

LANDS LIMITED

ANNUAL REPORT & ACCOUNTS

31ST MARCH 2009

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LANDS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2009

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STATEMENT OF DIRECTORS' RESPONSIBILITIES


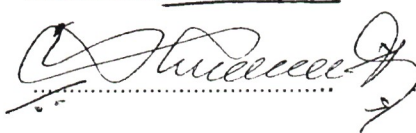
For the year ended 31st March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Lands Limited established under Companies Act, Cap.486 of the Laws of Kenya requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. It also requires the directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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

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

<u>Directors</u>	<u>Signature</u>	<u>Date</u>
Mr. William K. Kirwa Chairman		16.11.2009
Mr. J. C. Odhiambo		18.11.2009

REPORT OF THE DIRECTORS

For the year ended 31st March 2009

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

1. PRINCIPAL ACTIVITY

The Principal activity of the company is the leasing of farms.

2. RESULTS

The results of the company for the year are set out on page 2.

3. DIVIDENDS

The Directors do not recommend any payment of dividend.

4. ACCUMULATED PROFITS

The Directors propose to carry forward accumulated profit amounting to Ksh. 549,357,000.

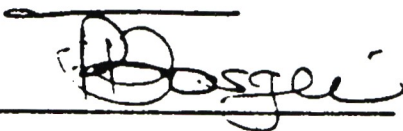
5. DIRECTORS

The Directors who served during the year were:-

Mr. W. K. Kirwa (Chairman)
Mr. J. C. Odhiambo
Mr. J. M. Kamau

By order of the Board.

Beatrice Kosgei



Company Secretary

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF LANDS LIMITED
(A SUBSIDIARY OF AGRICULTURAL DEVELOPMENT CORPORATION)
FOR THE YEAR ENDED 31ST MARCH 2009**

I have audited the Financial Statements of Lands Limited (a subsidiary of Agricultural Development Corporation) set out at pages 1 to 6 which comprise the Balance Sheet as at 31st March 2009, the Profit and Loss Account, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, together with a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

Responsibility of the Controller and Auditor General

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

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

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2009

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

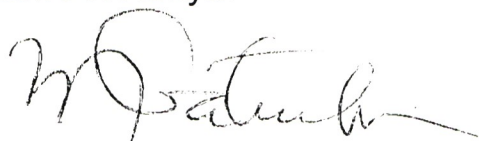
I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Land Debtors

As disclosed in Note 6 to the financial statements, the Company had land debtors owing an amount of Kshs. 42,775,000 as at 31 March 2009. Included in the debtors balance are balances totalling Kshs. 17,846,459, owed by 14 large debt holders, whose outstanding balances have remained unsettled from the time the land was allotted to them over 7 years ago. In the circumstances, it has not been possible to confirm the recoverability of the land debtors of Kshs.42,775,000 as reflected in the Balance Sheet.

Opinion

Except for the foregoing reservation, in my opinion, the financial statements present fairly, in all material respects the financial position of the Company as at 31st March 2009, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Agricultural Development Corporation Act, Cap 486 of the laws of Kenya.



A.S.M. Gatumbu

CONTROLLER AND AUDITOR GENERAL

Nairobi

3 February 2010

STATEMENT OF FINANCIAL POSITION

As at 31st March 2009

	NOTES	YEAR 2009 Kshs '000	YEAR 2008 Kshs '000
NON CURRENT ASSETS			
Property, Plant and Equipment	2	36,251	15,746
Loans Advanced	5	-	769
CURRENT ASSETS			
Accounts Receivable	6	42,775	57,895
Cash & Bank Balances	7	988	129
CURRENT LIABILITIES		43,763	58,024
Accounts Payable	8	1,518	1,398
		1,518	1,398
NET CURRENT ASSETS		42,245	56,626
TOTAL ASSETS		78,496	73,141
FINANCED BY:			
Authorised and issued fully paid 1,000 Ord. shares of Kshs. 20 each		20	20
Capital Reserves	9	12,775	12,775
Current account with Parent Co.	10	(539,350)	(568,416)
Grants	11	55,694	55,694
Profit and Loss Account	12	549,357	573,068
SHAREHOLDERS' FUNDS		78,496	73,141

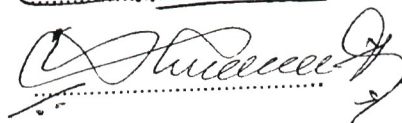
These Accounts were approved by the Board of Directors.

Chairman - Mr. W. K. Kirwa



16.11.2009

Member - Mr. J. C. Odhiambo



18.11.2008

STATEMENT OF COMPREHENSIVE INCOMEFor the year ended 31st March 2009

	NOTES	YEAR 2009 Kshs '000	YEAR 2008 Kshs '000
TURNOVER		1,651	1,837
		<u>1,651</u>	<u>1,837</u>
INCOME			
Interest on loans and mortgages		860	737
Rent receivable		4	840
Miscellaneous income		787	260
		<u>1,651</u>	<u>1,837</u>
EXPENDITURE			
Management Fees payable to ADC		598	598
Bank Charges		20	25
Audit Fees		120	120
Staff Costs		1,256	1,237
Depreciation		21	86
Legal Fees		90	400
Incidentals		192	709
Rates		42	1,504
Survey Fees		1,755	3,404
		<u>4,094</u>	<u>8,083</u>
Profit / (Loss) for the year		<u>(2,443)</u>	<u>(6,246)</u>
NET PROFIT / (LOSS) FOR THE YEAR		<u>(2,443)</u>	<u>(6,246)</u>
STATEMENT OF ACCUMULATED PROFIT			
Accumulated Profit brought forward		573,068	588,794
Net Profit / (Loss) for the year		(2,443)	(6,246)
Prior year adjustment		(21,268)	(9,480)
Accumulated Profit / (Loss) Carried Forward		<u>549,357</u>	<u>573,068</u>

CASH FLOW STATEMENT

For the year ended 31st March 2009

	YEAR 2009 Kshs '000	YEAR 2008 Kshs '000
Cash Flows From Operating Activities:		
Net profit (Loss) for the year	(23,711)	(6,246)
Adjustment for: -		
Depreciation	21	86
Interest on loans	0	(737)
Profit on sale of fixed assets	(235)	0
Rent Receivable	<u>0</u>	<u>(840)</u>
Operating Profit before Working Capital changes	(23,925)	(7,737)
Increase/(decrease) in debtors	15,919	(1,189)
Increase/(decrease) in creditors	120	121
Increase/(decrease) in deposits received	0	(8,234)
Increase/(decrease) in Advances to/from ADC	<u>44,066</u>	<u>14,400</u>
	60,105	5,098
Cash Generated from Operations	36,180	(2,639)
Financing Activities		
Loan Repayment	(30)	1,890
Investing Activities:		
Rent Received	0	840
Proceeds from sale of fixed assets	411	0
Purchase of assets	<u>(35,702)</u>	<u>0</u>
	(35,291)	840
Net increase in cash and cash equivalents	<u>859</u>	<u>91</u>
Cash and Cash equivalents at : -	129	220
Beginning of period	<u>988</u>	<u>129</u>
End of period	<u>859</u>	<u>91</u>

STATEMENT OF CHANGES IN EQUITYFor the year ended 31st March 2009**STATEMENT OF CHANGES IN EQUITY**

	CAPITAL RESERVES Kshs' 000	RETAINED EARNINGS Kshs' 000	SHARE CAPITAL Kshs' 000	GRANTS Kshs' 000	ADVANCES TO ADC Kshs' 000
BALANCE AS AT 01.04.2007	12,775	588,794	20	55,694	582,816
PRIOR YEAR ADJUSTMENT	-	(9,480)	-	-	-
PROFIT FOR THE YEAR	-	(6,246)	-	-	14,400
BALANCE AS AT 31.03.2008	12,775	573,068	20	55,694	(568,416)
BALANCE AS AT 01.04.2008	12,775	573,068	20	55,694	(568,416)
PRIOR YEAR ADJUSTMENT	-	(21,268)	-	-	-
PROFIT FOR THE YEAR	-	(2,443)	-	-	29,066
BALANCE AS AT 31.03.2009	12,775	549,357	20	55,694	(539,350)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention.

DEPRECIATION

Leasehold land and buildings are amortised over the remaining period of the lease by equal annual instalments.

Fixed Assets are depreciated on the reducing balance basis to write the cost of the assets down to their residual value over their expected useful lives at the following rates:-

Land	NIL
Permanent Improvements	2.5% p.a.
Motor Vehicles	25% p.a.

2. FIXED ASSETS

	Farms Managed by ADC Kshs.' 000	Farms Leased to Tenant Kshs.' 000	Motor Vehicles Kshs.' 000	Totals Kshs.' 000
COST				
At 01.04.2008	15,199	454	6,400	22,053
Additions	20,702	-	-	20,702
Disposals	-	-	3,100	3,100
As at 31.03.2009	35,901	454	3,300	39,655
DEPRECIATION				
At 01.04.2008	-	140	6,168	6,308
Charge for the year	-	7	14	21
Disposals	-	-	(2,925)	(2,925)
As at 31st March 2009	-	147	3,257	3,404
NET BOOK VALUE				
AS AT 31 MARCH 2009	35,901	307	43	36,251
AS AT 31 MARCH 2008	15,199	314	232	15,745

3. NET PROFIT FOR THE YEAR

	YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
The net profit for the year is stated after charging:-		
Depreciation of fixed assets	22	86
Auditors' Remuneration	120	120

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31st March 2009**4. PRIOR YEAR ADJUSTMENT**

This relates to accrued interest waived for Siboti Farmers (Ksh. 10,600,000) and a Write off of debtors not matched by ground land.

5. STAFF LOANS

Unsecured

General Provision

Specific Provision

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
799	769
(479)	-
(320)	-
<u>0</u>	<u>769</u>

6. ACCOUNTS RECEIVABLE

Accounts receivable are stated at net of provision for bad and doubtful debts.

Accounts Receivable

Less: General Provision

Less: Specific Provision

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
43,152	60,109
(57)	(839)
(320)	(1,375)
<u>42,775</u>	<u>57,895</u>

7. CASH AND BANK BALANCES

Relate to Bank Balances at year end

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
988	129

8. ACCOUNTS PAYABLE

Relate to audit fees

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
1,518	1,398

9. CAPITAL RESERVES

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

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
12,775	12,775

10. CURRENT ACCOUNT WITH THE PARENT COMPANY

This is a control account for transactions between Parent Company (Agricultural Development Corporation) and its Subsidiary (Lands Limited)

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
539,350	568,416

11. GRANTS

Grant from the Government of Kenya

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
55,694	55,694

12. PROFIT AND LOSS

Comparative profit carried forward at end of each of the two financial years.

YEAR 2009 Kshs.' 000	YEAR 2008 Kshs.' 000
549,357	573,068

13. CONTINGENT LIABILITY

Part of the land has been pledged as security to secure loans and overdrafts advanced to the Parent Company.