

LANDS LIMITED

ANNUAL REPORT & ACCOUNTS

31ST MARCH 2008

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LANDS LIMITED

ACCOUNTS

FOR THE YEAR ENDED

31st March 2008

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STATEMENT OF DIRECTORS' RESPONSIBILITIES*For the year ended 31st March 2008***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		29.08.2008
Mr. J. M. Kamau		29.08.2008

REPORT OF THE DIRECTORS

For the year ended 31st March 2008

The Directors submit their report and the audited accounts for the year ended 31st March 2008 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. 573,067,914.

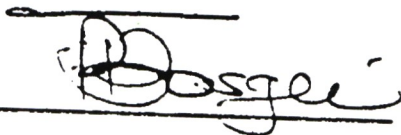
5. DIRECTORS

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 2008

**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 2008**

I have audited the Financial Statements of Lands Limited (a subsidiary of Agricultural Development Corporation) for the year ended 31 March 2008 set out on pages 1 to 6 which comprise the Balance Sheet as at 31 March 2008, the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 that 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

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

For the year ended 31st March 2008

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 reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Staff Loans

As disclosed in Note 5 to the financial statements, Staff Loans Advanced balance of Kshs. 770,000, as at 31 March, 2008 relates to unsecured loans advanced to Corporation staff. The recoverability of these loans, which have been outstanding for a period of over two years is therefore doubtful. No provision has been made in these financial statements to recognize the possibility of the company not realizing the whole balance of Kshs. 770,000. In the absence of such provision, it is not possible to confirm that the loans advanced balance of Kshs. 770,000 as at 31 March, 2008 is fairly stated in these financial statements.

Opinion

Except for any adjustments which may be necessary as a result of the foregoing reservation, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at 31 March 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenya Companies Act, Cap 486 of the laws of Kenya.



**P. N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL**

Nairobi

02 December 2008

BALANCE SHEETAs at 31st March 2008

	NOTES	YEAR 2008 Kshs'000	YEAR 2007 Kshs'000
NON CURRENT ASSETS			
Property, Plant and Equipment	2	15,746	16,159
Loans Advanced	5	769	2,659
CURRENT ASSETS			
Current Account with Parent Company	6	568,416	582,816
Accounts Receivable	7	57,895	56,706
Cash & Bank Balances	8	129	220
		626,440	639,742
CURRENT LIABILITIES			
Accounts Payable - Trade	9	1,398	1,277
		1,398	1,277
NET CURRENT ASSETS			
		625,042	638,465
TOTAL ASSETS			
		641,557	657,283
FINANCED BY:			
Authorised and issued fully paid 1,000 Ord. shares of Kshs. 20 each		20	20
Capital Reserves		12,775	12,775
Grants	11	55,694	55,694
Profit and Loss Account	12	573,068	588,794
		641,557	657,283
Shareholders' Funds			

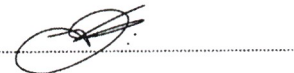
These Accounts were approved by the Board of Directors.

Chairman - Mr. W. K. Kirwa



29.08.2008

Member - Mr. J. M. Kamau



29.08.2008

PROFIT AND LOSS ACCOUNTFor the year ended 31st March 2008

	YEAR 2008	YEAR 2007
	NOTES	Kshs'000
TURNOVER		
Extraordinary gain on land	1,837	1,779
	-	39,664
	<u>1,837</u>	<u>41,443</u>
INCOME		
Interest on loans and mortgages	737	739
Rent receivable	840	840
Miscellaneous income	260	200
	<u>1,837</u>	<u>1,779</u>
EXPENDITURE		
Management Fees payable to ADC	598	598
Bank Charges	25	27
Audit Fees	120	139
Staff Costs	1,237	1,795
Depreciation	86	112
Legal Fees	400	525
Incidentals	709	245
Rates	1,504	500
Provision for bad debts	-	790
Survey Fees	3,404	3,637
	<u>8,083</u>	<u>8,368</u>
Profit / (Loss) for the year	<u>(6,246)</u>	<u>(6,589)</u>
Extraordinary gain on land	-	39,664
NET PROFIT / (LOSS) FOR THE YEAR	<u>(6,246)</u>	<u>33,075</u>
STATEMENT OF ACCUMULATED PROFIT		
Accumulated Profit brought forward	588,794	579,037
Net Profit / (Loss) for the year	(6,246)	33,075
Prior year adjustment	(9,480)	(23,318)
Accumulated Profit / (Loss) Carried Forward	<u>573,068</u>	<u>588,794</u>

CASH FLOW STATEMENT

For the year ended 31st March 2008

	YEAR 2008 Kshs'000	YEAR 2007 Kshs'000
Cash Flows From Operating Activities:		
Net profit (Loss) for the year	(6,246)	33,075
Adjustment for: -		
Depreciation	86	112
Interest on loans	(737)	(739)
Rent Receivable	(840)	(840)
Extraordinary gain on land	-	(39,664)
Operating Profit before Working Capital changes	(7,737)	(8,056)
Increase/(decrease) in debtors	(1,189)	19,239
Increase/(decrease) in creditors	121	157
Increase/(decrease) in deposits received	(8,234)	(20,318)
Increase/(decrease) in Current Account with parent Co.	14,400	(12,183)
Cash Generated From Operations	5,098	(13,105)
	(2,639)	(21,161)
Financing Activities		
Loan Repayment	1,890	1,000
Investing Activities:		
Rent Received	840	840
Proceeds from sale of land	-	21,557
Net increase in cash and cash equivalents	840	22,397
	91	2,236
Cash and Cash equivalents at: -		
Beginning of period	220	2,456
End of period	129	220
	91	2,236

STATEMENT OF CHANGES IN EQUITYFor the year ended 31st March 2008**STATEMENT OF CHANGES IN EQUITY**

	CAPITAL RESERVES Kshs' 000	RETAINED EARNINGS Kshs' 000	SHARE CAPITAL Kshs' 000	GRANTS Kshs' 000
BALANCE AS AT 01.04.2006	12,775	579,037	20	55,694
PRIOR YEAR ADJUSTMENT	-	(23,318)	-	-
PROFIT FOR THE YEAR	-	33,075	-	-
BALANCE AS AT 31.03.2007	12,775	588,794	20	55,694
BALANCE AS AT 01.04.2007	12,775	588,794	20	55,694
PRIOR YEAR ADJUSTMENT	-	(9,480)	-	-
PROFIT FOR THE YEAR	-	(6,246)	-	-
BALANCE AS AT 31.03.2008	12,775	573,068	20	55,694

NOTES TO THE ACCOUNTS

For the year ended 31st March 2008

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 01.04.2007	15,527	454	6,400	22,381
Additions	-	-	-	-
Disposals	328	-	-	328
As at 31.03.2008	15,199	454	6,400	22,053
DEPRECIATION				
At 01.04.2007	-	132	6,090	6,222
Charge for the year	-	8	78	86
Disposals	-	-	-	-
As at 31st March 2008	-	140	6,168	6,308
NET BOOK VALUE				
AS AT 31 MARCH 2008	15,199	314	232	15,745
AS AT 31 MARCH 2007	15,527	322	310	16,159

3. NET PROFIT FOR THE YEAR

The net profit for the year is stated after charging:-

Depreciation of fixed assets

Auditors' Remuneration

Bad Debts

And: Crediting

Extraordinary gain on sale of land

	YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
	86	112
	120	139
	-	790
	-	-
	-	39,664

NOTES TO THE ACCOUNTS

For the year ended 31st March 2008

4. PRIOR YEAR ADJUSTMENT

This relates to accrued interest waived for Siboti Farmers

5. STAFF LOANS

Secured
Unsecured

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
-	479
770	2,180
770	2,659

6. CURRENT ACCOUNT WITH PARENT COMPANY

This is a control account for transactions between the Parent Company (Agricultural Development Corporation) and its subsidiary (Lands Ltd.)

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
568,416	582,816

7. ACCOUNTS RECEIVABLE

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

Accounts Receivable: Non Trade
Less: General Provision
Less: Specific Provision

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
60,109	58,920
(839)	(839)
(1,375)	(1,375)
57,895	56,706

8. CASH AND BANK BALANCES

Relate to Bank Balances at year end

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
129	2,456

9. ACCOUNTS PAYABLE - TRADE

Relate to audit fees

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
1,398	1,120

10. 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 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
12,775	12,775

11. GRANTS

Grant from the Government of Kenya

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
55,694	55,694

12. PROFIT AND LOSS

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

YEAR 2008 Kshs.' 000	YEAR 2007 Kshs.' 000
573,068	588,794

13. CONTINGENT LIABILITY

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