



AGRICULTURAL DEVELOPMENT CORPORATION

Parliament ID No 183
Speaker N.A. Clerk Wany
Treasurer C. M. Leasa
Clerk N.A. Registrar
Clerk Wany
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ANNUAL REPORT & ACCOUNTS 31st March 2006



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AGRICULTURAL DEVELOPMENT CORPORATION

**AGRICULTURAL DEVELOPMENT CORPORATION
(AND ITS SUBSIDIARY LANDS LIMITED)**

CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED

31st March 2006

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REPORT OF THE DIRECTORS

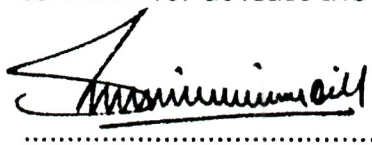
For the year ended 31st March 2006

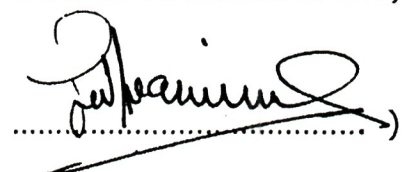
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the ADC Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Agricultural Development Corporation and its wholly-owned subsidiary, Lands Limited, and the related operating profit/(loss). The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

Nothing has come to the attention of the directors to indicate that the Corporation and its wholly-owned subsidiary, Lands Limited will not remain going concerns for at least the next twelve months from the date of this statement.


.....)


.....)

DIRECTORS

REPORT OF THE DIRECTORS

For the year ended 31st March 2006

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31st March 2006, which show the state of the Corporation's affairs.

1. PRINCIPAL ACTIVITY

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

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

2. LEGAL STATUS

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

3. EQUITY

The Corporation was financed through various grants. During the year the Corporation received Kshs.190 million for the National Livestock offtake in arid areas.

4. RESULTS

The profit for the year amounted to KShs. 92,060,619 which comprises:-

	KShs'000
Profit /(Loss) attributable to Lands Ltd	15,594
Profit /(Loss) attributable to A.D.C.	76,466

REPORT OF THE DIRECTORS

For the year ended 31st March 2006

5. DIRECTORS

The Board of Directors comprises:-

Mr. L. Waruinge	-	Chairman
Mr. W.K. Kirwa	-	Managing Director
Mr. Francis Tuiyot		
Mr. J.B.K.Mbandi		
Mr. S.M. Gitonga		
Mr. Mwenda Thiribi		
Mr. W. Auma Oriare		
Mr. Mike Tanyassis		
Prof S.G.Mbogo		
Mr. David Maina		
Mr. Mohamed M. Duale		
Permanent Secretary	-	Office of the President
Permanent Secretary	-	Treasury
Permanent Secretary	-	Ministry of Agriculture and Rural Development
Permanent Secretary	-	Ministry of Livestock and Development

6. AUDITORS

The Controller And Auditor General will continue in the office under the powers vested in him by the Exchequer and Audit Act (Cap 412).

7. BANKERS

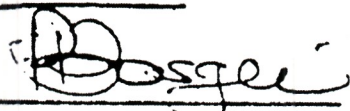
Kenya Commercial Bank Ltd
National Bank of Kenya Ltd
Standard Chartered Bank Ltd

8. LAWYERS

Kiarie & Company Advocates
J.A Wandera Advocates

By Order of the Board

Beatrice Kosgei



Corporation Secretary

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.

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

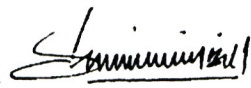

21 February 2007

CONSOLIDATED BALANCE SHEET

For the year ended 31st March 2006

	NOTES	2006 KShs'000s	2005 KShs'000s
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	251,894	165,644
Capital work in progress	4	<u>8,452</u>	<u>7,299</u>
		260,346	172,943
Investments (annex 1 & II)	5	310,235	310,435
Loans - Lands Ltd.	6	3,659	3,896
Capital Injections to Livestock Project	7	191,055	-
Capital Injections to Garrisa Irrigation Project	8	<u>30,381</u>	<u>29,287</u>
		<u>225,095</u>	<u>33,183</u>
CURRENT ASSETS			
Accounts Recievables-Trade	9	38,187	58,436
Accounts Recievables-Sundry	10	190,604	209,216
Livestock	11a	181,853	160,271
Crops and Cultivations	11b	104,076	86,432
Stores	11c	138,970	109,846
Cash & Bank balances	12	<u>33,331</u>	<u>35,914</u>
		<u>687,021</u>	<u>660,115</u>
CURRENT LIABILITIES			
Overdraft	13	159	2,040
Accounts Payables-Trade	14	155,898	116,996
Accounts Payables-Sundry	15	207,443	215,476
Accounts Payables - Lands Ltd.	16	<u>20,318</u>	<u>13,208</u>
		<u>383,818</u>	<u>347,720</u>
NET CURRENT ASSETS		<u>303,203</u>	<u>312,395</u>
		<u>1,098,879</u>	<u>828,956</u>
FINANCED BY:			
Grants	17	1,107,065	917,065
Capital Reserves	18	12,775	12,775
Revaluation Reserve	19	123,132	123,132
Profit /(Loss)	20	(167,202)	(259,256)
Loans	21	23,109	35,240
		<u>1,098,879</u>	<u>828,956</u>

These accounts were approved by the Board of Directors.

..... )
 ) Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2006

	NOTES	2,006 KShs'000s	2,005 KShs'000s
TURNOVER schedule 1(page 17)		<u>773,823</u>	<u>579,368</u>
Profit/(Loss) on farming operations (exclusive of depreciation, rent receivable, revaluation, interest payable and provision for obsolete stocks and bad debts)		157,517	112,401
RENT RECEIVABLE			
Tenant farmers	26	1,650	412
Other properties	27	<u>46,199</u>	<u>17,442</u>
		47,849	17,854
Interest receivable	28	8,734	7,447
Dividends receivable	29	-	29,930
Other incomes	30	1,415	16,178
Management fees	31	<u>240</u>	<u>291</u>
		10,389	53,846
		215,755	184,101
Board Members' Expenses		4,499	2,095
Administrative Expenses	33	95,639	79,938
Depreciation	3	51,937	37,514
Provision for Bad Debts	9	<u>18,291</u>	<u>14,040</u>
		170,366	133,587
INTEREST PAYABLE			
Loan & Overdraft		7,190	8,634
Interest- Others	32	7,969	-
		<u>15,159</u>	<u>8,634</u>
		185,525	142,221
NET PROFIT/(LOSS) FOR THE YEAR			
Profit on sale of Fixed Assets	2	2,106	3,609
Extraordinary gain on land	22	9,828	25,631
Change in Biological assets		<u>49,896</u>	<u>-</u>
NET PROFIT/(LOSS) FOR THE YEAR		<u>92,060</u>	<u>71,120</u>
STATEMENT OF ACCUMULATED LOSS			
Net Profit/(Loss) for the year		92,060	71,120
Accumulated Loss brought forward		(259,262)	(170,335)
Prior year adjustment	24	-	35,205
Kulalu Reserves b/d	32	-	(195,252)
Accumulated Loss carried forward		<u>(167,202)</u>	<u>(259,262)</u>

CASH FLOW STATEMENT

For the year ended 31st March 2006

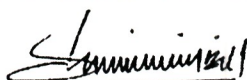

	2006 KShs'000s	2005 KShs'000s
Cash Flows From Operating Activities:		
Net profit/(Loss) for the year	92,060	71,120
Adjustments for:-		
Depreciation	51,938	37,514
Interest Expense	4,369	5,062
Profit on sale of Fixed Assets	(11,934)	(29,240)
Prior year adjustment to reserves	-	35,205
Management fees	(240)	(240)
Kulalu Reserves b/d	-	(195,252)
Provision for bad debts	18,291	14,040
Revaluation	(49,896)	-
Rent income	(49,745)	(412)
Dividend income	-	(29,929)
Interest income (loans & mortgages)	(8,734)	(7,447)
Operating Profit before Working Capital changes	<u>46,109</u>	<u>(99,579)</u>
Decrease in debtors	33,666	(9,606)
Increase in stores	(28,968)	(10,107)
Increase in crops & cultivation	(17,645)	(21,290)
Increase in livestock	(21,582)	(4,615)
Increase in creditors	28,537	17,203
Increase in deposit refundable	8,230	2,688
	<u>2,238</u>	<u>(25,727)</u>
Cash Generated From Operations	48,347	(125,306)
Returns on Investments and servicing of finance		
Dividend received	<u>17,102</u>	<u>17,102</u>
	17,102	17,102
Cash flows from investing Activities:		
Purchase of fixed assets	(97,038)	(55,771)
Current Account-Garissa Irrigation Project	(1,094)	(499)
Current Account- Kulalu Ranch	-	196,023
Loan recovery	237	(248)
Share refund from investments	200	-
National Livestock Project	(191,055)	-
Rental income	47,646	-
Proceeds from sale of assets	1,453	3,609
	<u>(239,651)</u>	<u>143,114</u>
Cash flows from financing Activities:		
Loan and interest repayments	(16,500)	(18,000)
National Livestock Project	190,000	-
Net Increase in Cash and Cash equivalents	(702)	16,910
Cash and Cash equivalents at:-		
Beginning of period	<u>33,874</u>	<u>16,964</u>
End of period	<u>33,172</u>	<u>33,874</u>
	(702)	16,910

ADC BALANCE SHEET

For the year ended 31st March 2006

	NOTES	2006 KShs'000s	2005 KShs'000s
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	235,622	149,225
Capital work in progress	4	<u>8,452</u>	<u>7,299</u>
		244,074	156,524
Investments (annex 1 & II page 20)	5	310,235	310,435
Capital Injections to Livestock Project	7	191,055	-
Capital Injections to Garrisa Irrigation Project	8	<u>30,381</u>	<u>29,287</u>
		<u>221,436</u>	<u>29,287</u>
SUBSIDIARY COMPANY - LANDS LTD.			
1,000 Ordinary Shares of Kshs.20 each		20	20
Grant to subsidiary		<u>31,414</u>	<u>31,414</u>
		<u>31,434</u>	<u>31,434</u>
CURRENT ASSETS			
Accounts Recievables-Trade	9	38,187	58,436
Accounts Recievables-Sundry	10	114,660	143,434
Livestock	11a	181,853	160,271
Harvested crops and Cultivation	11b	104,076	86,432
Stores	11c	138,970	109,846
Cash & Bank balance	12	<u>30,875</u>	<u>33,546</u>
		<u>608,621</u>	<u>591,965</u>
CURRENT LIABILITIES			
Overdraft	13	159	2,040
Accounts Payables-Trade	14	155,898	116,996
Accounts Payables-Sundry	15	206,317	214,476
Control Account - Lands Ltd.	23	<u>570,632</u>	<u>557,674</u>
		<u>933,006</u>	<u>891,186</u>
NET CURRENT ASSETS		(324,385)	(299,221)
		<u>482,794</u>	<u>228,459</u>
FINANCED BY :			
Grants	17	1,082,785	892,785
Revaluation Reserve		123,132	123,132
Profit and Loss (pg 8)		(746,232)	(822,698)
Loans	21	<u>23,109</u>	<u>35,240</u>
		<u>482,794</u>	<u>228,459</u>

These accounts were approved by the Board of Directors.

..... )
 ) Directors

PROFIT AND LOSS ACCOUNTS SUMMARY

For the year ended 31st March 2006

	BALANCE 1.4.2005 Kshs (000)	RESULT 31.3.2006 Kshs (000)	BALANCE 31.3.2006 Kshs (000)
a) OPERATIONAL UNITS			
Chorlim	31,981	9,481	41,462
Japata	88,461	44,267	132,728
Katuke	7,583	18,417	26,000
Kiswani	(29,057)	(3,595)	(32,652)
Mutara	92,010	2,448	94,458
Nai	2,747	16,937	19,684
Namandala	6,118	7,425	13,543
OI-Ngantongo	91,416	37,551	128,967
Sabwani	50,031	50,411	100,442
Suam Orchards	34,506	11,461	45,967
Lanet Feedlot	(58,891)	(15,884)	(74,775)
Galana/Kulalu	(331,141)	(12,973)	(344,114)
Molo Potato Project	(58,170)	(6,209)	(64,379)
Balance carried forward	<u>(72,406)</u>	<u>159,737</u>	<u>87,331</u>

PROFIT AND LOSS ACCOUNTS SUMMARY

For the year ended 31st March 2006

	BALANCE 1.4.2005 Kshs (000)	RESULT 31.3.2006 Kshs (000)	BALANCE 31.3.2006 Kshs (000)
Balance b/d (page 5)	(72,406)	159,737	87,331
b) SERVICE UNITS:			
Machinery Pool	(113,191)	(8,555)	(121,746)
FAMS	-	(29)	(29)
A.I. Centre	(1,192)	(1,738)	(2,930)
	<u>(114,383)</u>	<u>(10,322)</u>	<u>(124,705)</u>
c) MANUFACTURING UNIT			
Feedmill & Driers	(23,974)	2,174	(21,800)
d) ADMIN. OFFICES:			
Head Office	(588,519)	(57,333)	(645,852)
Kitale Office	(23,416)	(17,790)	(41,206)
	<u>(611,935)</u>	<u>(75,123)</u>	<u>(687,058)</u>
TOTALS	<u>(822,698)</u>	<u>76,466</u>	<u>(746,232)</u>

LANDS LIMITED BALANCE SHEET

For the year ended 31st March 2006

	2006 Kshs. '000'	2005 Kshs. '000'
NON-CURRENT ASSETS		
Property ,Plant and Equipment	16,272	16,419
Loans Advanced	3,659	3,896
CURRENT ASSETS		
Current Account with Parent Co.	570,632	557,674
Accounts Recievables	75,945	65,782
Cash and Bank balances	<u>2,456</u>	<u>2,368</u>
	<u>649,033</u>	<u>625,824</u>
CURRENT LIABILITIES		
Accounts Payables-Trade	1,120	1,000
Accounts Payables-Sundry	<u>20,318</u>	<u>13,208</u>
	<u>21,438</u>	<u>14,208</u>
NET CURRENT ASSETS	<u>627,595</u>	<u>611,616</u>
TOTAL ASSETS	<u>647,526</u>	<u>631,931</u>
FINANCED BY:		
Authorised and issued fully paid 1,000 ordinary shares of Kshs. 20 each.	20	20
Capital Reserves	12,775	12,775
Grants	55,694	55,694
Profit & Loss Account	<u>579,037</u>	<u>563,442</u>
	<u>647,526</u>	<u>631,931</u>

LANDS LIMITED PROFIT AND LOSS ACCOUNTS

For the year ended 31st March 2006

NOTES	2006 Kshs.000	2005 Kshs.000
INCOME		
Interest on loans	8,734	7,447
Rent receivable	1,650	412
Profit/(Loss) on sale of motor vehicle	-	(67)
Miscellaneous Income	657	436
Profit/(Loss) on sale of land	-	25,631
	<u>11,041</u>	<u>33,859</u>
EXPENDITURE		
Management fees payable to Parent Co.	598	598
Bank charges	25	37
Audit fees	120	120
Staff costs	2,624	2,001
Depreciation	147	186
Legal fees	450	791
Incidentals	90	36
Provision for bad debts	-	1,594
Survey fees	1,221	152
	<u>5,275</u>	<u>5,515</u>
NET PROFIT/(LOSS) FOR THE YEAR		
Extraordinary gain on land	5,766	28,344
	9,828	-
	<u>15,594</u>	<u>28,344</u>
STATEMENT OF ACCUMULATED LOSS		
Accumulated Profit/(Losses) brought forward	563,443	530,802
Net Profit/(Loss) for the Year	15,594	28,344
Prior year adjustment	-	4,297
Accumulated Profit/(Loss) carried forward	<u>579,037</u>	<u>563,443</u>

III FINANCIAL STATEMENTS

For the year ended 31st March 2006

ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Consolidated Financial Statements

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

(c) Income Recognition

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

(d) Property, Plant and Equipment

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

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

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

(e) Investments

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

FINANCIAL STATEMENTS

For the year ended 31st March 2006

(f) Taxation

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

(g) Inter-Group Item.

Rents:

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

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

Notes forming part of the Financial Statements

1. Turnover

		<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Group	Schedule 1 (page 17)	762,782	571,074
Subsidiary (Lands Ltd)	Schedule 1 (page 17)	11,041	8,294
		<u>773,823</u>	<u>579,368</u>

Turnover is total sales of all ADC units and its subsidiary Lands limited. It excludes profit on sale of fixed assets and any Extraordinary income.

2. The net profit for the year is stated;

	<u>GROUP</u>		<u>ADC</u>	
	<u>2006</u> Kshs.'000	<u>2005</u> Kshs.'000	<u>2006</u> Kshs.'000	<u>2005</u> Kshs.'000
after charging :				
Depreciation	51,938	37,514	51,791	37,327
Auditors' Remuneration	849	884	729	764
Interest on Loans	7,190	5,063	7,190	5,063
Provision for bad & doubtful debts and Crediting :	18,291	14,040	18291	12446
Profit on sale of fixed assets	2,106	3,606	2,106	3,676
Profit on sale of Land	9,828	25,632	-	-

3. Schedule of Fixed Assets

As per schedule 3a and 3b(page 18 & 19).

4. Capital Work In Progress

Relates to in-complete capital works .

Namandala	8,147
Kitale Office	2
Feedmill	<u>302</u>
	8,451

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

5. Investments

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

	<u>2006</u> KSHS'000	<u>2005</u> KSHS'000
Muhoroni Sugar Company Limited	19,500	19,500
Kenya Co-op. Creameries	4,151	4,151
Kenya Grain Growers' Co-op. Union	1,404	1,404
Pyrethrum Board of Kenya	36	36
Kenya Planters' Co-op Union	17	17
Total Cost of Investments	<u>25,108</u>	<u>25,108</u>

Investments reduced by 200,000ksh.during the year after KCC Holdings refunded the shares held.

6. Loans-Lands Ltd

Relates to loans advanced to staff.	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Secured	1,490	1,994
Unsecured	<u>2,169</u>	<u>1,902</u>
Total	<u>3,659</u>	<u>3,896</u>

7. National Livestock offtake

The Government provided funds for emergency Livestock offtake in arid areas.

8. Capital Injection to Garissa Irrigation Project

	<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Total expenditure by ADC on the project	96,179	95,085
Less: Total grant received from the Government of Kenya.	<u>(65,798)</u>	<u>(65,798)</u>
	<u>30,381</u>	<u>29,287</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

9. Accounts Recievables- Trade

Are stated at net of provision for bad and doubtful debts:

	GROUP		ADC	
	2006 Kshs'000	2005 Kshs'000	2006 Kshs'000	2005 Kshs'000
Debtors	97,056	99,014	97,056	99,014
Less: Specific provision	(30,737)	(12,446)	(30,737)	(12,446)
Less: General provision	(28,132)	(28,132)	(28,132)	(28,132)
	<u>38,187</u>	<u>58,436</u>	<u>38,187</u>	<u>58,436</u>

10. Accounts Recievables- Sundry

	GROUP		ADC	
	2,006 Kshs.'000'	2,005 Kshs.'000'	2,006 Kshs.'000'	2,005 Kshs.'000'
Sundry Debtors	193,037	211,649	117,093	143,434
Less: Specific provision	(839)	(839)	(839)	-
Less: General provision	(1,594)	(1,594)	(1,594)	-
	<u>190,604</u>	<u>209,216</u>	<u>114,660</u>	<u>143,434</u>

11. Stocks

(a) Standing crops and Livestock

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

(b) Harvested crops and cultivation

Cultivation has been stated on the basis of costs incurred. Harvested crops are stated at net realisable value.

(c) Stores

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

	2006 Kshs'000	2005 Kshs'000
Stores	151,399	122,431
Less: Specific Provisions	(12,585)	(12,585)
	<u>138,814</u>	<u>109,846</u>

12. Cash and Bank Balances

	GROUP		ADC	
	2006 Kshs'000	2005 Kshs'000	2006 Kshs'000	2005 Kshs'000
Cash in hand	1,060	988	1,060	988
Cash at bank	<u>33,331</u>	<u>34,926</u>	<u>30,875</u>	<u>32,546</u>
	<u>34,391</u>	<u>35,914</u>	<u>31,935</u>	<u>33,534</u>

13. Bank Overdraft

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

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

14. Accounts Payable-Trade

Relates to trade creditors' amounts outstanding as at 31st March 2006.

15. Accounts Payable-Sundry

Comprise of provisions for audit fees ,staff benefits and SACCO society dues.

16. Accounts Payable - Lands Ltd

Accounts payable Lands limited refers to deposits paid by land allottees.It is a holding account pending finalising of the transactions.

Comprise of the following as at 31st March 2006:

		<u>2006</u> Kshs'000	<u>2005</u> Kshs'000
Accounts payable- Sundry		21,438	13,208
	Total	<u>21,438</u>	<u>13,208</u>

17. Grants

	<u>2006</u> KShs'000s	<u>2005</u> KShs'000s
Government of Kenya	999,071	809,071
Dutch Government	16,132	16,132
British Government	67,582	67,582
	<u>1,082,785</u>	<u>892,785</u>
ADC and Subsidiary	1,107,065	917,065
Grants attributable to subsidiary	<u>(24,280)</u>	<u>(24,280)</u>

During the year the corporation received Kshs.190 million for Emergency Livestock offtake in Arid areas

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

18. 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.

19. Revaluation Reserves

This relates to an increase in value arising out of a change in Livestock, ploughing, Crops and Cultivations during the year 2004/05.

20. Profit and Loss

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

	GROUP	ADC	LANDS LTD	GROUP	ADC	LANDS LTD
	2006	2006	2006	2005	2005	2005
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Profit/(Loss)B/d	(259,256)	(822,699)	563,443	(170,335)	(701,129)	530,801
Prior year adjustment	-	-	-	35,205	30,908	4,297
Kulalu Reserves	-	-	-	(195,252)	(195,252)	-
Profit/(Loss) for the year	<u>92,060</u>	<u>76,466</u>	<u>15,594</u>	<u>71,120</u>	<u>42,776</u>	<u>-</u>
Profit/(Loss) c/d	<u>(167,196)</u>	<u>(746,233)</u>	<u>579,037</u>	<u>(259,262)</u>	<u>(822,697)</u>	<u>535,098</u>

21. Loans

	2006	2005
	KShs'000	KShs'000
	<u>23,109</u>	<u>35,240</u>

KENYA COMMERCIAL BANK

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

22. Extraordinary gain on land

During the year the corporation realised Kshs. 9,828,457 being an extraordinary gain on sale of land as a result of change in allocation prices for Ngata, Kimwani and Ndabibi after taking into consideration the market price. At the time of allotment, the value of the land was not known.

23. Current Account- Lands Ltd

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

24. Prior Year Adjustment

	2005
	Kshs'000
Legal fees written back	(7,630)
ADC/AFC rent forfeited	3,467
Withholding tax used to offset PAYE	(2,339)
Land receipts (Ndabibi & Kimwani)	(24,406)
Survey fees written back (Lands Ltd)	(4,297)
	<u>(35,205)</u>

25. Contingent Liabilities

The Corporation has a contingent liability of Kshs.10,937,000 arising out of unremitted pension contributions and interest held from 1994 to March 2004.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

26. Rent Receivable-Tenant Farmers

These are assisted farmers who pay rent to the Corporation for the land they occupy.

27. Rent Receivable-Other Properties

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

28. Interest Receivable

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

29. Dividends Receivable

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

30. Other Incomes

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

31. Management Fees

Relates to fees for managing Garissa Irrigation Project.

32. Interest-Other

This refers to interest paid on machinery purchased on credit terms.

33. Adminstrative Expenses

These refer to expenses incurred by the Head Office ,Kitale Office and Lands limited.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

Schedule 1

2006
KShs'000

ADC Turnover

1. Production Units	Mutara	26,938
	Galana	11,949
	Molo	549
	Lanet	5,782
	Kiswani	5,646
	Chorlim	40,373
	Japata	110,388
	Katuke	75,563
	Nai	53,352
	Namandala	53,523
	Olingantongo	97,618
	Sabwani	117,609
	Suam	<u>52,445</u>
		<u>651,735</u>
2. Administrative Units	Head Office	44,593
	Kitale Office	<u>3,241</u>
		<u>47,834</u>
3. Service Units		
	Machinery pool	23,028
	Feedmill	40,480
	AI Centre	<u>1,811</u>
		65,319
Total Turnover		764,888
Less Profit on sale of fixed assets		<u>(2,106)</u>
		<u>762,782</u>
Lands Ltd Turnover		20,869
Add: Loss on sale of fixed assets		-
Less: Profit on sale of Land		<u>(9,828)</u>
		<u>11,041</u>
TOTAL TURNOVER		<u><u>773,823</u></u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

Schedule 3A

3a FIXED ASSETS:

FIXED ASSETS - AGRICULTURAL DEV. CORPORATION & ITS SUBSIDIARY

COST	1.4.2005	ADDITIONS	DISPOSALS	31.3.2006
	Kshs.000s	'Kshs.000s	Kshs.000s	Kshs.000s
ADC Farms	-	-	-	-
Lands Ltd- Leased Farms	454	-	-	454
Lands Ltd- Farms Managed by ADC	15,527	37,910	-	53,437
Buildings	64,188	665	-	64,853
Fencing Water Supply	50,734	97	-	50,831
Farm Equipment and Machinery	96,571	40,369	1,583	135,357
Furniture and Equipment	19,962	2,322	31	22,253
Motor Vehicles and Tractors	213,039	56,939	4,165	265,813
Small Tools	2,163	15	45	2,133
Land Reclamation and Drainage	2,025	39	-	2,064
	<u>464,663</u>	<u>138,356</u>	<u>5,824</u>	<u>597,195</u>

DEPRECIATION	1.4.2005	YR CHARGE	DISPOSALS	31.3.2006
	Kshs.000s	'Kshs.000s	Kshs.000s	Kshs.000s
Farms leased	116	8	-	124
Buildings	37,622	1,362	-	38,984
Fencing Water Supply	41,816	902	-	42,718
Farm Equipment and Machinery	66,257	14,110	1,513	78,854
Furniture and Equipment	15,810	1,293	-	17,103
Motor Vehicles and Tractors	133,334	34,103	4,104	163,333
Small Tools	2,090	141	46	2,185
Land Reclamation and Drainage	1,982	18	-	2,000
	<u>299,027</u>	<u>51,937</u>	<u>5,663</u>	<u>345,301</u>

NET BOOK VALUE	01.04.2005	31.03.2006
	Kshs.000s	Kshs.000s
ADC Farms	-	-
Lands Ltd - Leased Farms	338	330
Lands Ltd- Farms Managed by ADC	15,527	53,437
Buildings	26,566	25,869
Fencing Water Supply	8,918	8,113
Farm Equipment and Machinery	30,314	56,503
Furniture and Equipment	4,152	5,150
Motor Vehicles and Tractors	79,705	102,480
Small Tools	73	(52)
Land Reclamation and Drainage	43	64
	<u>165,636</u>	<u>251,894</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2006

Schedule 3b

3b FIXED ASSETS - AGRICULTURAL DEVELOPMENT CORPORATION

COST	1.4.2005 Kshs.000s	ADDITIONS 'Kshs.000s	DISPOSALS Kshs.000s	31.3.2006 Kshs.000s
Land	-	-	-	-
Buildings	64,188	665	-	64,853
Fencing and Water Supply	50,734	97	-	50,831
Farm Equipment and Machinery	96,571	40,369	1,583	135,357
Furniture and Equipment	19,962	2,323	30	22,255
Motor Vehicles and Tractors	206,639	56,939	4,165	259,413
Small Tools	2,164	15	46	2,133
Cost of farms managed by ADC	-	37,910	-	37,910
Land Reclamation and Drainage	2,025	39	-	2,064
	<u>442,283</u>	<u>138,357</u>	<u>5,824</u>	<u>574,816</u>

DEPRECIATION	1.4.2005 Kshs.000s	YR CHARGED 'Kshs.000s	DISPOSALS Kshs.000s	31.3.2006 Kshs.000s
Buildings	37,622	1,362	-	38,984
Fencing and Water Supply	41,816	902	-	42,718
Farm Equipment and Machinery	66,257	14,109	1,513	78,853
Furniture and Equipment	15,810	1,293	-	17,103
Motor Vehicles and Tractors	127,488	33,809	3,947	157,350
Small Tools	2,090	141	45	2,186
Cost of farms managed by ADC	-	-	-	-
Land Reclamation and Drainage	1,982	18	-	2,000
	<u>293,065</u>	<u>51,634</u>	<u>5,505</u>	<u>339,194</u>

NET BOOK VALUE	01.04.2005 Kshs.000s	31.03.2006 Kshs.000s
Land	-	-
Buildings	26,566	25,869
Fencing and Water Supply	8,918	8,113
Farm Equipment and Machinery	30,314	56,504
Furniture and Equipment	4,152	5,152
Motor Vehicles and Tractors	79,151	102,063
Small Tools	74	(53)
Cost of farms managed by ADC	-	37,910
Land Reclamation and Drainage	43	64
	<u>149,218</u>	<u>235,622</u>

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2006

Annex I

INVESTMENT & NATURE OF INVESTMENT	SOURCE OF FINANCE	2006 KShs.000	2005 KShs.000
CHEMELIL SUGAR CO. LTD			
4,043,825 shares of Kshs.20 each.	Grant -MoA	68,488	68,488
1,250,000 Ordinary shares of Kshs. 20 each.	Grant -MoA	25,000	25,000
1,918,800 Ordinary shares of Kshs. 20 each.	Grant -MoA	38,376	38,376
2,966,955 Ordinary shares of Kshs. 20 each (purchased from G.H.H.).	Grant -MoA	1,100	1,100
	Grant -MoA	<u>48,239</u>	<u>48,239</u>
		<u>181,203</u>	<u>181,203</u>
DEVELOPMENT HOUSE PHASE I & II			
Dev House Block 1	Corp. fund	3,871	3,871
Dev House Block 2	Corp. fund	32,205	32,205
Capital Development 1 & 2	Corp. fund	<u>46,012</u>	<u>46,012</u>
		<u>82,088</u>	<u>82,088</u>
MUHORONI SUGAR CO.			
2,067,096 ordinary shares of Kshs.20 each.	Grant -MoA	<u>19,500</u>	<u>19,500</u>
KENYA CO-OP CREAMERIES			
10 ordinary shares of Kshs. 20 each.	Corp. fund	-	-
130,038 ordinary levy shares of Kshs. 20 each.	Corp. fund	3,096	3,096
42,414 5% "D" Cum Red. Pref. shares of Kshs. 20 each.	Corp. fund	848	848
4,194 5% "C" Cum Red. Pref. shares of Kshs. 20 each.	Corp. fund	84	84
256 deffered shares of Kshs. 20 each.	Corp. fund	5	5
5,891 "A" deferred shares of Kshs. 20 each.	Corp. fund	<u>118</u>	<u>118</u>
		<u>4,151</u>	<u>4,151</u>

SCHEDULE OF INVESTMENTS

For the year ended 31st March 2006

Annex II

INVESTMENT & NATURE OF INVESTMENT	SOURCE OF FINANCE	2006 KShs.000	2005 KShs.000
KENYA GRAIN GROWERS' CO-OP. UNION			
70,214 Ordinary shares of Kshs. 20 each.	Corp. fund	<u>1,404</u>	<u>1,404</u>
KENYA SEED COMPANY LTD.			
465,874 Ordinary shares of Kshs. 20 each.	Corp. funds	4,465	4,465
8,586 Ordinary shares of Kshs. 50 each.	Corp. funds	429	429
600 Ordinary shares of Kshs. 70 each.	Corp. funds	42	42
5,225,660 Ordinary shares of Kshs. 20 each.	Bonus issue	0	0
		<u>4,936</u>	<u>4,936</u>
PYRETHRUM BOARD OF KENYA			
1,782 Ordinary shares of Kshs. 20 each.	Corp. funds	<u>36</u>	<u>36</u>
KENYA PLANTERS' CO-OP. UNION			
1,691 Red. Ordinary shares of Kshs. 10 each (Conversion of stock).	Corp. funds	<u>17</u>	<u>17</u>
AGRO-CHEMICAL & FOOD CO. LTD.			
157,500 shares of Kshs. 20 each.	Corp. funds	3,150	3,150
687,500 shares of Kshs. 20 each.	Grant -MoA	<u>13,750</u>	<u>13,750</u>
		<u>16,900</u>	<u>16,900</u>
TOTAL COST OF INVESTMENTS		<u>310,235</u>	<u>310,435</u>



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



AGRICULTURAL DEVELOPMENT CORPORATION
DEVELOPMENT HOUSE - MOI AVENUE

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