

REPUBLIC OF KENYA



REPORT

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 21 SEP 2021

DAY:

Tuesday

**TABLED
BY:**

Leader of Majority Party

OF

**CLERK-AT
THE-TABLE:**

Forlay Muriuki

THE AUDITOR-GENERAL

ON

LANDS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2019**

LANDS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

*FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019*

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

Table of Content**Page**

I. KEY COMPANY INFORMATION AND MANAGEMENT	ii
II. BOARD OF DIRECTORS	iv
III. MANAGEMENT TEAM	vi
IV. REPORT OF THE MANAGING DIRECTOR.....	vii
V. CORPORATE GOVERNANCE STATEMENT	viii
VI. REPORT OF THE DIRECTORS.....	ix
VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	x
VIII. REPORT OF THE INDEPENDENT AUDITORS ON LANDS LTD.....	xi
IX. STATEMENT OF FINANCIAL PERFORMANCE.....	1
X. STATEMENT OF FINANCIAL POSITION.....	2
XII. STATEMENT OF CASHFLOWS	4
XIII. NOTES TO THE FINANCIAL STATEMENTS	5
XIV. 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 *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.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Managing Director	Mr. Mohamed Bulle
2.	Ag. Corporation Secretary	Ms. Lilian Kosgei
3.	Head of Corporate Planning	Dr. Winnie Macharia(Phd)
4.	Ag. Head of Technical	Mr. Samuel Bundotich
5.	Head of Business Development	Mr. Maxwell Mugonyi
6.	Ag. Financial Controller	Mr. Jonathan Keitany
7.	Ag. Head of Internal Audit	Mr. Morrison Andwati

KEY CORPORATION INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

1. The Board operates under three committees as follows;

Audit Committee activities include;

- Charged with the responsibility of safeguarding of the corporation assets
- Ensuring adequate financial systems and controls are in place
- Ensuring financial statements and reports are in compliance with legal requirements and meet the relevant accounting standards.
- Reviewing the internal Audit reports and management action thereon.

Finance, Staff and General Purpose Committee

- Oversee sourcing and utilization of Corporation's Funds
- In charge of staff Remuneration, recruitments of senior managers, incentives and filling of vacancies.
- Reviewing the monthly management accounts
- Review of the corporation budgets and financial statements.

Project Committee activities

- Ensuring Projects undertaken by the corporation are viable and properly managed.

(f) Headquarters & Registered Office

Development House 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
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

II. BOARD OF DIRECTORS

Dr. Gladys Kasiva Ngao**Member****Appointed 6th June 2018**

Dr Gladys Kasiva Ngao Hold a PhD in Education from the University of Pune, India; MBA in Human recourse management from Sikkim Manipal University, India; MEd (Sociology of Education) from Kenyatta university: B.Ed (Special Needs Education & Literature) & Dlpoma 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 Kenyatta 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. Mohamed Bulle**Ag. Managing Director**

He was appointed the Acting Managing Director in April 2019. He 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.

Mr. Martin Ogindo**Member****Appointed 6th June 2018**

Hon. Ogindo holds an MBA (Finance) from the University of Nairobi and a Bachelor of commerce (Accounting Option) from the University of Nairobi. He has enormous experience in public finance management having worked as an advisor economic planning, finance, strategy and budgeting in the council of Governors. Before that he served as a Member of Parliament for Rangwe constituency Kenya National Assembly.

**Hon. Paul Kibet Chebor****Member****Appointed 6th June 2018**

BOARD OF DIRECTORS



Hon. Hassan Osman
Member
Appointed 6th June 2018

MR. CHRISOLOGUS MAKOKHA – Representative state advisory committee
(SCAC)

III. MANAGEMENT TEAM



Mr. Mohamed Bulle
Ag. Managing Director

He was appointed the Acting Managing Director in April 2019. He 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.



Ms. Lilian Kosgei
Ag. Corporation Secretary

Ms. Lilian is a qualified Advocate of Kenya with Bachelors of Law from Moi University, post graduate diploma in Law and is currently pursuing CPS. She was appointed as Acting Company Secretary in April 2019 after being a Legal Officer.

Ms. Lilian has considerable experience and skills in Conveyance and Civil litigation. She is a member of Law Society of Kenya.



Mr. Jonathan Keitany
Ag. Financial Controller

Mr Keitany holds MBA (accounting) option from University of Nairobi; He is a Certified Public Accountant of Kenya and a member of ICPAK and IIA as well as certified Monitoring and Evaluation Officer. He was appointed Head of Internal Audit in June 2017 to May 2019 when he was moved to finance and appointed the acting financial Controller.

He has grown in the ranks within the Corporation having gained over 10 years' experience in both Audit and Finance of Agricultural branches and in the private sector previously before joining the Corporation. He served as an audit and risk assessment officer in various Audit firms

IV. 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, 2019 which show the state of the *Lands Ltd* affairs.

Results

The results of the Company for the year ended 30th June, 2019 was a profit of Kshs.395, 000 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


for Ms Lilian Kosgei
Ag. Corporate Secretary
Nairobi

Date: 30/9/2019

VII. 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 30th September, 2019 and signed on its behalf by:



Director

 Directors

 Director



Date

 Date

 Date

VIII. REPORT OF THE INDEPENDENT AUDITORS ON LANDS LTD

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 12, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of net assets and the 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lands Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Receivables from Exchange Transactions

As disclosed in Note 8 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.20,434,000. As previously reported, the balance includes an amount of Kshs.14,542,464 owed by twelve (12) debtors, which has been outstanding for over fourteen (14) years.

Further, the non-trade debtors balance of Kshs.522,000 includes a loss of cash and stores amount of Kshs.315,117 that has been outstanding for a considerable period of time.

In addition, the specific provision for bad debts of Kshs.537,000 was not supported with documentary evidence.

Consequently, the accuracy and completeness of receivables balance of Kshs.14,542,464 reflected in the receivables from exchange transactions balance in the statement of financial position as at 30 June, 2019 could not be confirmed.

2. Unsupported Grants Reserves

As previously reported in 2017/2018, the statement of financial position reflects a balance of Kshs. 55,694,000 under grants reserves. The amount is described in the general ledger as a long-term finance since 1994 but the source had not been disclosed or explained.

In the circumstances, the completeness and accuracy of the balance of grants reserves of Kshs.55,694,000 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lands Limited 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 qualified opinion.

Key Audit Matters

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of 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. The other information does not include the financial statements and the auditor's report thereon.

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. If based on the work I have performed, 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.

Other Matter

Unresolved Prior Year Matters

In the audit reports of the previous years, several issues were raised. However, the Management had not resolved all the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Reference No. PSASB/1/12/Vol.1(44) of 25 June, 2019.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section 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 Statement of Comparison of Budget and Actual Amounts and provide the Approved Budget

The financial statements submitted for audit did not include a statement of comparison of budget and actual amounts. No explanation has been provided for this omission contrary to the financial reporting guidelines issued by the Public Sector Accounting Standards Board through the National Treasury Circular Reference No. PSASB/1/12/Vol.1(44) of 25 June, 2019.

Further, Management did not provide an approved budget. This is contrary to Section 68(2)(h) and (j) of the Public Finance Management Act, 2012 which requires the Accounting Officer of the Company 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

Consequently, the Management is in breach of the law.

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, I confirm that, nothing 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 2315 and ISSAI 2330. The standards require 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, except for the matters raised under Basis for Qualified Opinion, Other Matter and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, 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 the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

The 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 the 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 control, risk management and overall governance.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate Company or to 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, the 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 financial reporting process, reviewing the effectiveness of how Company 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 overall 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 overall 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 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 the Management.
- Conclude on the appropriateness of the 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 Company's ability 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 the 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

11 August, 2021

LANDS LTD

IX. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018-2019 KSH '000'	2017-2018 KSH '000'
Revenue from exchange transactions			
Survey Fees	1	3,465	2,225
		3,465	2,225
Expenses			
Employment	2	2,358	2,692
Board Expenses	4	-	806
Provision for audit fees	5	120	120
Finance costs	6	515	451
Depreciation expense	9	77	101
		3,070	4,170
Net Surplus /Deficit for the year		395	1,945

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

X. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

Assets**Current assets**

	Note	2018-2019 KSH '000'	2017-2018 KSH '000'
Cash and cash equivalents	7	25,184	18,022
Receivables from exchange transactions	8	20,434	21,038

45,618 39,060

Non-current assets

Property, plant and equipment	9	484,053	484,130
Current Account with ADC -Parent	10	535,704	541,670
		1,019,757	1,025,800
		1,065,375	1,064,860

Liabilities**Current liabilities**

Trade and other payables from exchange trans:	11	2,680	2,560
---	----	-------	-------

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		546,505	546,110
		1,062,695	1,062,300
		1,065,375	1,064,860

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 30.09.2019 and signed on behalf of by:

Managing Director	Head of finance	Chairman
Name: <u>M. Shamed</u>	<u>J. L. Keitany</u>
	ICPAK No. 15114	
Sign: <u>[Signature]</u>	<u>[Signature]</u>
Date: <u>10/8/2021</u>	<u>10/8/2021</u>

**XI. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2019**

	Share Capital Kshs '000'	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1 July 2017	20	12,775	447,701	548,055	1,008,551
Transfers to/from accumulated surplus	-	-		(1,945)	(1,945)
Balance as at 30th June 2018	20	12,775	447,701	546,110	100,606
Transfers to/from accumulated surplus	-	-		395	395
Balance as at 30th June 2019	20	12,775	447,701	546,505	101,001

**XII. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2019**

	Note	2018-2019 KSH '000'	2017-2018 KSH '000'
Net Loss for the year		395	(1,945)
Adjustments for:			
Depreciation	6	77	101
Operating profit before working capital changes		472	(1,844)
Increase/(decrease) in debtors			
Debtors	5	604	360
Creditors	8	120	120
		724	480
Cash generated from operations		1,196	(1,364)
Cashflows from financing activities			
Cash from parent Company ADC		(12,056)	(17,650)
Net increase in cash and cash equivalents		(10,860)	(19,014)
Cash and cash equivalents at			
Beginning of period		18,022	992
Net increase in cash and cash equivalents		7,162	(18,022)
Cash at the end		25,184	18,022

XIII. 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 disclosure 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**j) Comparative figures**

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

k) Significant judgments and sources of estimation uncertainty

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>2019</u>	<u>2018</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Survey Fees	3,465	2,225

2. Employee costs

	<u>2019</u>	<u>2018</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Salaries	1,042	1,188
NSSF	6	7
Leave Expenses	12	13
House allowance	790	900
Commuter allowance	243	276
Responsibility allowance	100	120
Pension contribution	164	187
Employee costs	2,358	2,692

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>2019</u>	<u>2018</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Sitting Allowances	-	350
Nightout	-	146
Other (Medical, Mileage)	-	310
	-	806

The Lands Limited Board was combined with Legal Board thus the expenditure is captured under the Corporation's Board Allowances budget

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

	<u>2019</u>	<u>2018</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>2019</u>	<u>2018</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
National Bank of Kenya	25,184	18,022

8. Receivables from exchange transactions

	<u>2019</u>	<u>2018</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	20,449	21,053
Specific provision	(537)	(537)
	<u>19,912</u>	<u>20,516</u>
Non - Trade	522	522
	<u>20,434</u>	<u>21,038</u>

9. PROPERTY PLANT & EQUIPMENT

COST	Farms	Leased	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2017	483,602	454	5,400	489,456
At 30th June 2018	483,602	454	5,400	489,456
At 30th June 2019	483,602	454	5,400	489,456
DEPRECIATION				
At 30th June 2017	-	204	5,021	5,094
Charge for the year	-	<u>6</u>	<u>95</u>	<u>101</u>
At 30th June 2018	-	210	5,116	5,326
Charge for the year	-	<u>6</u>	<u>71</u>	<u>77</u>
At 30th June 2019	-	<u>216</u>	<u>5,187</u>	<u>5,403</u>
NET BOOK VALUE				
At 30th June 2018	483,602	238	213	484,053
At 30th June 2019	483,602	<u>250</u>	<u>279</u>	<u>484,130</u>

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>2019</u>	<u>2018</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Non-trade creditors	2,680	2,560

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 Ol'ngatongo Farm and L.R No. 2043/2 ADC Sabwani

XIV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

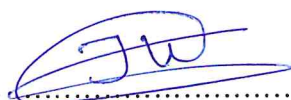
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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.	Receivables from Exchange Transactions 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	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.	Senior Accountant	Resolved	30 st 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)
	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.				
	Grants 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 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	Senior Accountant	Not resolved	30 st 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)
	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.				

Head Of Finance :



Date :

15/8/2021

Managing Director :



Date:

15/8/2021

