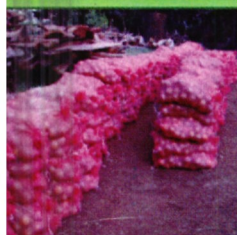
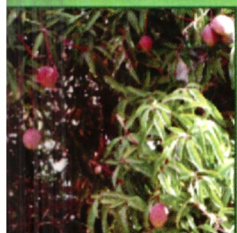


AGRICULTURAL DEVELOPMENT CORPORATION

184
ANNUAL REPORT & ACCOUNTS
31st March 2006

GARISSA IRRIGATION PROJECT



Excellence in Agriculture





AGRICULTURAL DEVELOPMENT CORPORATION

GARISSA IRRIGATION PROJECT

ACCOUNTS

FOR THE YEAR ENDED

31st March 2006

ANNUAL REPORT
For the year ended 31st March 2006

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REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

For the year ended 31st March 2006

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF AGRICULTURAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY LANDS LTD FOR THE YEAR ENDED 31 MARCH 2006.

I have audited the financial statements of Agricultural Development Corporation and its subsidiary Lands Ltd for the year ended 31 March 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Corporation and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Investments in Non-Performing Organizations

The Investments balance of Kshs.310,235,000 as at 31 March 2006 includes investments totalling Kshs.223,211,000 or 71.9% in non-performing companies where there has been no return on investment. These investments are, however, carried at cost. Although the Corporation has explained that it is unable to make a provision for diminution in value of these investments, because the shares of the companies are not traded in stock exchange, the treatment is contrary to International Accounting Standard No.39 which requires entities with financial assets and liabilities to carry them at their fair values. In the circumstances, it was not possible to confirm that the investments balance of Kshs.310,235,000 as at 30 June 2006 is fairly stated in these financial statements.

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL*For the year ended 31st March 2006***2. Garissa Irrigation Project**

As disclosed in note 8 to the financial statements, capital expenditure by ADC on Garissa Irrigation Project totalled Kshs.96,179,312 out of which Kshs.65,798,000 was financed by a grant received from the Government leaving a balance of Kshs.30,381,000 injected in the project by ADC and reflected in the balance sheet as at 31 March 2006. The project currently reflects an accumulated loss of Kshs.91,010,812. As stated in the report for 2004/2005, the future of the project is uncertain and the recoverability of the funds injected into the project is doubtful. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements. Further, the Garissa Irrigation project financial statements reflect Kshs.3,434,378 under stores, but the stock sheets show that the actual stock counted was only worth Kshs.34,378. The difference of Kshs.3,400,000 has not been analysed and reconciled.

Opinion

Except for the adjustments which may be necessary as a result of the matters discussed in the preceding paragraphs, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Corporation and its subsidiary as at 31 March 2006 and the results of the group's operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Agricultural Development Corporation Act, Cap 444 of the Laws of Kenya.



P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

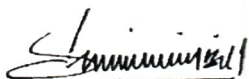
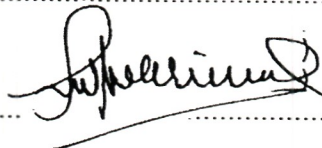
21 February 2007

BALANCE SHEET

As At 31st March 2006

	NOTES	2006 Kshs	2005 Kshs
NON CURRENT ASSETS			
Property, plant and Equipment	4	2,105,277	2,318,660
CURRENT ASSETS			
Stores	2	3,434,378	3,434,342
Accounts receivable	5	6,050	6,050
Cash and Bank Balances	6	62,738	10,981
		3,503,166	3,451,373
CURRENT LIABILITIES			
Accounts payable	7	439,943	378,423
		439,943	378,423
NET CURRENT ASSETS			
		3,063,223	3,072,950
TOTAL ASSETS			
		5,168,500	5,391,610
FINANCED BY:			
Grants from the Government	8	65,798,000	65,798,000
Funds provided by ADC	9	30,381,312	29,286,975
Profit and Loss Account	10	(91,010,812)	(89,693,365)
SHAREHOLDERS' FUNDS		5,168,500	5,391,610

The accounts were approved by the Board of Directors of Agricultural Development Corporation.

DIRECTORS

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2006

	NOTES	2006 Kshs	2005 Kshs
TURNOVER	3	30,980	52,760
PROFIT/(LOSS) FOR THE YEAR		(1,317,447)	(1,154,836)
After charging:-			
Depreciation		213,383	236,026
Auditors' remuneration		35,000	35,000
Management fees		240,000	240,000
STATEMENT OF ACCUMULATED LOSSES			
PROFIT/(LOSS) FOR THE YEAR		(1,317,447)	(1,154,836)
ACCUMULATED PROFITS/(LOSSES) B/F		(89,693,365)	(88,538,529)
ACCUMULATED PROFITS/(LOSSES) C/F		<u>(91,010,812)</u>	<u>(89,693,365)</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

DEPRECIATION

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

Buildings	5% p.a
Fencing and Water Supply	10% p.a
Farm Equipment and Machinery	20% p.a
Furniture and Equipment	20% p.a
Motor Vehicles and Tractors	25% p.a
Small Tools	50% p.a

2. STORES

Stores are stated at cost net of provision for obsolete/dead stocks;

	<u>2006</u>	<u>2005</u>
	Kshs	Kshs
Stores	3,592,684	3,592,648
Less: Specific Provisions	(158,306)	(158,306)
	<u>3,434,378</u>	<u>3,434,342</u>

3. TURNOVER

Turnover represents sale of fruits.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

4. FIXED ASSETS

Non-current Assets

Property, plant and Equipments COST

	<u>01.04.2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>31.03.2006</u>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Buildings	1,256,424	-	-	1,256,424
Fencing and Water Supply	13,902,297	-	-	13,902,297
Farm Equipment and Machinery	898,343	-	-	898,343
Furniture and Equipment	41,603	-	-	41,603
Small Tools	35,811	-	-	35,811
	<u>16,134,478</u>	-	-	<u>16,134,478</u>

DEPRECIATION

	<u>01.04.2005</u>	<u>Charge for</u>	<u>Release on</u>	<u>31.03.2006</u>
	<u>Kshs</u>	<u>the year</u>	<u>disposal</u>	<u>Kshs</u>
		<u>Kshs</u>	<u>Kshs</u>	
Buildings	885,789	18,532	-	904,321
Fencing and Water Supply	11,954,734	194,756	-	12,149,490
Farm Equipment and Machinery	898,065	56	-	898,121
Furniture and Equipment	41,430	35	-	41,465
Small Tools	35,800	5	-	35,805
	<u>13,815,818</u>	<u>213,383</u>	-	<u>14,029,201</u>

NET BOOK VALUE

	<u>01.04.2005</u>	<u>31.03.2006</u>
	<u>Kshs</u>	<u>Kshs</u>
Buildings	370,635	352,103
Fencing and Water Supply	1,947,563	1,752,807
Farm Equipment and Machinery	278	222
Furniture and Equipment	173	138
Small Tools	11	6
	<u>2,318,660</u>	<u>2,105,277</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

5. ACCOUNTS RECIEVABLE

Represents loss of inventory stock pending compensation .

6. CASH & BANK BALANCES

Made up of cash and bank balances of Kshs.62738.00 and KShs. 10981.00 at the end of financial years 2005/2006 and 2004/2005 respectively.

7. ACCOUNTS PAYABLE

Composed of the following as at 31st March 2006:

	<u>Kshs</u>
Creditors	28,423
Audit fees	<u>385,000</u>
Total	<u>413,423</u>

8. GRANTS

Grants are from The Government of Kenya.

9. FUNDS PROVIDED BY ADC

Net of total expenditure by ADC to run the Project on behalf of the Government of Kenya (KShs. 96,179,311.80) less total grants from the Government of Kenya (KShs. 65,798,000.00) as at 31st March 2006.

10. PROFIT & LOSS ACCOUNT

The accumulated losses carried forward at the year end.

TRADING, PROFIT & LOSS ACCOUNT*For the year ended 31st March 2006*MANAGEMENT
INFORMATION
SCHEDULE A

	<u>YEAR 2006</u> Kshs	<u>YEAR 2005</u> Kshs
SALE OF CROPS		
Fruits	30,200	52,440
OTHER INCOME		
Miscellaneous	780	320
TOTAL TRADING INCOME	<u>30,980</u>	<u>52,760</u>
LESS: EXPENDITURE (Schedule C)		
Administration	<u>1,348,427</u>	<u>1,207,596</u>
Profit/(Loss) for the year	<u>(1,317,447)</u>	<u>(1,154,836)</u>

TRADING, PROFIT & LOSS ACCOUNT*For the year ended 31st March 2006*MANAGEMENT
INFORMATION
SCHEDULE B

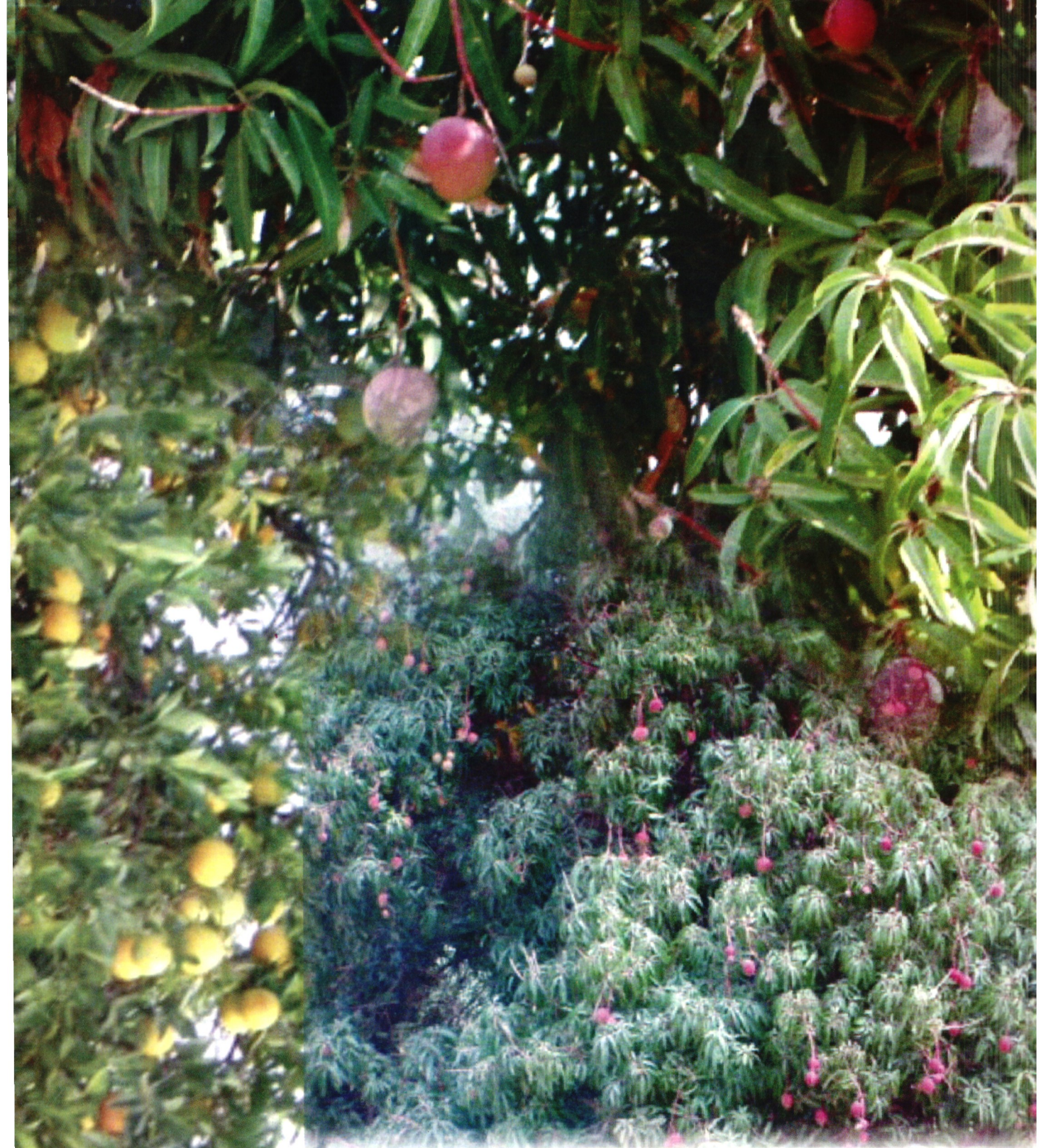
	<u>YEAR 2006</u>	<u>YEAR 2005</u>
	<u>Kshs</u>	<u>Kshs</u>
The loss for the year is stated after charging:		
Depreciation	213,383	236,026
Auditors' remuneration	35,000	35,000
Management fees	240,000	240,000
Profit/(Loss) for the year	<u>(1,317,447)</u>	<u>(1,154,836)</u>

EXPENDITURE*For the year ended 31st March 2006*MANAGEMENT
INFORMATION
SCHEDULE C

	YEAR 2006 Kshs	YEAR 2005 Kshs
EXPENDITURE		
<u>Administration:</u>		
Usage of stores	514	28,640
Bank charges	13,802	10,278
Depreciation	213,383	236,026
Incidentals/Security	2,635	3,010
Medical expenses	32,083	30,000
Postage and telephone	4,500	4,415
Staff costs	417,183	311,029
Stationery	2,009	1,995
Travelling & Subsistence	36,090	36,717
Wages, Uniforms & NSSF	351,228	270,486
Management fees	240,000	240,000
Audit fees	35,000	35,000
Obsolete/dead stock	-	-
	1,348,427	1,207,596



Pedigree animals. ADC is the custodian of all major livestock studs.



AGRICULTURAL DEVELOPMENT CORPORATION

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