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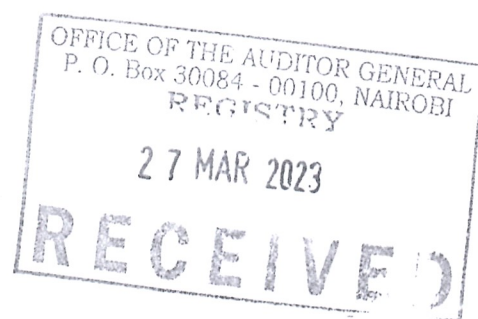
THE AUDITOR-GENERAL

ON

**AGRICULTURAL DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2022**





Agricultural Development Corporation
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Table of Content

Page

1. KEY CORPORATION INFORMATION AND MANAGEMENT	iv
2. BOARD OF DIRECTORS.....	viii
3. MANAGEMENT TEAM.....	xvii
4. REPORT OF THE CHAIRMAN	xx
5. STATEMENT OF ADC PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY2021/22.....	xxii
6. REPORT OF THE MANAGING DIRECTOR.....	xxiv
7. CORPORATE GOVERNANCE STATEMENT	xxvi
8. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxviii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxx
10. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xxxiii
11. REPORT OF THE DIRECTORS	xxxiv
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxv
13. REPORT OF THE INDEPENDENT AUDITORS	xxxvii
14. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	1
15. CORPORATION STATEMENT OF FINANCIAL PERFORMANCE	2
16. CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
17. CORPORATION STATEMENT OF FINANCIAL POSITION	4
18. LANDS LTD STATEMENT OF FINANCIAL POSITION.....	5
19. STATEMENT OF CHANGES IN NET ASSETS	5
20. STATEMENT OF CASHFLOWS	7
21. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL	8
22. NOTES TO THE FINANCIAL STATEMENTS.....	9-36
23. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	37

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

1. KEY CORPORATION INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

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

(c) Key Management

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

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

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

KEY CORPORATION INFORMATION AND MANAGEMENT (Cont.)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Managing Director	Mr. Mohamed Bulle, EBS
2.	Head of Corporate Planning	Dr. Winnie Macharia(Phd)
3.	Ag. Head of Technical	Mr. Samuel Bundotich
4.	Ag. Head of Business Development	Dr. Shadrack Jirma
5.	Corporation Secretary	Mr. Rodgers Karumpu
6.	Ag. Financial Controller	Mr. Jonathan Keitany
7.	Ag. Head of Internal Audit	Mr. Morrison Andwati

(e) Fiduciary Oversight Arrangements

1. The Board operates under four committees as follows;

Audit Committee

- Charged with the responsibility of safeguarding Corporation's 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

The committee cover human resource & finance responsibilities and formulation of policies and practices related to the establishment and administration of human resources & finances. The duties shall include:-

- Reviewing the organisational structure and recommending creation and/or abolition of positions;
- Reviewing and making recommendations to the Board on all matters pertaining to staff remuneration and benefits and approving the Corporation's human resource and remuneration policies and strategies
- Conducting recruitment of senior management from job group C and above
- Reviewing finance and accounting policies and procedures
- Reviewing and recommend for approval the financial plans and budgets
- Reviewing and recommend resources mobilisation strategies

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

KEY CORPORATION INFORMATION AND MANAGEMENT (Cont.)

Agriculture, Livestock and Projects Committee

Covers Agriculture, Livestock and Projects and is charged with responsibilities of formulating of policies and practices related to the Agricultural Practices. The duties shall include:

- Reviewing and recommending crops and livestock policies and procedures
- Reviewing reports on development and implementation of innovative strategies in crops and animal production and breeding
- Review and make recommendations on applications initiated under the partnerships (ppp) which are to be considered by the Board
- Reviewing initiatives to enhance the agricultural production and promote Agri-business and Agri-tourism opportunities
- Recommend actions, education and marketing initiatives which promote increased public awareness and participation of our customers

Lands, Legal Services & Partnership Committee

Covers land matters within the Corporation, partnerships and investments. The duties shall include:

- Recommending and reviewing legal policies and procedures.
- Monitoring compliance with the constitution, ADC Act Cap 444, all applicable laws and regulations.
- Reviewing and recommending appropriate strategies for establishing partnerships, collaborations and lease arrangements.
- Assuring the Board of Directors that the “risk evaluation for investment decisions” policy is deployed against the Investment Strategy
- Reviewing and recommending to the Board of Directors proposals for new business development acquisitions, potential investments and disinvestments.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

KEY CORPORATION INFORMATION AND MANAGEMENT(Cont.)

(f) Headquarters & Registered Office

Development House 10th Floor

Moi Avenue

Nairobi, KENYA

(g) Corporation Contacts

P.O. Box 47101-00100

Telephone: (254) -20-2250695/185

E-mail: info@adc.co.ke

Website: www.adc.co.ke

(h) Corporation Bankers

1. National Bank of Kenya

Harambee Avenue

P.O. Box 41862-00100

Nairobi, Kenya

3. Consolidated Bank of Kenya

Harambee Avenue Branch

P.O Box 34823 -00100

Nairobi, Kenya.

2. Kenya Commercial Bank

Moi Avenue

P.O. Box 48400-00100

Nairobi, Kenya.

(i) Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 -00100 GPO

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O Box 40112 - 00200

Nairobi, Kenya

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

2. BOARD OF DIRECTORS

Ref	Directors	Details
1.	 Dr. Joseph Rotumoi Chairman of the Board Profession: Scholar Education: PhD in Educational Communication Technology	Dr. Joseph Rotumoi was born in 1966. He is a distinguished scholar, expert in corporate governance, risk management consultant, environmental impact/audit expert, trainer of trainers and educator who has been involved in dispensation of knowledge across different levels of education ranging from secondary school all the way to post graduate level. He has also served in various boards including National Oil Company and Kerio Valley Development Authority. Dr. Rotumoi has a PhD in Educational Communication Technology from Moi University, a Masters of Philosophy in Literature Education from Moi University, a post graduate diploma in Human Resource Management from Moi University, a Bachelors of Education Degree in English and Literature from Catholic University of East Africa and a diploma in English/History from Siriba TTC. As the Chairman, Rotumoi has been responsible for leading the Board in strategic matters, overseeing the Corporation's business and setting high governance standards. He has also been pivotal in fostering effectiveness of the ADC Board and individual Directors both inside and outside the boardroom. He is also responsible for promoting effective relationships that create an environment that allows constructive debates and engagements between ADC Board of Directors and the Management.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

2.	 Mr. Mohamed Bulle, EBS Ag. Managing Director Profession: Enviromental Consultant Academics: Masters of Science in Environmental Studies	Mr. Bulle was born in 1958. He was appointed the Acting Managing Director in April 2019. Mr. Bulle holds Master of Science in Environmental Studies with specialization in sustainable development and climate change Antioch University-USA. Mr. Bulle also holds Bachelor of Science in Agricultural Education and Extension, and Diploma in Agriculture from Egerton University, a certificate in animal health from Animal Health and Industry Training Institute (AHITI) and a certificate in meat inspection from the University of Nairobi. He is also a member of the board of the directors of North-Eastern Muslim Welfare Society which caters for the orphans and the vulnerable members of the society and a founder of Clean Air-Cool Planet Kenya Ltd,an agricultural and environmental consulting firm. Mr. Bulle has held key positions in the livestock and agriculture industry. Mohamed is a member of the Environmental Institute of Kenya-EIK (a professional body for environmentalists). He also has accreditation with National Environmental Management Authority-NEMA as an environmental impact assessment and audit (EIA and Audit) Lead Expert.
3.		Mr. Murage was born on 10th August 1956. He was appointed on 6th October, 2021 as an Independent Board Member. Mr. Murage is the Chair of the Lands, Legal Services and Partnerships Committee of the Board. Mr. Murage is a licensed Surveyor with 33 years of experience. He is a member of the Institution of Surveyors of Kenya (FISK). A full member of the Institution of Surveyors of Kenya (MISK). Mr. Murage holds a Masters in Land Information System from ITC

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

	Mr. Ephantus Murage Mundia, MBS Profession: Surveyor Academics: Masters in Land Information Systems.	Netherlands and a Bachelor's degree in Surveying from the University of Nairobi. Mr. Murage has served as a member of the Ministerial Human Resource Management Advisory Committee in the Ministry of Lands, Ministry of Interior, and Coordination of National Government. Previously, he worked as Acting Deputy Director of surveys before being promoted to be the Director of Surveys Kenya. Mr. Murage's last assignment was the Director, National and International Boundaries Ministry of Interior and Coordination of National Government.
4.	 Ms. Jean Njiru Profession: Plants Pathologist Academics: Masters of Science in Plants Pathology	Ms. Njiru was born in 1961. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Agriculture, Livestock and Projects Committee of the Board. Ms. Jean holds - Masters of Professional Studies from Cornell University, USA, and Masters of Science in Plant Pathology, and a Bachelor of Science in Agriculture from the University of Nairobi. She has vast experience in supply chain management, research, leadership among others. She also undertook a professional development program under the Hubert Humphrey Fellowship Program at Cornell University to enhance leadership and management skills.
5.		Mr. Ngomo was born in 1971. He was appointed on 6th October, 2021 as an Independent Board Member. Mr. Ngomo is a seasoned Corporate and Humanitarian Risk Management Professional with over 20 years of combined consulting and management experience in Africa, the Middle East, and Asia. He is a holder of a Bachelor's Degree in Political Science from the

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

	Mr. Richard Ngomo Profession: Corporate & Humanitarian Risk Management Professional Academics: Bachelor's Degree in Political Science	University of Nairobi. Currently, he is pursuing MSc. Security, Conflict and International Development. He has vast experience and has worked with organizations such as the United Nations, World Vision, Oxfam, and Kenya Seed. He is currently the Regional Risk Advisor for Relief International.
6.	 Mr. Zephania Yego Profession: Advocate of the High Court of Kenya. Academics: Bachelors of Law; Post graduate diploma Kenya School of Law.	Mr. Yego was born on 10th March 1979. He was appointed on 6th October, 2021 as an Independent Board Member. He chairs the Finance, Staff and General Purposes Committee of the Board. Mr. Yego is an advocate of the High Court of Kenya with 15 years' legal practice experience. He is the Managing Partner Z.K. Yego Law Offices. Mr. Yego was the former Chairman of, Law Society of Kenya, North Rift Branch. Previously, he worked as the Secretary General, Law Society of Kenya, North Rift Branch, and was an Associate Advocate at Kibichy and Company Advocates.
7.	 Eng. Jemutai Barkebo Profession: Chemical Engineer Academics: Bachelor of technology in chemical and process Engineering	Eng. Barkebo was born on 1st October 1974. She was appointed on 6th October, 2021 as an Independent Board Member. She chairs the Audit and Risk Committee of the Board. Eng. Barkebo Holds a bachelor of technology in chemical and process Engineering from Moi University. She is a qualified internal auditor in ISO9001:2015 having undertaken various courses and versed knowledge on its implementation. She has sound knowledge in public resources management having served the Chairperson Ng-CDF Baringo central county, vice Chairperson Kenya Red cross Kabarnet Branch among others.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

8.	 Mr. George Kariuki Profession: Acting Head of the Debt Recording & Settlement Department in the National Treasury. Academics: Degree in Computer Science & Statistics.	Mr. Kariuki was born on 1st October 1969. He was appointed on 10th March, 2022 as an Alternate Director. Mr. George Kariuki is currently the acting Head of the Debt Recording & Settlement Department in the National Treasury. Previously he served as the head of the ICT unit in the same Ministry. George has an Information Technology background, having graduated from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya with a degree in Computer Science and Statistics. He is also an accredited Fellow of the macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). He is a member of ISACA.
9.	 Ms. Cecilia Mbaka Profession: Development worker and a strategic management professional. Academics: Masters in Education for Rural Development	Ms. Mbaka was born on 4th April, 1962. She was appointed on 6th October, 2021 as an Independent Board Member. Ms. Mbaka is a distinguished development worker and a strategic management professional with over 30 years' experience working with the Government of Kenya as a senior officer who had headed key departments with the highest level being Secretary Social Development. Cecilia has acquired extensive leadership and management training locally and abroad, including the 'Leaders in Development' programme at Harvard University and Training in Corporate Governance involving handling of board matters. She has served in the boards of, the National Fund for the

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

		Disabled of Kenya as a Trustee, the Board of the National Council for Persons with Disabilities and the National Government Affirmative Action Fund. Cecilia holds a Master's Degree (Education for Rural Development) of the University of Manchester, UK (1991) and an Advanced Diploma (Education for Rural Development) University of Manchester, UK (1990)
10.	 Mr. Bishar Elmi Profession: Ag. Director of Livestock Production in the MoALFC. Academics: MSc in Agriculture and Rural Development	Mr. Elmi was born on 12th December 1964. He was appointed on 22nd April, 2022 as an Alternate Director. Mr. Bishar Fille Elmi is currently deployed as Ag. Director of Livestock Production in the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. He holds a MSc in Agriculture and Rural Development from Kenya Methodist University Meru, Bachelor's degree in Natural Resource Management from Egerton University, Diploma in Range Management from Egerton University and a Certificate in Range Management from Animal Health and Industry Training (AHITI Kabete) Mr. Bishar is a Range Ecologist technically and a registered member of Animal Production Society of Kenya.
11.		Ms. Wahome was born on 9th March, 1972. She was appointed on 13th May, 2022 as an Independent Board Member. Ms. Virginia hold a Masters in Developments Studies, Social science from Mount Kenya University, Bachelors degree of Arts in Development Studies from Mount Kenya University and a Diploma in Community based Development from Premise Africa Development Institute.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

	Ms. Virginia Wahome Profession: Social Scientist and Development Professional Academics: Masters in Developments Studies.	She is a result driven multi –talented and highly accomplished professional with over 11 years’ experience skilled at project management through diligent resource allocation and specialized in taking a solution based approach for meeting project requirements and exceeding organization expectation.
12.	 Ms. Lina Nduta Kihoro. Profesional: Project Management, marketing Academics: Bachelor of Arts in Communication and political science.	Ms. Lina Nduta Kihoro was born 4th June 1988. She was appointed on 30th April, 2020 as an independent Board Member. Ms. Lina Nduta Kihoro holds a Bachelor of Arts degree in Communication and Political Science from University of Nairobi. She also has a diploma in Project Management from Zetech University. Ms Kihoro has over 7 years’ experience and expertise in project management, marketing, product development, policy implementation. She is currently the Managing Director of Jelink Limited.
13.	 Mr. Josphat Muhunyu Profession: Agriculture secretary Min. Agriculture Academics : Msc in Agricultural Sciences (Agri-resource Management) University of Tsukuba Japan; Sustainable Rural Development (Japan and Thailand)	Representative Ministry of Agriculture - Department of Crops Appointed: 16th November 2020 Alternate Director Mr. Muhunyu is currently deployed as the Agriculture Secretary. Previously he held various management posts as Director, National Program Coordinator and Principal of Kenya School of Agriculture. Worked in extension and capacity building to farmers for more than 30 years. Academic/ Professional qualifications:

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

14.	Mr. Chrisologus Makokha Profession : Snr. Deputy Inspector-General of State Corporations under the ministry of MALFC. Academics : MBA and BSc. (Applied statistics with IT)	Representative state advisory committee (SCAC) Mr. Makakha has risen from the position of Asst. Inspector I to position of Snr. Deputy Inspector-General of State Corporations under the ministry of MALFC. He boast of vast training and practical experience in the area of corporate governance gained from years of sitting on and advising Boards of various state corporations. He has got extensive exposure and experience in strategic planning and strategy execution, competent in the field of statistics, encompassing data collection, analysis and dissemination, wide ranging experience in management audit of state corporations, in monitoring and evaluation in the public sector among others. He holds MBA and BSc. (Applied statistics with IT) from JKUAT and is currently pursuing Phd. In business Administration for the same University.
15.	 Mr. Gitonga Kamiti Profession: an Advocate of the High Court of Kenya Academics: Bachelor of Law degree	Mr. Gitonga was born in 1968. He was appointed on 13th May, 2022 as an Independent Board Member. Mr. Gitonga Kamiti is an Advocate of the High Court of Kenya. He holds a Bachelor of Law degree from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law. He is currently practicing at Gitonga Kamiti Kairaria and Company Advocates with over 20 years' experience in Corporate and Commercial Law Practice. He is also a member of the Law Society of Kenya, East African Law Society and International Commission of Jurists

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022



Mr. MR. RODGERS KARUMPU

Profession: Corporation Secretary & Head of Legal Services

Academics: Bachelor of Laws degree (LLB)

Mr. Rodgers is Certified Public Secretary (CPS-K) from the Institute of Certified Public Secretaries of Kenya. He holds a Diploma in Law from Kenya School of Law. He has practiced law as an Advocate of the High Court of Kenya for the last 20 years.

Mr. Karumpu has also worked as Head of Legal and Human Resource and later as the Managing Director of Netro Technologies Limited, a Tier 2 telecommunication firm that has a presence in seven countries within Africa, between 2017 and 2021, from where he resigned to join ADC.

He is an active member of Law Society of Kenya, The East African Law Society, the International Commission of Jurists and The Commonwealth Lawyers Association.

As a practicing lawyer, Mr. Karumpu has handled many cases in basically all fields and has been more inclined on land matters particularly on community land issues which he confirms to be very close to his heart.

16.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

MANAGEMENT TEAM

	Management	Details
1.	 Mr. Mohamed Bulle, EBS Ag. Managing Director Profession: Enviromental Consultant Academics: Masters of Science in Environmental Studies	Managing Director
2.	 Mr. MR. RODGERS KARUMPU Academics: Bachelor of Laws degree (LLB)	Corporation Secretary & Head of Legal Services
3.	 CPA. JONATHAN KEITANY Academics: MBA (accounting) a Certified Public Accountant of Kenya and a member of ICPAK	Financial Controller

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

4.	 DR. WINNIE MACHARIA Academics: Doctor of Philosophy in Business Administration, Master of Business Administration, Bachelor of Education Degree, Higher Diploma in information Technology	Head of Corporate Planning & Administration
5.	 MR. SAMUEL BUNDOTICH Academics: BSC. Agricultural Economics, MBA (Strategic Management)	Head of Technical services
6.	 DR. SHADRACK JIRMA Academics: Doctor of Philosophy Degree in Strategic Management, MBA Degree from Costa Rica and a Bachelor of Business Administration from Messiah College, Grantham, USA	Head of Business development

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

7.		CPA. MORRISON ANDWATI Academics: Bachelor of Commerce, Certified public accountant	Head of Internal Audit
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AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

3. REPORT OF THE CHAIRMAN

Once again I am pleased to present the annual financial statement and report for Agricultural Development Corporation and its subsidiary Lands Ltd for the year ended 30th June, 2022.

Business Environment

The year began well in general and we experienced relatively stable and conducive weather conditions in Kitale which contributed to marginal improved production of seed maize from 7.6 to 7.7 Million Kilos. The corporation experienced improved production in some of its crop enterprises. However, adverse weather conditions were experienced in other places such as Tana-River and Laikipia counties where the Corporation exercises beef rearing that resulted in loss of animals and reduced herd size. Notwithstanding these drawbacks, the board and management was able to control the adverse effect of weather by supplementing the animals with hay and silage feeds.

Corporate Governance

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

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

Future Outlook

The Corporation in collaboration with the Government of Kenya set up a Semen Production Centre in Kitale. The Centre provides high quality genetics at affordable prices to the farmer. This is a 100 bull capacity zero grazing production unit covering 100 acres. The facility design is one of its kind in Africa equipped with state of the art equipment to ensure quality traceable superior genetics ensuring disease free product and environmental sustainability. The centre has capacity to produce 1 million straws of semen annually. To this end, I would like to acknowledge with thanks the support we are currently receiving from the Ministry of Agriculture, Livestock, Fisheries & Cooperatives.

The Corporation continued growth and success is dependent on collective efforts by all its stakeholders. The Board is committed to writing a new chapter of Agricultural Development Corporation.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

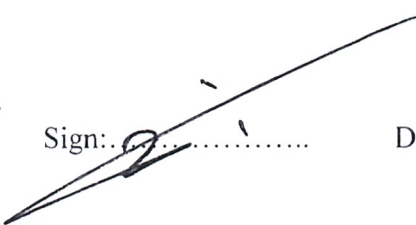
For the year ended 30th June 2022

REPORT OF THE CHAIRMAN (Cont.)

The Corporation recognizes the important role played by the management and its workforce to ensure continued success, to this end the Corporation has made significant investment in its human resource. The Corporation continues to engage in capacity building activities to ensure its staff remains updated through seminars, professional training and workshops. In addition, the Corporation has embraced the performance contracting as a tool to ensuring service delivery and actualization of its strategic plan.

I confidently look forward to a continued strong relationship with all of our stakeholders and partners in the year 2021-2022 for our mutual benefit.

Name: Dr Rohman Joseph

Sign: 

Date: 24/03/2023

CHAIRMAN.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

5. STATEMENT OF ADC PERFORMANCE AGAINST PREDETERMINED OBJECTIVES.

The table below summarizes the Corporation's performance across all objectives set for the 2019-2024 Strategic Plan. It also provides a commentary on the achievement and progress relating to each objective.

Table 1: Activities Implemented as at June 2021-2022

	Department	Strategic Objective	Activities	Activities Implemented	% Implemented	Comments
1	Finance	To build a Sustainable Finance Resource Base	10	6	60%	Delayed activities related to budgetary cuts by the GOK and financial constraints.
		To institutionalize corporate governance mechanisms and culture	1	0	0%	Delay activities due to inadequate funding
		Subtotal	11	6	54%	
2	Public Relations	To continuously improve customer satisfaction	27	7	25%	
		To institutionalize corporate governance mechanisms and culture	4	2	50%	Insufficient funds
		Subtotal	31	9	29%	
3	Technical	Increase Productivity in all our enterprises	14	10	71%	Most of the activities delayed due to unavailability of funds.
		To attain optimum	11	5	45%	Most of the activities delayed

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

		utilization of resource				due unavailability of funds	to of
		To enhance research and development to achieve competitive advantage	1	0		0%	
		Subtotal	26	15		57%	
4	Human Resource	To strengthen institutional capacity to be able to achieve our mandate	16	12		75%	Delayed activities related to inadequate funding and long approval process.
		To enhance research and development to achieve competitive advantage	1	0		0%	Delayed activities long approval process.
		Subtotal	17	12		75%	
5	ICT	Re- engineering internal business process in line with global based practices	6	5		83%	
6	Legal	To institutionalize corporate governance mechanisms and culture	10	4		40%	Delayed activities related to inadequate funding
7	Audit		4	2		50%	
8	Business Development	To Conduct our business in a manner that preserves and conserves Environment sustainability	17	9		56%	
		Total	122	62		50.8%	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

5. REPORT OF THE MANAGING DIRECTOR

It is with great honor and pleasure that I present to you the annual report and financial statements of Agricultural Development Corporation for the year ended 30th June 2022. The Corporation managed to post commendable results in crop production despite

Development and Implementation of Strategic Plan.

The corporation formulated a five year strategic plan 2019-2024 and is now in the process of implementing the objectives set out in its plan. Our budget and performance contract is anchored on this strategic plan, whose aim is to further improve revenue generation, efficiency enhancement, operational excellence, diversification and value addition for our products and services.

Technology and Automation.

The Corporation continues to undertake and embrace technology through automation of its operations. The current accounting system (Sera system) continues to be updated to ensure it serves the Corporation's needs; however, there are challenges and the corporation has commenced the procuring for a more robust enterprise resource planning (ERP).

The achievements aimed by the corporation in improving services include modernization of corporation farm machinery and plant. Investment in farm equipment at engineering Services (ES) and modern plant at Livestock Genetic Centre (LGC) has improved efficiency in crop production and livestock semen processing.

Employee Productivity

The Corporation boasts of a well-trained Human resource manpower which has successfully handled the challenges in agricultural sector such as climate change and diseases and pests. Currently, the staff complement comprise of over 250 employees working in the corporation. The corporation also engages a large number of seasonal workers from time to time whose services are temporary in nature depending on the seasonal activities of the corporation.

Core Values.

The Corporation shall continue to uphold the practice of ethical behavior in order to exhibit good corporate image and citizenship. We will continue to pursue growth in line with our core values and a solid culture of integrity and professionalism, innovativeness partnership with other stakeholders, delivery of quality service, corporate social responsibility and team work.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Performance contracting

The Corporation has operated under performance contracting system in accordance with state corporation regulations 2004. We are committed to achieve the set targets through cascading from the top management to the Unit staff.

Future outlook.

The Corporation will prioritize on strategic areas including certified potatoes and seed maize production, investment in information technology and increase in ADC Certified seed maize production.

As the nation and regional population increases and living standards improves, the demand for quality seed maize, quality livestock breeds for both dairy and beef, quality seed grass and quality semen is set to maintain its growth trend. The country is already struggling to secure stable food supplies to meet the increasing needs of her ever growing population and supplies are expected to tighten further due to the increasing water deficits brought by effects of climate change in the world. As a country, we are already importing large quantities of food to sustain our population.

The Dairy sector shall also be refocused to ensure increased milk production and production of breeding in-calf heifers. Restocking of our ranches will also continue in line with the Corporation target of increasing production and productivity in the Ranches. The Corporation will enhance collaboration with the parent ministry and potential investors in order to increase utilization of the idle land in various regions.

Acknowledgement

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

Name:.....

Managing Director

Sign:..... Date:.....

Mhamed Balle 24/03/2023

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

7. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board Committees

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

i. The Audit Committee

Charged with the responsibility of oversight and ensuring the integrity of financial statements, risk management, internal controls, compliance and ethics and effectiveness of internal and external audit activities of the Corporation and its subsidiaries. It also ensures the safeguard of the Corporation's assets.

ii. The Finance Staff and General Purpose Committee

The Committee oversees the recruitment of Senior Management staff, Review the performance of the corporation on quarterly basis, Ensure the Human Resource policy is observed and staff matter are dealt with in accordance with laid down procedures. Further, the Committee ensures available funds are utilized prudently.

iii) Agriculture, Livestock and Project Committee

Agriculture, Livestock and Project Committee is responsible for formulation of policies and practices related to the Agricultural Practices.

iv) Lands, Legal Services & Partnership Committee

Covers land matters within the Corporation, partnerships and investments Lands, Legal Services & Partnership Committee

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

CORPORATE GOVERNANCE STATEMENT (Cont)

Independence

All the Directors of the Board are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.

Activities and Achievements

The Board meets quarterly and has a formal Board calendar. All directors have access to the Corporation Secretary and Legal Counsel. Currently, the Board comprises of ten non-executives and one executive director, the Managing Director

Name: Dr Rohman Joseph

Sign: [Signature]

Date: 24/03/2023

CHAIRMAN.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

The total turnover achieved was 1.4 billion from the annual target of 2.5 billion equivalent 56 %. Revenue from the major enterprises was not realized as a result of low production.

The non-current assets and current liabilities for the Corporation remained unfavourable throughout the period but improved compared to the previous year. The Corporation has continuously paid current debts as they fall due as well as the historical debts through committal agreements with the suppliers. The high debts that the Corporation strives to settle have been as a result of the unstable flow of income which has resulted in inadequate cash flow which was occasioned by erratic weather conditions and poor mechanization.

This has also been compounded by the legal cases awarded against the Corporation

SECTION B

Entity's compliance with statutory requirements

The Corporation has remained compliant in filing of the statutory returns, save for historical debts that the Corporation was unable to pay. The total statutory deduction that remained unpaid is Kshs. 60.5 million while staff deductions unremitted is Kshs.110 million.

SECTION C

Key projects and investment decisions the entity is planning/implementing

- I. Establishment of Semen Production Centre
- II. Mechanization (Farm machinery and Equipment)
- III. Adoption of sexed semen in livestock
- IV. Use of Diffused light store (DLS) for potato
- V. Modernization of Feed mill and Driers

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

MANAGEMENT DISCUSSION AND ANALYSIS (Cont)

SECTION D

Major risks facing the entity

The main risks are:

- I. Inadequate cash flows
- II. Legal cases
- III. Grabbing of ADC land.
- IV. Over reliance on rain fed agricultural practices.
- V. Poor mechanization of the agricultural activities
- VI. Inability to service debts as they fall due.

SECTION E

Material arrears in statutory/financial obligations

The following are the material obligations:

- Unpaid NSSF Kshs. 27.8 million
- Pension Contribution Kshs. 12.4 million (principal amount).
- Gratuity Kshs. 74.8 million
- Agdeco Sacco dues Kshs. 185.7 million.
- Trade Creditors Kshs 696 million
- Loans: KCB Loan Kshs 147 million and AFC Loan Kshs. 42 million.

SECTION F

The entity's financial probity and serious governance issues

None

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) *Sustainability strategy and profile*

The Agricultural Development Corporation (ADC), being one of the leading agricultural organization in Kenya, plays a critical role in the development of agriculture in the country. The corporation ensures that the Kenyan farmer has access to certified seed. This is accomplished through its mandate of supporting the agricultural industry by production and supply of quality seeds, livestock breeding stock (Dairy, beef cattle and shoats), production and supply of cattle semen to farmers, animal feeds, training as well as technology transfer from research institutions to farmers.

The Corporation main focus was to align its initiatives to the big 4 agenda of the government of ensuring food security and nutrition. This would be achieved through increased production of seed products by adopting new modern and precise production techniques of crop enterprises including seed maize, seed potatoes and seed grass critical inputs for farmers to increase their crop productivity and profitability. In addition, initiatives were undertaken to also improve production of livestock breeding stock.

This was achieved through:

New seed crop varieties

We continue to respond to high demand for seed maize (500-series) for medium altitude areas in Kenya, bean seeds and seed potatoes for similar ecological zones. The demand for the products remained high and more resources will be allocated to this area in future for growth in production and profit as well as cope with high demand.

Precision farming:

The Corporation is continuously searching for effective and efficient agricultural technologies available that will revolutionize our current production to optimal levels. Precision farming has been used to enable the management of each crop production input (fertilizer, herbicide, fungicide, seed, insecticide, etc.) on a site-specific basis to reduce waste, increase profits, and maintain the environment. In Kitale, we have used drones in field operations as a cheap, fast, more efficient and effective in the management of Grey Leaf Spot (GLS). With this technology precise amount of input that optimize production and minimizing wastage of inputs and nutrient runoff, thus cutting down cost of farm inputs, labour and repairs of farm equipment.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Conservation tillage

The corporation continue to embrace minimum tillage in land preparation thereby reducing the costs of land preparation, reducing on soil erosion, conserving soil moisture hence avoiding fluctuations of soil temperature in the arable soil depth. The field performance has been encouraging as crops planted under the system have given higher yields per hectare which are higher than those under the conventional system.

Adoption of sexed semen in livestock

In ADC, sexed semen became a major resource in managing, developing and increasing the size of our dairy herds at our farms. Efforts taken to address the challenges include timely heat detection, estrus synchronization and improved nutrition to bring more cows in to production. The technology allowed new ways to plan mating between dairy females and males as well as the renewal of herds increasing our herd size at a 10% growth in our breeding stock, annually.

Capacity development

We were able to train staff and students on various crop and livestock production enterprises the corporation is engaged in. This was good recovery and progress having come from few engagements following the effects of Covid-19. We had new collaboration with other institutions for improvement and release of new varieties. During the year we partnered with University of Eldoret for adaptability studies of four potato lines and University of Nairobi for bean trials to assess the performance of thirteen bush and climbing bean varieties in highland areas of Molo.

Innovations and technology adoption

We embraced appropriate technologies on use of apical cuttings to speed up multiplication of healthy certified seed potatoes focused on customer preferences. The technique together with hydroponics, aeroponics and green house system enhanced production of own breeder's seed and later field production of basic seed. Consequently, the Corporation was able to supply more certified seeds to farmers. We will continue to leverage on the success in order to guarantee production of more varieties required by the potato growers.

Pomato trials

The Corporation carried out trials to determine viability of the crops. Tomatoes fruit grow in the vegetative part while potato tubers grow in the soil within the same plant. Pomato growing technology is new and

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

used to make food production more efficient since it maximizes the number of crops in a small area thereby utilizes small spaces, time and labour costs.

For a long time now, the demand for dairy breeding animals exceeds the supply by a large margin. Thus, the Corporation continued to apply available breeding technologies as a means to solve the problem. We achieved targets in Embryo Transfer programme, use of sexed semen and estrus synchronization in cattle.

Use of Diffused light store (DLS) for potato

We established a 100-tonne diffused light store in Nakuru region. The DLS was able to store seed potato in a natural, diffused light (indirect sunlight) structure with good ventilation. The simple technique reduced significantly tuber damage as it allowed the storage for a longer period of time at the farm units before planting.

ii) Employee Welfare

The Corporation guided by its Human Resource Policy and Procedures Manual which is aligned to prevailing Labour laws, regulations and policies guiding Human Resource Management and development in the Public Service.

The manual provides specific guidelines in HR Management development rules governing recruitment, selection and appointment on basis of fair competition and merit, representation of Kenya's diverse communities, equal opportunities to all gender, ethnic groups and People with Disabilities.

The Corporation has a Performance Management System, which is predicated upon work planning, setting agreed targets and feedback. It is linked to other HR systems and processes including staff development, career progression, placement, rewards and sanctions.

The Corporation provides guidelines and standards for prevention and protection of employee's against accidents and occupation hazards arising at the work place in accordance with Occupational Safety and Health Act 2007.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

10. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our CSR Approach

Agricultural Development Corporation (ADC) subscribes to being a good Corporate Social Citizen by committing itself to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as the local community and society at large.

ADC is charged with promotion of the production of Kenya's essential agricultural inputs as the Corporation may decide from time to time, such as seeds and pedigree livestock including hybrid seed maize, other cereal seeds, potato seed, pasture seed, vegetable seed, pedigree cattle, sheep, goats, pigs, poultry and bees.

ADC supports community driven social and development initiatives aimed at creating situations conducive for individuals, groups and the community's improvement. The Corporation believes that such support plays the role of empowering and enabling people pursue their life improving agenda.

Guided by the Corporate Social Responsibility (CSR Policy) the Corporation has identified specific needs of various communities and has ensured implementation from initial project planning through to commissioning.

During the financial year under Review, ADC managed to Drill and commission a borehole at Kamulinda administration Police Post in Meru County in collaboration with Tana Works Development Authority at a cost of Kshs. 2 Million, the activity was geared towards provision of clean water to the local community.

The Corporation during the year would donated 291 Litres of milk per day to the disciplined forces in Trans-Nzoia country.

On environmental conservation, the Corporation in Collaboration with both the National and Country Government undertook tree planting exercise in one of its farms: ADC Sirikwa in Molo Nakuru County with a view to promoting afforestation.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2022 which show the state of affairs of *Agricultural Development Corporation* and its subsidiary – *Lands Ltd.*

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.

Results

The results of the Corporation for the year ended 30th June, 2022 was a loss of Kshs.227 M as set out on pages 1.

Board of Directors

The members of the Board of Directors who served during the year are shown on page Viii to Xvi.

Auditors

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

By Order of the Board

Sign: 

Name: Rodgers Karumuri

Corporation Secretary

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act Cap 486, require the Directors to prepare financial statements in respect of the Corporation and its subsidiary Lands Ltd, which give a true and fair view of the state of affairs of the Corporation and its subsidiary at the end of the financial year and the operating results of the Corporation and its subsidiary for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation and its subsidiary. The Directors are also responsible for safeguarding the assets of the Corporation and its subsidiary.

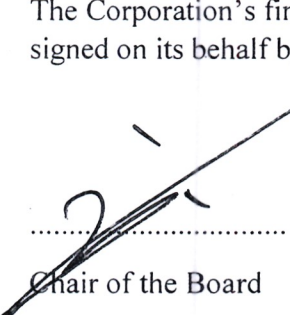
The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year ended on 30th June 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 30th June 2022, 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

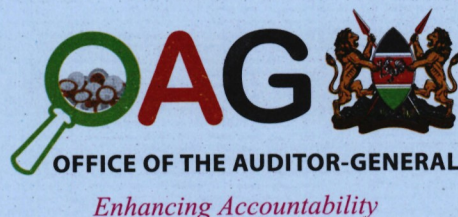
The Corporation's financial statements were approved by the Board of Directors on 24/03/2023 and signed on its behalf by:


Chair of the Board


Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how Management has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Agricultural Development Corporation set out on pages 1 to 70, which comprise of the consolidated statement of financial position as at 30 June, 2022, and the consolidated statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of

Report of the Auditor-General on Agricultural Development Corporation for the year ended 30 June, 2022

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Agricultural Development Corporation as at 30 June, 2022, 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 do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The consolidated statement of financial position reflects current liabilities balance of Kshs.1,657,946,000 which exceeds the current assets balance of Kshs.929,927,000 resulting to a negative working capital of Kshs.728,019,000. Further, the statement of financial performance reflects a deficit of Kshs.227,082,000 resulting to an increase in accumulated deficit from Kshs.853,838,000 as at 30 June, 2021 to Kshs.1,239,254,000 as at 30 June, 2022. The Corporation was therefore, technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors.

In addition, the material uncertainty is not disclosed in the financial statements as required by Paragraph 43 of the International Public Sector Accounting Standards (IPSAS) 1 – Presentation of Financial Statements.

In the circumstances, the Corporation continued ability to continue to sustain its services could not be confirmed.

2. Long Outstanding and Unsupported Receivables from Exchange Transactions

The consolidated statement of financial position and Note 20 to the financial statements reflects receivables from exchange transactions balance of Kshs.579,567,000. Included in the balance are the Corporation's trade debtors of Kshs.485,360,000 and non-trade debtors of Kshs.130,801,000 whose aging analysis were not provided. In addition, Management has made a provision for doubtful debts totalling Kshs.57,408,000 whose basis was not provided.

Further, included in the balance is non-trade debtors of Kshs.130,801,000 out of which Kshs.12,865,307 related to outstanding safari advances. Management has not provided the details of the safari advances and no explanations was provided as to why they were not surrendered at the closure of the financial year as required by law.

In the circumstances, the accuracy and completeness of receivable from the exchange transactions balance of Kshs.559,290,000 could not be confirmed.

3. Unsupported Prior Year Adjustments

The statement of changes in net assets reflects a prior year adjustment of Kshs.158,334,000. Management has explained that the amount relates to accrued

interest charged to the Corporation for the period 2013-2017 for non-remittance of Sacco deductions. However, the amount varies with the amount reflected under the payables balance as accrued interest 2013-2017 of Kshs.149,736,837 resulting to unreconciled variance of Kshs.8,597,163. Further, the expenditure is an unavoidable expenditure and therefore a waste of public funds.

In the circumstances, the accuracy and completeness and regularity of the expenditure could not be confirmed.

4. Unsupported and Long Outstanding Payables

The consolidated statement of financial position and Note 26 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,592,655,000. Included in the balance are the Corporation's non-trade creditors amounting to Kshs.893,317,000 out of which payables amounting to Kshs.154,030,000 relates to unpaid wages for casual laborers with Kshs.126,014,000 having been outstanding for more than one year and with some balances dating back to the year 2001.

In addition, the balance includes outstanding unremitted Pay As You Earn tax of Kshs.24,522,205 which had been outstanding for more than one year. However, the Kenya Revenue Authority- I tax portal reflected a balance of Kshs.34,183,799 resulting in an unreconciled variance of Kshs.9,661,594.

Further, trade creditors of Kshs.7,058,579 described as invoice to receive did not have details of the creditors.

Moreover, included in the trade and other payables from exchange transactions are payables amounting to Kshs.696,244,000 out of which payables amounting to Kshs.568,099,806 have remained unpaid for more than two hundred and seventy (270) days.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,592,655,000 could not be ascertained.

5. Misstatement of Borrowings Balances

Note 28(a) reflects current portion of borrowings of Kshs.65,291,000. Included in the balance is term loans due to Kenya Commercial Bank (KCB) of Kshs.55,974,000. Review of records revealed that the contractual annual repayment amounting to Kshs.55,200,000 and the reported balance excludes arrears of loan repayments instalments for eight months amounting Kshs.36,800,000.

In addition, Note 28(b) reflects non-current portion of borrowings balance of Kshs.125,139,000 out of which Kshs.91,539,000 relates to the KCB loan balance. However, the certificate of loan balance for the KCB loan as at 30 June, 2022 was not provided for audit review.

In the circumstances, the accuracy and completeness of the current and non-current borrowing portion of Kshs.65,291,000 and Kshs.125,139,000 could not be confirmed.

6. Unsupported Property, Plant and Equipment

The consolidated statement of financial position and Note 23(a) to the financial statements reflects property, plant and equipment balance of Kshs.1,420,735,000 which

includes value of farms managed by the Corporation amounting to Kshs.37,910,000. Review of land records held by the Corporation revealed the following matters;

- i. Included in the balance are seven parcels of land whose ownership documents were not in the custody of the Corporation. Review of records revealed that two of the parcels were charged against a bank loan with Kenya Commercial Bank and the loan was in arrears as at the time of audit in January, 2023.
- ii. In addition, although Management had indicated that the entity had leased some parcels of land to various organizations, an inventory of all the leased parcels and Board Policy to guide on the lease charges were not provided while the lease agreements and receipts were not supported by lease valuation reports.
- iii. A parcel of land in Molo sub county has been encroached on by informal settlers although the Corporation has secured ownership documents.
- iv. As previously reported, the financial statements exclude the value of land measuring about 2,908.42 acres known as Home Farm. The land was allocated to private developers in the year 1994 under unclear circumstances. Although, Management has explained that the matter is still under investigations, the status of the investigations was not provided for audit review.
- v. The property, plant and equipment balance excluded land of undetermined value measuring 319.4 hectares located in Garissa Municipality which Management has explained that was donated. No explanation has been provided for failure to value the land and include it in their books.
- vi. Note 23(c) to the financial statements reflects capital work in progress of Kshs.45,306,000. The balance includes Kshs.8,549,000 incurred on construction of seed drier and store project in Kitale that was started in the year 2006 and Kshs.23,681,000 incurred on construction of a dam and store at Suam Orchards Farm also in Kitale. Review of project progress report revealed that the projects had stalled.

In the circumstances, the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.1,420,735,000 could not be confirmed.

7. Unconfirmed Investments

The statement of financial position and Note 24 to the financial statements reflects investment balance of Kshs.467,283,000. The investments includes shares held in Chemelil Sugar Company Limited-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 Cooperative Union – Kshs.1,404,000, Kenya Seed Company Limited – Kshs.114,014,000, Pyrethrum Board of Kenya – Kshs.36,000, Kenya Planters Co-op Union – Kshs.31,000 and Agro-Chemical and Food Company Ltd – Kshs.16,900,000 which were acquired between the years 1975 and 1995.

Available information confirmed that Muhoroni Sugar Company, Kenya Grain Growers Co-op Union and Kenya Planters Co-op Union with investments totalling Kshs.42,777,000 were either under receivership or liquidation. In addition, Chemelil Sugar Company and

Agro-Chemical and Food Company with investments totalling Kshs.220,492,000 have been making losses and have not paid dividend for a long time.

In the circumstances, the investments in these companies may not be fairly stated.

8. Unsupported Receivables on National Livestock Project

The statement of financial position and Note 21 to the financial statements reflects a balance of Kshs.37,914,000 in respect of the National Livestock Project account that is claimable by the Corporation from the parent Ministry. According to records, the project was started in 2006 when the Government granted the Corporation an amount of Kshs.198,000,000 to purchase livestock under the emergency off-take program in drought stricken arid areas. The amount was to be spent on maintenance and daily running of the project operations. However, the balance of Kshs.37,914,000 was not supported with documentary evidence to confirm that the amount is reimbursable by the State Department of Livestock.

In the circumstances, the accuracy and completeness of the receivables on National Livestock Project balance of Kshs.37,913,748 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agricultural Development Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Remit Statutory Deductions

The statement of financial position and Note 26 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,592,655,000. Included in the balance are deductions amounting to Kshs.244,324,307 not remitted to the

respective entities with some which have been outstanding for over twenty three (23) years as tabulated below:

Details	Ref No.	Amount (Kshs.)	No. of Years
P.A.Y.E	9202	24,522,205	10
N.S.S.F	9204	27,603,800	23
N.H.I.F	9205	816,350	5
Pension Scheme Deductions	9211	12,411,697	7
AGDECO Society Deductions	9212	178,970,255	10
Total		244,324,307	

In the circumstances, Management was in breach of the law.

2. Non-Compliance with Law on Ethnic Diversity

Review of the staff records revealed that the Corporation has two hundred and seventy-eight (278) members of staff on permanent and pensionable terms out of which one hundred and two (102) staff members (or 37%) of the total workforce were from one ethnic community contrary to Section 7 of the National Cohesion and Integration Act, 2008.

In the circumstances, Management was in breach of the law.

3. Expenditure on Corporate Social Responsibility

The statement of financial performance and Note 7 of the financial statements reflects use of goods and services balance of Kshs.836,214,000. Included in the expenditure is Kshs.21,174,000 incurred on advertising, show and publications. Review of expenditure records revealed that Kshs.11,797,645 was incurred on Corporate Social Responsibility (CSR) activities. However, Management did not provide the Corporation approved policy on CSR that guides selection of projects to be funded by the Corporation.

In the circumstances, the regularity of the expenditure could not be confirmed.

4. Staff Exceeding Mandatory Retirement Age

Review of the records maintained by the Human Resource Department including the payroll and the staff bio data revealed that a total of thirteen (13) member of staff in various job groups were above the mandatory retirement age of sixty (60) years as at the time of audit in February 2023. Management did not provide any evidence that the said officers possessed rare knowledge, skills and competencies, are willing to work under contract and their performance shall not in any way be impaired by age as stipulated in Section 80(2) of the Public Service Commission Act, 2017.

In the circumstances, Management was in breach of law.

5. Irregular Payments

Review of expenditure records revealed that Corporation paid amounts totalling Kshs.1,962,100 and Kshs.308,520 to employees of the State Departments for Crop Development and Agriculture Research while on visit to Agricultural Development

Corporation (ADC) Farms and to facilitate officers from the state Department travel to Meru respectively. Further, Note 13 to the financial statements reflects donations and subscriptions amounting to Kshs.2,698,000. Included in the balance is an expenditure of Kshs.500,000 towards refurbishment of Kilimo House headquarters which was an expenditure not related to the Corporation activities.

In the circumstances, the regularity of the expenditure could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Use of Outdated Soft Wares for Processing Financial Data

Review of the Information Communication Technology control environment revealed that the Corporation operated three (3) different software systems for financial management and payroll management functions. It was however noted that the soft wares were acquired twenty-five (25) years ago and there was no evidence of user support from the vendor. In addition, the system does not integrate the transactions from of the head office and regional offices.

In the circumstances, the Corporation is exposed to risks of data losses and redundancy as a result of using outdated soft wares in processing of its transactions.

2. Failure by the Corporation to Undertake Governance Audit

Review of the internal controls environment revealed that Corporation did not undertake a governance audit as required by the section 1.13 of the Mwongozo Code of Conduct for State Corporations.

In the circumstances, the effectiveness of the governance structure could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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 maintaining effective 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 and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Corporation or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied

in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation and to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 May, 2023

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

14. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022 KSH '000'	2020-2021 KSH '000'
Revenue from Non-Exchange transactions			
Transfer from other Government entities	1	-	35,000
Revenue from exchange transactions			
Service units income	2	153,176	111,820
Farming Income	3	1,132,483	1,140,457
Rental revenue from facilities	4	38,127	35,509
Investments Income	5	64,231	37,579
Other Income	6	21,961	17,549
		1,409,978	1,342,914
		1,409,978	1,377,914
Expenses			
Use of Goods and Services	7	836,334	700,414
Employee costs	8	518,484	494,821
Board expenses	9	20,130	24,870
Depreciation and amortization expense	10	137,397	134,054
Repairs and maintenance	11	48,082	46,691
Contracted services	12	32,413	45,444
Donations & Subscription	13	2,698	1,263
Finance costs	14	42,021	25,819
		1,637,559	1,473,376
Operating Profit/Loss		(227,581)	(95,462)
Other gains/(losses)			
Unrealize gain on changes in Biological Assets	15	96,443	124,927
Loss due to death of Livestock	16	(99,447)	(37,248)
Loss on foreign exchange transactions	17	-	3
Gain on sale of fixed assets	18	3,503	-
Deficit for the year		(227,082)	(7,780)
Deficit for the year		(227,082)	(7,780)

The notes set out on pages 9 to 36 form an integral part of the Financial Statements

Managing Director

Name: Mohamed Bulle

Sign: [Signature]

Date: 24/03/2022

Head of Finance

Name: J. Kellany

Sign: [Signature]

Date: 24/03/2023

Chairman

Name: Dr. Polymat Joseph

Sign: [Signature]

Date: 24/03/2023

ICPAK No.15114

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

15. CORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022 KSH '000'	2020-2021 KSH '000'
Revenue from Non-Exchange transactions			
Transfer from other Government entities	1	-	35,000
Revenue from exchange transactions			
Service units income	2	153,176	111,820
Farming Income	3	1,132,483	1,140,457
Rental revenue from facilities	4	38,127	35,509
Investments Income	5	64,231	37,579
Other Income	6	21,313	15,850
		1,409,330	1,341,215
		1,409,330	1,376,215
Expenses			
Use of Goods and Services	7	836,214	700,291
Employee costs	8	517,083	493,446
Board expenses	9	20,130	23,348
Depreciation and amortization expense	10	137,361	134,008
Repairs and maintenance	11	48,082	46,691
Contracted services	12	32,413	45,444
Donations & Subscription	13	2,698	1,263
Finance costs	14	41,392	25,044
		1,635,373	1,469,535
		(226,043)	(93,320)
Operating Profit/Loss			
Other gains/(losses)			
Unrealized gain on changes in Biological Assets	15	96,443	124,927
Loss due to death of Livestock	16	(99,447)	(37,243)
Loss on foreign exchange transactions	17	-	3
Gain on sale of fixed assets	18	3,503	-
Deficit / Surplus for the year		(225,544)	(5,639)
Taxation		-	-
Deficit / Surplus for the year		(225,544)	(5,639)

The notes set out on pages 9 to 36 form an integral part of the Financial Statements

Managing Director

Head of Finance

Chairman

Name: Mohamed Bulle

Name: J. Kertany

Name: Dr. Robinson Joseph

Sign: [Signature]

Sign: [Signature]

ICPAK No. 15114 2

Date: 24/03/2023

Date: 24/03/2023

Date: 24/3/23

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

16. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2022

Assets			
Current assets	Note	2021-2022	2020-2021
		KSH '000'	KSH '000'
Cash and cash equivalents	19	27,563	45,364
Receivables from exchange transactions	20	579,567	635,359
Current Account with National Live stock Project	21	37,914	43,809
Inventories	22	284,883	273,283
		929,927	997,815
Non-current assets			
Property, plant and equipment	23(a)	1,420,735	1,493,639
Investments	24	467,283	467,283
Biological Assets	25	1,696,148	1,633,543
		3,584,166	3,594,465
Liabilities		4,514,093	4,592,280
Current liabilities			
Trade & other payables-exchange transactions	26	1,592,655	1,278,381
Borrowings	28(a)	65,291	88,800
		1,657,946	1,367,181
Non-current liabilities			
Borrowings	28(b)	125,139	158,675
		125,139	158,675
Net assets		1,783,085	1,525,856
Grants Reserves	29	3,509,786	3,459,786
Capital Reserve	30	12,775	12,775
Reserves	31	447,701	447,701
Accumulated (Deficit)		(1,239,254)	(853,838)
		2,731,008	3,066,424
		4,514,093	4,592,280

Managing Director

Name: Mohamed Bulle

Head of Finance

Name: J. Keitany

Chairman

Name: Dr. Benjamin Joseph

Sign: [Signature]

Date: 24/03/2023

Sign: [Signature]

Date: 24/03/2023

ICPAK No.15114

Sign: [Signature]

Date: 24/3/23

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

17. CORPORATION STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

Assets

Current assets	Note	2021-2022 KSH '000'	2020-2021 KSH '000'
Cash and cash equivalents	19	22,762	31,988
Receivables from exchange transactions	20	559,290	615,082
Current Account with National Live stock Project	21	37,914	43,809
Inventories	22	284,883	273,283
		904,849	964,162

Non-current assets

Property, plant and equipment	23(b)	936,822	1,009,691
Investments	24	467,283	467,283
Biological Assets	25	1,696,148	1,633,543
Investmen in subsidiary -Lands Ltd		31,434	31,434
		3,131,687	3,141,951

Liabilities

Current liabilities

Trade & other payables-exchange transactions	26	1,589,561	1,275,407
Borrowings	28(a)	65,291	88,800
		1,654,852	1,364,207

Non-current liabilities

Current Account with -Lands Ltd(Subsidiary)		554,885	547,692
Borrowings	28(b)	125,139	158,675
		680,024	706,367

Total Liabilities

		2,334,876	2,070,574
--	--	------------------	------------------

Net assets		1,701,660	2,035,539
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Grants Reserves	29	3,509,786	3,435,506
Accumulated (Deficit)		(1,808,126)	(1,399,967)
		1,701,660	2,035,539
		4,036,536	4,106,113

Managing Director

Name: Mohamed Bulle

Sign: [Signature]

Date: 24/03/2023

Head of Finance

Name: J. Kertany

Sign: [Signature]

Date: 24/03/2023

Chairman

Name: Dr. Rohan, Jadhav

Sign: [Signature]

Date: 24/03/2023

ICPAK No. 15114

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

IS. LANDS LTD STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2022

Assets		2021-2022	2020-2021
Current assets	Note	KSH '000'	KSH '000'
Cash and cash equivalents	19	4,801	13,376
Receivables from exchange transactions	20	20,277	20,277
		25,078	33,653
Non-current assets			
Property, plant and equipment		483,912	483,948
Current Account with Parent Co.	27	554,885	547,692
		1,038,797	1,031,640
		1,063,875	1,065,293
Liabilities			
Current liabilities			
Trade & other payables -exchange transactions	26	3,094	2,974
Net assets			
Equity			
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants Reserves		55,694	55,694
Capital Reserve	30	12,775	12,775
Reserves	31	447,701	447,701
Accumulated surplus/ (Deficit)		544,591	546,129
		1,060,781	1,062,319
		1,063,875	1,065,293

Managing Director

Name: Mohamed Bulb T Keitany

Sign 10/03/2023

Date: 24/03/2023

Head of Finance

Name: JW

ICPAK No. 15114

Date: 24/03/2023

Chairman

Name: Dr. Solomon Jeph

Sign 24/03/2023

Date: 24/03/2023

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

19. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	Equity (Grants) Kshs '000	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1st July 2020	3,384,786	12,775	447,701	(798,577)	3,046,686
Addition	75,000	-	-	-	75,000
Prio Adjustment				(47,481)	(47,481)
Transfers to accumulated surplus/Deficit	-	-	-	(7,780)	(7,780)
Balance as at 30 June 2021	3,459,786	12,775	447,701	(853,838)	3,066,425
Addition	50,000	-	-	-	50,000
Prior Adjustment				(158,334)	(158,334)
Transfers to accumulated surplus/Deficit	-	-	-	(227,082)	(227,082)
Balance as at 30 June 2022	3,509,786	12,775	447,701	(1,239,254)	2,731,008

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

20. STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022 KSHS '000'	2020-2021 KSHS '000'
Cash flows from operating activities			
Surplus for the year		(227,082)	(7,780)
Adjustments for:			
Depreciation of property and equipments	23(a)	137,397	134,054
Gain on sale of fixed assets	18	(3,503)	-
Revaluation in fair value of biological assets	15	(96,443)	(124,927)
Loss due to death of Animals	16	99,447	37,248
Operating profit before working capital changes		(90,184)	38,595
Increase/(decrease) in:			
Debtors	20	55,792	(26,645)
Inventories	22	(11,600)	(23,899)
Injection to National livestock project	21	(5,895)	3,039
Creditors	26	147,224	12,030
		185,521	(35,475)
Cash generated from operations		95,337	3,119
Cash flows from investing activities			
Purchase of Fixed assets	23(a)	(87,379)	(69,095)
Purchase of Livestock		(22,780)	(40,340)
Proceeds from sale of assets		4,066	-
Net cash flows used in investing activities		(106,093)	(109,435)
Cash flows from financing activities			
Borrowings	28	(57,045)	(66,533)
Government Grants	29	50,000	110,000
		(7,045)	43,467
Net increase in cash and cash equivalents		(17,801)	(62,849)
Beginning of period		45,364	108,213
Net increase in cash and cash equivalents		(17,801)	(62,849)
Cash at the end		27,563	45,364

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

21. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30TH JUNE 2022

	Budget 2021-2022	Actual 2021-2022	Variance
Revenue	Kshs '000	Kshs '000	Kshs '000
Revenue from services units	157,306	153,176	(4,130)
Farming Income	2,205,020	1,132,483	(1,072,537)
Rental Revenue from facilities	34,804	38,127	3,323
Investment Income	93,600	64,231	(29,369)
Other incomes	39,787	21,961	(17,826)
	2,530,517	1,409,978	(1,120,539)
Expenses			
Use of Goods and Services	1,144,678	836,334	(308,344)
Employees cost	675,805	518,484	(157,321)
Board Expenses	30,000	20,130	(9,870)
Depreciation and amortaization	108,943	137,397	28,454
Repair and maintainance	62,601	48,082	(14,519)
Subscription & Donation	-	2,698	2,698
Contracted Services	44,395	32,413	(11,982)
Finance Costs	40,991	42,021	1,030
Total expenditure	2,107,413	1,637,559	(469,854)

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

III. NOTES TO THE FINANCIAL STATEMENTS

General Information

The Agricultural Development Corporation is a State Corporation established by an Act of Parliament Cap 346 and derives its authority and accountability from revised Act of Parliament Cap 444 of 1986. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. 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.

1. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Corporation accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements

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 in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30th June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Standard	Effective date and impact:
	Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 - IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). - IPSAS 39: Employee Benefits

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

Standard	Effective date and impact:
	Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

ii. ***Early adoption of standards***

The entity did not early – adopt any new or amended standards in year 2021/2022.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfer from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Recurrent Grant

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate recurrent expenditure financial support to the Corporation with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Development Grant

Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/ acquisition of the non-current asset.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

The Corporation has an engineering service unit that deals with repair of equipment's, land preparation, transport and fabrication of farm implements, during the year Ksh 32 M was realized.

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

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

2021-2022 Financial Statements

Farming Income

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

Dividends and Other external Investments

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Corporation. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Corporation differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

d) Property, Plant and Equipment

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

Property, Plant and Equipment

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

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

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

e) Leases

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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.

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

g) Inventories

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

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

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

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

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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

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

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.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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 revaluation of land.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

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

m) Borrowing costs

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

n) Related parties

The Corporation regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Corporation, or vice versa. Members of key management are regarded as related parties and comprise of the Board of directors, Managing Director and senior managers.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

n) Service concession arrangements

The Corporation analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Corporation recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Corporation also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized staff which were not surrendered or accounted for at the end of the financial year.

Trade and other receivables

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

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.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

The fair value of the biological assets and agricultural produce that have an active market is determined using the quoted price in the market. The fair value of the biological assets that do not have an active market is determined at the present value of the expected net cash flows discounted at the current market determined pre-tax borrowing rate. The fair value of the Corporation's newly planted crops is estimated by reference to costs incurred on the crops up to the reporting date.

Point of sale costs include commissions to brokers and dealers, levies by regulatory agencies and transfer taxes and duties but exclude transport and other costs necessary to get the assets to the market.

For financial reporting purposes, the Corporation classifies its biological assets as follows:

(i) *Consumable biological assets*

Consumable biological assets are those that are to be harvested as agricultural produce or to be sold as biological assets. These are seasonal crops grown by the Corporation i.e. maize, wheat, sunflower, pasture

(ii) *Bearer biological assets*

Other biological assets are classified as bearer biological assets.

Gains or losses arising on initial recognition of biological assets and agricultural produce and from changes in fair value less point of sale costs are recognized in the income statement for the year.

u) *Comparative figures*

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

v) *Significant judgments and sources of estimation uncertainty*

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and 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

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2022.

x) Financial Risk management

The Corporation operates through borrowing from financial institutions which brings exposure to variety of financial risks including credit risk and effects of changes in debt and interest rates. The Corporation's overall risk management objectives focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its performance.

Risk management is carried out by a select committee under the guidance of the Board under the audit and risk committee. The Committee review the market trends and information available to evaluate the potential exposures. After which it develop strategies of mitigating against market risks. The Board committee provide policies for overall risk management.

i) Market Risk

Market risk is the risk that the fair value of instrument will fluctuate due to change in market valuables such as interest rates and foreign exchange rates. The objective of market risk management policy is to protect and enhance the statement of financial position and income statement by managing and controlling market risk exposure within acceptable parameters and to optimize the funding of business operations and facilitate capital expansion.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

a) Interest rate risk

Interest rate risks arise from fluctuation in the bank borrowing rate. After the Government introduced capping of base rate charged by banks, this risk has become easy to manage since there is no much fluctuations in the interest rate.

b) Exchange risks

Though the Corporation operates in Kenyan Currency, It's exposed to risks arising from various currency exposures, primarily with respect to Eco-tourism activities in Galana ranch where customers pay in US Dollar.

ii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Corporation's short, medium and long term funding and liquidity requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching profiles for financial assets and Liabilities.

iii) Operational risk

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk such as legal and regulatory requirements and generally acceptable standards of corporate behavior. The Corporation seeks to ensure that the key operational risk are managed in a timely and effective manner through a framework of policies , procedures and tools to identify, assess, monitor, control and report such risks.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

This responsibility is supported by the development of overall Corporation standards for management of operational risk in the following areas:-

- Requirement for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for reconciliation and monitoring of transactions.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Contd)

- Compliance with regulatory framework.
- Documentation of controls and procedures.
- Training and professional development.
- Development of contingency plans.
- Risk mitigation, including insurance where this is effective.

Operational risk is managed by a programme of regular reviews undertaken by the Internal Audit and the results of the reviews are discussed with the management, with summaries submitted to the Audit Committee.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Contd)

1. Transfer from other Government Entities

Name of the Entity sending the grants	Amount recognized to statement of financial performance Kshs.000	Amount deferred under deferred Income Kshs.000	Amount recognised in capital fund Kshs. 000	Total Transfers 2021/22 Kshs. 0000	Prior year 2020/2021 Kshs.000
MOALF					
State department of Agriculture	-	-	-	-	35,000
State department of Livestock	-	-	-	-	-
Total	-	-	-	-	35,000

2. Rendering of Service units incomes

	Consolidated		Company	
	2021-2022 Shs 000	2020-2021 Shs 000	2021-2022 Shs 000	2020-2021 Shs 000
Sale of Feed	120,447	86,171	120,447	86,171
Contract Income	26,598	22,263	26,598	22,263
Transport Income	6,131	3,386	6,131	3,386
Total	153,176	111,820	153,176	111,820

The Corporation has a feeds processing unit that serves both to external and internal customers. Contract and Transport income are from an Engineering service Unit that acts as support section in provision of machinery for land preparations and transportation services.

3. Farming Income

	Consolidated		Company	
	2021-2022 Shs 000	2020-2021 Shs 000	2021-2022 Shs 000	2020-2021 Shs 000
Sale of Commercial maize	152,314	59,740	152,314	59,740
Sale of seed maize	506,317	607,068	506,317	607,068
Other Farm produce	225,433	218,200	225,433	218,200
Sale of steers	39,053	55,042	39,053	55,042
Sales of in-calf Heifer	1,182	4,540	1,182	4,540
Other Livestock	49,252	35,588	49,252	35,588
Sale of Milk	83,557	78,445	83,557	78,445
Sale of other animal products	53,285	57,720	53,285	57,720
Sale of Hay	21,970	16,201	21,970	16,201
Grazing fees	120	7,913	120	7,913
Total	1,132,483	1,140,457	1,132,483	1,140,457

Farming is the core business of the Corporation, the major activity being growing of seed maize that is sold to Kenya seed co. for processing where Ksh. 467M was realized. The Corporation has also developed its own seed variety of sorghum where Ksh. 39M was realized in the year under review. Other farm produce relates to revenue generated from other crop variety such as Citrus, Coffee, Sugarcane, potatoes etc.

4. Rental Revenue from

	Consolidated		Company	
	2021-2022 Shs 000	2020-2021 Shs 000	2021-2022 Shs 000	2020-2021 Shs 000
Lease Rental	16,977	12,638	16,977	12,638
Rent of Property	21,150	22,871	21,150	22,871
Total	38,127	35,509	38,127	35,509

The corporation has a number operating leases. Rental income is generated from rented properties and subsidized staff house rent.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5. Investments income

	<u>Consolidated</u>		<u>Company</u>	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Development house	64,231	37,579	64,231	37,579
Total	64,231	37,579	64,231	37,579

Development House is located in Nairobi CBD. The Building is jointly owned with Agricultural Finance Corporation on 50:50 basis.

6. Other income

	<u>Consolidated</u>		<u>Company</u>		<u>Lands Ltd</u>	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</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>
Training Fees AI center	4,217	730	4,217	730.00	-	-
Eco-Tourism	403	805	403	805	-	-
Miscellaneous Income	17,341	16,014	16,693	14,315	648	1,699
Total	21,961	17,549	21,313	15,850	648	1,699

The Corporation has a training center for AI technician that generate training fees income. Eco-tourism income is generated from a conservancy in one of the farm i.e Galana in Tana River which is operated under PPP Miscellaneous Income Include revenues from Lands Ltd which relates to survey fees initially paid by the Corporation while allocating land but recovered from allottees upon payment of allotment fees

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

7. Use of Goods and Services

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Advertising, Show and publications	21,208	21,174	21,208	21,174	-	-
Audit fees	1,186	1,186	1,066	1,066	120	120
Consultation Fees	236	3,248	236	3,245	-	3
Consumables	11,165	13,499	11,165	13,499	-	-
Electricity & Water	12,519	10,713	12,519	10,713	-	-
Fuel and oil	103,471	89,325	103,471	89,325	-	-
Insurance	3,810	25,913	3,810	25,913	-	-
Legal expenses	43,807	27,733	43,807	27,733	-	-
Licenses and cesses	7,242	6,643	7,242	6,643	-	-
Fertilizer	203,532	120,805	203,532	120,805	-	-
Herbicides, Insecticides ,Veterinary & Other Chemical	128,668	101,874	128,668	101,874	-	-
Liquid Nitrogen	4,803		4,803			
Feed stuffs & Menerals	73,368	74,306	73,368	74,306	-	-
Packing materials	12,816	10,215	12,816	10,215	-	-
Seed	76,190	84,585	76,190	84,585	-	-
Raw Materials -Feedmill	68,951	54,681	68,951	54,681	-	-
Postage & Telephone	3,905	4,080	3,905	4,080	-	-
Printing and stationery	5,385	7,071	5,385	7,071	-	-
Rent & Rates	83	388	83	388	-	-
Security costs	311	713	311	713	-	-
Royalties(Seed)	2,232	2,383	2,232	2,383	-	-
Inspection Fees	8,482	7,619	8,482	7,619	-	-
Training Costs- AI Center	1,377	232	1,377	232	-	-
Professional Fees	372	22	372	22	-	-
Fines and penalties	73	3,179	73	3,179	-	-
Transport	36,144	20,261	36,144	20,261	-	-
Research Expenses	62	170	62	170	-	-
Milk To Calves	3,109	2,258	3,109	2,258	-	-
VAT Tax	1,312	5,409	1,312	5,409	-	-
Other	515	729	515	729	-	-
Total	836,334	700,414	836,214	700,291	120	123

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

8. Employee costs

	Consolidated		Company		Lands Ltd	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>
	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Salaries	107,815	103,136	107,109	102,451	706	685
Wages	176,187	165,208	176,187	165,208	-	-
NSSF	2,680	2,313	2,675	2,308	5	5
Leave Expenses	1,496	1,668	1,488	1,660	8	8
House allowance	56,302	57,181	55,942	56,821	360	360
Commuter allowance	10,600	10,344	10,444	10,188	156	156
Responsibility allowance	9,250	8,655	9,250	8,655	-	-
Gratuities	12,319	11,004	12,208	10,896	111	108
Terminal dues	3,738	5,213	3,738	5,213	-	-
Administrative wages	61,815	60,624	61,815	60,624	-	-
Pension contribution	10,481	10,159	10,426	10,106	55	53
Acting Allowance	1,025	2,227	1,025	2,227	-	-
Hardship Allowance	1,905	1,852	1,905	1,852	-	-
Duty Allowance	3,459	3,214	3,459	3,214	-	-
Education & training	5,296	2,284	5,296	2,284	-	-
Medical expenses	26,118	21,602	26,118	21,602	-	-
Free Issues to staff	3,659	3,641	3,659	3,641	-	-
Travel, accomodation, subsistence and other	24,339	24,496	24,339	24,496	-	-
Total	518,484	494,821	517,083	493,446	1,401	1,375

9. Board expenses

	Consolidated		Company		Lands Ltd	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</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>
Chairman's Honoraria	301	720	301	720	-	-
Sitting Allowances	6,128	6,520	6,128	5,127	-	1,393
Medical Insurance	497	782	497	782	-	-
Induction and Training	259	8,644	259	8,644	-	-
Travel and Accomodation	12,196	7,928	12,196	7,825	-	103
Other Allowances	749	276	749	250	-	26
Total	20,130	24,870	20,130	23,348	-	1,522

10. Depreciation and amortization expense

	Consolidated		Company		Lands Ltd	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</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>
Property, plant and equip	122,807	115,226	122,771	115,180	36	46
Amortization of sugarcane plantation	14,590	18,828	14,590	18,828	-	-
Total	137,397	134,054	137,361	134,008	36	46

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

11. Repairs and maintenance

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Property	6,242	6,612	6,242	6,612	-	-
Machinery & Equipment	25,725	22,893	25,725	22,893	-	-
Vehicles	16,115	17,186	16,115	17,186	-	-
Total	48,082	46,691	48,082	46,691	-	-

12. Contracted services

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

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Contracts Costs	32,413	45,444	32,413	45,444	-	-
Total	32,413	45,444	32,413	45,444	-	-

13. Donations and Subscription

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Donations	2,698	1,263	2,698	1,263	-	-

14. Finance Costs

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Bank charges	2,141	2,153	1,512	1,378	629	775
Interest	39,880	23,666	39,880	23,666	-	-
Total	42,021	25,819	41,392	25,044	629	775

15. Change in Biological Assets

In line with IPSAS No.27, the Corporation biological assets increased in value by Kshs. 96M during the year arising from changes in fair value. The Corporation adopts the market value less cost to sell valuation model

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

16. During the year under review the Corporation lost Livestock worth 99M through death which is considered as a direct loss as follows

	Consolidated		Company		Lands Ltd	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</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>
Loss due to death of livestock	99,447	37,248	99,447	37,248	-	-

17. The corporation has a dollar Account with Kenya Commercial Bank where an exchange gain of Ksh. 2,895 was realized as a result of the balance as at the end of the year

18. Gain on sale of Fixed assets

Category	<u>Machinery</u>	<u>Motor Veh</u>	<u>Furnitures & Fixtures</u>	<u>Total</u>
	<u>Kshs'000'</u>	<u>Kshs'000'</u>	<u>Kshs'000'</u>	<u>Kshs'000'</u>
Cost	3,894	21,562	4,663	30,119
Acc. Depreciation	3,679	21,289	4,460	29,428
NBV	215	273	203	691
Sale Proceeds	781	3285	128	4,194
	(566)	(3,012)	75	(3,503)

19. Cash and Cash Equivalents

	Consolidated		Company		Lands Ltd	
19 a)Bank	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>
Name of the Bank	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Consolidated Bank	3,728	445	3,728	445	-	-
National Bank	7,631	16,106	2,830	2,730	4,801	13,376
Kenya Com Bank	16,146	28,529	16,146	28,529	-	-
Total	27,505	45,080	22,704	31,704	4,801	13,376
19b)Cash-in-hand						
Total	27,563	45,364	22,762	31,988	4,801	13,376

20. Receivables from Exchange Transactions

	Consolidated		Company		Lands Ltd	
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2020-2021</u>
Trade Debtors	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>	<u>Shs 000</u>
Trade Debtors	505,652	510,361	485,360	490,069	20,292	20,292
Specific provision	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(537)
General Provision	(4,909)	(4,909)	(4,909)	(4,909)	-	-
Total Current Receivables	448,244	452,953	428,489	433,198	19,755	19,755
Non- Trade Debtors						
Non - Trade Debtors	131,323	182,406	130,801	181,884	522	522
Total	579,567	635,359	559,290	615,082	20,277	20,277

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

21. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation incurred Kshs. 37,913,748 on maintenance and daily running of the projects operation.

	<u>2021-2022</u>	<u>2020-2021</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
NLP Current Account	235,914	241,809
Grants	(198,000)	(198,000)
TOTAL	37,914	43,809

22. Inventories

	<u>2021-2022</u>	<u>2020-2021</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Building materials	2,576	2,817
Fencing & Water Supplies	8,243	8,562
Fertilizer	71,015	19,414
Feedstuffs & Minerals	1,018	2,630
Herbicides & Insecticides	34,612	21,575
Packing Materials	4,326	4,565
Petroleum Products	3,056	2,283
Machinery & Equipment Spares	7,852	7,320
Vehicles & Tractor Spares	12,035	12,338
Veterinary Products	3,684	3,188
Seeds	10,928	25,627
Sundries	1,254	1,640
Feedmill Finished products	189	3,386
Feedmill Raw Materials	3,349	5,648
Stationery	1,894	1,465
Laboratory Chemicals	3,935	7,366
Bean Seed	277	4
Embryo Transfer	3,055	382
Harvested Crops	23,609	81,341
Semen	88,290	66,920
Provision for Obsolete stock	(314)	(5,188)
Total	284,883	273,283

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23(a). PROPERTY PLANT & EQUIPMENT

COST	Farms											Totals Kshs '000'
	Leased Farms Kshs '000'	Managed by ADC Kshs '000'	Buildings Kshs '000'	Fencing Supply Kshs '000'	Water Kshs '000'	Farm Equipment Kshs '000'	Furniture & Equipment Kshs '000'	Motor Vehicles Kshs '000'	Small Tools Kshs '000'	Land Reclamation Kshs '000'	Capital WIP 000'	
Cost												
At 1st July 2020	454	521,513	676,205	86,527		540,410	61,297	632,591	4,359	12,427	140,736	2,676,519
Additions	-	-	-	28		45,189	5,435	17,357	18	343	4,803	73,173
Disposal	-	-	-	-		-	-	-	-	-	(66,216)	(66,216)
At 30th June 2021	454	521,513	676,205	86,555		585,599	66,732	649,948	4,377	12,770	79,324	2,683,477
Additions	-	-	26,957	2,119		11,201	13,503	28,887	159	1,787	2,766	87,379
Disposal	-	-	-	-		(3,894)	(4,663)	(21,562)	-	-	(36,784)	(66,903)
At 30th June 2022	454	521,513	703,162	88,674		592,906	75,572	657,273	4,536	14,557	45,306	2,703,953
Depreciation												
At 1st July 2020	226	-	142,212	70,447		338,845	48,215	441,713	4,309	9,817	-	1,055,785
Disposal	-	-	-	-		-	-	-	-	-	-	-
Charge fo the year	6	-	26,700	1,611		49,351	3,703	52,059	34	591	-	134,054
At 30 June 2021	232	-	168,912	72,058		388,196	51,918	493,772	4,343	10,408	-	1,189,839
Disposal	-	-	-	-		(3,679)	(4,460)	(21,289)	-	-	-	(29,428)
Charge fo the year	6	-	26,713	1,662		41,678	5,623	46,198	97	830	-	122,807
At 30th June, 2022	238	-	195,625	73,720		426,195	53,081	518,681	4,440	11,238	-	1,283,218
Net book values												
At 30th June 2022	216	521,513	507,537	14,954		166,711	22,491	138,592	96	3,319	45,306	1,420,735
At 30th June 2021	222	521,513	507,293	14,497		197,403	14,813	156,176	34	2,362	79,324	1,493,639

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

23(B). PROPERTY PLANT & EQUIPMENT

COST	Farms										Totals Kshs '000'
	Managed by ADC Kshs '000'	Buildings Kshs '000'	Fencing Supply Kshs '000'	Water Equipment Kshs '000'	Furniture & Equipment Kshs '000'	Motor Vehicles Kshs '000'	Small Tools Kshs '000'	Land Reclamation Kshs '000'	Capital WIP 000'		
Cost											
At 1st July 2020	37,910	676,205	86,527	540,412	61,301	627,193	4,359	12,427	140,736		2,187,070
Additions	-	-	28	45,189	5,435	17,357	18	343	4,803		73,173
Disposal	-	-	-	-	-	-	-	-	(66,216)		(66,216)
At 30th June 2021	37,910	676,205	86,555	585,601	66,736	644,550	4,377	12,770	79,324		2,194,028
Additions	-	26,957	2,119	11,201	13,503	28,887	159	1,787	2,766		87,379
Disposal	-	-	-	(3,894)	(4,663)	(21,562)	-	-	(36,784)		(66,903)
At 30th June 2022	37,910	703,162	88,674	592,908	75,576	651,875	4,536	14,557	45,306		2,214,504
Depreciation											
At 1st July 2020	-	141,952	71,322	339,253	48,217	435,459	4,309	9,817	-		1,050,329
Disposal	-	-	-	-	-	-	-	-	-		-
Charge for the year	-	26,713	1,523	49,172	3,704	52,273	34	591	-		134,008
At 30 June 2021	-	168,665	72,845	388,425	51,921	487,732	4,343	10,408	-		1,184,337
Disposal	-	-	-	(3,679)	(4,460)	(21,392)	-	-	-		(29,531)
Charge for the year	-	26,725	1,583	41,632	5,623	46,384	97	830	-		122,876
At 30th June, 2022	-	195,390	74,428	426,378	53,084	512,724	4,440	11,238	-		1,277,682
Net book values											
At 30th June 2022	37,910	507,772	14,246	166,530	22,492	139,151	96	3,319	45,306		936,822
At 30th June 2021	37,910	507,541	13,710	197,176	14,815	156,818	34	2,362	79,324		1,009,691

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

23. Capital Work In Progress

Relates to in-complete capital works .

Location	Project	2021-2022	2020-2021
		Kshs.'000'	Kshs.'000'
ADC Corlim	Sugarcane Establishment & Staff Houses	1,031	1,684
ADC Nai	Sugarcane Establishment	4,808	7,138
ADC Olgantongo	Sugarcane Establishment & Shade	1,116	2,048
ADC Sabwani	Sugarcane establishment, House & water System	3,468	7,686
ADC Feedmill	Maize Shade	-	1,157
ADC Suam	Establishment of sugarcane,banana tissue culture, avocado plantations & Dan construction	23,681	25,169
Katuke	Stores	-	1,750
ADC A.I Centre	Kitchen	-	233
ADC Kiswani	Staff Houses	-	1,042
ADC Lanet	Dairy Palour	140	140
Ndabibi	Store	657	567
ADC L.G.C	Dairy Palour	200	3,916
ADC Machinery pool	Shade	-	5,053
ADC Molo	Office Block	-	3,675
ADC Japata	Store	1,222	2,558
Sirikwa	Green Houses and Borehole	-	5,111
ADC Namandala	Store	434	935
ADC Seed Unit	Seed Drier & Store	8,549	9,462
Total		45,306	79,324

24. Investments

	2021-2022	2020-2021
	Kshs.'000'	Kshs.'000'
Opening balance at 1 July 2020	467,283	467,283
Balance as at 30th June 2021	467,283	467,283
Balance as at 30 June 2022	467,283	467,283

25. Biological Assets

	2021-2022	2020-2021
	Kshs.'000'	Kshs.'000'
Beef Cattle	263,938	347,718
Dairy Cattle	175,115	178,872
Pigs	-	679
Sheep	19,767	22,039
Goats	11,403	16,019
Horses	1,500	1,110
Donkey	30	30
Breeding Dogs	347	67
Poultry	-	1,042
Breeding Bulls	45,085	25,480
Crops	1,178,963	1,040,487
TOTAL	1,696,148	1,633,543

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Trade Creditors	696,364	712,364	696,244	712,244	120	120
Non-trade creditors	896,291	566,017	893,317	563,163	2,974	2,854
	1,592,655	1,278,381	1,589,561	1,275,407	3,094	2,974

27. 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).

28.(a) Borrowings

	2021-2022	2020-2021
(a)Total current borrowings	Kshs 000	Kshs 000
KCB Term Loan	55,974	55,200
AFC Crop Seasonal Loan	9,317	33,600
	65,291	88,800

AFC Crop Seasonal Loan

Agricultural Finance Corporation advanced ADC a loan of Ksh. 150,000,000 Guaranteed by Corporation land L.R No.5532 in Trans Nzoia County at an interest rate of 12% p.a. The Loan was to be serviced through the Corporation's share of rent proceeds from Development House which is Jointly owed by the two Corporations.

28 (b)Total non-current borrowings

	2021-2022	2020-2021
	Kshs 000	Kshs 000
KCB TERM LOANS	91,539	121,915
AFC Crop Seasonal Loan	33,600	36,760
Total	125,139	158,675

KCB Term Loan

In 2018 the Corporation restructured its facilities held with KCB by amalgamating them into a term loan payable in 72 months at an interest rate of Bank's base rate plus 4%. The loan was secured by L.R No. 2993, L.R No. 5722, L.R No.5345/1 and L.R No. 9078/2 of the Corporation's Land Parcels .

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

29. Grants

	2021-2022	2020-2021
	KShs'000'	KShs'000'
Government of Kenya	3,264,499	3,214,499
British Government	67,582	67,582
ASARECCA	1,898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
Grants to ADC	3,485,506	3,435,506
Grants to subsidiary	24,280	24,280
Consolidated	3,509,786	3,459,786

The Corporation received Kshs. 50,000,000 from the Ministry of Agriculture Livestock and Fisheries from state department of Agriculture for Mechanization Program.

30. Capital Reserves

Reserves comprise the General Reserve Fund taken over from Agricultural Settlement Fund - 1976 net of Government Trust Fund on farms taken over from Agricultural Settlement Trust.

31. Revaluation Reserve

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

32. Related Party Transaction

i) Board members of the Corporation

	Consolidated		Company		Lands	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Chairman's Honoraria	301	720	301	720	-	-
Sitting Allowances	6,128	19,637	6,128	18,244	-	1,393
Medical Insurance	497	1,086	497	1,086	-	-
Induction & Training	259	965	259	965	-	-
Travel & Accommodation	12,196	2,062	12,196	1,959.00	-	103
Airtime	749	91	749	65	-	26
Total	20,130	24,561	20,130	23,039	-	1,522

ii) Key Management

	Consolidated		Company		Lands	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Gross Salary	21,034	18,432	21,034	18,432	-	-
Pension	257	243	257	243	-	-
Gratuity	2,605	2,297	2,605	2,297	-	-
Pension	130	-	130	-	-	-
Total	24,026	20,972	24,026	20,972	-	-

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

33. Contingent Liabilities

There are certain pending legal litigations brought against the Corporation as at 30th June 2022, among them is case number HCC No.156 where the Corporation was held jointly liable with the Office of the Attorney General and ordered to pay Kshs. 100 M in damages. However, the case was appealed and we await the outcome of the appeal. In the opinion of the directors and after taking appropriate legal advice, the outcome of these legal claims will not result to any significant loss beyond the amounts provided for in these financial statements and will not materially affect the Corporation's financial ability.

34. Un Accrued Debtors

The Government in execution of Galana Kulalu Food project stopped any operation for these leases. This brought uncertainty on collectability of revenue amounting to Kshs 273.6M since some of the lessees went to court to protest the decision and sued for breach of contract. The management considered it not prudent to continue accruing revenue from these leases until these uncertainties are resolved.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following are 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed receivables from exchange transactions The consolidated statement of financial position reflects a balance of Ksh.635,359,000 in respect of receivables from exchange transactions. As disclosed in note 20 to the financial statements, the balance includes trade and non-trade receivables of Kshs. 452,953,000, respectively. However, review of the receivables ledger and supporting schedules revealed the following anomalies: i) An amount of Kshs 9,859,415 included in the balance has remained outstanding since the year 1980. In addition, a breakdown of the specific provision of Kshs. 52,499,000 for bad and doubtful debts was not provided for audit. Further, the basis for determining the general provision of Kshs. 4,909,000 was not disclosed.	Specific and General Provision for bad debts This figure represents a provision carried forward over the years and management is in the process of revising its debt policy on bad and doubtful debt. Old debtors Management is carrying out an evaluation of the debtors with a view of proposing for write-off where it is certain that these debts are unrecoverable while ensure adequate provisions are made for doubtful debts. Debt collectors have been brought on board to assist in recovery. Long Term Leases Government initiated the Galana/Kulalu Food Security Project in 2015 to facilitate execution of this project, the Government through the parent Ministry asked the lessees to stop further operations. Consequently,	On going	30 th June 2023

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ii)Non –trade debtors net balance of Kshs. 182,406,000 includes unexplained amount of Kshs 5,733,260 described as lost cash. iii)Trade debtors balance of Kshs. 452,953,000 included an amount of Kshs 312,144,802 described as Head office balances. The balance further includes an amount of Kshs 154,804,812 due from long term lease agreements between the Corporation and various entities which were later terminated following the national Government decision to take over the Galana/Kulalu ADC Farms. Some of the entities have since sued the corporation for breach of contract, and therefore chances of recovering the debt was doubtful. Further, no provision was made in the financial statements for the balances. iv)trade debtors balances of Kshs 452,953,000 also include an amount of Ksh 83,117,738 described as sundry debtors representing customers without a credit facility with the	the lessees stopped honoring their obligations of payment as contained in these agreements including the outstanding amounts. Further, some went to court to protest the decision to stop the leases by ADC. In view of the exposure in these litigations, management has made a disclosure under contingent liabilities as per IPSAS 19 refer to note 33.		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	corporation making their recoverability doubtful.			
2	Unsupported National Livestock Project The consolidated statement of financial position reflects a balance of Kshs 43,809,000 in respect of current account with National livestock project (NLP). The amount was due from the state department of livestock. The project started in 2006 when the government grant of Kshs 198,000,000 to purchase livestock under the emergency off take programme in arid areas affected by drought. The Corporation subsequently incurred costs totaling Kshs 43,809,459 on maintenance and daily running of project operations. Review of the project revealed the following unsatisfactory matters: i)The project has been reporting losses over the years while a similar livestock enterprises under ADC reported profits. ii)The current account balance of Kshs 43,809,459 was not supported by demand notes to	The Management is actively engaging the Ministry of Agriculture Livestock and Fisheries- State Department of Livestock to have an amicable termination of the project. Attached are minutes of the last joint consultative meeting between ADC and MOALF that resolved to have the amount advanced treated as grants and the animals included in the Corporation herd refer to (Annexure I)	Not resolved	30 th June 2023

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the state department of livestock and as such it was not possible to confirm the validity and accuracy of the debt. iii)the management of NLP did not prepare financial statements during the year under review and its not clear how the operations overhead were apportioned between ADC and the NLP			
3	Property, Plant and equipment Land without titles The consolidated statements of financial position reflects property, plant and equipment balance of kshs 1,493,639,000 which includes farms managed by the corporation valued at kshs 37,910,000, as disclosed in Note 23(b) to the financial statements. As reported in the previous years, the farms, referred to as ADC private forest Ndabibi comprises of 4,000 acres of Land re-posessed from allottees who were unable to pay allotment fees. Further, two parcels in Ndabibi and Molo did not have ownership documents while another parcel at Ndabibi had	As earlier reported that all title deeds held by the Corporation were surrendered to the Parent ministry; Ministry of Agriculture livestock Fisheries and Cooperatives upon their request have now returned back to the corporation for safe keeping.		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	been encroached on by informal settlers despite the corporation having secured the title deed for the Land. The Management explained that the titles were surrendered to the Ministry of Agriculture, Livestock, Fisheries and Cooperatives following a memo requesting for their surrender for reconciliations and safekeeping. A total of ninety three (93) titles were surrendered and acknowledged on 17 September, 2021 by Ministry. Irregular allocation of Corporation Land to Private Developers As previously reported, the net book value of the corporations land of Kshs 1,493,639,000 as disclosed in Note 23(a) to the financial statements excludes land measuring about 2,908.42 acres known as Home farm which was allocated to private developers in the year 1994 under unclear circumstances.	Allocation of Home Farm Land to private Developers In the early 1990s, Home farm was fully allocated to individuals and Companies by the then management. The process leading to this allocation have been under investigation by the Ethics and Anti- corruption commission (EACC) and we await the outcomes of this investigation. In the meantime we continue to occupy and fully utilize the parcel of land. Attached are correspondences from the	Not resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Undisclosed Land in Garissa Property, plant and equipment balance of kshs 1,493,639,000 reflected in the consolidated statement of financial position excludes value of land measuring 319.4 Ha located in Garissa County whose value had not been determined.	Agency for your perusal (Annexure iv) Garissa Irrigation Project This land was donated by the MOALF to ADC at no cost. The Corporation wishes to value all the assets. We have approached the Chief Valuer Ministry of Lands, Housing and Urban Development for assistance in order to have the exercise done at a manageable cost.	Not resolved	
	Capital Works in progress As disclosed in Note 23(a) to the financial statements, the property, plant and equipment balance of kshs 1,493,639,000 includes an amount of kshs 79,324,000 in respect of capital work in progress. However, examination of records provided for audit and field inspection carried out in the month of April 2022, revealed the following anomalies.	Capital Work in Progress Management has taken note and will capitalize most of the structures/ building currently being held as capital work in progress despite some having stalled and others partially completed. Any further major costs that may be directed towards these projects will be capitalized when incurred.	Partly resolved	
	i) Stalled Dam at Suam Orchards The capital work in progress includes a balance of kshs	Suam Dam The management was able to engage china state construction company to	On going	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	25,169,000 in respect of construction of a dam and store at suam orchards farm in Kitale out of which, kshs 23,499,940 was used for construction of dam at the farm. However, the dam had stalled and therefore, the corporation may not have received value for money from the expenditure. Further, an amount of kshs 1,668,640 incurred on establishment of tissue culture bananas, avocados and sugarcane was erroneously described as construction of stores thus misclassified. ii) Stalled construction of Green houses in Sirikwa. Capital work in progress balance of kshs 79,324,000 includes kshs 5,111,000 in respect of construction of green houses at sirikwa as disclosed in Note 23(c) to the financial statements. However, review of records provided for audit in respect of progress of works revealed that there had been no works undertaken since June 2017. In addition, architectural drawings, quantity survey report, structural drawings and	carryout construction of the dam which was completed and only the dam liner remaining to be fitted. Management is working to provide funds for the dam liner.	On going	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	bill of quantities detailing the scope of works to be done were not provided for audit review and therefore, it was not possible to verify and confirm the extent of work done and the remaining works to completion. Further, the balance included a payment of kshs 1,366,000 for borehole drilling which was not part of the original project. iii) Stalled godown at seed unit – Kitale The capital work in progress reflects a balance of kshs 9,462,000 in respect of construction of a godown at seed unit Kitale as disclosed in Note 23(c) to the financial statements. Physical verification at the site in the month of April 2022 revealed that the amount was incurred on construction of a seed drier at a cost of kshs 8,549,209 and godown/store for kshs 913,088. The construction of the godown valued at kshs 8,549,209 stalled in 2017 and no work has been on-going since then.	Stalled go-down	Not resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	iv)Uncapitalized Trailers Fabricated and Machinery shade A balance of kshs 5,053,000 in respect of capital work in progress relating to ADC Engineering Services reflected in Note 23 (c) to the financial statements comprise fabrication of eight (8) trailers at a total cost of ksh 4,786,480 and construction of a shade for machinery pool in Kitale at a cost of kshs 266,068. Physical verification carried out in the month of April, 2022 revealed that five (5) trailers were completed in the year 2020 while three (3) were substantially completed with only a ram remaining to be fixed. However, despite all the eight (8) trailers and the shade having been in use during the year, their costs were still classified as WIP instead of being transferred to appropriate classes of property, plant and equipment. As a result, no provision for depreciation was made for the same. In the circumstances, the accuracy of the WIP balance of kshs 79,324,000 and depreciation	• Uncapitalized Trailers and shade The machinery shade at Engineering services including all the eight (8) trailers have capitalized.	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	expense of kshs 134,054,000 charged to the consolidated statement of financial position could not be confirmed. v)Uncapitalized Maize Shade for Feedmill at Kitale CWIP as reflected in Note 23(c) to the financial statements includes a balance of kshs 1,157,000 in respect of construction of a maize shade at feedmill unit in Kitale. Review of records provided for audit that the construction work was completed and the shade put to use in the year 2007 and has been accruing economic benefits to the corporation. However, the cost of the shade had not been transferred to appropriate class of property, plant and equipment and therefore, there no corresponding depreciation was being charged in respect of the asset. vi)Misclassification of Eco houses Included in CWIP balance of kshs 79,324,000 as disclosed in Note 23(c) to the financial statements are construction of Eco houses	• Uncapitalized Maize for Feed Feed mill at Kitale The shade at feed mill Kitale was capitalized and depreciation charged accordingly. • Misclassification of Eco Houses All the completed eco houses have capitalized and well classified under buildings.	Resolved Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	in various farms comprising Sabwani, Japata, Nai, Namandala, Olingatongo and Chorlim at a combined cost of kshs 22,049,000. Physical verification of the eco houses in the month of April 2022, revealed that the houses have been in use for several years. In addition, no work has been on going for the last several years on any of these houses. Further, bill of quantities, work plan and drawings were not provided for audit and therefore, their level of completion could not be confirmed. It was not clear why the management categorized these completed eco houses as WIP when they are already in use and generating economic benefits to the corporation. In the circumstances, the accuracy of the WIP balance of kshs 79,324,000 could not be confirmed. vi) Un-capitalized liquid nitrogen plant and Water dam CWIP reflected in Note 23(c) to the financial statements includes kshs 3,916,000 in respect of construction of LNP at bull station Kitale. Physical	• Un-capitalized LNP and water dam The liquid nitrogen plant and dam were capitalized and certificate of completion issued.	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	verification at the station carried out in April 2022, revealed that the plant had been in operation since November 2018 when it was completed. Further, the balance includes kshs 1,140,782 in respect of a dam, plant house generator, pre quarantine fencing, commemoration plaque, water troughs, dairy units, painting gate and facial board at Sabwani farm which were all completed in the year 2020. It was therefore, not clear why completed works some of which do not relate to the plant, were still recognized as WIP instead of being transferred to the appropriate class of property, plant and equipment. In the circumstances, the accuracy and completeness of CWIP balance of kshs 79,324,000 could not be confirmed.			
5	Un supported Valuation of Leased Land The consolidated statement of financial performance reflects an amount of Kshs.35,509,000 in respect of rental revenue indicated from facilities. A	• Unsupported valuation of leased land The Management is in the process of developing a lease policy to ensure harmony in lease rentals.	Not Reolved	30 th June 2024

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	sample of lease agreements and receipts from rental revenue indicated that the Corporation had leased land to various farms for return for rental revenue income. However, as reported in the previous year, the lease agreements were not supported by lease valuation reports to guide lease receipts. Further, there was no Board Policy to guide on the lease charges which ranged from Kshs. 80 to Kshs.3000 per acre annually. Consequently, the accuracy, completeness, and valuation of rental revenue amounting to Kshs.35,509,000 could not be confirmed.	The lease rate of ksh. 3,000 per acre was informed by a valuation done by the Ministry of Lands, Housing and Urban Development as per attached (<i>Annexure v</i>)		
6	unconfirmed Investments The consolidated statement of financial position reflects investment balance of Kshs.467,283,000 also disclosed in Note 24 to the financial statements. The investments includes shares held in Chemelil Sugar Company Limited – Kshs.203,592,000, Development House – Kshs.90,251,000,	• Unconfirmed Investments Management has been hoping that these Companies would turn around through Government interventions. However going by the trend in Kenya Grains Growers Co-	Not Resolved	30 th June 2024

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Muhoroni Sugar Company – Kshs.41,342,000, Kenya Co-operative Creameries – Kshs.4,151,000, Kenya Grain Growers Cooperative Union – Kshs.1,404,000, Kenya Seed Company Limited – Kshs.114,014,000, Pyrethrum Board of Kenya- Kshs.36,000, Kenya Planters Co-op Union – Kshs. 31,000 and Agro-chemical and Food Company Ltd – Kshs.16,900,000 which were acquired between the year 1975 and 1995. Information provided by the Management indicated that Muhoroni Sugar Company, Kenya Grain Growers Co-op Union and Kenya Planters Co-op Union with investments totaling Kshs.42,777.000 were either under receivership or in the process of liquidation. In addition, Chemelil Sugar Company and Agro-Chemical and Food Company with investments totaling Kshs.220,492,000 have been making losses and have not paid dividends for a long time. The value of the investments in these companies is therefore doubtful and may not be	op Union which has since been liquidated and New KGGCU incorporated, we shall consider provisions for Muhoroni sugar and KGGCU we are still hopeful that Chemelil Sugar Co. and Agro-chemical and Food Company Ltd can be turned around to profit making and start paying dividends to the Corporation.		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	recovered. However, no provision has been made in the financial statements for the likely diminution in value of the investments. Consequently, the accuracy, completeness and valuation of the investment balance of Kshs.467,283,000 could not be confirmed.			
7	omitted Biological Assets As was reported in the previous year, the Corporation received an amount of Kshs.250,000,000 from the government in the year 2017 for purchase of livestock as a mitigation measures to the pastoralists against loss of animals due to drought. Records provided for audit indicated that the Corporation acquired 4008 animals at a total cost of Kshs. 105,608,000. A loss through theft or disappearance and death of 60 animals and 770 animals was reported and adjusted in the records resulting in a net value of Kshs.86,714,000 for the animals. However, the value was not	omitted Biological Assets Kshs.250,000,000 received from the Ministry of Agriculture Livestock and Fisheries to facilitate purchasing of animals from pastoralists under drought mitigation was allocated to specific units for restocking through purchase of animals. The animals bought by these Units were included in the Unit's herd and valuation sheets as at the end of the year. Attached find schedule and postings of the total value of Ksh. 91,964,811 these animals to confirm	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	reflected in the biological assets balance of Kshs.1,633,543,000 disclosed in Note 25 to the financial statements. Consequently, the accuracy, completeness and valuation of the biological assets balance of Kshs.1,633,543,000 could not be confirmed	they were indeed include in the Corporation's value of livestock which stood at Ksh.482,460,520 as at 30th June 2017 (<i>Annexure viii</i>)		
8	unconfirmed Trade and Other Payables From Exchange Transactions The consolidated statement of financial position reflects trade and other payables-exchange transactions balance of Kshs.1,278,381,000 also disclosed in Note 26 to the financial statements. The balance includes trade creditors and non-trade creditors of Kshs.712,364,000 and Kshs.566,017,000, respectively. Review of the payable's records revealed the following anomalies; i. Non-trade creditors balance of Kshs.566,017,000 includes audit fees totaling Kshs.22,446,120	• Trade and other payables The Corporation is making efforts to settle its liabilities which include amounts payable to the Office of the Auditor General. Further, the Corporation is considering requesting for waiver of these fees from AOG.	On going	30 th June 2025

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	which has been outstanding since the year 1995. Management did not provide plausible explanation on why the fees has been long outstanding. ii. The non-trade creditors balance includes unremitted statutory deductions of Kshs.20,700,864, Kshs.27,910,562, Kshs.26,148,546 and Kshs.1,076,050 in respect of Pay As You Earn (PAYE), National Social Security Fund (NSSF), Pension Scheme deductions, Agdeco Society deductions and National Hospital Insurance Fund (NHIF) respectively dating back to the year 1998. iii. The trade and other parables balance include an outstanding amount of Kshs.267,279,416, payable to a supplier in respect of fertilizer supplies. The amount includes Kshs.112,219,009			

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	interest charged at the rate of 18% per annum based on the number of days in default as at 30 June, 2014. The matter was referred to court where it has been pending awaiting determination. iv. The trade payables balance includes an outstanding balance of Kshs.650,302,196,000 across different units of the Corporation which has remained unpaid for more than 270 days. v. The trade payables amount includes an outstanding balance of Kshs.162,948,331 in respect of unpaid wages to casual laborers engaged by the Corporation during the year under review. However, no justifications were provided for non-payment of the wages. Consequently, the accuracy, completeness, and validity of trade and other payables-exchange transactions balance			

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of Kshs.1,278,381,000 could not be confirmed.			
9	Misstatement of Grants Reserves The consolidated statement of financial position reflects a balance of Kshs.3,459,786,000 in respect of grants reserves. The balance includes an amount of Kshs.137,500,000 receivable during 2017/2018 financial year from the State Department for Livestock for off-take programme. The amount received was less by Kshs.15,330,000 of the amount the Corporation had been instructed to pay identified farmers who had lost their livestock. However, the full amount was capitalized before being received. Consequently, the accuracy and completeness of grants reserves balance Kshs.3,459,786,000 could not be confirmed.	Grant Reserves The grants were being disbursed in piecemeal basis since the program was to run for a period of time.	Resolved	
10	Unconfirmed Investment Income The consolidated statement of financial performance reflects	Unconfirmed Investment Income Investment income is disclosed by the partner		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	investment income of Kshs.37,579,000 being 50% share of rental income generated from Development House building jointly owned by the Corporation and Agricultural Finance Corporation. Information provided for audit indicated that there was a registered partnership known as ADC-AFC Development Limited Liability Partnership which is managed by the two (2) institutions and collects rental income generated from the building. However, expenditure and revenue records relating to the Partnership were not provided for audit. Although the partner appointed an audit firm to audit the Partnership financial statements, the Management was yet to submit financial statements for audit to the Auditor-General for review certification. Consequently, the accuracy and completeness of the investment income of Kshs.37,579,000 could not be confirmed	corporations in their financial statements which are submitted to the Auditor General as per the law. Please find the attached audited financial statements for the year 2021 for your perusal (<i>Annexure x</i>).		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
11	Undisclosed Management Fees Income The consolidated statement of financial performance excludes an amount of Kshs.2,367,660 in respect of management fees arising from an agreement entered into on 8 March, 2017 between Agricultural Development Corporation (ADC) and National Disaster Management Authority (NDMA) on commercial destocking for drought mitigation. According to Clause 5 of the agreement, the Corporation was to receive Kshs.19,136,867 upon signing the agreement. The amount was to be used for purchase, translocation and managing 1000 heads of cattle for three months and a further Kshs.38,273,733 thereafter for the additional 2000 heads of cattle. ADC was to be compensated at Kshs.30 per cow per day as management fees. However, documents provided for audit did not include details of amounts realized from the agreement and how the same was applied during the year under review.	Undisclosed Management Fees Income. National Disaster Management Authority channeled funds to ADC to be used to purchase animals as per the agreed installments of Ksh. 19,136,867 and 38,273,733 which was fully utilized in the exercise. The exercise was Co-ordinated by officers from both ADC and NDMA. ADC was to receive monthly maintenance fees of Ksh.30/ head on the animals surviving as at the time of invoicing. As earlier responded, we hereby attach ledger extract for to support the management fees charged to NDM then (Annexure xii). Upon the lapse of the contract NDMA removed the remaining livestock from our ranch after	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		meeting all obligations set out in the contract.		
12	Loss of Fertilizer As reported in the previous years, the Corporation lost a sum of Kshs.24,447,500 through fake bank deposits slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade fertilizer costing Kshs.111,680,000 had for unclear reasons been stored in a private store. According to the information provided, the mode of payment was either through direct bank deposits where the slips would be issued and later used as evidence for collection of the fertilizer, or by banker's cheques which would be confirmed before the sale. However, Management adopted the direct bank deposits method but due to weak controls, fertilizer worth Kshs.24,447,500 was released before the respective bank deposits had been confirmed. Management indicated that a criminal case on the matter was instituted in the Eldoret High	Loss of Fertilizer Management is still following up with the arresting officers to trace the other accused person who is at large.	On going	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Court where some of the accused persons were acquitted. However, a warrant of arrest against one of the accused who absconded during the trial had not yet been enforced. In the circumstances, the recoverability of the fertilizer loss amounting to Kshs.24,447,500 remains doubtful.			
13	Undisclosed Material Uncertainty in Relation to Sustainability of Services The consolidated statement of financial position reflects accumulated deficit of Kshs.855,584,000 as at 30 June, 2021. Further, the current liabilities of Kshs.1,368,454,000 exceed the current assets of Kshs.997,349,000, resulting in a negative working capital of Kshs.371,105,000. The Corporation therefore, was technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors.			

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	In addition, the material uncertainty was disclosed in the financial statements as required by paragraph 43 of the International Public Sector Accounting Standards (IPSAS) 1- Presentation of Financial Statements. In circumstances, the sustainability of services could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institution (ISSAIs). I am Independent of the on Agricultural Development Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSA and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.			

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
14	Cash and Cash Equivalents The consolidated statement of financial position reflects a balance of Kshs.45,364,000 in respect to cash and cash equivalents. Examination of cash books, bank statements and bank reconciliation statements provided in support of the balance revealed the following anomalies: i. Loss of Cash Records maintained at Lanet Complex farm, Nakuru reflected loss of cash amounting to Kshs.151,146 for which no recovery has been made. The management explained that the cash was stolen while in transit from the bank to the farm. No explanation was provided on why suitable transport and security were not provided at the time of cash withdrawal and transit to the farm. Further, no insurance claim had been lodged with the insurer.	• Loss of cash The above amount relates to revenue that was used before banking contrary to the laid down cash management procedures. The issue was subjected through a disciplinary process and the committee exonerated the staff involved as it established the prevailing circumstances at the unit did warrant their actions. Consequently the same has been regularized in the current financial year. Refer to attached communication guiding	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ii. Dormant Bank Accounts During the year under review, the Corporation maintained a dollar account at KCB Bank, Molo branch which held a balance of USD 2,181 equivalent to Kshs.235,217 but was not operational. Further, the Corporation had a dormant development account with a balance of Kshs.38,274 which had not transacted since July, 2018. No explanations were provided by Management on why the Corporation continued to maintain the two dormant accounts.	the unit on corrective action (Annexure i). Dormant Bank Accounts This account was opened to facilitate collection of eco-tourism revenues from one of the Corporation's ranch where some visitors would pay in dollars. However due to challenges brought about by Covid 19 pandemic the Corporation leased out the camps as caution rendering this account dormant. We will seeks Board approval to have the account closed.		
15	Irregular Expenditure on Services The consolidated statement of financial performance reflects an amount of Kshs.700,414,000	Legal Expenses In legal suits involving land as the subject matter, the fee note is drawn based on		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	in respect of general expenses which, as disclosed in Note 12 to the financial statements, includes legal expenses amounting to Kshs.27,733,000. Examination of legal records revealed that legal fee of Kshs.9,828,696 was paid to an advocate firm in respect of a case before Nakuru Environment and Lands Court pitting an individual against the Corporation filed in 2016. However, examination of payment and other related records revealed the following anomalies: i. The legal fee for the case was overstated by approximately Kshs.7,660,210 since a fee note dated 13 May, 2015 was of Kshs.235,726,000 and an evaluation the subject matter which was determined to be Kshs.152,543,380 comprising the aggregate lease value for the first, sixth, seventh respondents and the second and third respondents which	the value of the subject matter not the Lease value as claimed by the auditors. This assumption is based on the Advocates Remuneration Order (ARO) CAP 16 Laws of Kenya Schedule 6. <i>(Highlighted and attached herein marked (Annexure xiii) is an extract of the ARO addressing the matter)</i> In matters involving large tracks of land with high net value, the Corporation prefers negotiating the Advocate legal fees which is allowable in Law, as compared to conducting Land evaluations so as to come with the estimates of the Land value which in turn is very costly. An important point of concern is that Cheptumo &		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	were contested. Further, application of schedule 6 of the Advocates Remuneration order, 2014 and using the inflated value of the subject matter at Kshs.235,726,000 gives a maximum chargeable fee of Kshs.5,302,832. ii. From the records provided, the case had not been concluded and the last mention was in October, 2017 yet a total of Kshs.11,248,864 has been paid to the advocates so far.	Company Advocates represented ADC & Lands Limited on various court cases and that the amount paid to them was a combination payments owed to Cheptumo and Company Advocates as result of the fee notes drawn from those cases. (Attached and marked (Annexure ivx) herein is a copy of a payment voucher number 408545 dated 16th June 2017, listing a breakdown of a sum of Kshs. 4,000,000.00 paid to Cheptumo and Company Advocates). Notably some of the cases include: - 1)Sabal Agro Holdings Ltd Vs ADC 2)Lawangiro Camel Farms Vs ADC 3)Peter Ole Sono Vs ADC		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		4)Gitonga Mureithi & Company Advocates Vs ADC 5)Daudi Leche Rono Vs ADC When reconciliation into the sums paid to Cheptumo and Company Advocates by the Corporation was done, it was noted that Nakuru ELC No. 106 of 2016 had erroneously been paid fully and yet the matter was still pending in Court and the fee note was yet to be discussed by the parties. After discussions, both parties mutually agreed that the amount of Kshs. 11,248,864/= paid for David Leche Rono vs ADC shall be transferred to other cases already concluded in which the Firm defended the Corporation. (Attached hereto are correspondences and minutes on negotiations between ADC and Cheptumo		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		and Company Advocates marked as (Annexure xv)		
16	Irregular Payment of Acting Allowance The consolidated statement of financial performance reflects expenditure of Kshs.494,821,000 in respect of employee costs. As disclosed in Note 7 to the financial statements, the amount includes acting allowance payments totaling Kshs.2,227,000. Review of records of employees paid acting allowances during the year revealed that they had all been serving in acting capacities for more than six (6) months contrary to Section C. 14(1) of the Human Resource Policies and Procedures in the Public Service, 2016 which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary but not more than six months.	Irregular Payment of Acting Allowance Management has since stopped payment of Acting Allowances	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

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	Further, the Management contravened Section 9.10 of the Corporation's Human Resource Manual, which requires that an acting appointment should not exceed a period of 6 months.			
17	Board Expenses The consolidated statement of financial performance reflects an amount of Kshs.24,870,000 in respect of board expenses which differs with the amount of Kshs.24,054,000 in the corresponding Note 13 to the financial statements resulting in unexplained variance of Kshs.816,000. In addition, the examination of board expenditure records revealed that the approved budget for board expenditure for the year under review was Kshs.20,000,000 while payment records reflect actual expenditure of Kshs.22,532,000, thereby resulting in unauthorized over expenditure amounting to Kshs.2,532,000. Further, the Corporation did not have an itemized budget for the five (5) sub-components that	Board Expenses Notes 13 to the financial statement has been amended to reflect the correct amount as reflected in the consolidated statement of financial performance. Attached are eight (8) amended extract page containing note 13 for replacement as (Annexure xvi). Please note the Budget was prepared on a premise of a continuing Board. However immediately as we were starting the year the Board was di-gazetted and a new Board appointed. Given the diverse nature of the Corporation, it become	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

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	make up the board expenses contrary to the National Treasury Circular No.22/2019 that requires the budget to be itemized as per the charts of accounts issued by the National Treasury or by programs or specific item and schedule III of the said circular. v) Non-Compliance with One Third Membership of Board Committees Information accompanying the financial statements submitted for audit indicates that the Corporation board membership during the year under review was fourteen (14) whereby four (4) committees were formed comprising the Audit and risk committee, Livestock and project committees, Finance, staff, and General purposes committee, and the Legal Services and Partnerships committee has membership of six (6) which exceed one third (1/3) of the full board membership contrary to Office of the President Circular No. OP/CABS/IA of March, 2020. Further, no approval from the Cabinet Secretary was granted	necessary for the new Board to embark on familiarization visits to the farms an occurrence that had not been budgeted. A total of Kshs.4,031,413 was incurred. In addition, during the year there was encroachment in one of our farm (Galana/Kulalu) that become subject of investigation by both DCI and EACC, as a result there were intervention visits and summons from these agencies to the Board of directors giving rise to an expenditure of Kshs. 889,309. Had the above activities not been carried out, the board expenditure would have been Kshs. 19,640,278 which is within the budgetary allocation.		

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

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	in appointing members exceeding the one third membership was provided for verification.			
18	Under-Collection of Revenue The statement of comparison of budget and actual amounts reflects under collection of revenue amounting to Kshs.618,859,000 representing 31.55% of the gross estimated receipts of Kshs.1,961,773,000. The under collection of revenue was attributed to failure to collect income from services units-Kshs.20,180,000, farming income-Kshs.552,493,000, rent/eco-tourism-Kshs.27,705,000, investment income-Kshs.16,721,000 and other incomes-Kshs.1,760,000 . The corporation's resources were therefore not efficiently and effectively used resulting in failure to meet revenue targets or these items during the financial year under review.	Under-Collection of Revenue The challenges brought about by the Covid 19 pandemic affected the achievements of revenue targets of the corporation.	Resolved	

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2022

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 Managing Director
 Date: 24/07/2023