

REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 16 MAR 2023	DAY: Thursday
TABLED BY:	Deputy Majority Party Leader
CLERK OF THE TABLE:	Joyle Lemereille

OF

THE AUDITOR-GENERAL

ON

**AGRICULTURAL DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2021**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
31 MAY 2022
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Agricultural Development Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

AGRICULTURAL DEVELOPMENT CORPORATION

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Abbreviations, Key and Definitions

1. **IPSAS** - International Public Sector Accounting Standards
2. **ADC** - Agricultural Development Corporation.
3. **OAG** - Office of the Auditor General.
4. **NDMA** - National Drought Management Authority.
5. **MOALF** - Ministry of Agriculture Livestock and Fisheries.
6. **GOK** - Government of Kenya
7. **ISO** - International standards Organization
8. **QMS** - Quality Management standards

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I. KEY CORPORATION INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

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

(c) Key Management

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

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

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KEY CORPORATION INFORMATION AND MANAGEMENT(Cont.)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

1. The Board operates under four committees as follows;

Audit Committee

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

Finance, Staff and General Purpose Committee

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

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

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Agriculture, Livestock and Projects Committee

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

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

Lands, Legal Services & Partnership Committee

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

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

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KEY CORPORATION INFORMATION AND MANAGEMENT(Cont.)

(f) Headquarters & Registered Office

Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(g) Corporation Contacts

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

(h) Corporation Bankers

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

3. **Consolidated Bank of Kenya**
Harambee Avenue Branch
P.O Box 34823 -00100
Nairobi, Kenya.

2. **Kenya Commercial Bank**
Moi Avenue
P.o. Box 48400-00100
Nairobi, Kenya.

(i) Independent Auditors

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

j) Principal Legal Adviser

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

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II. BOARD OF DIRECTORS

HON. NICHOLAS SALAT, EBS

Chairman

Retired 5th June 2021



Hon. Salat holds a Bachelor's degree in Arts from University of Alberta. Hon. Salat has a wealth of experience in public service being the current Secretary General of Kenya African National Union (KANU) and having served as Member of Parliament for Bomet Constituency. In addition, he has served as the Chairman and Organizing Secretary of Bomet Constituency. Between the years 2003-2007 Hon. Salat served as the Shadow Cabinet Minister for Home Affairs.

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. LYDIA NANEU NTIMAMA

Member

Retired 7th August, 2020



Ms. Ntimama holds a Master's Degree in Environmental Planning and Management from University of Nairobi, and a Bachelor of Arts in Tourism Management and History. She has vast experience in public and community service having served as a Councillor of the

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BOARD OF DIRECTORS (Continued)

County Council of Narok. Ms. Ntimama has served in various school boards and was the Finance Committee chair for Rift Valley Water Services Board.

MR. EPHANTUS MURAGE MUNDIA, MBS

Member

Retired 5th June, 2021



Mr. Murage is a licensed Surveyor with 33 years' practice experience. He is a member of Institution of Surveyors of Kenya (FISK). A full member of Institution of Surveyors of Kenya (MISK). Mr. Murage holds a Masters in Land Information System from ITC Netherlands and a Bachelor's degree in Surveying from the University of Nairobi. Mr. Murage has served as a member of the Ministerial Human Resource Management Advisory Committee in Ministry of Lands, Ministry of Interior and Coordination of National Government. Previously, he worked as Acting Deputy Director of surveys before being promoted to be the Director of Surveys Kenya. Mr. Murage's last assignment was the Director, National and International Boundaries Ministry of Interior and Coordination of National Government.

MRS. JEAN NJIRU

Member

Retired 5th June, 2021



Mrs. Jean holds Masters of Professional Studies from Cornell University, USA and Masters of Science in Plant Pathology and a Bachelor of Science in Agriculture from the University of Nairobi. She has vast experience in supply chain management, research, leadership among others. She also undertook a professional development program under the Hubert Humphrey Fellowship Program at Cornell University to enhance leadership and management skills.

CPA ELIZABETH MKANDOE SHUNGULA

Representative -National Treasury

Appointed 6th June, 2018



Cpa Elizabeth Shungula holds an MBA in finance from Kenya Methodist University a Bachelor of Commerce in Accounting from Daystar University and a certified public accountant. Shungula has versed experience in finance field covering wide areas including cash management, management of public debt, budgeting, monitory and updating external debts and currently working as a senior Investment Officer in Government Investment Public Enterprises at The National Treasury. She has knowledge in banking having worked in Family bank in various departments.

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BOARD OF DIRECTORS (Continued)

MR. RICHARD NGOMO

Member

Retired 5th June, 2020



Mr. Ngomo is a seasoned Corporate and Humanitarian Risk Management Professional with over 20 years of combined consulting and management experience in Africa, Middle East and Asia. He is a holder of Bachelor Degree in Political Science from University of Nairobi. Currently, he is pursuing Msc. Security, Conflict and International Development. He has vast experience and has worked with Organizations such as the United Nations, World Vision, Oxfam and Kenya Seed. He is currently the Regional Risk Advisor for Relief

International.

MS. LINA NDUTA KIHORO MEMBER

Appointed 30th June, 2020



Ms. Lina Nduta Kihoro holds a Bachelor of Arts degree in Communication and Political Science from University of Nairobi. She also has a diploma in Project Management from Zetech University. Ms Kihoro has over 7 years' experience and expertise in project management, marketing, product development, policy implementation. She is currently the Managing Director of Jelink Limited.

HON. DAVID KARITHI

Member

Retired 5th June, 2021



Hon. Karithi has a Bachelor of Development Studies from Mount Kenya University. He was the member of Parliament Tigania West Constituency. He has vast experience in policy formulation and implementation having served as member of parliamentary committee and the Councilor Ngomo ward in Meru County.

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BOARD OF DIRECTORS (Continued)

MR. ZEPHANIA KIPSANG YEGO



Member

Retired 5th June, 2021

Mr. Yego is an advocate of the High Court of Kenya with 15 years' legal practice experience. He is the Managing Partner Z.K. Yego Law Offices. Mr. Yego was the former Chairman, Law Society of Kenya, North Rift Branch. Previously, he worked as the Secretary General, Law Society of Kenya, North Rift Branch and was an Associate Advocate at Kibichy and Company Advocates.

ENG. JEMUTAI BARKEBO



Member

Retired 5th June, 2021

Eng. Barkebo Hold a bachelors of technology in chemical and process Engineering from Moi University. She is a qualified auditor in ISO9001:2015 having undertaken various courses and versed knowledge on its implementation. She has sound knowledge in public resources management having served the Chairperson Ng-Cdf Baringo central county, vice Chairperson Kenya Redcross Kabarnet Branch among others.

Hon. STEPHEN N. KINUTHIA

Member

Appoited 4th January, 2021



He holds an MBA in Procurement management & Supply Chain from CEGOS Institute Business School - France; MSc in Strategy and Management of International Business (SMIB) from ESSEC Business School - France; Certificate Humanitarian Response in Conflict and Disaster from HAVARD University USA; BBR Complex Humanitarian Emergencies Certificate from HAVARD Humanitarian Academy USA; Corporate Governance – Training for Directors from Centre for Corporate Governance (CCG) Kenya and many others.

He has more than 25 years of extensive experience and humanitarian work experience in Procurement and Supply Chain, ICT and Asset Management, Project / Programme Management, Food and Health logistics, Health Supply chain management, and Security in a hostile working environment.

Hon. Kinuthia is a Self-motivated and achievement orientated person, with strong general management and team leadership skills with a dynamic style to achieving set goals through the development and motivation of people.

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BOARD OF DIRECTORS (Continued)

JOSPHAT GATHIRU MUHUNYU

Representative: State Department of Agriculture, Livestock, Fisheries and Cooperatives

Mr. Muhunyu is currently deployed as the Agriculture Secretary. Previously he held various management posts as Director, National Program Coordinator and Principal of Kenya School of Agriculture. Worked in extension and capacity building to farmers for more than 30 years. Academic/ Professional qualifications: On-going PhD in Dryland Agriculture and Resource Management (Egerton University); Msc in Agricultural Sciences (Agri-resource Management) University of Tsukuba Japan; Sustainable Rural Development (Japan and Thailand) among others.



MR. CHRISOLOGUS MAKOKHA

Representative: State Department of Agriculture, Livestock, Fisheries and Cooperatives

Mr. Makakha has risen from the position of Asst. Inspector I to position of Snr. Deputy Inspector-General of State Corporations under the ministry of MALFC. He boast of vast training and practical experience in the area of corporate governance gained from years of sitting on and advising Boards of various state corporations. He has got extensive exposure and experience in strategic planning and strategy execution, competent in the field of statistics, encompassing data collection, analysis and dissemination, wide ranging experience in management audit of state corporations, in monitoring and evaluation in the public sector among others. He holds MBA and BSc. (Applied statistics with IT) from JKUAT and is currently pursuing Phd. In business Administration for the same University.

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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.

MR. RODGERS KARUMPU

Corporation Secretary & Head of Legal Services



Mr. Karumpu was appointed the Corporation Secretary & Head of Legal Services in May 2021. He holds a Bachelor of Laws degree (LLB) from The University of Nairobi and is currently pursuing an MSc in Environmental Law & Land Governance from the same university. He also holds a Certified Public Secretary (CPS-K) from the Institute of Certified Public Secretaries of Kenya. He holds a Diploma in Law from Kenya School of Law. He has practiced law as an Advocate of the High Court of Kenya for the last 20 years.

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

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

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

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MANAGEMENT TEAM(Cont)

CPA. JONATHAN KEITANY



Ag. Financial Controller

CPA 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 and in the private sector previously before joining the Corporation. He served as an audit and risk assessment officer in various Audit firms

WINNIE MACHARIA (DR.)

Head of Corporate Planning & Administration



Dr. Macharia holds Doctor of Philosophy in Business Administration from University of Nairobi as well as Master of Business Administration from Kenyatta University. She also holds a Bachelor of Education Degree from the same University as well as Higher Diploma in information Technology among other professional qualifications. She is a member of Kenya Institute of Management and Kenya Association of Public Administration professional bodies

She is a professional and accomplished administrator and manager with over 20 years' experience in senior management, administration and leadership in diverse work environment. She has served for over 10 years as Head of Corporate Planning and Administration in ADC, three years' experience as Provincial Director Youth Development Nairobi under the Ministry of Youth Affairs and sports and Head of Department for four years at Parklands Boys High School as well as a teacher for nine years.

Dr. Macharia has attended many management courses and seminars including Senior Strategic Leadership programme as well as leading with impact from Kenya School of Government, Corporate governance training for Directors, senior internal Auditor training.

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MANAGEMENT TEAM(Cont)

CPA. MORRISON ANDWATI



Ag. Head of Internal Audit

CPA Andwati is a Certified public accountant and a member of Institute of Public Accountants of Kenya and Institute of Internal Auditors. He holds a bachelors degree of commerce from Kenya College of Accountancy (KCA). Before his appointment as the Acting Head of Internal Audit, he had risen through the ranks serving as the Chief accountant and Financial Controller of ADC

MR. SAMUEL BUNDOTICH

Ag. Head of Technical



Mr. Samuel Bundotich holds a BSC. Agricultural Economics from Egerton University and MBA (Strategic Management) from Jomo Kenyatta University of Agriculture and Technology.

He has undertaken training in project planning and management, Strategic thinking, performance management, corporate culture, change management, attitude transformation, risk-taking, teamwork, and team building. He has also been trained in Quality Management System (QMS) and public service integrity program.

He has risen through the ranks at ADC previously serving as Senior Regional Manager Kitale Region, Divisional Manager, Kitale, and Technical Officer Kitale Region. He has a good understanding of agricultural enterprises being carried out in ADC and the capability to manage resources effectively and efficiently.

He has also served as Technical Manager, Strategy Implementation and Planning as Head of Department.

In this capacity, he spearheaded the formulation and implementation of the Corporation Strategic Plans. He led in the development of Standard Operating Procedures for Technical Division and the Implementation of Quality management system (QMS) in ADC,

Currently, he is the acting Head of Technical Division. He has also served as a Council Member in the Agricultural Society of Kenya (ASK) and a Board member of Sabwani Secondary School.

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MANAGEMENT TEAM (Cont)

DR. SHADRACK JIRMA, (PH.D.)

Ag. Head of Business development



Dr. Shadrack Jirma holds a Doctor of Philosophy Degree in Strategic Management from the University of the Valley, State of Mexico accredited by the Commission of the University Education. He has attained MBA Degree from Costa Rica and a Bachelor of Business Administration from Messiah College, Grantham, USA. He was appointed Ag. Head of Business Development Division in 2018.

Dr. Shadrack has grown through the radar in ADC having worked as Head of Department of Sales, Marketing and Projects, Regional Manager and Senior Technical Officer based in Feed Mill and Driers in Kitale in 2010

He has also worked as a lecturer in various universities in Kenya namely: Jomo Kenyatta University of Agriculture and Technology, KCA, Dedan Kimathi University, Africa Nazarene University and Kenya Methodist University.

Previously, Dr. Jirma has worked as CEO of Ewaso Ngiro North River Basin Development Authority where he spearheaded a grant of Kshs. 2.5 Billion for the development of the Master Plan for the Ewaso Ngiro North River basin from the Africa Development Bank in 2000.

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V. REPORT OF THE MANAGING DIRECTOR

Development and Implementation of Strategic Plan.

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

Technology and Automation.

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

Core Values.

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

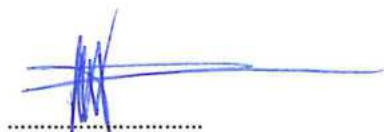
Performance contracting

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

Future outlook.

The Corporation will prioritize on strategic areas including certified potatoes and seed maize production, investment in information technology and increase in ADC Certified seed maize production. The Dairy sector shall also be refocused to ensure increased milk production and production of breeding in-calf heifers. Restocking of our ranches will also continue in line with the Corporation target of increasing production and productivity in the Ranches. The Corporation will enhance collaboration with the parent ministry and potential investors in order to increase utilization of the idle land in various regions.

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



Managing Director

30/06/2022

Date

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VI. STATEMENT OF ADC PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Overall status of the implementation of the strategic plan

The table below summarizes the Corporation's performance across all objectives set for the 2019-2014 Strategic Plan. It also provides a commentary on the achievement and progress relating to each objective.

Table 1: Activities Implemented

	Department	Strategic Objective	Activities	Activities Implemented	% Implemented	Comments
1	Finance	To build a Sustainable Finance Resource Base	10	5	50%	Delayed activities related to budgetary cuts by the GOK and financial constraints.
		To institutionalize corporate governance mechanisms and culture	1	0	0%	Delayed activities due to inadequate funding.
		Subtotal	11	5	45%	
2	Public Relations	To continuously improve customer satisfaction	27	5	19%	
		To institutionalize corporate governance mechanisms and culture	4	2	50%	Confirm
		Subtotal	31	7	23%	

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3	Technical	Increase productivity in all our enterprises	14	7	50%	Most of the activities delayed due to unavailability of funds.
		To attain optimum utilization of resource	11	3	27%	Most of the activities delayed due to unavailability of funds
		To enhance research and development to achieve competitive advantage	1	0	0%	
		Subtotal	26	10	38%	
4	Human Resource	To strengthen institutional capacity to be able to achieve our mandate	16	9	56.3%	Delayed activities related to inadequate funding and long approval process.
		To enhance research and development to achieve competitive advantage	1	0	0%	Delayed activities long approval process.
		Subtotal	17	9	52.9%	
5	ICT	Re- engineering internal business process in line with global based practices	6	4	67%	

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6	Legal	To institutionalize corporate governance mechanisms and	10	2	20%	Delayed activities related to inadequate funding
7	Audit	and culture	4	2	50%	
8	Business Development	To Conduct our Business in a Manner that Preserves and Conserves Environmental Sustainability	17	8	47%	
		Total	122	47	38.5%	

Beyond the activity-based indicators, the Corporation also set targets based on market outcomes such as yield, acreage, milk productivity, calving, age at first calving among others. Generally, achievement in all the key enterprises fell below the target set in the Strategic Plan.

The table below provides a summary of achievement scores for each proposed key performance indicator (KPI).

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VII. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Board Committees

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

i. The Audit Committee

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

ii. The Finance Staff and General Purpose Committee

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

iii) Agriculture, Livestock and Project Committee

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

iv) Lands, Legal Services & Partnership Committee

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

Independence

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

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CORPORATE GOVERNANCE STATEMENT(Cont)

Activities and Achievements

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



Chairman

30/05/2022

Date

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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

The total turnover achievement was at 66% of the overall budget majorly due to reliance on rain-fed agriculture as well as inadequate farm machinery and equipment.

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

Entity's compliance with statutory requirements

The Corporation has remained compliant in filing of the statutory returns, save for historical debts that the Corporation was unable to pay. The total statutory deduction that remained unpaid is Kshs. 46 million while staff deductions unremitted is Kshs.103.5 million.

Key projects and investment decisions the entity is planning/implementing

- I. Establishment of Semen Production Centre
- II. Mechanization (Farm machinery and Equipment)
- III. Embryo transfer
- IV. Modernization of Feedmill and Driers

Major risks facing the entity

The main risks are:

- I. Legal cases
- II. Squatters that are invading ADC land.
- III. Over-reliance on rain-fed agricultural practices.
- IV. Poor mechanization of the agricultural activities
- V. Inability to service debts as they fall due.

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MANAGEMENT DISCUSSION AND ANALYSIS(Cont)

Material arrears in statutory/financial obligations

The following are the material obligations:

- Unpaid NSSF Kshs. 27.9 million
- Pension Contribution Kshs. 21.8 million (principal amount).
- Gratuity Kshs. 72 million
- Agdeco Sacco dues Kshs. 26.1 million.
- Terminal dues Kshs. 4.3 million
- Trade Creditors Kshs 713 million
- Loans: KCB Loan Kshs 177 million and AFC Loan Kshs. 70 million.

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IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

SUSTAINABILITY

The Corporation's mandate is basically to support the agricultural industry in Kenya through production and supply of quality seeds, livestock breeding stock (Dairy and beef cattle and shoats), production and supply of cattle semen to farmers, animal feeds, training as well as technology transfer from research institutions to farmers. These inputs/services are very essential for farmers to attain optimal production in crop and livestock enterprises. Thus, ADC team has continued to explore better methods of production to satisfy customer requirements always. In financial year 2020/21, the Corporation implemented programmes and projects in line with our strategic plan 2019/2023 which is founded on six (6) pillars namely economic perspective, customer focus, internal business process, capacity building and innovations, corporate governance and environmental sustainability.

During the period under review the corporation focused on food security and nutrition which is one of the big 4 agenda items that the current government prioritized. To this end, we enhanced production and distribution of seed maize, seed potatoes and seed grass since they are critical inputs that farmers would need to increase crop productivity. In addition, initiatives were undertaken to improve production of livestock breeding stock as well as animal products. These efforts are essentially aimed at ensuring the business achieves intended objectives sustainably while navigating through a marketing environment characterized by increasing input prices, fluctuating commodity prices in the market and unpredictable yields due to climate change and related effects. The main programmes and projects carried out to ensure continued sustainability of our business during the financial year include:

Irrigation farming

The Corporation embraced irrigation farming as a viable strategy to ensure production in our enterprises is predictable, profitable and sustainable under the present circumstances where rainfall is unpredictable in terms of amount and spread. Thus, during the period under review we made progress towards completion of one of the most important dams to store water for irrigation in Kitale region. A total of KShs.13 million were allocated for completion of the dam and improvement of the existing irrigation system. A contractor was engaged to complete the dam and by the end of the financial year the work was in progress.

Conservation farming

This is one of the measures being undertaken to improve management of the soil for sustainable crop production. The initiative seeks to raise crop yields through improvement of soil nutrients, soil structure, Control of soil erosion and enhance retention of moisture in the soil. During the period, the corporation enhanced use of available machinery and managed to increase the acreage under conservation tillage.

The initial results are encouraging as crops planted under the system are giving yields per hectare which are higher than those under the conventional system. The technical team is working hard to ensure that eventually optimal yields are realized at the lowest cost.

AGRICULTURAL DEVELOPMENT CORPORATION

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ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Cont.)

Timeliness in operations and precision farming

The Corporation recognizes the importance of carrying out operations in time in order to achieve production targets. Towards this end, we ensure that all required resources are supplied and used according to schedule. In addition, the findings of Research and Development team have continued to inform our decisions regarding the choice of inputs as well as the appropriate rate of application. This has reduced the cost of production without compromising production.

We are perpetually searching for more effective and efficient agricultural services in the market. Consequently, we have established that use of drones in field operations is cheap, fast, more efficient and effective in the management of Grey Leaf Spot (GLS). During the financial year the corporation realized cost saving to the tune of KShs.600 per acre in GLS control operations.

Focus on technology

The Corporation values and embraces appropriate technologies. During the financial year we embarked on use of apical cuttings to speed up multiplication of seed potatoes as well as address customer needs. Use of this technique together with aeroponics and green houses will reduce the gap in the demand for seed potatoes in Kenya hence guarantee continued good relationship with customers (farmers).

For a long time now, the demand for dairy breeding animals exceeds the supply by a large margin. Thus, the Corporation has continued to apply available breeding technologies as a means to solve the problem. During the financial year we achieved targets in Embryo Transfer programme, use of sexed semen and oestrus synchronization in cattle. These initiatives will not only reduce the demand/supply gap but goes a long way to reduce the cost of production through higher capacity utilization.

New seed crop varieties

We have noted high demand for seed maize (500-series) for medium altitude areas in Kenya, bean seeds and seed potatoes for similar ecological zones. As a result of this, more attention has been given to expand production of the crops. However, the demand for the products remained above the supply during the financial year and therefore, more resources will be allocated to this area for growth in production and profit.

Marketing of products

In the recent past, the Corporation started a bull station in order to produce and sell semen to farmers in Kenya. During the financial year, our liquid nitrogen plant broke down, leading to reduction in production of semen. However, the sales were not affected as only 39 bulls were in production and there was substantial quantity of semen in stock. The production of semen is expected to increase significantly as we progress towards the target capacity of 100 bulls, producing about 1 million straws annually. Thus, we have initiated the development and implementation of marketing strategies which are critical for the sustainability of this enterprise.

AGRICULTURAL DEVELOPMENT CORPORATION

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X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our CSR Approach

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

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

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

ADC believes that our people are not ignorant of their own plight and are able to identify and prioritize their development needs. The Corporation also understands that, people know the right interventions to their problems and therefore will work with communities by supporting them implement some of their priority projects that provide sustainable solutions to their problems. This way, the Corporation participates fully in the process of positive social change that is meaningful and beneficial to all.

During the financial year under review, social, economic and environment issues were addressed. To this end, the Corporation actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society. This was evident in key areas such as health, education and environmental conservation. During the year ADC, provided Covid 19 mass testing at ADC Galana Health center (The ADC dispensary is established and fully equipped as a medical facility to cater for both ADC staff and the local community) to the locals. The Corporation also increased its forest cover in the farms by an upward surge in planting of trees and enhanced efficiency in seedling production.

AGRICULTURAL DEVELOPMENT CORPORATION

The Annual reports and Financial statements

For the year ended 30th June 2021

XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2021 which show the state of affairs of *Agricultural Development Corporation* and its subsidiary – *Lands Ltd.*

Principal activities

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

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

Results

The results of the Corporation for the year ended 30th June, 2021 was a loss of Kshs. 19.3 M as set out on pages 1.

Board of Directors

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

Auditors

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

By Order of the Board

Corporate Secretary

Nairobi



Date:.....

30/05/22

AGRICULTURAL DEVELOPMENT CORPORATION

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For the year ended 30th June 2021

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year ended on 30th June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 30th June 2021, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation did not have a Board to approve the statements as at the end of the year:



Director

30/05/2022

Date



Director

30/05/2022

Date



Director

30/05/2022

Date

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying consolidated financial statements of Agricultural Development Corporation (ADC) set out on pages 1 to 34, which comprise the consolidated statement of financial position as at 30 June, 2021, and the consolidated statement of financial performance, statement of changes in net assets, statement of cash

flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Agricultural Development Corporation (ADC) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, and do not comply with the Public Finance Management Act, 2012, the International Financial Reporting Standards (IFRS) and the Companies Act, 2015.

Basis for Adverse Opinion

1. Unconfirmed Receivables from Exchange Transactions

The consolidated statement of financial position reflects a balance of Kshs.635,359,000 in respect of receivables from exchange transactions. As disclosed in Note 20 to the financial statements, the balance includes trade and non-trade receivables of Kshs.452,953,000 and Kshs.182,406,000, respectively. However, review of the receivables ledger and supporting schedules revealed the following anomalies:

- i. An amount of Kshs.9,859,415 included in the balance has remained outstanding since the year 1980. In addition, a breakdown of the specific provision of Kshs.52,499,000 for bad and doubtful debts was not provided for audit. Further, the basis for determining the general provision of Kshs.4,909,000 was not disclosed.
- ii. Non-trade debtors' net balance of Kshs.182,406,000 includes unexplained amount of Kshs.5,733,260 described as lost cash.
- iii. Trade debtors balance of Kshs.452,953,000 included an amount of Kshs.312,144,802 described as Head Office balances. The balance further includes an amount of Kshs.154,804,812 due from long term lease agreements between the Corporation and various entities which were later terminated following the National Government decision to take over the Galana/Kulalu ADC farms. Some of the entities have since sued the Corporation for breach of contract, and therefore chances of recovering the debt was doubtful. Further, no provision was made in the financial statements for the balances.
- iv. Trade debtors balance of Kshs.452,953,000 also include an amount of Kshs.83,117,738 described as sundry debtors representing customers without a credit facility with the corporation making their recoverability doubtful.

In the circumstances, the accuracy, completeness, and validity of receivables from exchange transactions balance of Kshs.635,359,000 could not be confirmed.

2. Unsupported National Livestock Project

The consolidated statement of financial position reflects a balance of Kshs.43,809,000 in respect of current account with National Livestock Project (NLP). The amount was due from the State Department of Livestock. The Project started in 2006 when the Government granted the Corporation a grant of Kshs.198,000,000 to purchase livestock

under the emergency off-take programme in arid areas affected by drought. The Corporation subsequently incurred costs totalling Kshs.43,809,459 on maintenance and daily running of project operations. Review of the project revealed the following unsatisfactory matters:

- i. The Project has been reporting losses over the years while a similar livestock enterprise under ADC reported profits.
- ii. The current account balance of Kshs.43,809,459 was not supported by demand notes to the State Department of Livestock and as such it was not possible to confirm the validity and accuracy of the debt.
- iii. The Management of NLP did not prepare financial statements during the year under review and it is not clear how the operations overheads were apportioned between ADC and the National Livestock Project.

In the circumstances, the accuracy and completeness of the National Livestock Project balance of Kshs.43,809,000 could not be confirmed.

3. Property, Plant and Equipment

3.1 Land Without Titles

The consolidated statement of financial position reflects property, plant and equipment balance of Kshs.1,493,639,000 which includes farms managed by the Corporation valued at Kshs.37,910,000, as disclosed in Note 23(a) to the financial statements. As reported in the previous year, the farms, referred to as ADC Private Forest Ndabibi comprise of 4,000 acres of land re-possessed from allottees who were unable to pay allotment fees.

Further, two parcels in Ndabibi and Molo did not have ownership documents while another parcel at Ndabibi had been encroached on by informal settlers despite the Corporation having secured a title deed for the land. The Management explained that the titles were surrendered to the Ministry of Agriculture, Livestock, Fisheries and Cooperatives following a memo requesting for their surrender for reconciliation and safekeeping. A total of ninety-three (93) titles were surrendered and acknowledged on 17 September, 2021 by the Ministry.

3.2 Irregular Allocation of Corporation Land to Private Developers

As previously reported, the net book value of the Corporation's land of Kshs.1,493,639,000 as disclosed in Note 23(a) to the financial statements excludes land measuring about 2,908.42 acres known as Home Farm which was allocated to private developers in the year 1994 under unclear circumstances.

3.3 Undisclosed Land in Garissa

Property, plant and equipment balance of Kshs.1,493,639,000 reflected in the consolidated statement of financial position excludes value of land measuring 319.4 hectares located in Garissa County whose value had not been determined.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,493,639,000 could not be confirmed.

4. Capital Works in Progress

As disclosed in Note 23(a) to the financial statements, the property, plant and equipment balance of Kshs.1,493,639,000 includes an amount of Kshs.79,324,000 in respect of capital work-in-progress. However, examination of records provided for audit and field inspections carried out in the month of April, 2022 revealed the following anomalies:

4.1 Stalled Dam at Suam Orchards

The Capital work in progress includes a balance of Kshs.25,169,000 in respect construction of a dam and store at Suam Orchards Farm in Kitale out of which, Kshs.23,499,940 was used for construction of a dam at the farm. However, the dam had stalled and therefore, the Corporation may not have received value for money from the expenditure. Further, an amount of Kshs.1,668,640 incurred on establishment of tissue culture bananas, avocados and sugarcane was erroneously described as construction of stores thus misclassified.

4.2 Stalled Construction of Green Houses at Sirikwa

Capital work in progress balance of Kshs.79,324,00 includes Kshs.5,111,000 in respect of construction of green houses at Sirikwa as disclosed in Note 23(c) to the financial statements. However, review of records provided for audit in respect of progress of works revealed that there had been no works undertaken since June, 2017. In addition, architectural drawings, quantity survey report, structural drawings and bill of quantities detailing the scope of works to be done were not provided for audit review and therefore, it was not possible to verify and confirm the extent of work done and the remaining works to completion. Further, the balance included a payment of Kshs.1,366,000 for borehole drilling which was not part of the original project.

4.3 Stalled Godown at Seed Unit Kitale

The Capital work in progress reflects a balance of Kshs.9,462,000 in respect of construction of a godown at Seed Unit Kitale as disclosed in Note 23(c) to the financial statements. Physical verification at the site in the month of April, 2022 revealed that the amount was incurred on construction of a seed drier at a cost of Kshs.8,549,209 and a godown/store for Kshs.913,088. The construction of the godown valued at Kshs.8,549,209 stalled in 2017 and no work has been ongoing since then.

4.4 Uncapitalized Trailer Fabrication and Machinery Shade

A balance of Kshs.5,053,000 in respect of capital work in progress relating to ADC Engineering Services reflected in Note 23(c) to the financial statements comprise fabrication of eight (8) trailers at a total cost of Kshs.4,786,480 and construction of a shade for machinery pool in Kitale at a cost of Kshs.266,068. Physical verification carried out in the month of April, 2022 revealed that five (5) trailers were completed in the year 2020 while three (3) were substantially completed with only a ram remaining to be fixed. However, despite all the eight (8) trailers and the shade having been in use during the year, their costs were still classified as work in progress instead of being transferred to appropriate classes of property, plant, and equipment. As a result, no provision for depreciation was made for the same.

In the circumstances, the accuracy of the work in progress balance of Kshs.79,324,000 and depreciation expense of Kshs.134,054,00 charged to the consolidated statement of financial performance could not be confirmed.

4.5 Uncapitalized Maize Shade for Feed Mill at Kitale

Capital work in progress as reflected in Note 23(c) to the financial statements includes a balance of Kshs.1,157,000 in respect of construction of a maize shade at feed mill unit in Kitale. Review of records provided for audit revealed that the construction work was completed and the shade put to use in the year 2007 and has been accruing economic benefits to the Corporation.

However, the cost of the shade had not been transferred to appropriate class of property, plant, and equipment and therefore, there was no corresponding depreciation was being charged in respect of the asset.

4.6 Misclassification of Eco-Houses

Included in capital work in progress balance of Kshs.79,324,000 as disclosed in Note 23(c) to the financial statements are construction of eco-houses in various farms comprising of Sabwani, Japata, Nai, Namandala, Olingatongo, Chorlim at a combined cost of Kshs.22,049,000. Physical verification of the eco-houses in the month of April, 2022 revealed that the houses have been in use for several years. In addition, no work has been ongoing for the last several years on any of these houses. Further, bills of quantities, work plans and drawings were not provided for audit and therefore, their level of completion could not be confirmed.

It was not clear why the Management categorized these completed eco-houses as works in progress when they were already in use and generating economic benefit to the Corporation.

In the circumstances, the accuracy of the work in progress balance of Kshs.79,324,000 could not be confirmed.

4.7 Uncapitalised Liquid Nitrogen Plant and Water Dam

Capital work in progress reflected in Note 23(c) to the financial statements includes Kshs.3,916,000 in respect of construction of liquid nitrogen plant at Bull Station in Kitale. Physical verification at the station carried out in April, 2022 revealed that the plant had been in operation since November, 2018 when it was completed. Further, the balance includes Kshs.1,140,782 in respect of a dam, plant house generator, pre-quarantine fencing, commemoration plaque, water troughs, dairy units, painting gate and fascia board at Sabwani farm which were all completed in the year 2020.

It was therefore not clear why completed works, some of which do not relate to the plant, were still recognized as work in progress instead of being transferred to appropriate class of property, plant and equipment.

In the circumstances, the accuracy and completeness of capital work in progress balance of Kshs.79,324,000 could not be confirmed.

5. Unsupported Valuation of Leased Land

The consolidated statement of financial performance reflects an amount of Kshs.35,509,000 in respect of rental revenue from facilities. A sample of lease agreements and receipts from lease rental revenue indicated that the Corporation had leased land to various investors in various farms in return for rental revenue income.

However, as reported in the previous year, the lease agreements were not supported by lease valuation reports to guide lease receipts. Further, there was no Board Policy to guide on the lease charges which ranged from Kshs.80 to Kshs.3,000 per acre annually.

Consequently, the accuracy, completeness, and valuation of rental revenue amounting to Kshs.35,509,000 could not be confirmed.

6. Unconfirmed Investments

The consolidated statement of financial position reflects investment balance of Kshs.467,283,000 also disclosed in Note 24 to the financial statements. The investments includes shares held in Chemelil Sugar Company Limited – Kshs.203,592,000, Development House – Kshs.90,251,000, Muhoroni Sugar Company – Kshs.41,342,000, Kenya Co-operative Creameries – Kshs.4,151,000, Kenya Grain Growers Cooperative Union – Kshs.1,404,000, Kenya Seed Company Limited – Kshs.114,014,000, Pyrethrum Board of Kenya – Kshs.36,000, Kenya Planters Co-op Union – Kshs.31,000 and Agro-Chemical and Food Company Ltd – Kshs.16,900,000 which were acquired between the year 1975 and 1995.

Information provided by the Management indicated that Muhoroni Sugar Company, Kenya Grain Growers Co-op Union and Kenya Planters Co-op Union with investments totalling Kshs.42,777,000 were either under receivership or in the process of liquidation. In addition, Chemelil Sugar Company and Agro-Chemical and Food Company with investments totalling Kshs.220,492,000 have been making losses and have not paid dividends for a long time. The value of the investments in these companies is therefore doubtful and may not be recovered. However, no provision has been made in the financial statements for the likely diminution in value of the investments.

Consequently, the accuracy, completeness and valuation of the investment balance of Kshs.467,283,000 could not be confirmed.

7. Omitted Biological Assets

As was reported in the previous year, the Corporation received an amount of Kshs.250,000,000 from the government in the year 2017 for purchase of livestock as a mitigation measures to the pastoralists against loss of animals due to drought. Records provided for audit indicated that the Corporation acquired 4008 animals at a total cost of Kshs.105,608,000. A loss through theft or disappearance and death of 60 animals and 770 animals was reported and adjusted in the records resulting in a net value of Kshs.86,714,000 for the animals. However, the value was not reflected in the biological assets balance of Kshs.1,633,543,000 disclosed in Note 25 to the financial statements.

Consequently, the accuracy, completeness and valuation of the biological assets balance of Kshs.1,633,543,000 could not be confirmed.

8. Unconfirmed Trade and Other Payables From Exchange Transactions

The consolidated statement of financial position reflects trade and other payables - exchange transactions balance of Kshs.1,278,381,000 also disclosed in Note 26 to the financial statements. The balance includes trade creditors and non-trade creditors of Kshs.712,364,000 and Kshs.566,017,000, respectively. Review of the payable's records revealed the following anomalies:

- i. Non-trade creditors' balance of Kshs.566,017,000 includes audit fees totalling Kshs.22,446,120 which has been outstanding since the year 1995. Management did not provide plausible explanation on why the fees has been long outstanding.
- ii. The non-trade creditors' balance includes unremitted statutory deductions of Kshs.20,700,864, Kshs.27,910,562, Kshs.21,792,140, Kshs.26,148,546 and Kshs.1,076,050 in respect of Pay As You Earn (PAYE), National Social Security Fund (NSSF), Pension Scheme deductions, Agdeco Society deductions and National Hospital Insurance Fund (NHIF) respectively dating back to the year 1998.
- iii. The trade and other payables balance include an outstanding amount of Kshs.267,279,416, payable to a supplier in respect of fertilizer supplies. The amount includes Kshs.112,219,009 interest charged at the rate of 18% per annum based on the number of days in default as at 30 June, 2014. The matter was referred to court where it has been pending awaiting determination.
- iv. The trade payables balance includes an outstanding balance of Kshs.650,302,196.00 across different units of the Corporation which has remained unpaid for more than 270 days.
- v. The trade payables amount includes an outstanding balance of Kshs.162,948,331 in respect of unpaid wages to casual laborers engaged by the Corporation during the year under review. However, no justifications were provided for non-payment of the wages

Consequently, the accuracy, completeness, and validity of trade and other payables – exchange transactions balance of Kshs.1,278,381,000 could not be confirmed.

9. Misstatement of Grants Reserves

The consolidated statement of financial position reflects a balance of Kshs.3,459,786,000 in respect of grants reserves. The balance includes an amount of Kshs.137,500,000 receivable during 2017/2018 financial year from the State Department for Livestock for off-take programme. The amount received was less by Kshs.15,330,000 of the amount the Corporation had been instructed to pay identified farmers who had lost their livestock. However, the full amount was capitalized before being received.

Consequently, the accuracy and completeness of grants reserves balance of Kshs.3,459,786,000 could not be confirmed.

10. Unconfirmed Investment Income

The consolidated statement of financial performance reflects investment income of Kshs.37,579,000 being 50% share of rental income generated from Development House building jointly owned by the Corporation and Agricultural Finance Corporation. Information provided for audit indicated that there was a registered partnership known as ADC-AFC Development Limited Liability Partnership which is managed by the two (2) institutions and collects rental income generated from the building. However, expenditure and revenue records relating to the Partnership were not provided for audit.

Although the partners appointed an audit firm to audit the Partnership financial statements, the Management was yet to submit financial statements for audit to the Auditor-General for review certification.

Consequently, the accuracy and completeness of the investment income of Kshs.37,579,000 could not be confirmed

11. Undisclosed Management Fees Income

The consolidated statement of financial performance excludes an amount of Kshs.2,367,660 in respect of management fees arising from an agreement entered into on 8 March, 2017 between Agricultural Development Corporation (ADC) and National Disaster Management Authority (NDMA) on commercial destocking for drought mitigation.

According to Clause 5 of the agreement, the Corporation was to receive Kshs.19,136,867 upon signing the agreement. The amount was to be used for purchase, translocation and managing 1,000 heads of cattle for three months and a further Kshs.38,273,733 thereafter for the additional 2,000 heads of cattle. ADC was to be compensated at Kshs.30 per cow per day as management fees. However, documents provided for audit did not include details of amounts realised from the agreement and how the same was applied during the year under review.

12. Loss of Fertilizer

As reported in the previous years, the Corporation lost a sum of Kshs.24,447,500 through fake bank deposit slips in respect of sale of fertilizer in Eldoret. The fertilizer, which was part of 40,000 bags of imported grade fertilizer costing Kshs.111,680,000 had for unclear reasons been stored in a private store. According to the information provided, the mode of payment was either through direct bank deposits where bank slips would be issued and later used as evidence for collection of the fertilizer, or by banker's cheques which would be confirmed before the sale. However, Management adopted the direct bank deposits method but due to weak controls, fertilizer worth Kshs.24,447,500 was released before the respective bank deposits had been confirmed.

Management indicated that a criminal case on the matter was instituted in the Eldoret High Court where some of the accused persons were acquitted. However, a warrant of arrest against one of the accused who absconded during the trial had not yet been enforced.

In the circumstances, the recoverability of the fertilizer loss amounting to Kshs.24,447,500 remains doubtful.

13. Unsupported Fertilizer and Chemicals Expense

The consolidated statement of financial position reflects inventories balance of Kshs.273,283,000. As disclosed in Note 22 to the financial statements, the inventories include fertilizer closing stock of Kshs.19,414,000 and Kshs.19,243,000 as at 30 June, 2021 and 30 June, 2020 respectively. In addition, Note 12 to the financial statements under general expenses indicates that the Corporation expensed an amount of Kshs.120,805,000 being fertilizer used across various units. However, the Management did not provide records to support fertilizer expensed during the year amounting to Kshs.120,805,000.

Further, Note 12 to the financial statements on general expenses reflects Kshs.101,874,000 expensed in respect of herbicides, insecticides, veterinary products and other chemicals used during the year across various units. However, records provided for audit reflects herbicides, insecticides, veterinary products, and other chemicals amounting to Kshs.137,158,000 were consumed during the year, thereby understating the expenditure by Kshs.35,284,000.

In the circumstances, the accuracy and completeness of the expensed costs of fertilizer, herbicides, insecticides, veterinary products and other chemicals during the year could not be confirmed.

14. Variances Between Approved Budget and Financial Statements

Review of the statement of comparison of budget and actual amounts against the approved budget of the corporation revealed variances between the two statements as tabulated below:

The approved budget of the Corporation.

Item	Approved Budget Figure (Kshs.)	Financial Statements (Kshs.)	Variance (Kshs.)
Employee Costs	577,032,000	640,514,000	(63,482,000)
Repair and Maintenance	64,111,000	67,437,000	(3,326,000)
Contracted Services	136,177,000	33,603,000	102,574,000
General Expenses	794,494,000	891,145,000	(96,651,000)

No explanation was given for the variances.

In the circumstance, the accuracy, completeness, presentation, and disclosure of the statement of comparison of budget and actual amounts could not be confirmed.

15. Undisclosed Material Uncertainty in Relation to Sustainability of Services

The consolidated statement of financial position reflects accumulated deficit of Kshs.855,584,000 as at 30 June, 2021. Further, the current liabilities of Kshs.1,368,454,000 exceeded the current assets of Kshs.997,349,000, resulting in a

negative working capital of Kshs.371,105,000. The Corporation therefore, was technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors.

In addition, the material uncertainty was disclosed in the financial statements as required by Paragraph 43 of the International Public Sector Accounting Standards (IPSAS) 1 – Presentation of Financial Statements.

In the circumstances, the sustainability of services could not be confirmed.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Cash and Cash Equivalents

The consolidated statement of financial position reflects a balance of Kshs.45,364,000 in respect to cash and cash equivalents. Examination of cash books, bank statements and bank reconciliation statements provided in support of the balance revealed the following anomalies:

1.1 Loss of Cash

Records maintained at Lanet Complex farm, Nakuru reflected loss of cash amounting to Kshs.151,146 for which no recovery has been made. The Management explained that the cash was stolen while in transit from the bank to the farm. No explanation was provided on why suitable transport and security were not provided at the time of cash withdrawal and transit to the farm. Further, no insurance claim had been lodged with the Insurer.

1.2 Dormant Bank Accounts

During the year under review, the Corporation maintained a dollar account at KCB Bank, Molo branch which held a balance of USD 2,181 equivalent to Kshs.235,217 but was not operational. Further, the Corporation had a dormant development account with a balance

of Kshs.38,274 which had not transacted since July, 2018. No explanations were provided by Management on why the Corporation continued to maintain the two dormant accounts.

2. Irregular Expenditure on Services

The consolidated statement of financial performance reflects an amount of Kshs.700,414,000 in respect of general expenses which, as disclosed in Note 12 to the financial statements, includes legal expenses amounting to Kshs.27,733,000. Examination of legal records revealed that legal fee of Kshs.9,828,696 was paid to an advocate firm in respect of a case before Nakuru Environment and Lands Court pitting an individual against the Corporation filed in 2016. However, examination of payment and other related records revealed the following anomalies:

- i. The legal fee for the case was overstated by approximately Kshs.7,660,210 since a fee note dated 13 May, 2015 was of Kshs.235,726,000 and an evaluation the subject matter which was determined to be Kshs.152,543,380 comprising the aggregate lease value for the first, sixth, seventh respondents and the second and third respondents which were contested. Further, application of schedule 6 of the Advocates Remuneration order, 2014 and using the inflated value of the subject matter at Kshs.235,726,000 gives a maximum chargeable fee of Kshs.5,302,832.
- ii. From the records provided, the case had not been concluded and the last mention was in October, 2017 yet a total of Kshs.11,248,864 has been paid to the advocates so far.

3. Irregular Payment of Acting Allowance

The consolidated statement of financial performance reflects expenditure of Kshs.494,821,000 in respect of employee costs. As disclosed in Note 7 to the financial statements, the amount includes acting allowance payments totalling Kshs.2,227,000. Review of records of employees paid acting allowances during the year revealed that they had all been serving in acting capacities for more than six (6) months contrary to Section C.14(1) of the Human Resource Policies and Procedures in the Public Service, 2016 which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary but not for more than six (6) months. Further, the Management contravened Section 9.10 of the Corporation's Human Resource Manual, which requires that an acting appointment should not exceed a period of 6 months.

4. Board Expenses

The consolidated statement of financial performance reflects an amount of Kshs.24,870,000 in respect of board expenses which differs with the amount of Kshs.24,054,000 in the corresponding Note 13 to the financial statements resulting in unexplained variance of Kshs.816,000.

In addition, examination of board expenditure records revealed that the approved budget for board expenditure for the year under review was Kshs.20,000,000 while payment records reflect actual expenditure of Kshs.22,532,000, thereby resulting in unauthorized over expenditure amounting to Kshs.2,532,000. Further, the Corporation did not have an

itemized budget for the five (5) sub-components that make up the board expenses contrary to the National Treasury Circular No. 22/2019 that requires the budget to be itemized as per the charts of accounts issued by the National Treasury or by programs or specific item and schedule III of the said circular.

5. Non-Compliance with One Third Membership of Board Committees

Information accompanying the financial statements submitted for audit indicates that the Corporation board membership during the year under review was fourteen (14) whereby four (4) committees were formed comprising the Audit and risk committee, Livestock and project committees, Finance, staff, and general purposes committee and, Legal services and partnerships committee. However, the Finance, Staff and General purposes committee, and the Legal Services and Partnerships committee has membership of six (6) which exceeded one third (1/3) of the full board membership contrary to Office of the President Circular No. OP/CABS/IA of March, 2020. Further, no approval from the Cabinet Secretary was granted in appointing members exceeding the one third membership was provided for verification.

6. Under-Collection of Revenue

The statement of comparison of budget and actual amounts reflects under collection of revenue amounting to Kshs.618,859,000 representing 31.55 % of the gross estimated receipts of Kshs.1,961,773,000. The under collection of revenue was attributed to failure to collect income from services units-Kshs.20,180,000, farming income-Kshs.552,493,000, rent/eco-tourism-Kshs.27,705,000, investment income-Kshs.16,721,000 and other incomes-Kshs.1,760,000.

The Corporation's resources were therefore not efficiently and effectively used resulting in failure to meet revenue targets for these items during the financial year under review.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Proportionate Representation in Boards of Subsidiary Companies

Although the Corporation has control over 50% shareholding in four (4) out of the eight (8) companies as detailed below, the composition of the Board in the companies did not match the holding in those companies. Management explained that only the Chief Executive Officer represents the Corporation in the Boards of the four (4) companies.

S/No.	Descriptions	Amount (Kshs.)	% Ownership
1	Chemilil Sugar Company Limited	203,592,000	96.22
2	Development House	90,251,000	50.00
3	Muhoroni Sugar Company	41,342,000	74.17
4	Kenya Grain Growers Co-operative Union	1,123,000	1.92
5	Kenya Seed Company Limited	114,014,000	51.83
6	Pyrethrum Board of Kenya	36,000	<1
7	Kenya Planters Co-op Union	25,000	<1
8	Agro-Chemical and Food Limited	16,900,000	27
	Total	467,283,000	

No reason was provided for failure by the Corporation to have a proportionate representation in the Boards of the companies.

2. Non-Integration of Payroll Management System

Review of the payroll records revealed that the manual payroll was a stand-alone record and was not integrated with staff personnel details such as designations, date of birth, national identification number and duty station. No explanation was provided for non-integration of the payroll with staff personnel data.

In the circumstances, the accuracy and completeness of payroll data and employees information could not be confirmed.

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.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue sustain services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Corporation or 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, 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 the Project 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 controls 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 controls 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 controls.
- 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 Corporation's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

07 October, 2022

AGRICULTURAL DEVELOPMENT CORPORATION

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For the year ended 30th June 2021

XIV. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	2020-2021 KSH '000'	2019-2020 KSH '000'
Revenue from Non-Exchange transactions			
Transfer from other Government entities	1	35,000	30,000
Revenue from exchange transactions			
Service units income	2	111,820	93,149
Farming Income	3	1,140,457	1,044,746
Rental revenue from facilities	4	35,509	30,668
Investments Income	5	37,579	77,400
Other Income	6	17,549	30,595
		1,342,914	1,276,558
		1,377,914	1,306,558
Expenses			
Employee costs	7	494,821	529,320
Depreciation and amortization expense	8	134,054	147,888
Repairs and maintenance	9	46,691	36,597
Subscription & Donations	10	1,263	566
Contracted services	11	45,444	28,856
General expenses	12	700,414	663,060
Board expenses	13	24,870	25,417
Finance costs	14	25,819	39,169
		1,473,376	1,470,873
Operating Profit/Loss		(95,462)	(164,315)
Other gains/(losses)			
Unrealized gain on changes in Biological Assets	15	124,927	116,970
Loss due to death of Livestock	16	(37,248)	(36,210)
Loss on foreign exchange transactions	17	3	9
Gain on sale of fixed assets	18	-	4,671
Surplus before tax		(7,780)	(78,875)
Taxation		-	-
Surplus for the year		(7,780)	(78,875)

FOR THE YEAR ENDED 30TH JUNE 2021

The notes set out on pages 9 to 34 form an integral part of the Financial Statements

AGRICULTURAL DEVELOPMENT CORPORATION

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XV. CORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

Revenue from Non-Exchange transactions			
Transfer from other Government entities	1	35,000	30,000
Revenue from exchange transactions			
Service units income	2	111,820	93,149
Farming Income	3	1,140,457	1,044,746
Rental revenue from facilities	4	35,509	30,668
Investments Income	5	37,579	77,400
Other Income	6	15,850	26,027
		1,341,215	1,271,990
		1,376,215	1,301,990
Expenses			
Employee costs	7	493,446	528,506
Depreciation and amortization expense	8	134,008	147,829
Repairs and maintenance	9	46,691	36,597
Subscription & Donations	10	1,263	566
Contracted services	11	45,444	28,856
General expenses	12	700,291	662,940
Board expenses	13	23,348	24,331
Finance costs	14	25,044	38,445
		1,469,535	1,468,070
Operating Profit/Loss		(93,320)	(196,080)
Other gains/(losses)			
Unrealize gain on changes in Biological Assets	15	124,927	116,970
Loss due to death of Livestock	16	(37,248)	(36,210)
Loss on foreign exchange transactions	17	3	9
Gain on sale of fixed assets	18	-	4,671
Surplus before tax		(5,639)	(80,640)
		-	-
Surplus for the year		(5,639)	(80,640)

The notes set out on pages 9 to 34 form an integral part of the Financial Statements

AGRICULTURAL DEVELOPMENT CORPORATION

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XVI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

Assets			2020-2021	2019-2020
Current assets	Note		KSH '000'	KSH '000'
Cash and cash equivalents	19		45,364	108,213
Receivables from exchange transactions	20		635,359	608,714
Current Account with National Live stock Project	21		43,809	46,848
Inventories	22		273,283	249,384
			997,815	1,013,159
Non-current assets				
Property, plant and equipment	23(a)		1,493,639	1,620,737
Investments	24		467,283	467,283
Biological Assets	25		1,633,543	1,507,165
			3,594,465	3,595,185
Liabilities			4,592,280	4,608,344
Current liabilities				
Trade & other payables-exchange transactions	26		1,278,381	1,266,351
Borrowings	28(a)		88,800	89,012
			1,367,181	1,355,363
Non-current liabilities				
Borrowings	28(b)		158,675	206,296
			158,675	206,296
Net assets			1,525,856	1,561,659
Grants Reserves	29		3,459,786	3,384,786
Capital Reserve	30		12,775	12,775
Reserves	31		447,701	447,701
Accumulated (Deficit)			(853,838)	(798,577)
			3,066,424	3,046,685
			4,592,280	4,608,344

Managing Director


Head of finance

Chairman

Name: W. MACHARIA

Name: J. L. KIPANY

Name: Zephania Kipsang Yego

Sign: 

Sign:  ICPAK No.15114

Sign: 

Date: 30/05/2022

Date: 30/05/2022

Date: 30/05/2022

AGRICULTURAL DEVELOPMENT CORPORATION

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XVII. CORPORATION STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

Assets				
Current assets		Note	2020-2021	2019-2020
			KSH '000'	KSH '000'
Cash and cash equivalents		19	31,988	85,553
Receivables from exchange transactions		20	615,082	588,409
Current Account with National Live stock P		21	43,809	46,848
Inventories		22	273,283	249,834
			964,162	970,644
Non-current assets				
Property, plant and equipment		23(a)	1,009,691	1,136,743
Investments		24	467,283	467,283
Biological Assets		25	1,633,543	1,507,165
Investment in Subsidiary-Lands Ltd			31,434	31,434
			3,141,951	3,142,625
			4,106,113	4,113,269
Liabilities				
Current liabilities				
Trade & other payables-exchange transactio		26	1,275,407	1,263,551
Borrowings		28(a)	88,800	89,012
			1,364,207	1,352,563
Non-current liabilities				
Current Account with Subsidiary- Lands Ltd		27	547,692	540,302
Borrowings		28(b)	158,675	206,296
			706,367	746,598
Total Liabilities			2,070,574	2,099,161
Net assets			2,035,539	2,014,108
Grants Reserves		29	3,435,506	3,360,506
Accumulated (Deficit)			(1,399,967)	(1,346,398)
			2,035,539	2,014,108
			4,106,113	4,113,269

Managing Director

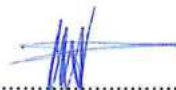
Head of finance


Chairman

Name: W. MACHARIA

J. L. KEIPANY

Zephania Kipsang Yego

Sign: 

 ICPAK No. 15114



Date: 30/05/2022

30/05/2022

30/05/2022

AGRICULTURAL DEVELOPMENT CORPORATION

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For the year ended 30th June 2021

XVIII. LANDS LTD

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

Assets		2020-2021	2019-2020
Current assets	Note	KSH '000'	KSH '000'
Cash and cash equivalents	19	13,376	22,660
Receivables from exchange transactions	20	20,277	20,305
		33,653	42,965
Non-current assets			
Property, plant and equipment		483,948	483,994
Current Account with Parent Co.	27	547,692	540,302
		1,031,640	1,024,296
		1,065,293	1,067,261
Liabilities			
Current liabilities			
Trade & other payables -exchange transactions	26	2,974	2,800
Net assets			
Equity			
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants Reserves		55,694	55,694
Capital Reserve	30	12,775	12,775
Reserves	31	447,701	447,701
Accumulated surplus/ (Deficit)		546,129	548,271
		1,062,319	1,064,461
		1,065,293	1,067,261

Managing Director

Head of finance


Chairman

Name: W. MAZITAZIA

J. L. KEITANY Zephania Kipsang Yego

Sign: 

 ICPAK No. 15114



Date: 30/05/2022

30/05/2022

30/05/2022

AGRICULTURAL DEVELOPMENT CORPORATION

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XIX. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30TH JUNE 2021

	Equity (Grants) Kshs '000	Capital Reserves Kshs '000	Revaluation Reserve Kshs '000	Profit/ Loss Kshs '000	Total Kshs '000
Balance as at 1st July 2019	3,284,787	12,775	447,701	(719,702)	3,025,561
Addition	100,000	-	-	-	100,000
Transfers to accumulated surplus/Deficit	-	-	-	(78,875)	(78,875)
Balance as at 30 June 2020	3,384,787	12,775	447,701	(798,577)	3,046,686
Addition	75,000	-	-	-	75,000
Prio Adjustment				(47,481)	(47,481)
Transfers to accumulated surplus/Deficit	-	-	-	(7,780)	(7,780)
Balance as at 30 June 2021	3,459,787	12,775	447,701	(853,838)	3,066,425

AGRICULTURAL DEVELOPMENT CORPORATION

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For the year ended 30th June 2021

XX. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020-2021 KSHS '000'	2019-2020 KSHS '000'
Cash flows from operating activities			
Surplus for the year		(7,780)	(78,877)
Adjustments for:			
Depreciation of property and equipments	23(a)	134,054	147,888
Gain on sale of fixed assets	18	-	4,671
Revaluation in fair value of biological assets	15	(124,927)	(121,496)
Loss due to death of Animals	16	37,248	36,210
Operating profit before working capital changes		38,595	(11,604)
Increase/(decrease) in:			
Debtors	20	(26,645)	(32,880)
Inventories	22	(23,899)	(23,871)
Injection to National livestock project	21	3,039	(214)
Creditors	26	12,030	36,252
		(35,475)	(20,713)
Cash generated from operations		3,119	(32,318)
Cash flows from investing activities			
Capital WIP	23(c)	-	(17,591)
Purchase of Fixed assets	23(a)	(69,095)	(176,660)
Purchase of Livestock		(40,340)	(33,825)
Proceeds from sale of assets		-	9,657
Net cash flows used in investing activities		(109,435)	(218,419)
Cash flows from financing activities			
Borrowings	28	(66,533)	-
Government Grants	29	110,000	130,000
		43,467	130,000
Net increase in cash and cash equivalents		(62,849)	(120,737)
Beginning of period		108,213	228,950
Net increase in cash and cash equivalents		(62,849)	(120,737)
Cash at the end		45,364	108,213

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XXI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30TH JUNE 2021

	Budget 2020-2021	Actual 2020-2021	Variance
Revenue	Kshs '000	Kshs '000	Kshs '000
Revenue from services units	132,000	111,820	(20,180)
Farming Income	1,692,950	1,140,457	(552,493)
Rent/ Eco-Tourism	63,214	35,509	(27,705)
Investment Income	54,300	37,579	(16,721)
Other incomes	19,309	17,549	(1,760)
	1,961,773	1,342,914	(618,859)
Expenses			
Employees cost	640,514	494,821	(145,693)
Depreciation and amortization	128,984	134,054	5,070
Repair and maintenance	67,437	46,691	(20,746)
Subscription & Donation	2,450	1,263	(1,187)
Contracted Services	33,603	45,444	11,841
General Expenses	891,145	700,414	(190,731)
Board Expenses	20,000	24,870	4,870
Finance Costs	49,104	25,819	(23,285)
Total expenditure	1,833,237	1,473,376	(359,861)

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XXII. NOTES TO THE FINANCIAL STATEMENTS

General Information

The Agricultural Development Corporation is a State Corporation established by an Act of Parliament Cap 346 and derives its authority and accountability from revised Act of Parliament Cap 444 of 1986. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is development of agriculture in Kenya including:-

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

Statement of compliance and basis of preparation

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

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging

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Standard	Effective date and impact:
	arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfer from other government entities

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

Recurrent Grant

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

Development Grant

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

ii) Revenue from exchange transactions

Rendering of services

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

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

The Corporation has an engineering service unit that deals with repair of equipment's, transport and fabrication of farm implements, during the year Ksh 25.6 M was realized.

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Farming Income

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

Dividends and Other external Investments

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

Rental income

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

b) Budget information

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

c) Investment property

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

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

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

Transfers are made to or from investment property only when there is a change in use.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

d) Property, plant and equipment

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

Property, Plant and Equipment

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

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

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

e) Leases

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

j) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

g) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

h) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Contingent liabilities

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements. Corporation has got capital reserves from Agricultural settlement fund and revaluation reserves from revaluation of land.

k) Changes in accounting policies and estimates

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

l) Employee benefits

Retirement benefit plans

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

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

m) Borrowing costs

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

n) Related parties

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

o) Service concession arrangements

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

p) Cash and cash equivalents

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

Trade and other receivables

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

r) Trade and other payable

Accounts payable are non-interest bearing financial liabilities and are carried at amortized cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Corporation or not, less any payments made to the suppliers.

s) Biological assets

Living plants and animals with probable future economic benefits which are owned and controlled by the corporation are accounted for as biological assets. Harvested products from the Corporation's biological assets and agricultural produce are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

(i) *Consumable biological assets*

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

(ii) *Bearer biological assets*

Other biological assets are classified as bearer biological assets.

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

u) *Comparative figures*

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

v) *Significant judgments and sources of estimation uncertainty*

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2021.

x) Financial Risk management

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

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

i) Market Risk

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

a) Interest rate risk

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

b) Exchange risks

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

ii) Liquidity Risk

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

AGRICULTURAL DEVELOPMENT CORPORATION

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

iii) Operational risk

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

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

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

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

- Requirement for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for reconciliation and monitoring of transactions.
- Compliance with regulatory framework.
- Documentation of controls and procedures.
- Training and professional development.
- Development of contingency plans.
- Risk mitigation, including insurance where this is effective.

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

1. Transfer from other Government Entities

Name of the Entity sending the grants	Amount recognized to statement of financial performance	Amount deferred under deferred Income	Amount recognised in capital fund	Total Transfers 2020/21	Prior year 2019/2020
	Kshs.000	Kshs.000	Kshs. 000	Kshs. 0000	Kshs.000
MOALF					
State department of Agriculture	35,000	-	50,000	85,000	
State department of Livestock	-		25,000	25,000	30,000
Total	35,000	-	75,000	110,000	30,000

2. Rendering of Service units incomes

	Consolidated		Company	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Sale of Feed	86,171	60,220	86,171	60,220
Contract Income	22,263	26,289	22,263	26,289
Transport Income	3,386	6,640	3,386	6,640
Total	111,820	93,149	111,820	93,149

The Corporation has a feeds processing unit that sells its products both to external market and internal use. Contract and Transport income is from an Engineering service Unit that acts as support section in provision of machinery for land preparations and transportation services.

3. Farming Income

	Consolidated		Company	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Sale of Commercial maize	59,740	102,353	59,740	102,353
Sale of seed maize	607,068	537,352	607,068	537,352
Other Farm produce	218,200	172,060	218,200	172,060
Sale of steers	55,042	68,669	55,042	68,669
Sales of in-calf Heifer	4,540	3,435	4,540	3,435
Other Livestock	35,588	34,284	35,588	34,284
Sale of Milk	78,445	70,421	78,445	70,421
Sale of other animal products	57,720	48,285	57,720	48,285
Sale of Hay	16,201	7,880	16,201	7,880
Grazing fees	7,913	7	7,913	7
Total	1,140,457	1,044,746	1,140,457	1,044,746

Farming is the core business of the Corporation. The major activity being growing of seed maize that is sold to Kenya Seed Co. for processing where Ksh. 569M was realized. The Corporation has also developed its own variety of seed maize where Ksh. 38M was realized in the year under review. Other farm produce relates to revenue generated from other crop variety such as Citrus, Coffee, Sugarcane, potatoes e.t.c

4. Rental Revenue from

	Consolidated		Company	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Lease Rental	12,638	28,691	12,638	28,691
Rent of Property	22,871	1,977	22,871	1,977
Total	35,509	30,668	35,509	30,668

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

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

	Consolidated		Company	
	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000
Development house	37,579	77,400	37,579	77,400
Total	37,579	77,400	37,579	77,400

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

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Training Fees AI center	730	-	730	-	-	-
Eco-Tourism	805	5,261	805	5,261	-	-
Miscellaneous Income	16,014	25,334	14,315	20,766	1,699	4,568
Total	17,549	30,595	15,850	26,027	1,699	4,568

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

7. Employee costs

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Salaries	103,136	107,132	102,451	106,746	685	386
Wages	165,208	186,051	165,208	186,051	-	-
NSSF	2,313	2,779	2,308	2,776	5	3
Leave Expenses	1,668	1,774	1,660	1,769	8	5
House allowance	57,181	59,166	56,821	58,906	360	260
Commuter allowance	10,344	10,260	10,188	10,169	156	91
Responsibility allowance	8,655	9,353	8,655	9,353	-	-
Gratuities	11,004	12,829	10,896	12,811	108	18
Terminal dues	5,213	11,100	5,213	11,100	-	-
Administrative wages	60,624	65,689	60,624	65,689	-	-
Pension contribution	10,159	10,479	10,106	10,428	53	51
Acting Allowance	2,227	1,747	2,227	1,747	-	-
Hardship Allowance	1,852	2,011	1,852	2,011	-	-
Duty Allowance	3,214	3,027	3,214	3,027	-	-
Education & training	2,284	1,940	2,284	1,940	-	-
Medical expenses	21,602	10,555	21,602	10,555	-	-
Free Issues to staff	3,641	3,929	3,641	3,929	-	-
Travel, accommodation,	24,496	29,499	24,496	29,499	-	-
Total	494,821	529,320	493,446	528,506	1,375	814

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8. Depreciation and amortization expense

	Consolidated		Company		Lands Ltd	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Property, plant and equipment	134,054	147,888	134,008	147,829	46	59
Total	134,054	147,888	134,008	147,829	46	59

9. Repairs and maintenance

	Consolidated		Company		Lands Ltd	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Property	6,612	4,954	6,612	4,954	-	-
Machinery & Equipment	22,893	21,304	22,893	21,304	-	-
Vehicles	17,186	10,339	17,186	10,339	-	-
Total	46,691	36,597	46,691	36,597	-	-

10. Subscription and Donations

	Consolidated		Company		Lands Ltd	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Donations	1,263	566	1,263	566	-	-

11. Contracted services

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

	Consolidated		Company		Lands Ltd	
	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000	2020-2021 Shs 000	2019-2020 Shs 000
Contracts Costs	45,444	28,856	45,444	28,856	-	-
Total	45,444	28,856	45,444	28,856	-	-

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12. General Expenses

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Advertising, Show and publications	21,174	19,391	21,174	19,391	-	-
Audit fees	1,186	1,186	1,066	1,066	120	120
Consultion Fees	3,248	1,647	3,245	1,647	3	-
Consumables	13,499	14,481	13,499	14,481	-	-
Electricity & Water	10,713	12,348	10,713	12,348	-	-
Fuel and oil	89,325	87,616	89,325	87,616	-	-
Insurance	25,913	3,670	25,913	3,670	-	-
Legal expenses	27,733	61,068	27,733	61,068	-	-
Licenses and cesses	6,643	5,509	6,643	5,509	-	-
Fertilizer	120,805	121,830	120,805	121,830	-	-
Herbicides, Insecticides ,Veterinary & Other Chemical	101,874	112,476	101,874	112,476	-	-
Feed stuffs & Menerals	74,306	50,481	74,306	50,481	-	-
Packing materials	10,215	32,071	10,215	32,071	-	-
Seed	84,585	37,436	84,585	37,436	-	-
Raw Marterials -Feedmill	54,681	42,770	54,681	42,770	-	-
Postage & Telephone	4,080	3,982	4,080	3,982	-	-
Printing and stationery	7,071	4,935	7,071	4,935	-	-
Rent & Rates	388	629	388	629	-	-
Security costs	713	728	713	728	-	-
Royalties(Seed)	2,383	1,979	2,383	1,979	-	-
Inspection Fees	7,619	8,867	7,619	8,867	-	-
Training Costs- AI Center	232	210	232	210	-	-
Professional Fees	22	751	22	751	-	-
Fines and penalties	3,179	5	3,179	5	-	-
Transport	20,261	31,741	20,261	31,741	-	-
Research Expenses	170	159	170	159	-	-
Milk To Calves	2,258	3,307	2,258	3,307	-	-
VAT Tax	5,409	-	5,409	-	-	-
Other	729	1,787	729	1,787	-	-
Total	700,414	663,060	700,291	662,940	123	120

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13. Board expenses	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Emoluments	20,357	17,330	18,964	16,585	1,393	745
Milage/Travelling	2,062	7,370	1,959	7,029	104	341
Insurance	579	652	579	652	-	-
Training	965	-	965	-	-	-
Airtime	91	65	65	65	26	-
Total	24,054	25,417	22,532	24,331	1,522	1,086

14. Finance Costs	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Bank charges	2,153	2,040	1,378	1,316	775	724
Interest	23,666	37,129	23,666	37,129	-	-
Total	25,819	39,169	25,044	38,445	775	724

15. Change in Biological Assets

In line with IPSAS No.27, the Corporation biological assets increased in value by Kshs. 124.9M during the year arising from changes in fair value. The Corporation adopts the market value less cost to sell valuation model

16. During the year under review the Corporation lost Livestock worth 37M through death which is considered as a direct loss as follows

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Loss due to death of livestock	37,248	36,210	37,248	36,210	-	-

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

18. The corporation did not dispose of any assets during the year under review.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

19. Cash and Cash Equivalents

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
19 a)Bank	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Name of the Bank						
Consolidated Bank	445	24,299	445	24,299	-	-
National Bank	16,106	24,048	2,730	1,388	13,376	22,660
Kenya Com Bank	28,529	59,532	28,529	59,532	-	-
Total	45,080	107,879	31,704	85,219	13,376	22,660
19b)Cash-in-hand	284	334	284	334	-	-
Total	45,364	108,213	31,988	85,553	13,376	22,660

20. Receivables from Exchange Transactions

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Trade Debtors						
Trade Debtors	510,361	499,029	490,069	478,709	20,292	20,320
Specific provision	(52,499)	(52,499)	(51,962)	(51,962)	(537)	(537)
General Provision	(4,909)	(4,909)	(4,909)	(4,909)	-	-
Total Current Receivables	452,953	441,621	433,198	421,838	19,755	19,783
Non- Trade Debtors						
Non - Trade Debtors	182,406	167,093	181,884	166,571	522	522
Total	635,359	608,714	615,082	588,409	20,277	20,305

21. Current account with NLP

The Government provided funds for emergency Livestock offtake in arid areas. During the year the Corporation incurred Kshs.43, 809,459 on maintenance and daily running of the projects operation.

	2020-2021	2019-2020
	Kshs.'000'	Kshs.'000'
NLP Current Account	241,809	244,848
Grants	(198,000)	(198,000)
TOTAL	43,809	46,848

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

22. Inventories	2020-2021	2019-2020
	Kshs.'000'	Kshs.'000'
Building materials	2,817	2,241
Fencing & Water Supplies	8,562	8,822
Fertilizer	19,414	19,243
Feedstuffs & Minerals	2,630	2,443
Herbicides & Insecticides	21,575	27,873
Packing Materials	4,565	3,381
Petroleum Products	2,283	2,107
Machinery & Equipment Spares	7,320	7,007
Vehicles & Tractor Spares	12,338	10,242
Veterinary Products	3,188	63,160
Seeds	25,627	27,115
Sundries	1,640	4,492
Feedmill Raw Materials	3,386	10,713
Feedmill Finished products	5,648	9,381
Stationery	1,465	1,057
Laboratory Chemicals	7,366	231
Bean Seed	4	439
Embroy Transafer	382	336
Harvested Crops	81,341	54,289
Semen	66,920	-
Provision for Obsolete stock	(5,188)	(5,188)
Total	273,283	249,384

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23(a). PROPERTY PLANT & EQUIPMENT

COST	Farms										Totals Kshs '000'	
	Leased Farms Kshs '000'	Managed by ADC Kshs '000'	Buildings Kshs '000'	Fencing Supply Kshs '000'	Water Equipment Kshs '000'	Farm Equipment Kshs '000'	Furniture & Equipment Kshs '000'	Motor Vehicles Kshs '000'	Small Tools Kshs '000'	Land Reclamation Kshs '000'		Capital WIP 000'
Cost												
At 1st July 2019	454	521,513	576,594	86,301	420,999	50,437	610,866	4,359	12,427	72,994	2,356,944	
Additions	-	-	10,789	197	67,868	10,782	97,738	75	-	67,768	255,217	
Adjustments	-	-	88,822	29	71,700	78	9,795	(75)	-	(25)	170,324	
Disposal	-	-	-	-	(20,157)	-	(85,808)	-	-	-	(105,965)	
At 30th June 2020	454	521,513	676,205	86,527	540,410	61,297	632,591	4,359	12,427	140,737	2,676,520	
Additions	-	-	-	28	45,189	5,435	17,357	18	343	4,803	73,173	
Disposal	-	-	-	-	-	-	-	-	-	(66,216)	(66,216)	
At 30th June 2021	454	521,513	676,205	86,555	585,599	66,732	649,948	4,377	12,770	79,324	2,683,477	
Depreciation												
At 1st July 2019	213	-	117,008	68,667	314,479	45,387	435,820	4,316	9,164	-	995,055	
Adjustments	7	-	(2,901)	(7)	(7,673)	(442)	24,692	(58)	-	-	13,618	
Disposal	-	-	-	-	(18,352)	-	(82,425)	-	-	-	(100,777)	
Charge for the year	6	-	28,105	1,787	50,391	3,270	63,626	51	653	-	147,889	
At 30 June 2020	226	-	142,212	70,447	338,845	48,215	441,713	4,309	9,817	-	1,055,785	
Disposal	-	-	-	-	-	-	-	-	-	-	-	
Charge for the year	6	-	26,700	1,611	49,351	3,703	52,059	34	591	-	134,054	
At 30th June, 2021	232	-	168,912	72,058	388,196	51,918	493,772	4,343	10,408	-	1,189,839	
Net book values												
At 30th June 2021	222	521,513	507,293	14,497	197,403	14,813	156,176	34	2,362	79,324	1,493,639	
At 30th June 2020	228	521,513	533,993	16,080	201,565	13,082	190,878	51	2,610	140,737	1,620,737	

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

	Farms managed by ADC	Buildings	Fencing Water Supply	Farm Equipment	Furniture & Equipment	Motor Vehicles	Small Tools	Land Reclamation	Capital WIP	Totals
COST										
At 1st July 2019	Kshs.000' 37,910	Kshs.000' 576,594	Kshs.000' 86,301	Kshs.000' 421,001	Kshs.000' 50,441	Kshs.000' 605,478	Kshs.000' 4,359	Kshs.000' 12,427	Kshs.000' 72,994	Kshs.000' 1,867,505
Adjustments	-	88,822	29	71,700	78	9,795	(75)	-	(25)	170,324
Additions	-	10,789	197	67,868	10,782	97,728	75	-	67,768	255,207
Disposals	-	-	-	(20,157)	-	(85,808)	-	-	-	(105,965)
At 30th June 2020	37,910	676,205	86,527	540,412	61,301	627,193	4,359	12,427	140,737	2,187,071
Additions	-	-	28	45,189	5,435	17,357	18	343	4,803	73,173
Disposals	-	-	-	-	-	-	-	-	(66,216)	(66,216)
At 30 June 2021	37,910	676,205	86,555	585,601	66,736	644,550	4,377	12,770	79,324	2,194,028
DEPRECIATION										
At 1st July 2019	-	116,719	69,747	314,440	45,388	429,754	4,319	9,164	-	989,531
Adjustments	-	(2,886)	(115)	(6,907)	(442)	24,219	(60)	-	-	13,809
Disposal	-	-	-	(18,352)	-	(82,425)	-	-	-	(100,777)
Charge for the year	-	28,119	1,690	50,072	3,271	63,911	50	653	-	147,766
At 30th June 2020	-	141,952	71,322	339,253	48,217	435,459	4,309	9,817	-	1,050,329
Disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	26,713	1,523	49,172	3,704	52,273	34	591	-	134,008
At 30th June 2021	-	168,664	72,845	388,425	51,921	487,732	4,343	10,408	-	1,184,336
NET BOOK VALUE										
At 30th June 2021	37,910	507,541	13,710	197,176	14,815	156,818	34	2,362	79,324	1,009,691
At 30th June 2020	37,910	534,253	15,206	201,159	13,084	191,734	50	2,610	140,737	1,136,743

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23. Capital Work In Progress

	<u>2020-2021</u>	<u>2019-2020</u>
Relates to in-complete capital works .	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Eco House (ADC Chorlim)	1,684	1,022
Eco House (ADC Nai)	7,138	6,540
Eco House (ADC Olgantongo)	2,048	8,705
Eco House (ADC Sabwani)	7,686	55,349
Maize Shade (ADC Feedmill)	1,157	1,157
Dam ans Store (ADC Suam Orchards)	25,169	24,876
Katuke	1,750	11,514
Kitchen (ADC A I Centre)	233	233
Kiswani	1,042	1,042
Lanet	140	140
Ndabibi	567	555
Nitrogen plant -LGC	3,916	3,403
Shade (ADC Engineering Services)	5,053	4,803
Office Block (ADC Molo)	3,675	3,666
Japata	2,558	2,416
Sirikwa	5,111	5,111
Namandala	935	935
Seed Unit(Construction of a Godown)	9,462	9,270
Total	79,324	140,737

24. Investments

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Opening balance at 1 July 2019	467,283	467,283
Balance as at 30th June 2020	467,283	467,283
Balance as at 30 June 2021	467,283	467,283

25. Biological Assets

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs.'000'</u>	<u>Kshs.'000'</u>
Beef Cattle	347,718	351,086
Dairy Cattle	178,872	177,291
Pigs	679	481
Sheep	22,039	20,421
Goats	16,019	12,566
Horses	1,110	620
Donkey	30	30
Breeding Dogs	67	67
Poultry	1,042	890
Breeding Bulls	25,480	21,470
Crops	1,040,487	922,243
TOTAL	1,633,543	1,507,165

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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26. Trade and other payables from exchange transactions

	Consolidated		Company		Lands Ltd	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Trade Creditors	712,364	716,336	712,244	716,216	120	120
Non-trade creditors	566,017	550,015	563,163	547,335	2,854	2,680
	1,278,381	1,266,351	1,275,407	1,263,551	2,974	2,800

27. Current Account- Lands Ltd

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

28.(a) Borrowings

	2020-2021	2019-2020
(a)Total current borrowings	Kshs 000	Kshs 000
KCB Term Loan	55,200	55,412
AFC Crop Seasonal Loan	33,600	33,600
	88,800	89,012

AFC Crop Seasonal Loan

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

28 (b)Total non-current borrowings

	2020-2021	2019-2020
	Kshs 000	Kshs 000
KCB TERM LOANS	121,915	143,693
AFC Crop Seasonal Loan	36,760	62,603
Total	158,675	206,296

KCB Term Loan

In 2014 the Corporation restructured its facilities held with KCB by amalgamating them into a term loan payable in 48 months at an interest rate of Bank's base rate plus 2%. The loan was secured by L.R No. 2993, L.R No. 5722, L.R No.5345/1 and L.R No. 9078/2 of the Corporation's Land Parcels .

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29. Grants

	2020	2019
	KShs'000'	KShs'000'
Government of Kenya	3,214,499	3,139,499
British Government	67,582	67,582
ASARECCA	1,898	1,898
NIB	11,700	11,700
UNDP	139,827	139,827
Grants to ADC	3,435,506	3,360,506
Grants to subsidiary	24,280	24,280
Consolidated	3,459,786	3,384,786

The Corporation received Kshs. 75,000,000 from the Ministry of Agriculture Livestock and Fisheries being 25 Million from state department of Livestock to facilitate buying of Bulls for the newly established Semen production center and Ksh. 50M from State Department of Agriculture for Mechanization.

30. Capital Reserves

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

31. Revaluation Reserve

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

32. Related Party Transaction

i) Board members of the Corporation

	Consolidated		Company		Lands	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Emoluments	20,357	17,330	18,964.00	16,585	1,393	745
Milage/Travelling	2,062	7,370	1,959	7,029	104	341
Insurance	1,086	652	1,086	652	-	-
Training	965	-	965	-	-	-
Airtime	91	65	65	65	26	-
Total	24,561	25,417	23,039	24,331	1,522	1,086

ii) Key Management

	Consolidated		Company		Lands	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Gross Salary	18,431.85	18,585	18,432	18,585	-	-
Pension	243.45	-	243	-	-	-
Gratuity	2,297.01	-	2,297	-	-	-
Total	20,972	18,585	20,972	18,585	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

33. Contingent Liabilities

There are certain pending legal litigations brought against the Corporation as at 30th June 2021, among them is case number HCC No.156 where the Corporation was held jointly liable with the Office of the Attorney General and ordered to pay Kshs. 100 M in damages. However, the case was appealed and we await the outcome of the appeal. In the opinion of the directors and after taking appropriate legal advice, the outcome of these legal claims will not result to any significant loss beyond the amounts provided for in these financial statements and will not materially affect the Corporation's financial ability.

34. Un Accrued Debtors

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

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

