

LAH July 21



**AGRICULTURAL DEVELOPMENT
CORPORATION**

ANNUAL REPORT

&

ACCOUNTS

31ST MARCH 2009

Excellence in Agriculture





AGRICULTURAL DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS OF
AGRICULTURAL DEVELOPMENT CORPORATION (ADC)
AND ITS SUBSIDIARY, LANDS LIMITED**

**FOR THE YEAR ENDED
31ST MARCH 2009**

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

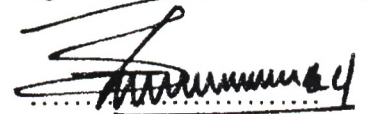
For the year ended 31st March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Agricultural Development Corporation Act (Cap. 444 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 Corporation as at the end of the financial year and of the profit or loss for that period. It also requires the directors to ensure that the Corporation and its wholly-owned subsidiary, Lands Limited keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation and Lands Limited. They are also responsible for safeguarding the assets of the Corporation and its wholly-owned subsidiary, Lands Limited.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the ADC 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 Agricultural Development Corporation and its wholly-owned subsidiary, Lands Limited, and the related operating profit / (loss). The directors further accept the 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 Corporation and its wholly-owned subsidiary, Lands Limited will not remain going concerns for at least the next twelve months from the date of this statement.

<u>Directors</u>	<u>Signature</u>	<u>Date</u>
Mr. Lee Waruingi Chairman		16.11.2009
Mr. William K. Kirwa Managing Director		16.11.2009

REPORT OF THE DIRECTORS

For the year ended 31st March 2009

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31st March 2009, which show the state of the Corporation's affairs.

1. PRINCIPAL ACTIVITY

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

- Provision of quality seeds to the Kenyan farmer,
- Custodian of the national livestock stud,
- Playing a major role in the transfer of technology from research institution to the Kenyan farmer,
- Playing a major role in support of industries processing agricultural goods being a major producer of agricultural produce.

2. LEGAL STATUS

The Corporation was formed through an act of parliament, referred to as the Agricultural Development Corporation Act, CAP 444 of 1986.

3. RESULTS

The loss for the year amounted to **Kshs.108,791,000** which comprises: -

	<u>Kshs. '000</u>
Loss attributable to Lands Ltd	2,443
Loss attributable to A.D.C.	106,348

4. DIRECTORS

The Board of Directors comprises:-

Mr. L. W. Waruingi	- Chairman
Mr. W.K. Kirwa	- Managing Director
Mr. Francis Tuiyot	
Mr. S.M. Gitonga	
Mr. Charles O. Mogeke	
Mr. Gerald M. Mugo	
Mr. Joseph K. Kariuki	
Mr. Mike Tanyassis	
Mr. Joseph K. Muchina	
Mr. Sammy Sareto	
Ms. Loice Chemweno	
Representative	- Ministry of Livestock Development
Representative	- Treasury
Representative	- Ministry of Agriculture

REPORT OF THE DIRECTORS

For the year ended 31st March 2009

5. AUDITORS

The Controller and Auditor General will continue in the office under powers vested in him by the Public Audit Act, 2003.

6. BANKERS

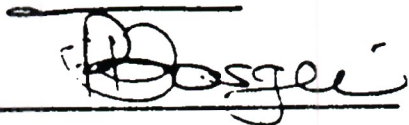
Kenya Commercial Bank Ltd.
National Bank of Kenya Ltd.

7. LAWYERS

Kiarie & Company Advocates

By order of the Board

Beatrice Kosgei

A handwritten signature in black ink, appearing to read 'Beatrice Kosgei', is written over a horizontal line. The signature is stylized and cursive.

Corporation Secretary

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AGRICULTURAL DEVELOPMENT CORPORATION (ADC) AND ITS SUBSIDIARY, LANDS LIMITED FOR THE YEAR ENDED 31st MARCH 2009

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation and its subsidiary, Lands Ltd, set out on pages 1 to 19 which comprise the Balance Sheet as at 31st March 2009, the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines to be necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

1. Financial Performance

During the year under review, the Corporation incurred a loss of Kshs.108,791,000 (2007/2008 loss - Kshs.33,894,000), which brought its accumulated loss to Kshs. 183,207,000 as at 31st March 2009. The unfavourable results of the Corporation were mainly attributed to poor weather conditions, coupled with high input and huge administrative costs. In the circumstances, it has not been possible to confirm that the Corporation will be able to sustain its future operations without the support of Government and creditors.

2.0 Property, Plant and Equipment

2.1 Repossessed Land

- (i) As disclosed in note 4(a) to the financial statements, additions of Lands Limited - Farms managed by ADC totalled Kshs.20,703,000. These farms, referred to as ADC Private Forest Ndabibi LR Nos. 7281/3 and 20591/86, were in respect of 4000 acres of land re-possessed from allottees who had been unable to pay allotment fees.

Out of the 4000 acres so re-possessed, 1,000 acres were allocated to an individual person in exchange for some 700 acres at Asante Farm in Molo, earlier surrendered by the person to the Corporation. The terms and conditions of the exchange were not however clear although the 700 acres had been valued at Kshs.37,910,000 in 2005/2006.

- (ii) Land LR No. 20591/86 in Ndabibi and the parcel in Molo do not have ownership documents including title deeds, while LR 7281/3 has been encroached on by squatters although a title deed has been secured by the Corporation.

In the absence of title deeds for the land in Molo and in Ndabibi, it has not been possible to confirm its ownership status as at 31st March 2009. In addition and according to information available, the process of exchanging 700 acres in Molo with 1,000 acres of the Corporation's land at Ndabibi had not been finalized as at 31st March 2009.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

2.2 Land without Title Deed - Garissa

At the 24th Board meeting held on 22nd January 2009, the Ministry of Agriculture handed over 500 acres of land in Garissa to the Corporation, for the purpose of development. Although the land has since been surveyed, the Corporation has not yet obtained a title deed. Consequently and in the absence of the title deed, it has not been possible to confirm ownership of the land as at 31st March 2009.

3. Trade and other Receivables

The Balance Sheet as at 31st March 2009 reflects, a Trade and Other Receivables balance of Kshs.371,737,000 (2008 - Kshs.224,646,000) which as shown under note 10 includes a trade debtors balance of Kshs.75,184,000 and a non-trade debtors amount of Kshs. 296,553,000. Further, the Receivables balance of Kshs.371,737,000 includes trade debtors and Lands Limited debtors of Kshs.94,996,000 and Kshs.43,152,000 respectively, which have remained outstanding for a considerably long period of time, while only a provision of Kshs,67,110,000 had been made for doubtful debts in the financial statements during the year.

In the circumstances, it has not been possible to confirm that the Trade and Other Receivables balance of Kshs.371,737,000 as at 31 March 2009 is fairly stated.

4. Loss of Fertilizer

During the year under review, the Corporation lost a sum Ksh.24,447,500, through fake bank deposit slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade worth Ksh.111,680,000 had for unclear reasons been stored in a private store in the town. According to information available, the mode of payment was to be either through direct bank deposits where bank slips would be issued and later used for collection of fertilizer or by bankers cheques which had to be confirmed before sale. The Corporation however adopted the direct bank deposits method where and as a result of weak controls, fertilizer worth Kshs.24,447,500 was sold before the respective bank deposits had been confirmed.

In addition the management has not explained how the private store was identified and contracted to store the fertilizer.

Consequently and until the investigations on the matter have been concluded, the recoverability of the loss of Kshs.24,447,500 remains uncertain.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

i. Trade and Other Payables

As similarly reported in 2007/2008, note 12 to the financial statements reflects a non-trade creditors balance of Kshs.180,519,000 as at 31st March 2009. Included in the balance are long outstanding amounts of Kshs.6,557,413, Kshs.9,571,934, Kshs.5,315,944, Kshs.938,641, Kshs.720,940 and Kshs.233,280 relating to Wages, P.A.Y.E., Pension Scheme Contribution, LASC, Terminal Dues, VAT Withholding Tax respectively, which date to as far back as in 1998/1999. The balance of Kshs.180,515,000 also includes outstanding audit fees totalling Kshs.10,137,640 which have been outstanding since 1995. The Corporation has thus failed to remit statutory deductions to the respective agencies or pay audit fees as required by Section 19(1) of the Public Audit Act 2003.

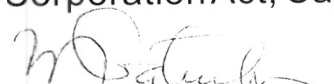
ii. Garissa Irrigation Project

As previously reported, the financial statements reflect an accumulated net capital expenditure of Kshs.99,823,125 incurred on Garissa Irrigation Project by the Corporation, out of which an amount of Kshs. 97,978,000 was financed through accumulated grants received from the Government. The balance of Kshs.2,025,125 was funded by the Corporation as reflected in the Balance Sheet as at 31st March 2009. During the year under review, the Project recorded a further loss of Kshs.1,411,185, bringing the accumulated loss to Kshs.95,352,353 as at 31st March 2009. The viability of the Project, as similarly observed in 2007/2008, is therefore in doubt.

Further, the Project's financial statements reflect a stores balance of Kshs.3,434,318, while the related stock sheets show the actual stock as standing at Kshs.180,914. The difference of Kshs.3,253,404 has not been reconciled or explained.

Opinion

Except for the foregoing reservations, in my opinion, the financial statements present fairly, in all material respects the financial position of the Corporation and its Subsidiary as at 31st March 2009, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Agricultural Development Corporation Act, Cap 444 of the Laws of Kenya.


A.S.M. Gatumbu

CONTROLLER AND AUDITOR GENERAL

Nairobi 3 February 2010

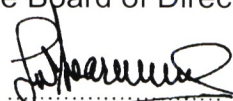
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2009

	NOTES	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
NON CURRENT ASSETS			
Property, Plant and Equipment	4(a)	268,053	239,846
Capital work in progress	5	<u>31,267</u>	<u>23,731</u>
		299,320	263,577
INVESTMENTS			
	6	318,398	318,398
Loans - Lands Ltd.	7	-	770
Current Account with Garrisa Irrigation Project	8	<u>2,025</u>	<u>804</u>
		2,025	1,574
CURRENT ASSETS			
Livestock	9(a)	173,213	210,619
Crops and Cultivations	9(b)	145,136	151,738
Stores	9(c)	182,668	120,242
Trade and other receivables	10	371,737	224,946
Cash and Bank Balances	11	<u>18,908</u>	<u>30,024</u>
		891,662	737,569
CURRENT LIABILITIES			
Trade and other payables	12	412,964	313,984
Accounts Payables - Lands Ltd.	13	1,518	1,398
Current Account with National Livestock Project	14	6,051	-
Bank Overdraft	15	<u>13,782</u>	<u>42,639</u>
		434,315	358,021
NET CURRENT ASSETS		<u>457,347</u>	<u>379,548</u>
TOTAL ASSETS		<u>1,077,090</u>	<u>963,097</u>
FINANCED BY:			
Grants	16	957,065	957,065
Capital Reserves	17	12,775	12,775
Accumulated Loss (pg. 13)	18	(183,207)	(48,682)
Loans	19	<u>290,457</u>	<u>41,939</u>
		<u>1,077,090</u>	<u>963,097</u>

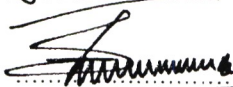
These Accounts were approved by the Board of Directors.

Board Chairman - L.W. Waruingi



16.11.2009

Managing Director - W. K. Kirwa



16.11.2009

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT

For the year ended 31st March 2009

	NOTES	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
TURNOVER (page 15 Schedule 1)		<u>747,656</u>	<u>813,681</u>
Profit / (loss) on farming operations (exclusive of depreciation, rent receivable, revaluation, interest payable and provision for obsolete stocks and bad debts)		90,440	75,224
RENT RECEIVABLE			
Tenant farmers	21	4	840
Other properties	22	<u>21,075</u>	<u>14,574</u>
		21,079	15,414
Interest receivable	23	860	737
Dividends receivable	24	29,929	42,756
Other incomes	25	12,242	7,818
Management Fees	26	<u>1,182</u>	<u>290</u>
		<u>44,213</u>	<u>51,601</u>
TOTAL INCOME		<u>155,732</u>	<u>142,239</u>
Board Members' Expenses		5,090	3,690
Administration Expenses		165,833	101,238
Depreciation	4 (a)	49,625	46,516
Provision for Bad Debts		<u>-</u>	<u>16,453</u>
		220,548	167,897
INTEREST PAYABLE			
Overdraft		1,980	6,595
Loans and Others		<u>14,021</u>	<u>3,032</u>
		<u>16,001</u>	<u>9,627</u>
		236,549	177,524
LOSS FOR THE YEAR		(80,817)	(35,285)
Profit on sale of Fixed Assets		3,101	3,678
Change in Biological Assets	27	(37,906)	(3,593)
Change in Stocks	28	<u>6,831</u>	<u>1,306</u>
NET LOSS FOR THE YEAR		<u>(108,791)</u>	<u>(33,894)</u>

CASH FLOW STATEMENT

For the year ended 31st March 2009

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Cash Flows From Operating Activities:		
Net profit (Loss) for the year	(108,791)	(33,894)
Adjustments for: -		
Depreciation	49,625	46,516
Interest Expense	16,001	9,627
Profit on sale of Fixed Assets	(3,101)	(3,678)
Management Fees	(1,182)	(290)
Provision for bad debts	-	16,453
Revaluation	(31,314)	2,287
Rent Income	(21,079)	(15,414)
Dividend Income	(29,929)	(42,756)
Interest Income (Staff Loans)	(29)	(737)
Operating Profit before Working Capital changes	(129,799)	(21,886)
Increase / (decrease) in debtors	(146,791)	36,693
Increase / (decrease) in stores	(62,426)	15,900
Increase / (decrease) in crops & cultivation	6,602	(31,604)
Decrease in livestock	37,406	5,621
Increase / (decrease) in creditors	98,980	(68,262)
Increase in deposit refundable - Lands Limited	120	1,398
	(66,109)	(40,254)
Cash Generated from Operations	(195,908)	(62,140)
Returns on Investments and servicing of finance		
Dividend received	29,929	17,102
	29,929	17,102
Cash Flows from Investing Activities		
Purchase of fixed assets	(75,868)	(52,789)
Current Account - Garissa Irrigation project	(1,221)	(804)
Loan Recovery	770	1,890
Rental Income	21,079	15,414
Proceeds from sale of assets	4,888	3,678
	(50,352)	(32,611)
Cash Flows from Financing Activities:		
Loan and interest repayments	(2,248)	(18,798)
Garissa Irrigation Project	-	16,000
National Livestock Project	6,051	14,625
Fertilizer Import Project	230,269	-
Molo Potato Project	-	40,000
	234,072	51,827
Net Increase in Cash and Cash equivalents	17,741	(25,822)
Cash and Cash equivalents at:-		
Beginning of period	(12,615)	13,207
End of period	5,126	(12,615)
Net Increase in Cash and Cash equivalents	17,741	(25,822)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2009

STATEMENT OF CHANGES IN EQUITY

	GRANTS Kshs' 000	CAPITAL RESERVES Kshs' 000	PROFIT / (LOSS) Kshs' 000	TOTAL Kshs' 000
BALANCE AS AT 01.04.2007	917,065	12,775	(122,347)	807,493
PRIOR YEAR ADJUSTMENT	-	-	107,559	107,559
LOSS FOR THE YEAR	<u>40,000</u>	<u>-</u>	<u>(33,894)</u>	<u>6,106</u>
BALANCE AS AT 31.03.2008	<u>957,065</u>	<u>12,775</u>	<u>(48,682)</u>	<u>921,158</u>
BALANCE AS AT 01.04.2008	957,065	12,775	(48,682)	921,158
PRIOR YEAR ADJUSTMENT	-	-	(25,734)	(25,734)
LOSS FOR THE YEAR	<u>-</u>	<u>-</u>	<u>(108,791)</u>	<u>(108,791)</u>
BALANCE AS AT 31.03.2009	<u>957,065</u>	<u>12,775</u>	<u>(183,207)</u>	<u>786,633</u>

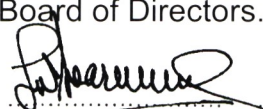
ADC STATEMENT OF FINANCIAL POSITION

As at 31st March 2009

	NOTES	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
NON CURRENT ASSETS			
Property, Plant and Equipment	4(b)	231,799	224,100
Capital work in progress	5	<u>31,267</u>	<u>23,731</u>
		263,066	247,831
INVESTMENTS (Page 18 & 19 - Annex I & II)			
	6	318,398	318,398
Current Account with Garrisa Irrigation Project	8	<u>2,025</u>	<u>804</u>
		2,025	804
SUBSIDIARY COMPANY - LANDS LTD.			
1,000 Ordinary Shares of Kshs.20 each		20	20
Grant to subsidiary		<u>31,414</u>	<u>31,414</u>
		31,434	31,434
CURRENT ASSETS			
Livestock	9(a)	173,213	210,619
Crops and Cultivation	9(b)	145,136	151,738
Stores	9(c)	182,668	120,242
Trade and other receivables	10	328,965	167,052
Cash and Bank	11	<u>17,920</u>	<u>29,895</u>
		847,902	679,546
CURRENT LIABILITIES			
Trade and other payables	12	412,964	313,984
Current Account with National Livestock Project	14	6,051	-
Current Account with Subsidiary Co.		539,350	568,416
Bank Overdraft	15	<u>13,782</u>	<u>42,639</u>
		972,147	925,039
NET CURRENT ASSETS		(124,245)	(245,493)
TOTAL ASSETS		490,678	352,974
FINANCED BY:			
Grants	16	932,785	932,785
Profit and Loss (pg 13)	18	(732,564)	(621,750)
Loans	19	<u>290,457</u>	<u>41,939</u>
		490,678	352,974

These Accounts were approved by the Board of Directors.

Board Chairman - Mr. L. W. Waruingi



16.11.2009

Managing Director - Mr. W. K. Kirwa



16.11.2009

ADC SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2009

	BALANCE 01.04.2008 Kshs'000	RESULT 31.03.2009 Kshs'000	BALANCE 31.03.2009 Kshs'000
a) OPERATIONAL UNITS			
Chorlim	87,571	(5,444)	82,127
Japata	201,461	20,160	221,621
Katuke	19,706	(8,941)	10,765
Kiswani	(41,322)	(5,663)	(46,985)
Mutara	136,247	3,870	140,117
Nai	59,735	(4,419)	55,316
Namandala	16,243	(11,891)	4,352
Ol'Ngantongo	152,246	(17,136)	135,110
Sabwani	90,981	(7,895)	83,086
Suam Orchards	102,511	6,930	109,441
Lanet Feedlot	(77,249)	(12,474)	(89,723)
Galana / Kulalu	(317,626)	3,922	(313,704)
Molo Potato Project	(80,131)	(6,387)	(86,518)
	350,373	(45,368)	305,005
b) SERVICE UNITS			
Machinery pool	(136,161)	(8,944)	(145,105)
FAMS	(419)	(1,489)	(1,908)
A.I. Centre	(8,197)	(2,681)	(10,878)
	(144,777)	(13,114)	(157,891)
c) MANUFACTURING UNIT			
Feedmill and Driers	(14,053)	18,448	4,395
d) ADMINISTRATIVE OFFICES			
Head Office	(729,491)	(49,803)	(779,294)
Kitale Office	(83,802)	(16,511)	(100,313)
	(813,293)	(66,314)	(879,607)
TOTALS	(621,750)	(106,348)	(728,098)

LANDS LTD. STATEMENT OF FINANCIAL POSITION

As at 31st March 2009

	NOTES	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
NON CURRENT ASSETS			
Property, Plant and Equipment		36,251	15,746
Loans Advanced	7	-	769
CURRENT ASSETS			
Current Account with Parent Company	22	539,350	568,416
Accounts Receivable		42,775	57,895
Cash & Bank Balances	12	988	129
		<u>583,113</u>	<u>626,440</u>
CURRENT LIABILITIES			
Accounts Payable		1,518	1,398
		<u>1,518</u>	<u>1,398</u>
NET CURRENT ASSETS		<u>581,595</u>	<u>625,042</u>
TOTAL ASSETS		<u>617,846</u>	<u>641,557</u>
FINANCED BY:			
Authorised and issued fully paid		20	20
1,000 Ord. shares of Kshs. 20 each	19	12,775	12,775
Capital Reserves		55,694	55,694
Grants	20	549,357	573,068
Profit and Loss Account		<u>617,846</u>	<u>641,557</u>

LANDS LTD. STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2009

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
TURNOVER (page 15 - schedule 1)	<u>1,651</u>	<u>1,837</u>
INCOME		
Interest on loans	860	737
Rent receivable	4	840
Profit on sale of fixed assets	236	-
Miscellaneous income	551	260
	<u>1,651</u>	<u>1,837</u>
EXPENDITURE		
Management Fees payable to Parent Co.	598	598
Bank Charges	20	25
Audit Fees	120	120
Staff Costs	1,255	1,237
Depreciation	22	86
Rates	42	400
Legal Fees	90	709
Incidentals	192	1,504
Survey Fees	1,755	3,404
	<u>4,094</u>	<u>8,083</u>
NET LOSS FOR THE YEAR	<u>(2,443)</u>	<u>(6,246)</u>
STATEMENT OF ACCUMULATED PROFIT		
Accumulated Profit brought forward	573,068	588,794
Net Loss for the year	(2,443)	(6,246)
Prior year adjustment	(21,268)	(9,480)
Accumulated Profit Carried Forward	<u>549,357</u>	<u>573,068</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of Preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings (Kshs.) and prepared under historical cost convention.

(b) Consolidated Financial Statements

The consolidated accounts comprise the accounts of the Agricultural Development Corporation and its subsidiary, Lands Limited. They do not include the accounts of Chemelil Sugar Company and Muhoroni Sugar Industries Limited which are subsidiaries of the corporation. The Corporation has no control in the management of non-consolidated subsidiaries.

(c) Income Recognition

Income is recognized in the period in which it is earned. However, dividends from investments are recognized when declared.

(d) Property, Plant and Equipment

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

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

Land	Nil
Building	5% p.a.
Fencing and Water Supply	10% p.a.
Furniture and Equipment	20% p.a.
Motor Vehicles and Tractors	25% p.a.
Permanent Improvements in Subsidiary Company	2.5% p.a.
Farm Equipments and Machinery	20% p.a.
Small Tools	50% p.a.
Land Reclamation and Drainage	20% p.a.

(e) Investments

Investments in subsidiaries are stated at cost without provision for possible impairment losses.

(f) Taxation

There is no tax liability arising because the Corporation has been exempted from taxation according to Kenya Gazette Supplement Number 25 of 21st April, 1986.

(g) Rent

The wholly owned subsidiary, Lands Limited, did not charge the Corporation rent for farms occupied during the year. Results of farms as disclosed in the financial statements do not therefore include any charge for rent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

2. Turnover

	GROUP		ADC		LANDS LTD.	
	YEAR 2009 Ksh '000	YEAR 2008 Ksh '000	YEAR 2009 Ksh '000s	YEAR 2008 Ksh '000	YEAR 2009 Ksh '000s	YEAR 2008 Ksh '000
Schedule 1 - pg.15	747,656	813,681	746,241	811,844	1,415	1,837

Turnover is total sales of all ADC units and its subsidiary Lands Limited. It excludes profit on sale of fixed assets and any extra-ordinary income.

3. Net Profit

The net profit for the year is stated:

	GROUP		ADC		LANDS LTD.	
	YEAR 2009 Ksh '000	YEAR 2008 Ksh '000	YEAR 2009 Ksh '000	YEAR 2008 Ksh '000	YEAR 2009 Ksh '000	YEAR 2008 Ksh '000
After charging:						
Depreciation	49,625	46,516	49,603	46,131	22	385
Auditors' Remuneration	849	849	729	729	120	120
Interest on Loans	14,021	9,627	14,021	9,627	-	-
Provision for Bad & Doubtful Debts and Crediting:	-	16,453	-	16,453	-	-
Profit on sale of Fixed Assets	3,101	3,678	2,865	3,678	-	-

4. Schedule of Fixed Assets

As per schedule 4a and 4b (pages 16 & 17)

5. Capital Work in progress

Relates to in-complete capital works.

	YEAR 2009 Ksh '000s	YEAR 2008 Ksh '000s
Namandala	10,062	8,836
Chorlim	552	379
Kitale Office	2	2
Japata	1,043	477
Nai	435	98
Ol'Ngantongo	858	483
Sabwani	1,062	255
Feedmill	1,157	1,117
Katuke	2,374	1,499
Suam Orchards	7,662	7,513
A I Centre	195	-
Kiswani	418	114
Lanet	141	141
Molo	5,306	2,818
	31,267	23,732

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

6. Investments

Investments are stated at cost. No provision has been made in the accounts against the cost of investments in companies which have accumulated losses. The shares are not traded at The Nairobi Stock Exchange, hence the difficulty in establishing their market fair values as required by IAS 40 - Investment Property in the following companies:

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Muhoroni Sugar Company	19,500	19,500
Kenya Co-operative Creameries	4,151	4,151
Kenya Grain Growers Co-op. Union	1,404	1,404
Pyrethrum Board of Kenya	36	36
Kenya Planters' Co-operative Union	17	17
Total cost of Investments	25,108	25,108

7. Loans - Lands Limited

Relates to loans advanced to staff

	GROUP		LANDS LTD.	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Unsecured	799	770	799	770
General Provision	(479)	-	(479)	-
Specific Provision	(320)	-	(320)	-
Total	-	770	-	770

8. Current Account with Garissa Irrigation Project

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Total expenditure by ADC on the project.	2,025	804

9. Stocks

(a) Standing Crops and Livestock

The Corporation adopted the International Accounting Standard No. 41 "Agriculture" in the valuation of its biological assets. Consequently, the valuation of standing crops (coffee and fruit trees) and livestock have been done on the basis of their "fair value less estimated point-of-sale cost".

(b) Harvested crops and Cultivation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

(c) Stores

The stores have been stated at cost net of provision for obsolete stocks.

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Stores	195,253	132,827
Specific Provision	(12,585)	(12,585)
	182,668	120,242

10. Trade and Other Receivables

Comprise of both trade and non-trade debtors as follows:-

a) Trade Debtors	GROUP		ADC	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Debtors	141,117	180,778	141,117	180,778
Less: Specific Provision	(51,962)	(51,962)	(51,962)	(51,962)
Less: General Provision	(13,971)	(15,148)	(13,971)	(15,148)
	75,184	113,668	75,184	113,668

b) Non - Trade Debtors	GROUP		ADC		LANDS LTD.	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Non-Trade Debtors	297,730	113,711	253,778	53,383	43,952	60,328
Less: General Provision	-	(839)	-	-	-	(839)
Less: Specific Provision	(1,177)	(1,594)	-	-	(1,177)	(1,594)
	296,553	111,278	253,778	53,383	42,775	57,895

11. Cash and Bank Balances

	GROUP		ADC		LANDS LTD.	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Cash in hand	549	998	549	998	-	-
Cash at bank	18,359	29,036	17,371	28,907	988	129
	18,908	30,034	17,920	29,905	988	129

12. Trade and Other Payables

	GROUP		ADC	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Trade Creditors	232,445	136,731	232,445	136,731
Non-Trade Creditors	180,519	177,253	180,519	177,253
	412,964	313,984	412,964	313,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

13. Accounts Payables - Lands Ltd.

Refers to accrued audit fees.

14. Current Account with National Livestock Project

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation utilised cash to the tune of Kshs.6,051,000 from the project account on operations.

15. Bank Overdraft

Relates to an overdraft facility by Kenya Commercial Bank to ADC Feedmill & Driers And ADC Head Office.

16. Grants

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Government of Kenya	849,071	849,071
Dutch Government	16,132	16,132
British Government	67,582	67,582
	932,785	932,785
ADC and Subsidiary	957,065	957,065
Grants attributable to subsidiary	(24,280)	(24,280)

17. 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.

18. Profit and Loss

Comparative profit/(loss) carried forward at the end of each of the two financial years.

	GROUP		LANDS LTD.		ADC	
	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Loss b/d	(48,682)	(122,347)	573,068	588,794	(621,750)	(711,141)
Prior Year adjustment	(25,734)	107,559	(21,268)	(9,480)	(4,466)	117,039
Loss for the year	<u>(108,791)</u>	<u>(33,894)</u>	<u>(2,443)</u>	<u>(6,246)</u>	<u>(106,348)</u>	<u>(27,648)</u>
Loss c/d	(183,207)	(48,682)	549,357	573,068	(732,564)	(621,750)

The prior year adjustment relate to interest waived for Siboti Farmers and a write-off of debtors not matched by ground land. In the audited accounts of 2007/2008, the loss reported in this note was Kshs.33,819 which does not tally to the profit of Kshs.33,894 reported on page 4 resulting in a difference of Kshs. 75,000. This has been rectified in the current year's notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

19. Loans

	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
Kenya Commercial Bank Limited	290,457	41,939

The loan is secured by land owned by the subsidiary - Lands Ltd.

20. Current Account - Lands Ltd.

This is a control account for transactions between the Subsidiary company (Lands Ltd.) and its Parent Company (Agricultural Development Corporation).

21. Rent Receivable - Tenant Farmers

This relates to rent received from land leased to farmers by the subsidiary Company.

22. Rent Receivable - Other Properties

Relates to rent received for half ownership of Development House and other rented properties.

23. Interest Receivable

This is interest income charged on house loans, car loans and land tenants.

24. Dividends Receivable

Relates to dividend income from Kenya Seed Company accrued at Kshs. 5.25 per share.

25. Other Incomes

Relates to income from any other source other than the core business.

26. Management Fees

Relates to fees for managing Garissa Irrigation Project.

27. Change in Biological Assets

As per the International Accounting Standards No. 41, the Corporation's biological assets (livestock) increased by Kshs. 34.3m during the year arising from depressed prices in the market in the year.

28. Change in Stocks

In complying with International Accounting Standards No. 41 of valuing stock at realizable value, the Corporation stock during the year increased by 5.525m arising From the increased stock of the harvested crops and crops and cultivation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

SCHEDULE 1

		YEAR 2009	YEAR 2008
		Kshs'000	Kshs'000
ADC Turnover			
1. Production Units	Mutara	31,006	39,135
	Galana	46,293	43,482
	Molo	6,380	3,794
	Lanet	16,679	12,564
	Kiswani	9,422	10,303
	Chorlim	34,312	43,251
	Japata	88,434	105,583
	Katuke	53,379	53,837
	Nai	35,132	57,023
	Namandala	56,318	45,762
	Oi'Ngantongo	55,146	78,546
	Sabwani	67,752	86,121
	Suam	68,659	65,288
		568,912	644,689
2. Administrative Units	Head Office	46,784	52,193
	Kitale Office	4,472	3,550
		51,256	55,743
3. Service Units	Machinery Pool	30,280	29,464
	Feedmill	89,702	76,402
	FAMS	80	1,740
	AI Centre	8,876	7,484
		128,938	115,090
Total Turnover		749,106	815,522
Less: Profit on sale of fixed assets		(2,865)	(3,678)
		746,241	811,844
Lands Ltd. Turnover		1,651	1,837
Less: Profit on sale of fixed assets		(236)	-
		1,415	1,837
TOTAL TURNOVER		747,656	813,681

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2009

4.(a) FIXED ASSETS

FIXED ASSETS - AGRICULTURAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY

COST	01.04.2008	ADDITIONS	DISPOSALS	31.03.2009
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Lands Ltd. -Leased Farms	454	-	-	454
Lands Ltd. - Farms Managed by ADC	53,109	20,703	-	73,812
Buildings	68,882	387	-	69,269
Fencing Water Supply	53,313	81	-	53,394
Farm Equipment and Machinery	171,641	15,037	1,185	185,493
Furniture and Equipment	32,044	1,563	995	32,614
Motor Vehicles and Tractors	284,974	40,159	17,451	307,685
Small Tools	2,441	463	-	2,904
Land Reclamation and Drainage	2,208	1,221	-	3,429
	669,066	79,614	19,631	729,054

DEPRECIATION	01.04.2008	YR CHARGE	DISPOSALS	31.03.2009
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Farms Leased	140	8	-	148
Buildings	41,727	1,377	-	43,104
Fencing and Water Supply	44,625	877	-	45,502
Farm Equipment and Machinery	108,488	15,633	1,161	122,960
Furniture and Equipment	21,353	2,368	581	23,140
Motor Vehicles and Tractors	208,407	28,843	16,102	221,148
Small Tools	2,405	248	-	2,653
Land Reclamation and Drainage	2,075	271	-	2,346
	429,220	49,625	17,844	461,001

NET BOOK VALUE	01.04.2008	31.03.2009
	Kshs' 000	Kshs' 000
Lands Ltd. - Farms leased	314	306
Lands Ltd. - Farms Managed by ADC	53,109	73,812
Buildings	27,155	26,165
Fencing & Water Supply	8,688	7,892
Farm Equipment and Machinery	63,153	62,533
Furniture and Equipment	10,691	9,474
Motor Vehicles and Tractors	76,567	86,537
Small Tools	36	251
Land Reclamation and Drainage	133	1,083
	239,846	268,053

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2009

4.(b) FIXED ASSETS

FIXED ASSETS - AGRICULTURAL DEVELOPMENT CORPORATION

COST

	01.04.2008	ADDITIONS	DISPOSALS	31.03.2009
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Land	-	-	-	-
Buildings	68,882	387	-	69,269
Fencing and Water Supply	53,313	81	-	53,394
Farm Equipment and Machinery	171,641	15,037	1,185	185,493
Furniture and Equipment	32,046	1,563	995	32,614
Motor Vehicles and Tractors	278,574	40,159	14,348	304,385
Small Tools	2,441	463	-	2,904
Cost of farms managed by ADC	37,910	-	-	37,910
Land Reclamation and Drainage	2,208	1,221	-	3,429
	647,015	58,911	16,528	689,398

DEPRECIATION

	01.04.2008	YR CHARGE	DISPOSALS	31.03.2009
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Buildings	41,727	1,377	-	43,104
Fencing and Water Supply	44,625	877	-	45,502
Farm Equipment and Machinery	108,487	15,633	1,161	122,959
Furniture and Equipment	21,353	2,368	581	23,140
Motor Vehicles and Tractors	202,242	28,829	13,177	217,894
Small Tools	2,406	248	-	2,654
Cost of farms managed by ADC	-	-	-	-
Land Reclamation and Drainage	2,075	271	-	2,346
	422,915	49,603	14,919	457,599

NET BOOK VALUE

	01.04.2008	31.03.2009
	Kshs' 000	Kshs' 000
Land	-	-
Buildings	27,155	26,165
Fencing and Water Supply	8,688	7,892
Farm Equipment and Machinery	63,154	62,534
Furniture and Equipment	10,693	9,474
Motor Vehicles and Tractors	76,332	86,491
Small Tools	35	250
Cost of farms managed by ADC	37,910	37,910
Land Reclamation and Drainage	133	1,083
	224,100	231,799

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2009

Annex I

INVESTMENT AND NATURE OF INVESTMENT

CHEMELIL SUGAR CO. LTD.

	SOURCE OF FINANCE	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
4,043,825 Shares of Ksh.20	Grant - MOA	68,488	68,488
1,250,000 Ordinary shares of Ksh.20 Each	Grant - MOA	25,000	25,000
1,918,800 Ordinary Shares of Ksh.20 Each	Grant - MOA	38,376	38,376
2,966,955 Ordinary Shares of Ksh.20 Each (Purchased from G.H.H)	Grant - MOA	1,100	1,100
		48,239	48,239
		181,203	181,203

DEVELOPMENT HOUSE PHASE I & II

Development House - Block 1	Corp. Fund	12,034	12,034
Development House - Block 2	Corp. Fund	32,205	32,205
Capital Development 1 & 2	Corp. Fund	46,012	46,012
		90,251	90,251

MUHORONI SUGAR COMPANY

2,067,096 Ordinary Shares of Ksh. 20 Each	Grant - MOA	19,500	19,500
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KENYA CO-OPERATIVE CREAMERIES

10 Ordinary shares of Ksh.20 each	Corp. Fund	-	-
130,038 Ordinary Levy Shares of Ksh.20 Each	Corp. Fund	3,096	3,096
42,414 5% "D" Cum Red. Pref. Shares of Ksh. 20 Each	Corp. Fund	848	848
4,194 5% "C" Cum Red. Pref. Shares of Ksh. 20 Each	Corp. Fund	84	84
256 Deffered Shares of Ksh. 20 Each	Corp. Fund	5	5
5,891 "A" Deffered Shares of Ksh. 20 Each	Corp. Fund	118	118
		4,151	4,151

KENYA GRAIN GROWERS CO-OP. UNION

70,214 Ordinary Shares of KSh. 20	Corp. Funds	1,404	1,404
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KENYA SEED COMPANY LTD.

465,874 Ordinary Shares of Ksh.20 Each	Corp. Funds	4,465	4,465
8,586 Ordinary Shares of Ksh.50 Each	Corp. Funds	429	429
600 Ordinary Shares of Ksh.70 Each	Corp. Funds	42	42
5,225,660 Ordinary Shares of Ksh.20 Each	Bonus Issue	0	0
		4,936	4,936

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2009

Annex II

INVESTMENT AND NATURE OF INVESTMENT	SOURCE OF FINANCE	YEAR 2009 Kshs'000	YEAR 2008 Kshs'000
PYRETHRUM BOARD OF KENYA			
1,782 Ordinary Shares of Ksh.20 Each	Corp. Funds	36	36
KENYA PLANTERS CO-OP. UNION			
1,691 Red. Ordinary Shares of Shs 10 Each (Conversion of Stock)	Corp. Funds	17	17
AGRO-CHEMICAL & FOOD CO. LTD.			
157,500 Shares of Shs. 20 Each	Corp. Funds	3,150	3,150
687,500 Shares of Shs. 20 Each	Grant MoA	13,750	13,750
		16,900	16,900
TOTAL COST OF INVESTMENTS		318,398	318,398

ADC A.I. Centre

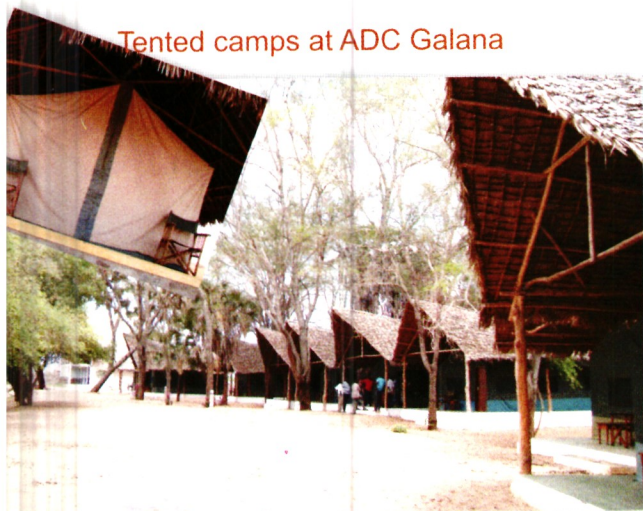


Embryo Transfer Calves



ADC facilitates transfer of technology from research institutions to the Kenyan farmer

Tented camps at ADC Galana



Eco-Houses at ADC Namandala



ADC ensures that its activities are not only environmentally compliant but also friendly to the community interests.



Motivated staff and management is ADC's strength



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