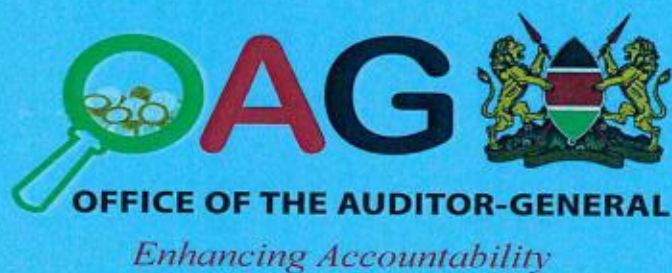


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

LANDS LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2021**

THE NATIONAL ASSEMBLY
PAPER S. 1419

23 FEB 2023

Thursday

Leader of Majority
Party (Lom)

Joyce Lemirelle



LANDS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

Table of Content	Page
I. KEY COMPANY INFORMATION AND MANAGEMENT	ii
II. BOARD OF DIRECTORS.....	iv
III. MANAGEMENT TEAM	vii
IV. REPORT OF THE CHAIRMAN	ix
V. REPORT OF THE MANAGING DIRECTOR	x
VI. CORPORATE GOVERNANCE STATEMENT	xi
VII. MANAGEMENT DISCUSSION AND ANALYSIS	xii
VIII. REPORT OF THE DIRECTORS	xiii
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xiv
X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xv
XI. REPORT OF THE INDEPENDENT AUDITORS ON LANDS LTD	xvi
XII. STATEMENT OF FINANCIAL PERFORMANCE	1
XIII. STATEMENT OF FINANCIAL POSITION	2
XIV. STATEMENT OF CHANGES IN NET ASSETS	3
XV. STATEMENT OF CASHFLOWS.....	4
XVI. STATEMENT OF COMPARISON OF BUDGET.....	5
XVII. NOTES TO THE FINANCIAL STATEMENTS	6-12
XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	13

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:

Board of Directors includes:

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 2021 and who had direct fiduciary responsibility were:

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	ADC Managing Director	Mohamed Bulle
2.	ADC Corporation Secretary	Rodgers Karumpu
4.	ADC Financial Controller	Jonathan Keitany
3.	ADC Senior Legal Officer	Agola Okinyo

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

KEY COMPANY INFORMATION AND MANAGEMENT

(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

(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. BOARD OF DIRECTORS

MR. EPHANTUS MURAGE MUNDIA, MBS



Member

Retired 5th June 2021

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.

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 from 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.

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

BOARD OF DIRECTORS (Cont.)

MR. RICHARD NGOMO



Member

Retired 5th June 2021

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.

MR. ZEPHANIA KIPSANG YEGO

Member

Retired 5th June 2021



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.

DR. GEOFFREY K. MUTTAI

Member

Appointed 12th November, 2019



Dr. Mutai is a long serving Officer in the Ministry of Agriculture having worked in the ministry for over 30 years in various categories. He has grown through the ranks from Veterinary Officer II to Director of Veterinary services. Dr. Mutai is experienced in public service having served as the Chief Executive Officer of Kenya Veterinary Vaccines Production Institute (KEVEVAPI). He is an academia having studied BIO-entrepreneurship from Stratmore Business School, Vaccinology in Africa from London school of hygiene. Further he holds a Bachelor of Veterinary Medicine from Nairobi University.

BOARD OF DIRECTORS (Cont.)

ENG. JEMUTAI BARKEBO



Member

Retired 5th June, 2021

Eng. Barkebo Hold a bachelors of technology in chemical and process Engineering from Moi University. She is a qualified auditor in ISO9001:2015 having undertaken various courses and versed knowledge on its implementation. She has sound knowledge in public resources management having served the Chairperson Ng-Cdf Baringo central county, vice Chairperson Kenya Redcross Kabarnet Branch among others.

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

III. MANAGEMENT TEAM

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. RODGERS KARUMPU

Corporation Secretary & Head of Legal Services



Mr. Karumpu was appointed the Corporation Secretary & Head of Legal Services in May 2021. He holds a Bachelor of Laws degree (LLB) from The University of Nairobi and is currently pursuing an MSc in Environmental Law & Land Governance from the same university. He also holds a Certified Public Secretary (CPS-K) from the Institute of Certified Public Secretaries of Kenya. He holds a Diploma in Law from Kenya School of Law. He has practiced law as an Advocate of the High Court of Kenya for the last 20 years.

Mr. Karumpu has also worked as Head of Legal and Human Resource and later as the Managing Director of Netro Technologies Limited, a Tier 2 telecommunication firm that has a presence in seven countries within Africa, between 2017 and 2021, from where he resigned to join ADC.

MANAGEMENT TEAM (Cont)

He is an active member of Law Society of Kenya, The East African Law Society, the International Commission of Jurists and The Commonwealth Lawyers Association.

As a practicing lawyer, Mr Karumpu has handled many cases in basically all fields and has been more inclined on land matters particularly on community land issues which he confirms to be very close to his heart.

CPA. JONATHAN KEITANY



Ag. Financial Controller

CPA Keitany holds MBA (accounting) option from University of Nairobi; He is a Certified Public Accountant of Kenya and a member of ICPAK and IIA as well as certified Monitoring and Evaluation Officer. He was appointed Head of Internal Audit in June 2017 to May 2019 when he was moved to finance and appointed the acting financial Controller.

He has grown in the ranks within the Corporation having gained over 10 years' experience in both Audit and Finance and in the private sector previously before joining the Corporation. He served as an audit and risk assessment officer in various Audit firms

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

IV. REPORT OF THE CHAIRMAN

Once again I am pleased to present the annual financial statement and report for Lands Ltd for the year ended 30th June, 2021.

Business environment

The year began with challenges brought about by Covid 19 Pandemic. However, the Company was able to maneuver the turbulence to remain afloat but could not post positive results.

Corporate Governance

Corporate governance is the process by which Companies are directed, controlled and held accountable. The Board of Directors of Lands Ltd is responsible for the governance of the Company and is accountable in ensuring that the Law is complied with and that the highest standards of corporate governance and business ethics to the shareholders are complied with.

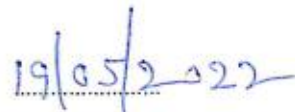
The Board of Directors follows principles of openness, integrity and accountability in its stewardship of Company. It recognizes the developing nature of corporate governance on a regular basis; this is fundamental to appropriately discharging of duties and responsibilities of the Board.

Future Outlook

The Board is considering winding up the Company since it completed its mandate of facilitating transfer of land from European settlers to locals. Though the land that remained unallocated is still under Lands Ltd ownership, it is being utilized fully by Agricultural Development Corporation a state Corporation that owns the Company 100%.



CHAIRMAN.



Date

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

V. 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 neighbors 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


.....
DATE

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

VI. 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 are 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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

The total turnover achievement was at 28% of the overall budget. The company's revenue is reliant payment of old land debts where survey fees on allocated parcels of land is charged upon payment. During the year collection was low thus minimal revenue was achieved.

Entity's compliance with statutory requirements

The Company has remained compliant in filing of the statutory returns by remitting monthly deduction within the set timelines.

Major risks facing the entity

The main risks are:

- I. Court cases relating to land matters.
- II. Invasion and encroachment by Squatters on the company's Land.
- IV. Over-dependence on Parent Company ADC for support on operations.

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the *Lands Ltd* affairs.

Results

The results of the Company for the year ended 30th June, 2021 was a Loss of Ksh 2.1 M 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:.....

19/05/22

IX. 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 Financial statements were approved and signed on behalf of the Board by;

Ephantas Mwangi
.....

Director

.....

Date

19/05/2022

Ey. Baraka Jemutai
.....

Directors

.....

Date

19/05/2022

Lodgers Karumira
.....

Director

.....

Date

19/05/22

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Lands Ltd has continued to ensure land held in its custody is secure and free from grabbers and encroachment.

i) Sustainability strategy and profile

Lands Ltd management has ensured the Company's assets are secure through strategies such as;

- i) Processing of title deeds
- ii) Gazettement of all parcels of land
- iii) Ensuring the land is put under productive use.

ii) Environmental performance

Despite the above policies the company has continued to face challenges of encroachment and grabbing that has resulted in litigations and unwarranted costs of evictions. However, the Company in collaboration with the Ministry of Agriculture Livestock and Fisheries and the Office of the Attorney General is working to ensure a permanent solution is found for this menace.

REPUBLIC OF KENYA

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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, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lands Limited set out on pages 1 to 12, which comprise the statement of financial position as at 30 June, 2021, 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, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Compliance with Financial Reporting Guidelines

The financial statements presented for audit did not include a report on progress on follow up of auditor's recommendations as required by the Public Sector Accounting Standards Board (PSASB) financial reporting guidelines and templates for Public Sector entities and in line with the International Public Sector Accounting Standards (IPSAS) Financial Reporting Framework. Further, Note 6 to the financial statements is headed as trade and other payables from exchange transactions instead of cash and cash equivalents.

In the circumstances, the financial statements do not comply fully with PSASB financial reporting guidelines and templates.

2. Board Expenses

2.1 Unconfirmed Attendance of Board Meetings

The statement of financial performance reflects board expenses of Kshs.1,522,000 out of which, Kshs.740,000 relate to sitting allowances as disclosed in Note 3 to the financial statements. Examination of records of Board meetings revealed that on 2 February, 2021 one (1) director registered conflict of interest on a matter before the board on that date. Further, the same records revealed that on 14 April, 2021 another director sent an apology of non-attendance of a meeting taking place that day which was recorded in the minutes of the meeting. However, the two directors were paid a total of Kshs.44,000 for attending the meetings.

In addition, examination of Board meetings attendance register, attendance logs and schedules revealed that Board members attending virtual meetings were paid an amount of Kshs.420,000 in sitting allowances for the meetings. However, no evidence of log-ins to the meetings was provided and therefore, their participation through video conference could not be confirmed.

Although Management explained that recovery from one (1) director had been instituted, no evidence was provided to show the amount recovered. Further, the Management explained that video recording for zoom meetings were saved in the cloud for a period of 120 days and therefore, there was no video evidence records provided to confirm the meetings.

Consequently, the validity, accuracy and completeness of the expenditure on sitting allowances amounting to Kshs.740,000 could not be confirmed.

3. Unconfirmed Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.483,948,000 in respect of property, plant and equipment further disclosed in Note 8 to the financial statements. The assets include farms belonging to the Company which were being managed by Agricultural Development Corporation and parcels of land which were under lease agreements with a net book value of Kshs.483,602,000 and Kshs.232,000, respectively. However, titles and certificate of leases for the parcels were not provided for audit verification.

In the circumstances, the accuracy and ownership of the property, plant and equipment value of Kshs.483,948,000 could not be confirmed.

4. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.20,277,000 in respect of receivables from exchange transactions. As previously reported, the balance includes amounts totalling Kshs.14,542,464 owing from twelve (12) debtors which have been outstanding for over fourteen (14) years. In addition, the receivables include non-trade debtors amounting to Kshs.522,000 out of which, an amount of Kshs.315,117 described as loss of cash and stores has been outstanding for a long period. Further, the specific provision for bad debts of Kshs.537,000 reflected in Note 7 to the financial statements was not supported.

As a result, the accuracy, completeness, and recoverability of the receivables balance of Kshs.20,277,000 could not be confirmed.

5. Long Outstanding Payables

The statement of financial position reflects a balance of Kshs.2,974,000 in respect of trade and other payables from exchange transactions, also disclosed in Note 10 to the financial statements. As previously reported, the balance include audit fees amounting to Kshs.2,800,000 which has been outstanding since 1995. No explanation was provided on why the fee has remained outstanding for over 26 years.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.2,974,000 could not be confirmed.

6. Grants Reserves

The statement of financial position reflects a balance of Kshs.55,694,000 in respect of grants reserves. The amount was described in the general ledger as a long-term finance. However, the source of the grant was not disclosed or explained. Further, the amount has been appearing in the ledgers since 1994 and the purpose for which the grants were intended for was not clear. The grant have also not been amortized since it was recognized in 1994.

In the circumstances, the accuracy of Kshs.55,694,000 in respect of the grant reserves 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 Directors are responsible for the other information, which comprises the Chairman's report, Directors' report, the statement of corporate governance, management discussions and analysis, statement of environmental and sustainability reporting, corporate social responsibility statement and the statement of Directors' responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

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

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

Exclusion of Board Expenses in the Approved Budget

Review of approved consolidated annual budget for financial year under review revealed that Board expenses were not among the items approved in the Company's budget. Further, Management incurred an expenditure of Ksh.1,522,000 on board expenses during the year without prior approval of Cabinet Secretary responsible for Agriculture, Livestock, Fisheries and Cooperatives and Cabinet Secretary to the The National Treasury contrary to Section 12 of the State Corporations Act Cap.446 which provides that, "no state corporation shall, without the prior approval in writing of the Minister and The National Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved in accordance with Section 11 of the same Act."

Consequently, Management was 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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; and
- (iii) The Company's statement of financial position and statement of financial performance are in agreement with books of account.

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 Company's financial reporting process, reviewing the effectiveness of how Management 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

07 October, 2022

LANDS LTD**Annual Reports and Financial statements****For the year ended June 30, 2021**

XII. STATEMENT OF FINANCIAL PERFORMANCE**FOR THE YEAR ENDED 30TH JUNE 2021**

Revenue from exchange transactions	Note	2020-2021 KSH '000'	2019-2020 KSH '000'
Survey Fees	1	1,699	4,568
Total revenue		1,699	4,568
Expenses			
Employment	2	1,378	813
Board Expenses	3	1,522	1,086
Provision for audit fees	4	120	120
Finance costs	5	775	724
Depreciation expense	8	46	59
Total expenses		3,841	2,802
Net Deficit/Surplus for the year		(2,142)	1,766

The notes set out on pages 6 to 12 are integral part of the Financial Statement

LANDS LTD**Annual Reports and Financial statements****For the year ended June 30, 2021****XIII. STATEMENT OF FINANCIAL POSITION****AS AT 30TH JUNE 2021**

Assets				
Current assets		Note	2020-2021 KSH '000'	2019-2020 KSH '000'
Cash and cash equivalents		6	13,376	22,660
Receivables from exchange transactions		7	20,277	20,305
			33,653	42,965
Non-current assets				
Property, plant and equipment		8	483,948	483,994
Current Account with Parent Co.		9	547,692	540,302
			1,031,640	1,024,296
			1,065,293	1,067,261
Liabilities				
Current liabilities				
Trade and other payables from exchange transa		10	2,974	2,800
Authorized and issued fully paid 1,000 Ord. Shares @20			20	20
Grants Reserves			55,694	55,694
Capital Reserve		11	12,775	12,775
Revaluation Reserves		12	447,701	447,701
Accumulated surplus			546,129	548,271
			1,062,319	1,064,461
			1,065,293	1,067,261

Managing Director

Head of finance

Chairman

Name: N. MACHIRAZAJonathan Keritany EPHRAIM MURUGU
MUNDITA

ICPAK No. 15114

Sign

Date: 19/05/202219/05/202219/05/2022

LANDS LTD*Annual Reports and Financial statements**For the year ended June 30, 2021***XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2021**

	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 2019	20	55,694	12,775	447,701	546,505	1,062,695
Surplus/ Deficit	-	-	-	-	1,766	1,766
Balance as at 30th June 2020	20	55,694	12,775	447,701	548,271	1,064,461
Transfers to/from accumulated surplus	-	-	-		(2,142)	(2,142)
Balance as at 30th June 2021	20	55,694	12,775	447,701	546,129	1,062,319

XV. STATEMENT OF CASHFLOWS**FOR THE YEAR ENDED 30TH JUNE 2021**

	Note	2020-2021 KSH '000'	2019-2020 KSH '000'
Net Surplus/Loss		(2,142)	1,766
Adjustments for:			
Depreciation	8	46	59
Operating profit before working capital changes		(2,096)	1,825
Increase/(decrease) in debtors			
Debtors	7	28	129
Creditors	10	174	120
		202	249
Cash generated from operations		(1,894)	2,074
Cashflows from financing activities			
Cash from parent Company ADC		(7,390)	(4,598)
Net increase in cash and cash equivalents		(9,284)	(2,524)
Cash and cash equivalents at			
Beginning of period		22,660	25,184
Net increase in cash and cash equivalents		(9,284)	(2,524)
Cash at the end		13,376	22,660

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**FOR THE YEAR ENDED 30TH JUNE 2021**

	Budget 2020-2021	Actual 2020-2021	Variance
Revenue	Kshs '000	Kshs '000	Kshs '000
Survey Fees	6,000	1,699	(4,301)
	6,000	1,699	(4,301)
Expenses			
Employees cost	3,698	1,378	(2,320)
Depreciation and amortaization	-	46	46
General Expences	200	895	695
Board Expenses	-	1,522	1,522
Total expenditure	3,898	3,841	(57)
Surplus /(Deficit)	2,102	(2,142)	(4,244)

XVII. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)***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.

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 discloser 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**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.

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:

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

- 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

I) 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>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Survey Fees	1,699	4,568

2. Employee costs

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Salaries	685	386
NSSF	5	3
Leave Expenses	8	5
House allowance	360	260
Commuter allowance	156	90
Performance and rewards	3	-
Pension contribution	53	51
Gratuity	108	18
Employee costs	1,378	813

3. Board members of the Corporation

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Sitting Allowances	740	440
Nightout	619	273
Other (Medical, Mileage)	163	373
	1,522	1,086

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>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Audit fees	120	120

5. Finance cost relates to bank charges on National bank account 01001004368200 charged during the year

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs 000</u>	<u>Kshs 000</u>
Finance costs	775	724

NOTES TO THE FINANCIAL STATEMENTS (Continued)**6. Trade and other payables from exchange transactions**

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
National Bank of Kenya	13,376	22,660
Cash in Hand	-	-
Total	13,376	22,660

7. Receivables from exchange transactions

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Trade Debtors	20,292	20,320
Specific provision	(537)	(537)
	19,755	19,783
Non - Trade	522	522
	20,277	20,305

8. PROPERTY PLANT & EQUIPMENT

COST	Farms	Leased	Vehicles	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2019	483,602	454	5,400	489,456
At 30th June 2020	483,602	454	5,400	489,456
At 30th June 2021	483,602	454	5,400	489,456
DEPRECIATION				
At 1st July 2019	-	216	5,187	489,456
Charge for the year	-	6	53	5,854
At 30th June 2020	-	222	5,240	495,310
Charge for the year	-	6	40	46
At 30th June 2021	-	228	5,280	495,357
NET BOOK VALUE				
At 30th June 2021	483,602	226	120	483,948
At 30th June 2020	483,602	232	160	483,994

9. 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).

10. Trade and other payables from exchange transactions

	<u>2020-2021</u>	<u>2019-2020</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Non-trade creditors	2,974	2,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. 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.

12. 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 Ol'ngatongo Farm and L.R No. 2043/2 ADC Sabwani

LANDS LTD

Annual Reports and Financial statements

For the year ended June 30, 2021

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS