pending legal litigations brought against the Corporation as at 30th June 2015. In the opinion of the directors and after taking appropriate legal advice the outcome of the legal claims will not result to any significant loss beyond the amounts provided for in these financial statements.

### **34. Events after the reporting period**

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

35. During the year the Corporation did not provide for dividend income as evidenced in note No. 4 due to a change in dividend policy by Kenya Seed Company. The Company will pay dividend as a percentage of profits for the year contrary to the earlier policy where the company had a fixed dividend payment policy.

## 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.

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)
1.0	<p><b>Grants</b> Grants figure of Kshs. 1,110,489 as disclosed under note 29 to the accounts includes Kshs. 11,700,000 in respect of grant from National Irrigation Board received during the year. The figure however differs with the grants additions for the year s reported in the statement of change in net assets figure of Kshs. 12,087,000 by Kshs. 387,000. The management has not reconciled this variance</p>	<ul style="list-style-type: none"> <li>The observed amount was the balance in ASARECA account which was a project carried out in molo to promote seed potato production fully funded by ASARECA</li> </ul>			
2.1	<p><b>Repossessed Land</b> As previously reported, included in property, Plant and Equipment balance of 720,309,000 are Farms Managed by ADC valued at Kshs. 20,703,000. These farms, referred to as ADC Private Forest Ndabibi L.R. Nos 7281/3 20591/86, were in respect of some 4000 acres of land repossessed from various allottees who had been unable to pay the allotment fees. In addition, land LRNo.20591/86 in Ndabibi and the parcel in Molo do not have ownership documents including title deeds, while LR 7281/3 has been encroached on by</p>	<ul style="list-style-type: none"> <li>In the 18<sup>th</sup> 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.</li> <li>The Corporation in collaboration with the Government of Kenya</li> </ul>	Anthony Ademba(Ag. Company Secretary	Not Resolved	31 <sup>st</sup> December 2015

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>squatters although a title deed has been secured by the corporation. 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 31<sup>st</sup> March 2014. In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm its ownership. Further, Land valued at Kshs. 521,513,000 as at 31 March, 2014 excludes the value of land L.R No. 10668 measuring about 2,908.42 acres known as Home Farm which has the Kiswani offices and the Farm Manager's house to which the corporation does not have ownership documents to this parcel of land. It is not clear and the management has not explained how the farm was allocated to private developers and the effects it will have on the operations of the Corporation in fulfilment of its mandate</p>	<p><i>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></p> <ul style="list-style-type: none"> <li><i>In order to enhance transfer and processing of titles we have launched deed plan for LR No. 20591/119 through our lawyer Cheptumo and Company Advocates for certificate of Title to the Ministry of Lands &amp; 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></li> </ul>			
2.2	<p><b>Gain on Disposal of Fixed Assets and Loss on Disposal of Biological Asset</b></p> <p>In the year under review a loss on disposal assets of Kshs. 13,123,000 was reported in the financial statement of the Corporation. However, no analysis was provided for</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)
	audit verification				
2.3	<p><b>Capital Work-in-progress</b> As previously reported, the capital work-in-progress balance of Kshs. 34,397,000 includes work-in-progress in respect to a dam construction project at Suam Orchard in Kitale valued at Kshs. 9,978,000 started in 2006. No supporting documents were availed in relation to work-in-progress and addition of Kshs. 18,700,000 incurred during the year for audit review. In the circumstances, it has not been possible to confirm that work-in-progress balance of Kshs. 34,397,000 as at 31 March 2014 is fairly stated.</p>	<p>The project had stalled forcing the Corporation to retender for the completion of the dam. Evaluation was done and the Contract awarded to Sensei Ltd at a cost of Kshs 16M the works are ongoing and the projected completion time is 31 December 2015</p>	<p>Mr. Maxwell Mugonyi( Head of Business Development)</p>	<p>Not Resolved</p>	<p>31<sup>st</sup> December 2015</p>
3.0 (i)	<p><b>Trade and other payables</b> Trade and other payables balance of Kshs. 1,162,000 include trade and non-trade creditor's balances of Kshs. 711, 860,000 and Kshs. 450,768,000 respectively as at 31 March 2014. The balance of Kshs. 450,768,000 also includes outstanding audit</p>	<p>• <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</i></p>		<p>Not Resolved</p>	<p>30<sup>th</sup> June 2016</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)
	<p>fees totaling Kshs. 13,239,960 which has been outstanding since 1995 contrary to the requirements of Section 19(1) of Public Audit Act, 2003</p>	<p><i>follows:-</i></p> <ul style="list-style-type: none"> <li>• <i>National Social Security Fund(NSSF)This relates to unremitted deductions, with special and statutory 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></li> <li>• <i>Pension SchemeThis 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. (Appendix 6)</i></li> <li>• <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. (Appendix 7)</i></li> <li>• <i>Outstanding Audit Fees. The Corporation is making payments on</i></li> </ul>			

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>installments basis at a rate of Kshs. 500,000 per month. However, 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></p> <p><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></p>		.	
(ii)	<p><b>Interest Payable</b> A review of trade and other payables revealed an outstanding balance of Kshs. 252,621,409 payable to M/s Supplies and Services Ltd in respect of fertilizer supplied and which includes Kshs97,561,000 being interest charged at the rate of 18% per annum based on the number of days in default. No evidence has been provided showing the computation of the interest amount charged.</p>				
4.0	<p><b>Loss of Fertilizer</b> AS reported in 2012/2013, the Corporation lost a sum Kshs. 24,447,500, through</p>	<p><i>These cases were heard and judgment delivered on 28<sup>th</sup> April 2011 where the court in its wisdom</i></p>	Anthony Ademba(Ag. Company)	Not Resolved	31 <sup>st</sup> December 2015

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>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 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 trial and has not been effected. Consequently, and until the matter has been concluded, the recoverability of the loss of Kshs. 24,447,500 remains unresolved</p>	<p><i>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 1<sup>st</sup> accused Isaack Kiprop Chuma who absconded ADC has been following up the matter 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>	Secretary)		