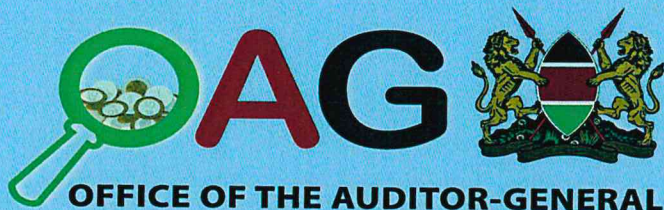


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE	05 APR 2022
DAY	Tues
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CLERK-AT-TABLE:	M. WANJIKI MW

REPORT

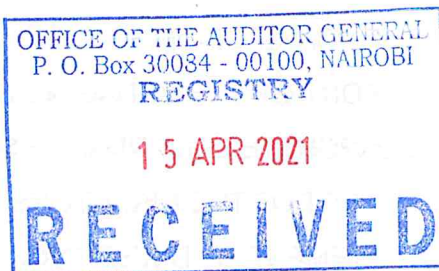
OF

THE AUDITOR-GENERAL

ON

LANDS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2020**



LANDS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

*FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020*

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

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I. KEY COMPANY INFORMATION AND MANAGEMENT

(a) Background information

The Lands Ltd is a wholly owned company by Agricultural Development Corporation which is a state Corporation. It was established in 1957 under the Companies Act Cap 486; to facilitate the land transfer programme from European settlers to locals after independence.

(b) Principal Activities

The Company's principal activity was to facilitate the land transfer from European settlers to locals after independence.

(c) Key Management

The *Lands Ltd* day-to-day management is under the following key organs:

1. Mr. Ephantus Mura Mudia
2. Mr. Mohamed Bulle
3. Mr. Richard Ngomo
4. Mr. Zephania Kipsang Yego
5. Eng. Jemutai Barkebo
6. Dr. Geoffrey Mutai
7. Mr. Chrisologus Makokha

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	ADC Managing Director	Mohamed Bulle
2.	ADC Corporation Secretary	Lilian Kosgey
4.	ADC Financial Controller	Jonathan Keitany
3.	ADC Senior Legal Officer	Agola Okinyo

(e) Headquarters & Registered Office

Development House 10th Floor
Moi Avenue
Nairobi, KENYA

(f) COMPANY'S Contacts

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

(g) Corporation Bankers

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

KEY COMPANY INFORMATION AND MANAGEMENT (Continued)

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

MR. EPHANTUS MURAGE MUNDIA, MBS



Member

Appointed 7th August 2020

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

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. RICHARD NGOMO



Member

Appointed 7th August 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.

THE BOARD OF DIRECTORS (Continued)

MR. ZEPHANIA KIPSANG YEGO

Member

Appointed 7th August 2020



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.

MR. CHRISOLOGUS MAKOKHA

- Representative state advisory committee (SCAC)

DR. GEOFFREY MUTAI

- Representative Ministry of Agriculture state department of Livestock

III. REPORT OF THE MANAGING DIRECTOR

Technology and automation

The company continues to undertake and embrace technology through automation of its operations. Currently the company uses (sera system) for its accounting. The company has also digitalized its titles for quick recovery.

Title documentation

The company has instituted measures to ensure that all the lands under its custody and its mother corporation ADC have titles.

Securing of land boundaries

The company has instituted measures to secure our land boundaries by replacing beacons which have been missing in some of our farms. Our survey department has constantly sorted out boundary disputes with our neighbours with the assistance of various county surveyors.

Future plans

The company intends to put permanent fences to all our lands so us to permanently secure our lands from illegal invaders.

.....
MANAGING DIRECTOR

14.4.2021
.....
DATE

IV. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

V. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *Lands Ltd* affairs.

Results

The results of the Company for the year ended 30th June, 2020 was a Profit of Kshs.1.7M which was as set out on pages 1 and the notes thereof


Board of Directors

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

Auditors

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

By Order of the Board


.....
Corporation Secretary
Nairobi

Date: 14.4.2021

VI. STATEMENT OF DIRECTORS' RESPONSIBILITIES


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

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

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 28th September, 2020 and signed on its behalf by:


.....
Director

.....
Directors


.....
Director

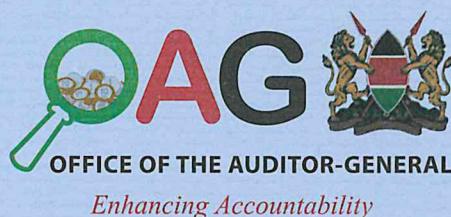
14/4/2021
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Date

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Date

14.4.2021
.....
Date

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LANDS LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 9, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lands Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Payables

As previously reported, the statement of financial position as at 30 June, 2020 reflects a balance of Kshs.2,800,000 under trade and other payables from exchange transactions. This amount relates to audit fee payable that has been outstanding since 1995. No explanation was provided for failure to pay the audit fee.

2. Long Outstanding Receivables from Exchange Transactions

As disclosed in Note 8 to the financial statements, the statement of financial position reflects a balance of Kshs.20,305,000 under receivables from exchange transactions. As previously reported, the balance includes an amount of Kshs.14,542,464 owed by twelve (12) debt holders, which has been outstanding for a period of over fourteen (14) years.

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

considerable period of time. In addition, the specific provision for bad debts of Kshs.537,000 was not supported with documentary evidence. Consequently, the accuracy, completeness and recoverability of the receivables balance of Kshs.20,305,000 as at 30 June, 2020 could not be confirmed.

3. Grants Reserves

As previously reported, the statement of financial position as at 30 June, 2020 still reflects a balance of Kshs.55,694,000 under grants reserves. The amount is described in the general ledger as a long-term finance but the source was not disclosed or explained. The amount has been appearing in the ledgers since 1994 and it is not clear the purpose for which the grants were intended. Further, the grants have not been amortized since they were recorded in 1994.

Under the circumstances, the validity and accuracy of the balance of Kshs.55,694,000 in respect of the grant reserves could not be confirmed.

4. Unexplained Differences in Comparative Balances

The statement of financial position as at 30 June, 2020 reflects a comparative balance of Kshs.535,704,000 in respect of current account with parent company while the audited statement as at 30 June, 2019 reflected a closing balance of Kshs.533,759,000 in respect of the same item, resulting in an unexplained difference of Kshs.1,945,000. Further, the statement reflects a comparative balance of Kshs.546,505,000 in respect of accumulated surplus while the audited statement as at 30 June, 2019 reflected a balance of Kshs.544,560,000, resulting to an unexplained difference of Kshs.1,945,000.

In addition, the statement of financial performance reflects a comparative balance of Kshs.3,465,000 in respect of survey fees while the audited statement for the year ended 30 June, 2019 reflected an amount of Kshs.2,225,000, resulting in an unexplained difference of Kshs.1,240,000.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of Directors responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Prepare Statement of Comparison of Budget and Actual Amounts and Provide the Approved Budget

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

Further, Management did not provide an approved budget. This is contrary to Section 68(2)(h) and (j) of the Public Finance Management Act, 2012 which requires the Accounting Officer of the Company to prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan and submit the estimates of the entity to the Cabinet Secretary responsible for the state corporation who, after approving it, shall forward it to the Cabinet Secretary and The National Treasury

Consequently, the Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of financial performance are in agreement with books of account; and

Responsibilities of Management and Board of Directors

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as the Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 February, 2022

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

	Note	2019-2020 KSH '000'	2018-2019 KSH '000'
Revenue from exchange transactions			
Survey Fees	1	4,568	3,465
		4,568	3,465
Expenses			
Employment	2	813	2,358
Board Expenses	3	1,086	-
Provision for audit fees	4	120	120
Finance costs	5	724	515
Depreciation expense	9	59	77
		2,802	3,070
Net Surplus /Deficit for the year		1,766	395

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

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

Assets			
Current assets	Note	2019-2020 KSH '000'	2018-2019 KSH '000'
Cash and cash equivalents	7	22,660	25,184
Receivables from exchange transactions	8	20,305	20,434
		42,965	45,618
Non-current assets			
Property, plant and equipment	9	483,994	484,053
Current Account with Parent Co.	10	540,302	535,704
		1,024,296	1,019,757
		1,067,261	1,065,375
Liabilities			
Current liabilities			
Trade and other payables from exchange trans	11	2,800	2,680
Authorized and issued fully paid 1,000 Ord. Shares @20		20	20
Grants Reserves		55,694	55,694
Capital Reserve	12	12,775	12,775
Revaluation Reserves	13	447,701	447,701
Accumulated surplus		548,271	546,505
		1,064,461	1,062,695
		1,067,261	1,065,375

The financial statements set out in pages 1 to 8 and notes thereof were approved by the Board of Directors on 28.09.2020 and signed on behalf of by:

Managing Director

Head of finance

Chairman

Name:

M. Shamed

J-L. Keitany
ICPAK No. 15114

Ephantus Mwangi

Sign

M. Shamed

J-L. Keitany

Ephantus Mwangi

Date:

14/4/21

14/04/21

14/04/2021

**X. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2020**

	Share Capital	Grants Reserves	Capital Reserves	Revaluation Reserve	Profit/ Loss	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 1 July 2018	20	55,694	12,775	447,701	546,110	1,062,300
Surplus/ Deficit	-	-	-	-	395	395.00
Balance as at 30th June 2019	20	55,694	12,775	447,701	546,505	1,062,695
Transfers to/from accumulated surplus	-	-	-	-	1,766	1,766
Balance as at 30th June 2020	20	55,694	12,775	447,701	548,271	1,064,461

**I. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2020**

	Note	2019-2020 KSH '000'	2018-2019 KSH '000'
Net Surplus/Loss		1,766	395
Adjustments for:			
Depreciation	9	59	77
Operating profit before working capital changes		1,825	472
Increase/(decrease) in debtors			
Debtors	8	129	605
Creditors	11	120	120
		249	725
Cash generated from operations		2,074	1,196
Cashflows from financing activities			
Cash from parent Company ADC		(4,598)	(12,056)
Net increase in cash and cash equivalents		(2,524)	(10,861)
Cash and cash equivalents at			
Beginning of period		25,184	18,022
Net increase in cash and cash equivalents		(2,524)	7,162
Cash at the end		22,660	25,184

II. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Company's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Reporting Company

Lands Ltd is a company incorporated under the company's Act Cap 486 and it's fully owned by Agricultural Development Corporation which is a body corporate incorporated in Kenya under Cap 444 of the laws of Kenya and is domicile in Kenya.

(a) Property, Plant and Equipment

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

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

Land	Nil
Motor vehicles and tractors	25% p.a.
Leased Farm	2.5% p.a.

b) Property, plant and equipment

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

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)***Contingent assets***

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

c) Nature and purpose of reserves

The Company creates and maintains reserves in terms of specific requirements. Company to state the reserves maintained and appropriate policies adopted.

d) Changes in accounting policies and estimates

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

e) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

f) Related parties

The Company regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Company, or vice versa.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances is at National bank of Kenya.

j) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**k) Significant judgments and sources of estimation uncertainty**

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

Estimates and assumptions

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

Useful lives and residual values

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

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

l) Subsequent events

There have been no material non-adjusting events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

(j) Statement of Comparison of Budget

The Company did not prepare a statement of comparison of budget because all its operations were budgeted and fully financed by the Parent Company (ADC)

NOTES TO THE FINANCIAL STATEMENTS (Continued)**1. Survey Fees**

Relates to survey fees initially paid by the company but recovered from Land allottees upon settlement of allotment fees.

	<u>2020</u>	<u>2019</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Survey Fees	4,568	3,465

2. Employee costs

	<u>2020</u>	<u>2019</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Salaries	386	1,042
NSSF	3	6
Leave Expenses	5	12
House allowance	260	790
Commuter allowance	91	243
Responsibility allowance	-	100
Pension contribution	51	164
Gratuity	18	-
Employee costs	813	2,358

3. Board members of the Corporation

	<u>2020</u>	<u>2019</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Sitting Allowances	440	-
Nightout	273	-
Other (Medical, Mileage)	373	-
	<u>1,086</u>	<u>-</u>

There were no comparative figures for the year since these costs were being absorbed by the Parent Company ADC which formed the basis upon which the management fees in note 3 above was charged

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

	<u>2020</u>	<u>2019</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Audit fees	120	120

5. Finance cost are bank charges on National bank account**7. Cash and cash equivalents**

	<u>2020</u>	<u>2019</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
National Bank of Kenya	22,660	25,184

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Receivables from exchange transactions

	<u>2020</u>	<u>2019</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	20,320	20,449
Specific provision	(537)	(537)
	19,783	19,912
Non - Trade	522	522
	<u>20,305</u>	<u>20,434</u>

9. PROPERTY PLANT & EQUIPMENT

COST	Farms	Leased	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2018	483,602	454	5,400	489,456
At 30th June 2019	483,602	454	5,400	489,456
At 30th June 2020	483,602	454	5,400	489,456
DEPRECIATION				
At 1st July 2018	-	210	5,116	5,326
Charge for the year	-	6	71	77
At 30th June 2019	-	216	5,187	5,403
Charge for the year	-	6	53	59
At 30th June 2020	-	222	5,240	5,462
NET BOOK VALUE				
At 30th June 2020	483,602	232	160	483,994
At 30th June 2019	483,602	238	213	484,053

10. Current Account- Lands Ltd

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

11. Trade and other payables from exchange transactions

	<u>2020</u>	<u>2019</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Non-trade creditors	2,800	2,680

12. Capital Reserve

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

13. Revaluation Reserves

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

III.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS