

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY PAPERS LAJD	
DATE: 03 JUL 2019	DAY: Wee
TABLED BY:	LOMP
CLERK AT THE REPORT	

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
LANDS LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2018**



---

# **LANDS LTD**

*ANNUAL REPORT AND FINANCIAL STATEMENTS*

*FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018*

---

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

<b>Table of Content</b>	<b>Page</b>
I. KEY COMPANY INFORMATION AND MANAGEMENT .....	ii
II. THE BOARD OF DIRECTORS .....	iv
III. REPORT OF THE MANAGING DIRECTOR .....	vi
IV. CORPORATE GOVERNANCE STATEMENT .....	vii
V. REPORT OF THE DIRECTORS.....	viii
VI. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	ix
VII. REPORT OF THE INDEPENDENT AUDITORS .....	x
VIII. STATEMENT OF FINANCIAL POSITION.....	1
IX. STATEMENT OF FINANCIAL POSITION .....	2
X. STATEMENT OF CHANGES IN NET ASSETS .....	3
XI. STATEMENT OF CASHFLOWS .....	4
XII. NOTES TO THE FINANCIAL STATEMENTS .....	5-22
XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	10



**I. KEY COMPANY INFORMATION AND MANAGEMENT****(a) Background information**

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

**(b) Principal Activities**

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

**(c) Key Management**

The *Lands Ltd* day-to-day management is under the following key organs:

1. Dr. Gladys Ngao
2. Mr. Richard Aiyabei
3. Hon. Paul Chebor Kibet
4. Mrs. Tabitha Mbungu
5. Mr. Kello Harsama
6. Mr. Lawrence Okudo
7. Mr Antony Ademba

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	ADC Managing Director	Richard Aiyabei
2.	ADC Corporation Secretary	Anthony Ademba
4.	ADC Financial Controller	Patrick Moturi
3.	Senior Accountant	Gerald Karuga

**(e) Headquarters & Registered Office**

Development House 10<sup>th</sup> Floor  
Moi Avenue  
Nairobi, KENYA

**(f) COMPANY'S Contacts**

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

**(g) Corporation Bankers**

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

**KEY COMPANY INFORMATION AND MANAGEMENT (Continued)**

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

## II. HE BOARD OF DIRECTORS



### **Dr. Gladys Kasiva Ngao**

Chairperson

Dr Gladys Kasiva Ngao holds a PhD in Education from the University of Pune, India; MBA in Human Resource Management from Sikkim Manipal University, India; MEd (Sociology of Education) from Kenyatta university: B.Ed (Special Needs Education & Literature) & Dillpoma in G & C from Kenyatta Institute of Professional Counselling in collaboration with KEMU. Dr. G. K Ngao is an academia with other 30 year teaching at various learning institution and Universities. She is a member correctly working as a full time lecture at Kenyetta University. She is a member of many committees which include:- Member of Board of Postgraduate Studies, School of Postgraduate Studies of Kenyatta University, Cohesion and National Values Mainstreaming Committee of Maasai Mara University among others.

### **Mr. Richard Aiyabei**

*Managing Director*

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

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

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



### **Mrs . Tabitha Mbungu Maugi**

**Member**

**Appointed 6<sup>th</sup> June 2018**

Mrs Tabitha M. Mbungu Holds a MBA (Education) from Kenyatta University, B.ED from Kenyatta University and a Diploma in Education from Kagumo Teachers' College. Mrs Maugi has over 30 years experience in education sector. She is a good administrator having served as a Principal Ndagoni Girls Sec School and Deputy Head Teacher Ikuu Girls Sec School. She has also served as a County Executive member in Tharaka Nithi County Government.



Hon. Hassan Osman

**Member**

**Appointed 6<sup>th</sup> June 2018**

**THE BOARD OF DIRECTORS (Continued)**



**Mr. Patrick Moturi**  
***Financial Controller***

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

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



**Mr. Antony Ademba**  
***Corporation Secretary***

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

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

**I. REPORT OF THE MANAGING DIRECTOR**

**Technology and automation**

The company continues to undertake and embrace technology through automation of its operations. Currently the company uses (sera system) for its accounting. The company has also digitalized its titles for quick recovery.

**Title documentation**

The company has instituted measures to ensure that all the lands under its custody and its mother corporation ADC have titles.

**Securing of land boundaries**

The company has instituted measures to secure our land boundaries by replacing beacons which have been missing in some of our farms. Our survey department has constantly sorted out boundary disputes with our neighbours with the assistance of various county surveyors.

**Future plans**

The company intends to put permanent fences to all our lands so us to permanently secure our lands from illegal invaders.



.....  
MANAGING DIRECTOR



.....  
DATE

## II. CORPORATE GOVERNANCE STATEMENT

Lands Ltd 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 Company 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 Company has formulated and applies corporate governance guidelines, which stipulates the responsibilities of management and the Board and relationships with stakeholders

**III. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *Lands Ltd* affairs.

**Results**

The results of the Company for the year ended 30<sup>th</sup> June, 2018 was a loss of Kshs.1.8M which was as set out on pages 1 and the notes thereof

**Board of Directors**

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

**Auditors**

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

By Order of the Board

  
Anthony Ademba  
Corporation Secretary  
Nairobi

Date: 5.4.2019

**IV. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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


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

**Approval of the financial statements**

The Corporation's financial statements were approved by the Board on 10<sup>th</sup> September, 2018 and signed on its behalf by:

  
.....  
Director

.....  
Directors

  
.....  
Director

5-4-19  
.....  
Date

.....  
Date

5/4/2019  
.....  
Date

# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE 2018

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lands Limited as at 30 June 2018, 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 the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Trade and Other Payables

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.2,560,000 under trade and other payables. This amount relates to audit fee payable that has been outstanding since 1995 and no satisfactory reason has been given for failure by the Company to pay the audit fee.

##### 2. Receivables from Exchange transactions

As previously reported, the Company's debtors balance of Kshs.21,038,000 as at 30 June 2018 (2017 – Kshs.21,398,000) similarly includes an amount of Kshs.14,542,464 owed by twelve large debt holders, which has been outstanding for a period of over 13 years. The balance also includes an amount of Kshs.6,866,173 relating to more recent debtors that were more than three months old as of 30 June 2018.

Further the non-trade debtors balance of Kshs.522,000 disclosed under Note 8 to the financial statements includes an amount of Kshs.315,117 described as loss of cash and stores that has been outstanding for a considerable period of time. In addition, the specific provision for bad debts of Kshs.537,000 (2017 – Kshs.537,000) was not supported with documentary evidence.

---

*Report of the Auditor-General on the Financial Statements of Lands Limited for the year ended 30 June 2018*

Consequently, the recoverability in full of the receivables balance of Kshs.21,038,000 reflected in the financial statements appears doubtful.

### **3. Grants Reserves**

As previously reported in 2016/2017, the statement of financial position as at 30 June 2018 still reflects a balance of Kshs.55,694,000 under grants reserves. Although no records were provided to indicate the nature of grants, the general ledger describes the amount as long-term finance, whose source, was however, not indicated or explained. The amount has been in the ledgers since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994.

Under the circumstances, the validity and accuracy of the balance of Kshs. 55,694,000 in respect of the grants reserves cannot be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

### **Other Information**

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Failure to Prepare Budget**

During the year ended 30 June 2018, the Company operated without an approved budget contrary to Section 68(2)(h) and (j) of the Public Finance Management Act, 2012 which requires the Accounting Officer to prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan and submit the estimates of the entity to the Cabinet Secretary responsible for the state corporation who, after approving it, shall forward it to the Cabinet Secretary and the National Treasury.

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 are in compliance, 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, based on the audit procedures performed, except for the matter(s) described in the Basis for Qualified Opinion and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of financial performance are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page viii, is consistent with the financial statements.

### **Responsibilities of Directors and Those Charged with Governance**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and the requirements of the Kenya's Companies Act, 2015 and, for maintaining effective internal control as the directors 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 control, risk management and governance.

In preparing the financial statements, the directors are responsible for assessing the ability of Lands Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company, or have no realistic alternative but to do so.

The directors are 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, the directors are 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 control 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 control would not necessarily disclose all matters in the internal control 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 control may not prevent or detect misstatements and instances of noncompliance. 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.

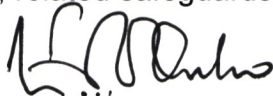
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 the directors.

- Conclude on the appropriateness of the directors' 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 ability of Lands Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Lands Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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



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

**Nairobi**

**17 April 2019**

**VII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	2017-2018 KSH '000'	2016-2017 KSH '000'
Revenue from exchange transactions			
Survey Fees	1	2,225	4,618
		<b>2,225</b>	<b>4,618</b>
<b>Expenses</b>			
Employment	2	2,692	2,690
Board Expenses	4	806	703
Provision for audit fees	5	120	120
Finance costs	6	451	459
Depreciation expense	9	101	133
		<b>4,170</b>	<b>4,105</b>
Net Surplus /Deficit for the year		<b>(1,945)</b>	<b>513</b>

The notes set out on pages 5 to 9 are integral part of the Financial Statements

**VIII. STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30TH JUNE 2018**

<b>Assets</b>			
<b>Current assets</b>	<b>Note</b>	<b>2017-2018 KSH '000'</b>	<b>2016-2017 KSH '000'</b>
Cash and cash equivalents	7	18,022	992
Receivables from exchange transactions	8	21,038	21,398
		<b>39,060</b>	<b>22,390</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	484,130	484,231
Current Account with Parent Co.	10	541,670	560,064
		<b>1,025,800</b>	<b>1,044,295</b>
		<b>1,064,860</b>	<b>1,066,685</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transa	11	2,560	2,440
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants Reserves		55,694	55,694
Capital Reserve	12	12,775	12,775
Revaluation Reserves	13	447,701	447,701
Accumulated surplus		546,110	548,055
		<b>1,062,300</b>	<b>1,064,245</b>
		<b>1,064,860</b>	<b>1,066,685</b>

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 10.08.2018 and signed on behalf of by:

Managing Director

Head of finance

Chairman

Name: Mohammed Bilal

Morrison Andwan  
ICPAK No. 13639

Dr. GHAOIS NGAO

Sign: [Signature]

[Signature]

[Signature]

Date: 5/4/2019

5/4/2019

5-4-19

**IX. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	Share Capital Kshs '000'	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
<b>Balance as at 1 July 2016</b>	20	12,775	447,701	547,542	1,008,038
Loss for the year	-			513	513
<b>Balance as at 30th June 2017</b>	20	12,775	447,701	548,055	1,008,551
Transfers to/from accumulated surplus	-	-		(1,945)	(1,945)
<b>Balance as at 30th June 2018</b>	20	12,775	447,701	546,110	1,006,606

**X. STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	2017-2018 KSH '000'	2016-2017 KSH '000'
<b>Net Loss for the year</b>		(1,945)	513
Adjustments for:			
Depreciation	6	101	133
<b>Operating profit before working capital changes</b>		<b>(1,844)</b>	<b>646</b>
<b>Increase/(decrease) in debtors</b>			
Debtors	5	360	559
Creditors	8	120	120
		480	679
<b>Cash generated from operations</b>		<b>(1,364)</b>	<b>1,325</b>
<b>Cashflows from financing activities</b>			
Cash from parent Company ADC		(17,650)	(4,805)
<b>Net increase in cash and cash equivalents</b>		<b>(19,014)</b>	<b>(3,480)</b>
<b>Cash and cash equivalents at</b>			
Beginning of period		992	4,472
Net increase in cash and cash equivalents		(18,022)	992
Cash at the end		18,022	992

## XI. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

#### Reporting Company

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

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

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

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

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

#### b) Property, plant and equipment

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

#### Contingent liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)*****Contingent assets***

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

**c) Nature and purpose of reserves**

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

**d) Changes in accounting policies and estimates**

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

**e) Borrowing costs**

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

**f) Related parties**

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

**i) Cash and cash equivalents**

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

**j) Comparative figures**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****k) Significant judgments and sources of estimation uncertainty**

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

***Estimates and assumptions***

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

***Useful lives and residual values***

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

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

**l) Subsequent events**

There have been no material non-adjusting events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2018.

**(j) Statement of Comparison of Budget**

The Company did not prepare a statement of comparison of budget because all its operations were budgeted and fully financed by the Parent Company (ADC)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1. Survey Fees**

Relates to income received from the recovery of survey fees paid by the company but recovered from the allottees of the land.

	<u>2018</u>	<u>2017</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Survey Fees	2,225	4,618

**2. Employee costs**

	<u>2018</u>	<u>2017</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Salaries	1,188	1,188
NSSF	7	7
Leave Expenses	13	12
House allowance	900	900
Commuter allowance	276	276
Responsibility allowance	120	120
Pension contribution	187	187
<b>Employee costs</b>	<b><u>2,690</u></b>	<b><u>2,690</u></b>

3. Management fees relates to fees charged by ADC to Land Ltd (Wholly owned subsidiary) for administrative work, However, the Board resolved that ADC stop charging this fees vide Minute No. 72/5/2017

**4. Board members of the Corporation**

	<u>2018</u>	<u>2017</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Sitting Allowances	350	147
Nightout	146	200
Other (Medical, Mileage)	310	356
	<u>806</u>	<u>703</u>

There were no comparative figures for the year since these costs were being absorbed by the Parent Company ADC which formed the basis upon which the management fees in note 3 above was charged

**5. Provision for audit fees by the Office of the Auditor General.**

	<u>2018</u>	<u>2017</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Audit fees	120	120

6. Finance cost are bank charges on National bank account

**7. Cash and cash equivalents**

	<u>2018</u>	<u>2017</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
National Bank of Kenya	18,022	992

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8. Receivables from exchange transactions

	<u>2018</u>	<u>2017</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	21,053	21,413
Specific provision	(537)	(537)
	<u>20,516</u>	<u>20,876</u>
Non - Trade	522	522
	<u>21,038</u>	<u>21,398</u>

## 9. PROPERTY PLANT &amp; EQUIPMENT

COST	Farms	Leased	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2016	483,602	454	5,400	489,456
At 30th June 2017	483,602	454	5,400	489,456
At 30th June 2018	483,602	454	5,400	489,456
DEPRECIATION				
At 1st July 2016	-	198	4,895	5,094
Charge for the year	-	6	126	132
At 30th June 2017	-	204	5,021	5,226
Charge for the year	-	6	95	101
At 30th June 2018	-	210	5,116	5,327
NET BOOK VALUE				
At 30th June 2018	483,602	244	284	484,130
At 30th June 2017	483,602	250	379	484,231

## 10. Current Account- Lands Ltd

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

## 11. Trade and other payables from exchange transactions

	<u>2017</u>	<u>2016</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Non-trade creditors	2,560	2,320

## 12. Capital Reserve

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

## 13. Revaluation Reserves

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

## XII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>Receivables from Exchange Transactions</b> As previously reported, The Company's debtors balances of Kshs. 21,957,000 as at 30 June 2016 includes balances totalling Kshs. 15,093,408 owed by 12 large debt holders which have been outstanding for a period of over 12 years. The balance also includes an amount of Kshs.6,878,423 relating to more recent debts that were more than three months old as of 30 June 2016. Further the non-trade debtors balance of Kshs.522,000 disclosed under Note 5 to the financial statements includes an amount of Kshs.315,117 described as loss of cash and stores that has been outstanding for more than one year. Consequently the recoverability of the receivables balance of kshs.21,957,000 reflected in the financial statements appears doubtful.</p>	<p>The corporation has put caveats on the said parcels of land especially those with title deeds. Demands notes have been sent to allottees. We have also engaged the services of a debt collector and forwarded 10 main debtors totalling 8,425,098.45 for recovery out of which a total of Kshs.2.9m has been collected.</p>	Senior Accountant	Not resolved	30 <sup>st</sup> June 2018
2.	<p><b>Grants</b> The statement of financial position reflects a balance of Kshs.55,694,000 under grants. Although no records were provided to indicate the nature of grants, the general ledger described the amount as long term financing, whose</p>	Senior Accountant	Not resolved	30 <sup>st</sup> June 2018	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>source was, however, not indicated. The amount has been in the ledger since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994. Under the circumstance, the validity and accuracy of the balance of kshs.55,694,000 in respect of the grants cannot be confirmed.</p>				

