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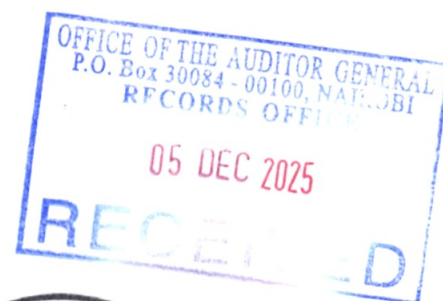
THE AUDITOR-GENERAL

ON

AGRICULTURAL FINANCE
CORPORATION

 FOR THE YEAR ENDED THE NATIONAL ASSEMBLY PAPERS LISTED 30 JUNE, 2025	
DATE:	11 MAR 2026
	DAY: WED
TABLED BY:	DEWTT MKISQAM PQQT7 WHTP
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Agricultural Finance Corporation
Annual Reports and Financial Statements for the year ended 30th June, 2025



AGRICULTURAL FINANCE CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS)



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1. Acronyms and Glossary of Terms

A. Acronyms

AADFI	Association of Africa Development Financial Institution
AES	Agricultural Engineering Services
AFC	Agricultural Finance Corporation
AfDB	Africa Development Bank Group
ALCO	Asset and Liabilities Committee
A T P	Advocates Training Program
CE	Consulting Engineer
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DFI	Development Finance Institution
EACC	Ethics and Anti-Corruption Commission
EBK	Engineers Board of Kenya
FAO	Food and Agriculture Organization
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
IEK	Institution of Engineers of Kenya
IFRS	International Financial Reporting Standards
ISO	International Standard Organization
IPCC	Intergovernmental Panel for Climate Change
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KeSEBAE	Kenya Society of Environmental, Biological and Agricultural Engineers
KTDA	Kenya Tea Development Authority
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PSGRS	Prudential Standards Guidelines and Rating System
SDGs	Sustainable Development Goals
WSP	Water and Sanitation Program

Acronyms and Glossary of Terms (Continued)

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information

a) Background Information

The Agricultural Finance Corporation (AFC), a wholly owned Government Development Finance Institution (DFI), was established in 1963 initially as a subsidiary of the Land and Agricultural Bank. In 1969, it was incorporated as a full – fledged financial institution under the Agricultural Finance Corporation Act, Cap 323 of the laws of Kenya. At cabinet level, the entity is represented by the Cabinet Secretary for the Ministry of Agriculture & Livestock Development, who is responsible for the general policy and strategic direction of the entity. The Corporation is domiciled in Kenya and has 47 branches in 35 counties.

b) Principal Activities

The Corporation is primarily charged with the responsibility of providing credit facilities for the sole purpose of developing agriculture. The Corporation has since inception been able to discharge this responsibility through an expansive branch network, offering quality affordable, accessible financial products and services tailored to meet diverse and exclusive needs of Kenyan farmers.

c) Board of Directors

The Directors who held office during the year and to the date of this report were as follows: -

Name		Appointment date
1. Hon. Eng. John M Mruttu	Chairman	18-Nov-2022
2. CPA Eunice Cherotich Kigen	Alternate to the Cabinet Secretary The National Treasury	14-Apr-2023
3. Richard Rotich	Alternate to the Principal Secretary Ministry of Agriculture & Livestock Development	04-Apr-2023

Key Entity Information (Continued)

4.	Mr. George Kubai	Managing Director	22-Feb-2021
5.	Eng. Muriuki Karue Muriuki	Member	13-May-2022
6.	Dr. Zablon Nyaenya Ayiera	Member	13-May-2022
7.	Mr. Julius Mutethia Kioga	Member	13-May-2022
8.	Mr. Hassan Mahmoud Haji	Member	13-May-2022
9.	Mr. Isaac Mundui Matu	Member	27-May-2022

d) Corporation Secretary

Ms. Trizah Maina
Development House,
Moi Avenue,
P.O Box 30367 – 00100 GPO Nairobi, Kenya

e) Registered Office

Development House,
Moi Avenue,
P.O Box 30367 – 00100 GPO
Nairobi, Kenya

f) Corporation Contacts

Headquarter

Development House,
Moi Avenue,
P.O Box 30367 – 00100 GPO
Nairobi. Kenya.

Contacts

Telephone: +254-020-3317199
E-mail: info@agrifinance.org
Website: www.agrifinance.org

g) Corporation Bankers

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

Co-operative Bank of Kenya Limited,
Co-op House Branch,
P.O Box 67881 – 00200 City Square
Nairobi. Kenya.

Key Entity Information (Continued)

Corporation Bankers (Continued)

KCB Bank Limited

Moi Avenue,

P.O Box 30081 - 00100 GPO

Nairobi, Kenya.

Equity Bank Limited

Parliament Road

P.O Box 44627 – 00100 GPO

Nairobi, Kenya.

h) Independent Auditor

The Corporation's auditor in accordance with the Public Audit Act, 2015 was:-

The Auditor General,

Office of the Auditor General,

P.O Box 30084 - 00100 GPO

Nairobi, Kenya.

i) Principal Legal Advisers

The Attorney General,

State Law Office,

Harambee Avenue,

P.O. Box 40112 – 00200 City Square

Nairobi, Kenya.

j) Institutional Mandate

The mandate of the Corporation is to assist in the development of Agriculture and agricultural industries by making loans to farmers, co-operative societies, incorporated Corporation representatives, private companies, public bodies, local authorities and other persons engaging in agriculture or agricultural industries.

Key Entity Information (Continued)

k) Vision

“To be the leading Agricultural Development Financier in Kenya.”

l) Mission

“To drive sustainable Agri-food system through participative and collaborative financial and non-financial interventions, innovations, technology and products.”

m) Core Values

To fulfill its mandate, pursue the Vision and accomplish its Mission, the AFC will be guided by its core values of:

- i) Customer Focus
- ii) Integrity
- iii) Professionalism
- iv) Innovation
- v) Teamwork and partnerships
- vi) Social responsibility

3. The Board of Directors



HE. John M Mruttu is the Chairman of the Board of Agricultural Finance Corporation. Mruttu is a registered engineer. He holds a Bachelor of Science, Mechanical Engineering and MBA from the University of Nairobi. He is a former County Governor of Taita-Taveta County. During his tenure as the Governor, he was able to achieve several milestones in critical areas like health, education, financial inclusion and agriculture which empowered the people of Taita-Taveta County to be more productive.

Mruttu worked at Kenya Petroleum Refineries Limited as a Chief engineer in 2000, during his time, he was responsible for all engineering activities for the company. He served in that role for three years and was thereafter promoted to a Manufacturing and Deputy General Manager. In 2006 he was again promoted to be the General Manager/CEO of Kenya Petroleum Refineries Ltd. In 2012 he was made Chief Operating Officer of the firm and finally left in 2012 to join politics.



Dr. Zablon Nyaenya Ayiera is a lecturer at Moi University, School of Arts and Social Sciences, Nairobi campus and a Departmental Director of Stewardship Development and Trust Services at East Kenya Union Conference of Seventh Day Adventist Church. He has published widely and carried a number of research on societal and theology issues.

He also serves in various boards and Christian development programs including Chairman Board of Management at Menyanya High school, Chairman Board of Management at Riomego

The Board of Directors (Continued)

SDA Primary Boarding School, East Kenya Union Conference of Seventh Day Adventist Church Camp Meeting Coordinator among others.

Dr. Ayiera holds a Ph.D from Moi University, Masters in Theology from St. Paul's University and a Bachelor of Arts in Theology from Tanzania Adventist College, University of Eastern Africa, Baraton.



Eng. Muriuki Karue Muriuki is a registered consulting engineer. He is a former Senator for Nyandarua County and a former MP for Olkalou Constituency. He is credited for having crafted the bill that established the Constituency Development Fund (CDF) in 2003.

Karue holds a Bachelor of Science in Engineering from the University of Nairobi and a roadworks course from Birmingham University.



Mr. Kubai is responsible for spearheading the Corporation's business strategy and operational excellence. He has proven executive leadership skills with over 15 years' experience in business management, relationship management, supply planning, project management, credit control, depot management and performance management.

Prior to joining the Corporation, he worked at National Oil Corporation of Kenya (NOCK) where he was the General Manager, Downstream Operations. Mr. Kubai has held senior managerial positions in commercial banks, insurance companies and multinational corporations having

The Board of Directors (Continued)

worked with Equity Bank, Sanlam Kenya (Pan Africa Insurance Holdings) and the Coca-Cola Company among others.

Kubai holds a Bachelor's degree from Maseno University and a Masters of Business Administration from Jomo Kenyatta University of Agriculture and Technology.



CPA Julius Mutethia Kioga is a business consultant with competencies in Strategic Management and Leadership, corporate restructuring and turnarounds, entrepreneurial ventures and corporate governance.

He has vast experience in the Banking and Petroleum, Oil and Gas sectors. He was the founder of Mid Oil Africa Ltd, the first successful Kenyan Petroleum Oil Company that was eventually acquired by Kenya Oil Company Ltd.

Mutethia is a holder of an MBA in Strategic Management from Maastricht School of Management, Netherlands. He is a Certified Public Accountant (CPA) and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Mr. Hassan Mahmoud Haji is an accomplished Public Administration professional with experience in management and administration having worked in the County Government of Lamu, Ministry of Environment and Natural Resources, Administration Police Training College and the Provincial Administration.

Hassan has a thorough understanding of Government policies and procedures as well as legislative drafting.

The Board of Directors (Continued)

He is a holder of a Masters Degree in International Studies and Diplomacy, a Bachelor of Science in Social Work from Indira Gandhi National Open University and a Post graduate Diploma in Public administration and Management from Glasgow Caledonian University.



Mr. Isaac Mundui Matu is a skilled agricultural manager and a farmer. Currently he is the Managing Director of a family farm in Njoro. He has also worked as a Farm Manager at Murithia Farm and Transport Manager at Murithia Transporters in Nakuru.

He holds a Bachelor of Business Administration Studies from College of British Columbia, Vancouver, Canada.



CPA. Eunice Cherotich Kigen is the Senior Deputy Director of Budget at The National Treasury, Budget Department. She holds an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce (Accounting Option) from the University of Nairobi, and is a Certified Public Accountant (CPAK).

She is a seasoned accountant with extensive experience in the coordination, review, processing and compilation of both recurrent and development estimates for the annual and revised national budgets. She plays a key role in the coordination of Medium-Term Expenditure Framework (MTEF) Sector Working Groups.

Ms. Kigen also provides strategic advice on Treasury policies and financial management guidelines to various Ministries, Departments and spending units — including at district levels. Additionally, she is responsible for monitoring project and programme expenditures to ensure effective implementation and the timely adoption of corrective measures where necessary.

The Board of Directors (Continued)



Mr. Richard Rotich is a strategic and results-oriented Human Resource professional with over 16 years of progressive experience in public sector HR management and development. He has a strong track record in formulating and implementing HR strategies aligned with government policies and institutional objectives.

Mr. Rotich is highly skilled in talent acquisition, workforce planning, disciplinary management, performance evaluation, payroll administration and training coordination. He is also adept at interpreting labour laws and Public Service Commission (PSC) regulations, offering expert advisory to leadership while ensuring operational compliance across departments.

With substantial experience in managing Human Resource Management Information Systems (HRMIS), Mr. Rotich has played a pivotal role in driving policy reforms and leading organizational transformations within public institutions.

He holds a Bachelor of Business Administration (Management Option) from Baraton University and currently serves as the Assistant Director, Human Resource Management and Development at the Ministry of Agriculture and Livestock Development – State Department for Agriculture.

The Board of Directors (Continued)



Trizah Maina, holder of a Bachelor of Laws (LL.B) from the Catholic University of Eastern Africa and a Master of Laws (LLM) from the University of Dundee, UK, is the Corporation Secretary at Agricultural Finance Corporation. She is a Notary Public, Commissioner for Oaths, and Certified Secretary, bringing 16 years of extensive experience in corporate governance and commercial law

to the Corporation. Prior to joining AFC, she served as Head of Legal Affairs at the Cooperative University of Kenya, where she combined public sector experience with academic leadership. Her expertise spans board governance, regulatory compliance, and strategic management.

4. The Key Management team



Mr. George Kubai is the Managing Director of Agricultural Finance Corporation. He is responsible for spearheading the Corporation's business strategy and operational excellence. He has proven executive leadership skills with over 15 years' experience in business management, relationship management, supply planning, project management, credit control, depot management and performance management. Prior to joining the

Corporation, he worked at National Oil Corporation of Kenya.

(NOCK) where he was the General Manager, Downstream Operations. Mr. Kubai has held senior managerial positions in commercial banks, insurance companies and multinational Corporations having worked with Equity Bank, Sanlam Kenya (Pan Africa Insurance Holdings) and the Coca-Cola Company among others. He holds a Bachelor's degree from Maseno University and a Masters of Business Administration from Jomo Kenyatta University of Agriculture and Technology.



CPA Tom Akeno is an accomplished finance professional with extensive public service experience spanning over 30 years having previously worked for the Ministry of Agriculture and the Kenya Tea Development Authority (KTDA). He has vast experience in financial accounting and management, corporate finance, financial systems implementation and Co-operative's management. Since joining the Corporation as an Accountant in

1995, he has risen through the ranks of Senior Accountant, Assistant Chief Accountant, Chief Accountant and currently is the Chief Finance & Investments Officer. He is a former Chairperson of AFC Staff Pension Schemes, and current chairperson of Ufanisi DT Savings and Credit Co-operative Society.

The Key Management Team (Continued)

He holds a Master Degree in Business Administration specializing in Finance from the University of Nairobi and a Bachelor of Business Administration Degree in Accounting and Finance from the Kenya Methodist University. Akeno is a Certified Public Accountant and a member of good standing of the Institute of Certified Public Accountant of Kenya (ICPAK).



Mr. Daniel Olilo is an accomplished Information Technology Specialist with over 16 years of experience in the field of ICT. He has previously worked at the Regional Centre for Mapping of Resources where he was able to implement various applications that are currently being used to serve RCMRD's member countries. Daniel is a holder of a Bachelor of Science in Computer Studies, University of Sunderland. He is currently pursuing a Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT). Daniel's areas of interest include Systems development, open source applications, social organization applications and systems integration.



Mr. Jackson Echoka is an agribusiness specialist with over 30 years' experience working with farmers in the agricultural sector. He is also an experienced trainer on agriculture finance. He has successfully overseen pilot implementation of an innovative Information Technology based product targeting financial inclusiveness for smallholder farmers in the Corporation.

He holds a Master of Science degree in Agricultural and Applied Economics from the University of Nairobi in collaboration with University of Pretoria, and currently pursuing Doctor of Philosophy (PhD) in Agriculture at the University of Nairobi.

The Key Management Team (Continued)



Mrs. Betty Suge has over 10 years' experience in Accounting, Auditing & Risk Management from both the Private and Public Sectors. She holds a Master of Business Administration in Finance-(Kenyatta University) and a Bachelor of Commerce in Accounting (Daystar University). She is also a Certified Public Accountant (CPAK) and is currently pursuing certification in the Certified Information Systems Auditor (CISA)

Betty is member of the Institute of Certified Public Accountants (ICPAK) as well as the Institute of Internal Auditors (IIA).

She has undertaken international courses, among them the Fraud Investigation and Prevention as well as an Anti- Corruption.



Mr. Nicholas Njeru is a seasoned practitioner in Procurement with practical experience of over 16 years, 10 of which have been in senior management. He previously worked for Kenya Revenue Authority (KRA), Kenya Vision 2030 Delivery Secretariat, BOC Gases Kenya, Africa Online Holdings Ltd, Safaricom Ltd and the National Treasury (Ministry of Finance).

Njeru holds a Masters Degree in Economics and Bachelors of Arts Degree in Economics from the University of Nairobi. He also has a post graduate Diploma in

Procurement & Supply (CIPS) and is a certified Strategic Supply Chain Practitioner and CPA Finalist.

The Key Management Team (Continued)



Trizah Maina, holder of a Bachelor of Laws (LL.B) from the Catholic University of Eastern Africa and a Master of Laws (LLM) from the University of Dundee, UK, is the Corporation Secretary at Agricultural Finance Corporation. She is a Notary Public, Commissioner for Oaths, and Certified Secretary, bringing 16 years of extensive experience in corporate governance and commercial law to the Corporation. Prior to joining AFC, she served as Head of Legal Affairs at the Cooperative University of Kenya, where she combined public sector experience with academic leadership. Her expertise spans board governance, regulatory compliance, and strategic management.



Mr. Christopher Kiburu is a seasoned banker with extensive experience which spans various high-impact roles across commercial banking and real estate sector. His career highlights include senior positions at the National Bank of Kenya, United Bank of Africa (UBA) and Ramugo Project Investment Ltd. Mr. Christopher is ambitious and experienced professional in the banking sector with over 15 years of experience which include advisory role on customer care and credit business matters. He builds lasting partnerships with key stakeholders, has gained extensive experience in negotiation, credit reviews, risk management, and strategy formulation. He is a holder of a Bachelor's degree and currently finalizing his Masters of Business Administration both from the University of Nairobi.

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:-

No.	Designation	Name
1.	Managing Director	Mr. George Kubai
2.	Chief Manager Legal Services	M.s Trizah Maina
3.	Chief Finance & Investments Officer	Mrs. Betty Suge
4.	Head of Procurement	Mr. Nicholas Njeru
5.	Chief Strategy & Planning Officer	CPA Tom Akeno
6.	Chief ICT Officer	Mr. Daniel Olilo

6. Fiduciary Oversight Arrangements

Board Committees

Name of the Committee	Members
Finance & Resource Mobilization Committee	1. CPA. Julius Mutethia – Chairperson 2. Richard Kanui – Member 3. Isaac Matu - Member
Human Resource Committee	1. Hassan Haji – Chairperson 2. Julius Mutethia – Member 3. Richard Rotich – Member
Credit and Risk Committee	1. Dr. Zablon Ayiera – Chairperson 2. Ms. Winnie Molonko- Member 3. Eng. Muriuki Karue – Member
Audit Committee	1. Eng. Muriuki Karue – Chairperson 2. Hassan Haji- Member 3. CPA.Eunice Cherotich Kigen- Member

Board Responsibilities

The Board of Directors is responsible for providing overall policy and leadership to the Corporation and is accountable to the Government of Kenya. The Board is responsible for the long term success of the Corporation. It sets the Corporation's core values and strategy and oversees implementation by management of the strategic objectives. It ensures there is a strong risk management and internal control framework in place that allows risks to be assessed and managed effectively, including implementation of the risk strategy, corporate governance and corporate values. It provides leadership, direction and is responsible for corporate governance and financial performance of the Corporation.

The Board's duties and responsibilities include:

Fiduciary responsibility

The Board of Directors has a fiduciary responsibility to care for the finances and resources of the Corporation. They must act in good faith and with a reasonable degree of care, and they must not have any conflicts of interest.

Fiduciary Oversight Arrangements (Continued)

That is, the interests of the Corporation must take precedence over personal interests of individual Board members.

Audit Committee

The committee is mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting. In addition to advising the Board on best practice, the committee also monitors management's compliance with relevant legislations, regulations and guidelines as well as the Corporation's laid down policies and procedures.

The committee has direct access to the Internal Audit function, the Company Secretary and the external auditors. During the year the committee received and reviewed the findings of the internal and external audit reports and management's action to address them.

Finance and Resource Mobilization Committee

The committee is mandated to review and make recommendations on the Corporation's financial and accounting policies, the Corporation's Annual Budget, quarterly and annual financial statements and the annual procurement plan. The committee also reviews the implementation of the Strategic plan and monitors the performance contract of the Corporation and the Government.

Human Resource Committee

The committee is mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the Board in discharging its corporate governance role by reviewing staffing needs of the Corporation, appoints senior management staff, reviews training needs and undertake disciplinary measures as per the staff policies.

Fiduciary Oversight Arrangements (Continued)

Credit and Risk Committee

The Committee is mandated to review the oversight of the overall lending policy of the Corporation and deliberate and consider loan applications beyond the credit discretion limits set for management. The committee also reviews and considers all issues that may materially impact the present and future quality of the Corporation's credit risk management function as well as the quality of the loan portfolio and ensure adequate provisions for doubtful debts are maintained in line with the best practice and prudential guidelines.

The committee is also responsible for overseeing the implementation of the Corporation's risk management framework to ensure that all existing and potential significant risks are identified and effectively managed.

Board Committees

To enhance the breadth and depth of achieving Board responsibilities, the Board has delegated authority to various committees although the Board retains ultimate collective accountability for performance and corporate governance. Committees of the Board are as follows:

- Audit
- Finance and Resource mobilization
- Credit and Risk
- Human Resource

These committees have formally determined terms of reference with defined scope of authority, set by the Board of Directors.

7. Chairman's Statement

The year under review presented a challenging global and regional economic environment. The global economy experienced its weakest growth since the 1960s, with projections ranging between 2.3% and 2.9%, largely due to rising geopolitical tensions, policy uncertainty and climate-related disruptions. Closer home, Kenya demonstrated economic resilience, with GDP growth projected between 4.5% and 5.6%, buoyed by a recovery in agriculture and services and stable inflation amid prudent fiscal reforms.

Despite the external pressures, the Agricultural Finance Corporation delivered a commendable performance. The Corporation registered a pre-tax profit of KES 88.19 million, a 139.94% improvement over the previous year. This was achieved through strategic focus on loan disbursement growth, prudent cost management and strengthened income-generating activities.

The agricultural sector remains at the heart of Kenya's economic transformation. With continued government support, favorable weather and investments in climate-smart practices, the sector has recorded a 4.3% growth in the fourth quarter of 2024. The Corporation is committed to aligning its operations with national development goals and ensuring financial access for our farming communities.

I extend my sincere gratitude to the Board of Directors, Management, staff and all our stakeholders for their dedication and contribution to the Corporation's mission. Together, we remain focused on deepening our development impact and enhancing institutional sustainability.



H.E Eng. John M Mruttu
Chairman

8. Report of the Managing Director

The 2024/25 financial year marked a period of solid performance for the Corporation, achieved against a backdrop of economic uncertainty and environmental risks. We posted a pre-tax profit of KES 88.19 million, up from KES 36.75 million in the prior year, a reflection of improved operational efficiency and strategic portfolio management.

Total revenues grew to KES 1.37 billion, while interest income recorded a notable 10.89% increase. Loan disbursements rose significantly to KES 4.75 billion, reinforcing our mandate to support agricultural productivity and rural livelihoods. Collections remained steady at KES 4.49 billion, while the Corporation's asset base expanded to KES 14.01 billion, underlining a stable financial footing.

We recognize the persistent risks posed by climate variability and economic headwinds. In response, we continue to scale up lending to climate-resilient agri-value chains and optimize resource allocation to support smallholder farmers and agri-enterprises. These interventions are essential to ensuring food security and inclusive economic growth.

I thank our dedicated staff, Board of Directors and partners for their unwavering support. We remain focused on delivering sustainable value and driving transformative impact in Kenya's agricultural sector.



Mr. George Kubai
Managing Director

9. Statement of Performance against Predetermined Objectives for FY 2024/2025

The Corporation has the following Strategic issues and objectives within the current Strategic Plan for the FY 2022/2023 to 2026/2027. The Strategic issues are as follows:-

- i. Sustainable agri-food systems
- ii. Accessibility to agricultural credit
- iii. Alternative funding sources
- iv. Organizational capability
- v. Mitigation and adaptation to climate change
- vi. Alignment to legal, policy and governance framework

In line with the performance management framework, the Corporation developed an operational plan cascaded to all staff through annual performance target setting and appraisal. With oversight and strategic guidance by the board, performance is assessed on a quarterly basis and is aligned to the contracting guidelines and monitoring cycles. Achieved performances for targets set out for the FY 2024/2025 period along the above strategic pillars is as follows:-

Strategic Objective	Outcome	Outcome Indicator	2024/25 Target	Achievements
1. Optimize financing of Agri-food value chains	Increased financing in priority value chains (Wheat, Dairy, Rice, Maize & beef)	Amount (KES. Millions) in the priority value chains	4,998	KES. 2.3 billion was disbursed to priority value chains. The priority value chains supported were; Dairy (KES. 902.3M), Maize (Kshs. 477.6M), Beef (KES. 708.9M), Wheat (KES. 163.4M) and Rice (KES. 5.9M).

Statement of Performance against Predetermined Objectives for Financial Year 2023/2024 (Continued)

Strategic Objective	Outcome	Outcome Indicator	2024/25 Target	Achievements
2. Drive financial inclusion and access in agricultural financing	Increased Access to Agricultural Finance	Number of individuals accessing agricultural finance	314,314	Customer numbers grew to 248,681
3. Diversify funding sources and enhance resource mobilization for sustainability and increased impact	Increased resource base and better mobilization	Amount (KES. Millions)	10,411	KES. 4 billion was mobilized as follows; i. Loan Collections – KES 4.5 billion ii. Recoveries from NPLs & FPIPs – KES 26 million iii. Capacity Building funds – KES 14M million iv. Direct lending funds – KES 500 million
4. Re-engineer the business model for efficiency and sustainable service delivery	Optimized Operational Efficiency Ratio	Operating Expenses Ratio	62%	84%
5. Catalyze funding for climate change, resilience, mitigation and adaptation in the Agri-sector	Increased Financing of Climate smart agriculture	Number of projects financed	808	60 projects financed during the FY to bring the total projects financed to 123

Statement of Performance against Predetermined Objectives for Financial Year 2023/2024 (Continued)

Strategic Objective	Outcome	Outcome Indicator	2024/25 Target	Achievements
6. Enhance governance & management framework	Increased Governance rating	Annual AADFI Rating	95%	"The 2023/24 AADFI Prudential Standards, Guidelines and Rating System (PSGRS) results have been released, with the Corporation attaining a BB rating with a score of 97%."

10. Corporate Governance Statement

The Board of Directors of AFC consider that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance. The Board applies good governance practices to promote strategic decision making for the organization to balance short, medium and long-term outcomes to reconcile interests of the AFC as a whole together with its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the business. Directors have a statutory duty to promote the success of the Corporation for the benefit of its stakeholders. In promoting the success of the Corporation, Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Corporation's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Corporation complies with the laws, regulations and standards applicable to it. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the *Mwongozo code* is adhered to.

The Board also regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations across all the regions where we operate. Our corporate governance framework enables the Board to oversee the strategic direction of the organization, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

Corporate Governance Statement (Continued)

The Corporation operates within a clearly defined governance framework which provides for delegated authority and clear lines of responsibility without abdicating the responsibility of the Board. Through the framework, the Board sets out the strategic direction of the Corporation while entrusting the day-to-day running of the organization to the executive management led by the Managing Director, with their performance against set objectives and policies closely monitored. The Board operates through four committees mandated to review specific areas and assist the Board undertake its duties effectively and efficiently

The Board Charter, which has been approved and is regularly reviewed by the Board, provides for a clear definition of the roles and responsibilities of the Chairman, directors as well as the Company Secretary. The roles and responsibilities of the Chairman and the Managing Director are separate and distinct with a clear division of responsibility between the running of the Board and the executive responsibility of running the Corporation's business.

The Board

The Corporation is governed by a Board of Directors each of whom is, except for the Managing Director and the Corporation Secretary. The primary responsibility of the Board is to act in the best interests of Corporation and to foster the long-term success of the Corporation, in accordance with its legal requirements and its responsibilities to stakeholders. The Board achieves such success by setting appropriate business strategy and overseeing delivery against the set strategy. It ensures that the Corporation manages risks effectively and monitors financial performance and reporting. The Board serves as the focal point and custodian of corporate governance in the organisation. The directors recognise that good governance can create a good return to the Government by enhancing long-term

Corporate Governance Statement (Continued)

equity performance. While the board is unwavering in its adherence with legislation and regulations, the Corporation's commitment to good governance goes beyond a commitment to comply with minimum standards – it strives to create an ethos where governance is a central consideration in the way the business of the Corporation is conducted.

Role & Responsibilities of the Board

The scope of authority, responsibility and functioning of the board is contained in a formal charter which is regularly reviewed. The Board sets the strategic objectives of the Corporation with input from management, and oversees management, performance, remuneration and governance frameworks of the Corporation. The board develops and applies a work plan to help to ensure that it attends to all its responsibilities when these responsibilities have not been delegated to a committee.

The Board's role and responsibilities include:

- i. Approving the strategic and financial plans to be implemented by management approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations from business plans.
- ii. Approving the annual financial statements and annual report and the approval of quarterly reports
- iii. Overseeing the Risk Management Framework and its operation and setting the Corporation's risk appetite within which management is expected to operate.
- iv. Approving capital expenditure for investments and divestments and capital and funding proposals.
- v. Reviewing succession planning for the management team and makes senior executive appointments, organizational changes and high-level remuneration issues.
- vi. Providing oversight over performance against targets and objectives.

Corporate Governance Statement (Continued)

vii. Providing oversight over reporting to shareholders on the direction, governance and performance of the Group as well as other processes that require reporting and disclosure.

Code of Conduct

It is of major importance to the Corporation that its leaders create a "tone at the top" and a corporate culture that promotes ethical conduct on management and employees. This is facilitated through quality corporate leadership, set by the Board of Directors and senior management. To this effect, the Corporation's resources are only to be used to conduct its business or for purposes authorized by management. Any act by a member of the Board of Directors or Management that involves theft, fraud, unauthorized disclosure, embezzlement, or misappropriation of any property is prohibited. Each member of the Board of Director or Management is responsible for the assets under their control. Each Director must follow security procedures to protect assets and must be alert to situations that could lead to loss or misuse of assets.

Mission and Vision of the Corporation:

The Board of Directors are responsible for setting the mission of the Corporation and ensuring that all actions further that mission. The Board can change the mission, but only after careful deliberation.

Oversight

The Board of Directors does not participate in day-to-day decision-making of the Corporation; instead, they set overall policy, based on the corporate mission and vision, and they exercise an oversight function, reviewing the actions of management. The Board puts in place appropriate policies, systems and structures for the successful implementation of policy.

Corporate Governance Statement (Continued)

The Board of Directors establishes and maintains the Corporation's overall systems of planning, accounting and internal controls that facilitate prudent risk assessment and management. The Board of Directors sets policy guidelines for management and ensures competent management of the business including the selection, supervision and remuneration of Senior Management.

Board Meetings

The Board has in place an annual work plan that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary, to consider all matters relating to the overall control, business performance and strategy of the Corporation and succession planning. The Chairman, in conjunction with the Corporation Company Secretary work closely with the Managing Director to come up with the annual work plan and to set the agenda for each meeting. The notice, agenda and detailed board papers are circulated in advance of the meetings. Directors are entitled to request for additional information where they consider further information is necessary to support informed decision-making.

Governance Principles

The Board of Directors of AFC have established robust governance structures modelled around the guidelines contained within Mwongozo. The principles derived from the regulatory and best practice frameworks, which have enabled the Board to establish a strong foundation that effectively upholds the Corporation's Corporate Governance practices, which include but not limited to:-

Corporate Governance Statement (Continued)

Skills, Experience & Diversity

Having regard to the Corporation's vision, values and purpose, the individual attributes of each Director are as critical as the skills they bring. There is an expectation that each Director should be able to demonstrate sound business judgment, a strategic view, integrity, preparedness to question, challenge and critique and leadership qualities. At a collective level, the Corporation looks for a diversity of skills, knowledge and experience to enable the Board to provide the oversight needed to develop and achieve the overall strategy of the Corporation.

The Corporation seeks to have a Board that has the right mix of individuals with relevant attributes skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide management in ensuring the highest performance for the Corporation. The Directors are expected to have a clear understanding of the strategy of the Corporation as well as knowledge of the industry and markets in which the Corporation operates. The aggregate mix of skills and experience of the Directors seeks to challenge management, ensure robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Corporation. The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the strategy. The Board continuously reviews the skills, experience and diversity mix of the Board and continues to make efforts on diversifying the skill set and gender.

Corporate Governance Statement (Continued)

Compliance	Laws; Regulations; and Applicable Standards & Policies.
Structural integrity and accountability	Board: composition; independence; competencies; diversity; complementarity; and effectiveness. Management: support structures; segregation of duty; and delegation of authority.
Timely, transparent and relevant communication and disclosures	Key policies and relevant information, to provide stakeholders with a clear understanding of our businesses.
Robust Internal Controls	Strong audit procedures and audit independence; internationally recognized auditing and accounting principles; well-scoped internal and external audits
Sustainability	Roles, objectives and remuneration aligned to the Government long term interests.
Optimized Strategy	Frequent and forward looking strategy reviews that anticipate risks and promote long term prosperity.
Integrity	Culture, practices, a well-defined, implemented Code of Conduct and Ethics.

Board Chairman and Managing Director

The roles and responsibilities of the Chairman of the Board and the Managing Director are distinct and separate. The Chairman provides overall leadership to the Board in line with principles of collective responsibility for Board decisions. The Managing Director is responsible to the Board and takes charge of executive management and efficient running of the Corporation on a day-to-day basis.

The Board has delegated to the Managing Director authority to implement Board decisions with assistance of the Management team which the Managing Director is the team leader.

Board Performance Evaluation

The Board is responsible for ensuring that an evaluation of their performance and that of committees and individual directors are carried out each year. This involves a self-review of the Board's capacity, functionality and effectiveness of performance against its set objectives.

Corporate Governance Statement (Continued)

Evaluation enables directors to suggest how Board procedures may be improved by assessing strengths and weaknesses and addressing its balance of skills, knowledge and experience. This is done by the GOK Performance contract on the KPI of the respective Board members.

Internal Control

The Board has collective responsibility for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operational and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and misstatements are either prevented or detected within a reasonable period of time.

Internal assurance is carried out by an independent Internal Audit Department that reports to the Board Audit Committee and provides confirmation that the Corporation's standards, policies and procedures as set by the Board are being complied with.

Conflict of Interest

The Corporation's policy provides that Directors, their immediate families and companies where they have interests in, only do business with the Corporation at arm's length.

Where a matter concerning the Corporation may result in a conflict of interest, the Director is obliged to declare the same and exclude themselves from any discussion or vote over the matter in question.

11. Management Discussion and Analysis

Operational and Financial Performance

The performance of the Corporation for the financial year ended 30th June 2025 is presented herewith in accordance with the requirement of the Public Finance Management Act (PFM) 2012, International Financial Reporting Standards and AFC Act Cap 323.

The Corporation posted a pre-tax profit of KES 88.19 million for the year ended 30th June 2025, marking a 139.94% increase from KES 36.75 million recorded in the previous financial year. The income statement remained robust, with total revenues rising to KES 1.37 billion from KES 1.267 billion in FY2023/24.

In the year ended 30th June 2025, total expenditure stood at KES 1.28 billion, up from KES 1.23 billion in the previous year, reflecting a 4.35% increase. Interest income recorded a growth of 10.89%, rising from KES 948.31 million in FY2023/24 to KES 1.05 billion in FY2024/25. In contrast, non-interest income remained relatively unchanged, with a modest increase of 3.72% from KES 352.49 million to KES 365.61 million during the same period.

During the twelve-month period, the Corporation disbursed loans totaling KES 4.75 billion, higher than the KES 3.54 billion disbursed in the previous year. Conversely, collections amounted to KES 4.49 billion, compared to KES 4.46 billion in the prior year. The Corporation's financial position remains strong, with total assets at KES 14.01 billion at the end of the year, compared to KES 12.57 billion in the FY2023/24.

Overall, the Corporation has shown resilience in navigating the current economic environment, with notable achievements in the interest income earned, growth in loan portfolio and reduction in operating expenses.

Management Discussion and Analysis (Continued)

Compliance with regulatory requirements

During the year ended 30th June 2025, the Corporation complied with all the statutory and regulatory obligations including but not limited to: remittance of PAYE, NHIF, NSSF, VAT, HELB, Withholding tax, etc within the stipulated deadlines.

The major risks facing the entity are as highlighted below:-

a) Financial Risk Management

In the financial services sector, sustainable growth in profitability involves selectively taking and managing risks. The Corporation's goal is to earn, on behalf of the Government, an optimal, stable and sustainable rate of return for every shilling of risk it takes, while continually investing in our business to meet our future growth objectives. The risk management resources and processes are designed to identify, understand, measure and report risks that the Corporation's businesses are exposed to, and develop governance, controls, and risk management frameworks necessary to mitigate these risks as appropriate. These resources and processes are strengthened by the Corporation's culture which emphasizes transparency, accountability and responsibility for managing the risks we are exposed to.

Risk is defined as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the Corporation appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and exploited.

- The Corporation operates in an environment of numerous risks as shown below that may cause financial and non-financial results to differ significantly from the expected outcomes. The Corporation has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the country.

Management Discussion and Analysis (Continued)

b) Credit Risk

The credit portfolio is a major component of the asset portfolio of the Corporation; therefore, deterioration in the stability of the various borrowers may have an adverse effect on the Corporation's asset value and profitability. Credit risk is the potential for loss due to the Corporation's clients' failure or unwillingness to meet their contractual credit obligation. It's the single largest risk that the Corporation faces. This arises principally from the loans and advances given to our clients. The amounts presented in these financial statements are net of impairment allowances based on prudent assessment of clients' abilities to meet their contractual obligations.

Management of credit risks

The Corporation manages credit risk in accordance with its Credit Policy, Credit Risk Appetite and related governing documents. The goal of credit risk management is to ensure the Corporation operates within the risk appetite defined in accordance with the policies and strategic objectives in the area of credit, from a single transaction to credit portfolio level.

The Corporation's credit risk management framework and policy is based on diversification of the credit portfolio and controlled management of risks. Risk diversification is reflected by the distribution of the Corporation's credit portfolio across different sectors of the economy, a large number of borrowers, different linkage segments, and different geographical regions. The policy and practice of distributing risks among economic sectors is based on an evaluation of anticipated developments in the different sectors. For this purpose, the Corporation conducts industry-level economic feasibility studies to evaluate the risk and business potential related to activity in the various economic sectors. The Corporation's business objectives are determined in accordance with these studies.

Management Discussion and Analysis (Continued)

Credit review processes identify, monitor, mitigate and report to the responsible manager/function on negative signs related to borrowers. Credit risk management is based on the following principles:

- **Independence** – This ensures proper corporate governance, prevent conflicts of interest, and create a system of checks and balances. The goal of this principle is to ensure that the information regarding risks reported to management functions, and in particular to senior management and the Board of Directors, is objective and is not influenced by other considerations, in particular considerations of business success and remuneration for such success.
- **Hierarchy of authority** – The Corporation has a hierarchy of authority that outlines a sequence of credit authorizations according to the level of debt of the borrower or group, the risk rating and problematic debt classifications allowing control over the process of approving new credit transactions. The hierarchy of authority provides a definition of individual credit approval thresholds and thresholds for transfer to approval committee.
- **Credit policies and procedures** – The Board of Directors of the Corporation approves the credit policies, which are examined and updated regularly, according to changes in the financial markets and in the economy. The policies and procedures include various limits on the credit portfolio in accordance with the risk appetite of the Group, including exposure limits by economic sector, country, financial institution or as a function of the risk level assessed by the Corporation. Limits are also imposed on the maximum exposure to a single borrower or a group of borrowers according to the credit rating assigned to the borrower, which reflects the borrower's risk level.

Management Discussion and Analysis (Continued)

- **Controls and risk identification** – The process of reviewing and identifying credit risks is conducted by the three lines of defense. In the first and second lines of defense, controls are applied from an individual credit item to the portfolio level according to materiality thresholds. The Credit and Risk Departments coordinate reports to the Senior Management and Board of Directors regarding trends and changes in the credit portfolio, including the level of credit risk in the portfolio, compliance with limits, special events, analysis of concentration, stress scenarios, and presentation of general risk indicators.

The identification of credit risk in existing products is based on risk management, measurement, and control processes at the various lines of defense, on the other hand, the identification of risk in new credit products is guided by the new products and initiatives risk assessment policy which specifies the processes to be followed for each new product at the Corporation to identify all risks inherent in the product, assess the extent and materiality of such risk, and provide solutions for the measurement, control, and hedging of the risk.

To facilitate the day to day management of credit risk, there is an independent risk department based in Head Office charged with responsibility of referencing our clients before advancement of loans to assess their credit worthiness.

The Corporation makes provision for loan balances as and when the Credit Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Management Discussion and Analysis (Continued)

Problematic debts and borrowers in distress

The policy for debt classifications and allowances includes indicators for the identification of customers who, according to the Corporation's assessment, may default on their obligations to the Corporation. The Credit, and Risk Departments determine whether the specific customers should be included in the Corporation's watch list, whether the customer's rating requires re-classification, and whether an allowance for credit losses is necessary. Customers identified for close monitoring and existing watch list customers are discussed monthly in the Management Credit Risk Committee. These borrowers are supervised and monitored more closely, and the Bank works to reduce its exposure to them by redeeming credit from the borrowers' resources. In certain cases, customers are transferred to a division specializing in monitoring and restructuring of customers' debt, or to the Loan Recovery unit.

c) Liquidity and Funding Risk

Liquidity Risk is the risk that the Corporation is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Effective liquidity risk management is essential in order to maintain the confidence of the Corporations financiers & partners and to enable our core business to continue operating even under adverse liquidity circumstances.

The Corporation has established the Asset and Liabilities Committee (ALCO) that is tasked with the responsibility of ensuring that all foreseeable funding and commitments are met when they fall due and that the Corporation will not encounter difficulties in meeting its obligations or financial liabilities as they fall due.

Management Discussion and Analysis (Continued)

d) Market Risk

Market risk is the risk that the values of assets and liabilities or revenues will be adversely affected by changes in market conditions or market movements due to fluctuations in market risk factors such as interest (IRR). The objective of market risk management programs is to manage and control market risk exposures in order to optimize return on risk taken while maintaining a good market profile as a provider of agricultural financial products and services.

e) Capital Management

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern in order to provide acceptable returns to the shareholder and benefits for other stakeholders while maintaining an optimal capital structure.
- To comply with capital requirements set by regulators within the markets that the Corporation operates in.
- To maintain a strong capital base to support continued business development.
- To create an acceptable buffer catering for unexpected losses that the Corporation may incur in adverse market scenarios during the course of its business.
- To manage its capital structure and make adjustments to it according to changes in economic conditions and the risk characteristics of its activities.

f) Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events or legal risk but excluding strategic and reputation risk. The Corporation manages Operational Risk via a comprehensive risk management framework, and is supported by an established network of systems, policies, standards, and procedures.

Management Discussion and Analysis (Continued)

The Operational Risk Management Framework assist the Corporation in integrating risk management into significant activities and functions. As part of this framework, AFC has defined its operational risk appetite and has established a Risk and control assessment process to help units to self-assess on significant operational risks and controls, identify, and address any gaps in the design and/or operating effectiveness of internal controls that mitigate significant operational risks. Reports on compliance with risk appetite limits are submitted on a quarterly basis, within the consolidated risk document.

Routine procedures are performed to identify, map, and assess operational risks and controls at the units of the Corporation. A comprehensive mapping process of operational risks in all units of the Corporation is performed regularly.

Operational Risk Management process in AFC consists of following components:

- Identification.
- Assessment.
- Monitoring.
- Controlling / Mitigating of Operational risks
- Reporting
- Training and Awareness

The goals of operational risk management are:

- To ensure effective oversight and management of operational risks in all units of the Corporation, including risk ownership and decision making based on cost-benefit considerations.
- To ensure effective identification and communication of operational risks in all substantial business operations of the aim of establishing operational risk appetite congruent with the approved strategic objectives of each unit in the Corporation.

Management Discussion and Analysis (Continued)

- To establish an internal control structure promoting appropriate values of a culture of awareness, transparency, and efficiency with respect to operational risks within the Corporation.

g) Strategic Risk

The Corporation defines strategic risk as the potential for loss arising from ineffective business strategies, improper implementation of those strategies, sudden unexpected changes in its operating environments, or from lack of adequate responsiveness to changes in those specific business environments. The Corporation faces several strategic risks from its environment which include:

- Macro-economic changes;
- Competition from the financial industry, and organisations providing similar services;
- Technological changes;
- Key legislative and regulatory changes;
- Major political events; and
- Human capital or social/demographic trends and changes

The institution carries out regular business performance reviews periodically, but at a minimum on a quarterly basis against. It performs regular industry strengths, reports weaknesses, opportunities and threats (SWOT); and peer analysis reviews and those. The reviews are regularly reported to the Board of Directors for information and advice, or action where significant deviations occur. The reports include identification of key risks being faced, and how they are being managed to be within approved appetite.

Management Discussion and Analysis (Continued)

h) Reputational Risk

Current or potential loss to earnings and/or capital arising from damage or deterioration of the Corporation's reputation or standing due to negative perception of its image or its business practices amongst customers, counterparties, shareholders, regulatory authorities and other stakeholders, whether true or not. When all other risks are managed well, this risk is substantially minimized.

Senior management and the Board of Directors receive periodic reports on the assessment of the Corporation's reputational risk exposures that arise from its business (including sales, service and legal matters) activities so as to form a view on associated risks and implement corrective actions.

i) Compliance & Legal Risk

The Corporation defines Compliance or Regulatory Risk as the potential of loss arising from non-compliance with laws, rules, regulations, obligatory practices/standards, contractual agreements, or other legal requirements including the effectiveness of preventing and handling litigation. It is not actively or deliberately pursued in the expectation of a profit or return, but occurs in the normal course of our business operations. The Corporation meets high standards of compliance with legal, regulatory and policy requirements in all business dealings and transactions.

j) Information & Communication Technology Risk

ICT Risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within an enterprise. It consists of ICT-related events and conditions that could potentially impact the business. It can occur with both uncertain frequency and magnitude, and it creates challenges in meeting strategic goals and objectives.

Management Discussion and Analysis (Continued)

Policies, processes and technology have been put in place to mitigate ICT risks. These are revised regularly to bring them up-to-date with the evolving threat landscape. Information Security incidents are identified, tracked and reported.

k) Cyber Risk

Cybersecurity concerns continue to manifest across the world with hackers continuing to enhance their attack capabilities. This trend is expected to continue in coming years, and financial sector will remain a primary target. Given AFC's increasing reliance and adoption of digital systems, cyber threats make cyber security one of the Corporation's top risks.

Therefore, the Corporation endeavors to achieve cyber resilience that can withstand, detect, and rapidly react to cyberattacks, while constantly evolving and improving its defenses.

Cybersecurity is built into our culture to foster crucial behaviors that protect the Corporation and our customers' information. This includes provision of training to all staff, including rolling out mandatory cybersecurity training course, and awareness initiatives on digital channels help customers to stay safe online. The Corporation has also invested in extensive resources (both human and technological) to strengthen its information security and cyber defense system, to cope with the sophistication of cyber threats. The Corporation's defense framework consists of layers of protection using advanced technologies. The Corporation operates cyber defense processes to minimize the risk of system penetration, unauthorized access to information systems, and materialization of attacks, and to ensure the correctness, availability, and confidentiality of data. The Corporation continually works to identify threats, risks, and enhance the effectiveness of defensive framework accordingly.

Management Discussion and Analysis (Continued)

I) Fraud Risk

Fraud includes all those activities involving dishonesty and deception that can drain value from the business, directly or indirectly, whether or not there is personal benefit. The Corporation Fraud Risk Policy/framework covers both internal and external frauds, and aims to reinforce the AFC values of honesty, integrity, and ethics and in this regard has a "Zero Tolerance" approach to fraud and corruption. AFC is committed to ensuring that a fraud free environment exists, and high ethical standards are upheld in the organization. The key objectives of Fraud Risk framework are:

- Development of a suitable environment for fraud management.
- Maximum deterrence of fraud.
- Professional investigation of detected fraud.
- Effective sanctions, including legal action against people committing fraud.
- Effective methods for seeking redress in respect of money defrauded.
- Raising awareness of fraud and its prevention within the Group and to give guidance on reporting of suspected fraud and how the investigations will be conducted.

AFC is committed and continue to build capability for effective response to fraud risks having made several enhancements to our systems and controls including the implementation of the Fraud Management System. The Fraud Management System has enhanced fraud management through automated detection of fraud across banking channels by enabling identification of unusual behavior and increase in operational efficiency by augmenting fraud investigation efforts.

12. Environmental and Sustainability Reporting

Introduction

Agricultural Finance Corporation recognizes that sustainable agriculture is essential for securing food systems, protecting our planet and fostering inclusive economic growth. As a leading agricultural finance institution, our Corporate Social Responsibility framework guides us to stand where financial innovation meets environmental stewardship and social impact.

This sustainability report demonstrates our commitment to advancing the United Nations Sustainable Development Goals through our core business operations. Our strategic focus aligns with six critical SDGs: eliminating poverty (SDG 1), achieving zero hunger (SDG 2), promoting gender equality (SDG 5), fostering decent work and economic growth (SDG 8), taking climate action (SDG 13), and protecting life on land (SDG 15).

The agricultural sector faces unprecedented challenges from climate change, growing populations and rural inequality. AFC serves as a catalyst for sustainable agricultural transformation, channeling resources toward farming practices that enhance productivity while preserving natural ecosystems. Through our lending portfolios, capacity-building programs and strategic partnerships, we directly contribute to building resilient agricultural value chains.

Our sustainability approach is embedded within our business model, recognizing that long-term financial performance is linked to environmental health and social equity. We finance agricultural projects that demonstrate measurable impacts across our target SDGs, from climate-smart farming techniques to accessible credit that empowers women farmers and creates rural employment opportunities.

Environmental and Sustainability Reporting (Continued)

This report details our 2024/2025FY progress, presenting quantitative metrics and qualitative assessments that demonstrate how our financial commitments translate into tangible outcomes for the communities we serve and the ecosystems they depend upon.

The Agricultural Finance Corporation (AFC) was been awarded the Sustainability Standards and Certification Initiative (SSCI) Certification, a prestigious recognition that positions the Corporation as a pioneer in green and inclusive finance in Kenya. This historic milestone makes Corporation the first institution in the country to attain the SSCI certification, further reinforcing its commitment to aligning agricultural financing with global sustainability standards and supporting Kenya's transition to a climate-resilient economy.

This achievement is a testament to the Corporation's dedication to empowering farmers and promoting climate-smart agriculture. With the SSCI certification, the Corporation is now better positioned to finance climate-resilient projects, enhance sustainable agricultural practices, and safeguard livelihoods across Kenya.

i. Sustainability Strategy and Profile

AFC has taken a conscious and strategic approach in refining and realigning its deployment of credit and technical support in a manner that directly contributes to sustainable growth and development, while at the same time enhancing resilience across communities. The Corporation's guiding principle has been to approach sustainable development not as a singular, distinct pursuit, but as a critical value mainstreamed at the core of our business.

Principally, AFC now has a targeted approach that positions its resources to play a catalytic role and stimulate additional investments into the Agricultural sector. This is being achieved through instruments and collaboration that leverage private sector capital and development partners support.

Environmental and Sustainability Reporting (Continued)

In this manner, AFC is driving the cost of Agricultural Credit even further down, thus making the sector more attractive, deepening inclusion of previously marginalized segments of the society and assuring environmental protection.

While our traditional approach has contributed immensely towards food and nutritional security and in addressing poverty, the Corporation noticed that mere continuation of those strategies would not have sufficed to achieve deepened sustainable development. In the length and breadth of the landscape across which the Corporation operates, economic and social progress remains uneven, and the Agricultural sector remains susceptible to shocks hence the fragility currently characteristic of the sector.

The new approach in addition to strengthening the ecosystems where credit has already been deployed, is opening new frontiers, where value chains have been mapped from end to end.

ii. Environmental Performance

The Corporation is mandated under the AFC Act (Cap 323, Laws of Kenya) to assist in the development of agriculture which is one of the anthropogenic activities that cause greenhouse gas (GHG) emissions that trap heat in the atmosphere resulting to global warming. These activities include; enteric fermentation from livestock, use of fertilizers, burning of farm residues and poor land cultivation practices. Similarly, conversion of wetlands to crop lands, deforestation and forest degradation significantly contribute to increased frequency and intensity of extreme weather conditions.

The Corporation's response to reducing environmental degradation has focused on adaptation and mitigation through financing and capacity building in the various programs that meet certain criteria as specified under the climate change Act of 2016.

Environmental and Sustainability Reporting (Continued)

These include; water conservation, training and financing of drought tolerant crops, irrigation systems, eco-friendly horticulture, green house financing, organic farming and pasture-based livestock management systems and ranches. Through these projects, the Corporation seeks to prevent or slow the increase of atmospheric GHG concentrations by limiting future emissions and enhancing potential sinks for GHG. In addition, the Corporation has banned the use of single use plastics in its offices and branches in line with Government guidelines.

The Corporation will continue allocating resources within the framework of the approved budgets to support the above projects.

iii. Employee Welfare

Our employees remain central to the delivery of our strategy and a core pillar of our success. Our intent is to provide the best employee value proposition in the market, creating a world class workplace that rewards performance, innovation and ethical conduct. We have already embarked on several culture transformation initiatives aimed at inculcating a new culture and values in our workplace. Key in this regard is our emphasis on a digital workplace as a precursor for delivering digital services. The prospects for our employees, including career progression, training and development, competitive remuneration, world class workplace and meaningful work is impeccable. Through them, we will create value for our customers and stakeholders, in line with our corporate purpose "to offer innovative, affordable and diverse financial products and services through the adoption of modern technology and networks aimed at transforming the livelihood of the farming community in Kenya, in pursuit of food security and sustainable Agricultural Development".

Environmental and Sustainability Reporting (Continued)

- a) Recruitment and Selection:-**The Corporation is an equal opportunity employer and therefore appointments are not prejudiced against race, colour, language, nationality, pregnancy, marital status, HIV status, ethnic background, gender, age, disability and religion. The Corporation's recruitment policies and procedures are aimed at attracting the best available talent and to select solely on the basis of the Candidate's suitability to meet the requirements of the position. The Corporation endeavours to comply with the one third gender representation policy during the recruitment process.
- b) Performance Management System:-** The Corporation recognizes that in order to achieve organizational effectiveness and to effectively deliver on its mandate, it must pursue a management policy that enables it to establish a high performance culture in its employees. The Corporation has implemented a Performance Management system which ensures that employees' performance supports the corporation's strategic aims. Performance Contracts are signed yearly and a robust monitoring and Evaluation System put in place to track performance. In addition, the Corporation has implemented a performance reward system to recognize and reinforce high performance. The reward system also addresses any concerns on underperformance.
- c) Training and Development:-** The Corporation recognizes staff training and development as a strategic investment. It is therefore the policy of the Corporation to train and develop individual employees and teams to equip them with the skills, knowledge and competences that they require for undertaking current and future tasks. The intention is to prepare employees to keep pace with the changing business environment. To this end, the Corporation on a continuous basis identifies skills gaps and puts in place interventions to improve the skills.

Environmental and Sustainability Reporting (Continued)

d) Health and Safety:- It is the moral and legal responsibility of the Corporation to recognize and commit itself to provide and maintain safe and healthy working conditions, equipment, and systems of work for all employees. Employees are required to take reasonable care for the health and safety of themselves and of other people who may be affected by their acts or omissions, and to co-operate in ensuring that the Corporation's policy is observed. In pursuit of these obligations, every effort has been made to ensure that the health, safety and welfare of all employees, clients and visitors is adequately addressed in compliance with the Occupational Safety and Health Act, 2007 (OSHA).

iv. Market Place Practices

Development Financial Institutions perform intermediation functions that are critical to the real economy. In particular, they correct the asymmetry of information between investors and borrowers and channel savings into investments. These functions facilitate and contribute to the growth of the economy. Linkages between DFIs through inter-bank markets and payment systems are vital to the functioning of financial markets. The loss of confidence in one major financial institution is a financial crisis that can snowball into a loss of confidence in the entire market because the inability of one DFI to meet its obligations can drive other, otherwise healthy, DFIs into insolvency. The risks then become systemic, endangering the whole financial sector. If the financial sector is not working well, then the entire market economy is not working well. For this reason, the Government imposes significant regulation and oversight to ensure the smooth functioning of the financial sector and when problems arise, they must act quickly to avert systemic crises.

Environmental and Sustainability Reporting (Continued)

To fulfil its mandate, the AFC Board of Directors, Management and Staff are committed to ensure compliance to the applicable laws, regulatory requirements and its core values of striving to put the customers' needs first and adhering to the moral and ethical principles to ensure efficiency in service delivery.

AFC strategically plans for, and manages all interactions with third party persons that supply goods and/or services to the organization in order to maximize the value of those interactions. In practice, this entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk of failure. From time to time, the Corporation invites its suppliers for summits/trainings, which bring together all strategic suppliers together to share, provide feedback on its strategic supplier relationship management programs, and solicit feedback and suggestions from key suppliers. Operational business reviews are also carried out, where individuals responsible for day-to-day management of the relationship review progress on joint initiatives, operational performance, and risks. The Corporation procures services and goods from different entities and honors the payments as soon as the obligations are met by the suppliers. The Corporation also allocates sufficient resources to meet these obligations on the due dates.

Ethical marketing is a key component of our strategy. The processes by which AFC markets its products and services focuses not only on how its products benefit customers, but also how they benefit socially responsible or environmental causes. In addition to the Corporation's commitment to different stakeholders beyond the business customers, AFC takes moral actions that encourage a positive impact on all of the Corporation's stakeholders from the customers and the employees to the suppliers, shareholders, and communities in which the Corporation operates.

Environmental and Sustainability Reporting (Continued)

Corporate Social Responsibility



The Corporation has remained steadfast in championing environmental sustainability through a series of impactful tree planting and maintenance initiatives across the country. These efforts form a crucial part of Kenya’s national strategy to restore forest cover, combat climate change, and foster climate-resilient communities. In alignment with the Presidential directive to plant 15 billion trees over five years, AFC has introduced a conditional clause requiring beneficiaries of financing to plant a tree for every Ksh. 10,000 disbursed. This innovative approach has led to the planting of over 800,000 tree seedlings during the 2024–2025 financial year.

Beyond the initial planting phase, AFC recognizes that long-term forest restoration success depends on comprehensive tree stewardship. The Corporation has adopted a holistic lifecycle approach that extends far beyond seedling distribution.

Environmental and Sustainability Reporting (Continued)

This methodology encompasses ongoing maintenance activities including systematic weeding, strategic fertilization, proper pruning techniques, and robust protection measures to safeguard young trees from environmental stressors and human interference.

AFC's commitment to nurturing trees throughout their developmental stages addresses a critical gap in many afforestation programs. While tree planting ceremonies often capture public attention and media coverage, the sustained care required for seedling survival and maturation typically receives less recognition despite being equally vital. Through its comprehensive approach, AFC supports tree development across varied ecosystems, terrains, and institutional settings, ensuring that initial investments in planting translate into lasting environmental benefits and meaningful contributions to Kenya's forest cover restoration goals.

Breathing New Life into Eldoro Primary School



Environmental and Sustainability Reporting (Continued)

In Taita Taveta County, AFC planted over 300 tree seedlings at Eldoro Primary School, led by Board Chairman Eng. John Mruttu. The initiative revitalized the school grounds and reaffirmed the Corporation's dedication to ecological conservation. "The activity built on past efforts from the 2022/2023 fiscal year, which had already recorded a 90% tree growth rate despite challenging conditions. His words remind us that every seedling planted is a commitment to a sustainable future—an act of hope and responsibility that transcends generations.



Regional Manager Central Rift, Irene Konyo weeding a tree seedling. Looking on is Senior Credit Officer Felix Kisengo together with the School Administration Teacher and pupils

Environmental and Sustainability Reporting (Continued)

Growing Responsibility at Michinda Boys Boarding School

At Michinda Boys Boarding School, AFC collaborated with the school management, pupils, and partners to undertake a dedicated tree maintenance exercise. The focus was on weeding and fertilizer application to support the growth of over 2,000 seedlings planted earlier. With a survival rate of 90%, the trees, both indigenous and exotic, are already making a significant ecological impact.

Restoring Life at Sagegi Hill Forest

Sagegi Hill Forest in Migori County, a gazetted indigenous forest, is a key conservation area supported by AFC. During a recent tree maintenance drive, over 200 seedlings were planted to replace failing ones, accompanied by thorough weeding to protect existing trees. Species such as African olive, Nandi flame, neem, podo, and siala were chosen for their resilience and environmental value.

This forest serves as a sanctuary for diverse flora and fauna and plays a critical role in regulating water cycles, preventing soil erosion, and supporting livelihoods through activities like beekeeping and eco-tourism.

Environmental and Sustainability Reporting (Continued)



From left: Migori Branch Accountant, Peter Nekesa, Migori Customer Representative Michael Ojwando, Nyanza/Western Regional Manager Martha Ayodo, Kisii Branch Manager Isabella Omony, Oyugis Branch Manager, Phelistus Ongwen, Migori Branch Manager Stephen Were Customer Representative Nyanza/Western Regional Office Peter Nyapara and tree seedlings supplier Eric Okiki

Greening Gathiuru Forest in Mt. Kenya Region

In the Mt. Kenya Forest Reserve, AFC is actively restoring forest cover through continuous planting and care of indigenous trees. After an earlier planting initiative recorded a 75% survival rate, AFC returned to the site for post-weeding and additional maintenance, reinforcing its commitment to long-term forest recovery.

Environmental and Sustainability Reporting (Continued)



Regional Manager Mt. Kenya Eric Muita guides participants on tree planting exercise

Greening Learning Spaces in Kajiado

AFC also extended its efforts to Enkaji Naibor Primary School in Kajiado County, planting hundreds of tree seedlings to enhance the school's environment. The initiative supports the national goal of restoring degraded landscapes while creating cooler, greener, and more welcoming spaces for students.

With consistent maintenance and community engagement, the seedlings have shown an exceptional growth rate, despite facing harsh climatic challenges, proving that commitment can overcome adversity.

Environmental and Sustainability Reporting (Continued)



AFC team, Teachers and pupils of Enkaji Naibor Primary School planting trees

Transforming Ngeria GK Prison Farm into a forest model

At the Ngeria GK Prison Farm in Uasin Gishu County, AFC is nurturing a living model of sustainable forestry. Indigenous hardwoods such as Elgon teak, cedar, and brown African olive are now thriving, thanks to activities like fencing, weeding, and monitoring, all aimed at shielding the trees from damage and interference.

Environmental and Sustainability Reporting (Continued)



Regional Manager North Rift Lilian Kimulany and Branch Manager Eldoret Ronald Simiyu hands over barbed wire to Sergeant Patrick Ngeny and Corporal Moses Chemoss of Ngeria Farm.

Planting for People, Planet and Posterity

From forests and farmlands to schools and correctional facilities, AFC's efforts reflect a deep understanding of trees as more than just greenery. They are engines of biodiversity, sources of livelihoods, and pillars of climate resilience. By nurturing these vital resources, the Corporation is laying the foundation for a greener, healthier, and more sustainable future.

Trees speak to our responsibility to the planet and to each other. As AFC continues its work across the regions, every tree cared for becomes a powerful symbol of renewal, growth, and hope.

Let us all plant, protect, and preserve, because the future grows from what we nurture today.

Environmental and Sustainability Reporting (Continued)

National Farmers Day Celebrations

The Corporation supported farmers during the National Farmers Day celebrations held in Uasin Gishu County. The event recognized the vital role of farmers in ensuring Kenya's food and nutrition security, with awards given to outstanding performers in various categories including farmers, seed growers, millers, and value chain actors. This year's theme,

"Transforming Agriculture: From Seed to Food and Nutrition Security for a Secure Tomorrow," echoed the government's commitment to boosting agricultural productivity, job creation, and income generation.

Principal Secretary Dr. Kipronoh Ronoh commended farmers for their resilience and highlighted the government's efforts to transform agriculture into a sustainable and inclusive sector. He emphasized youth empowerment, technology adoption and resource protection as key drivers of agricultural progress. The PS also praised county governments for their support through affordable farm inputs and extension services.

A key highlight was the announcement that National Farmers Day will now be marked annually on 19th December, with celebrations rotating across counties

Environmental and Sustainability Reporting (Continued)



Principal Secretary Ministry of Agriculture, Dr. Kipronoh Ronoh presents a

13. Report of the Directors

The directors submit their report together with the audited financial statements for the year ended June 30, 2025, in accordance with the section 194 of the Public Finance Management (PFM) Act, 2012 which disclose the state of affairs of the Corporation.

i. Principal activities

The Corporation is primarily charged with the responsibility of providing credit facilities for the sole purpose of developing agriculture.

ii. Results

The results of the entity for the year ended June 30, 2025 are set out from page 1 to page 85.

iii. Dividends

The Directors propose a dividend payment of KES 55 million for the financial year 2024/25, representing 80% of the total profit after tax.

iv. Directors

The members of the Board of directors who served during the year are shown on page iii. All the directors were appointed in accordance with respective section of the constitution of Kenya.

v. Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Ms. Trizah W. Maina
Corporation Secretary
Nairobi

Date: 31st July, 2025

14. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - 446) and the Agricultural Finance Corporation Act Cap 323 require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the Corporation for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the entity;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

Statement of Directors' Responsibilities (Continued)

The Directors accept responsibility for the Corporation's 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 (IFRS), and in the manner required by the PFM Act, 2012 and Agricultural Finance Corporation Act Cap 323. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2025, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 31st July, 2025 and signed on its behalf by:



Chairman
John M Mruttu



Mr. George Kubai
Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Agricultural Finance Corporation set out on pages 1 to 80, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other compressive income,

statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts, 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 Agricultural Finance Corporation as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Agricultural Finance Corporation Act, Cap 323 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Loans to Customers

1.1. Long Overdue Net Short-Term Loans

The statement of financial position as disclosed in Note 9b to the financial statements reflects net short-term loans to customers balance of Kshs.949,115,000. Included in this balance are loans totalling Kshs.226,297,582 that have exceeded their maturity dates and have remained outstanding for more than one year.

1.2. Non-Performing Net Medium-Term Loans

The statement of financial position reflects a balance for net medium-term loans to customers of Kshs.10,641,675,000 as disclosed in Note 9(a) to the financial statements. Included in this balance is Kshs.1,024,182,861 for the non-performing loans for eight hundred and ninety (890) number of loans in the system.

1.3. Loans Extending Thirty (30) Years

The statement of financial position reflects a net medium-term loan to customers balance of Kshs.10,545,116,000 as disclosed in Note 9a to the financial statements. Included in this balance is Kshs.41,999,357 which relates to non-performing loans and active loans advanced to twenty-two (22) farmers amounting to Kshs.41,999,357 who had reached the maximum period for repayment of thirty years contrary to Section 21 of the Agricultural Finance Corporation Act 1 of 1969. Further, no action was taken by the Board to recover the funds.

The prolonged non-settlement of these balances exposes the Corporation to heightened credit risk and the Corporation may be carrying unrecoverable assets in its books, potentially leading to overstatement of receivables.

In the circumstances, the recoverability and accuracy of the net short-term loans to customers balance of Kshs.949,115,000 and net medium-term loans to customers of Kshs.10,545,116,000 could not be confirmed.

2. Misclassification of Loans into Active Loan Portfolio

The statement of financial position reflects a balance for net medium-term loans to customers of Kshs.10,641,675,000 as disclosed in Note 9(a) to the financial statements. Included in this balance is Kshs.325,744,476 in respect of loans that have been classified as active, but should have been under non-performing based on the principal arrears, interest arrears and collateral registered. Further, the loan applicants have not repaid any instalment from the time the loans were disbursed, some going as far back as over ten (10) years ago.

In the circumstances the accuracy and recoverability of the outstanding loan balance of Kshs.325,744,476 could not be confirmed.

3. Lack of Land Ownership Documents

The statement of financial position reflects property plant and equipment balance of Kshs.1,092,915,000 as disclosed in Note 8 (a) to the financial statements. Included in this balance is Kshs.811,841,000 and Kshs.34,523,000 in respect of building & civil works and freehold land respectively. Review of supporting documents revealed buildings worth Kshs.241,194,917 for Agricultural Finance Corporation offices in various Counties and Kshs.34,058,273 worth of land had no ownership documents. Further, review of the land records revealed that the Corporation have Eldama Ravine and Kimilili land that have not been officially surveyed.

In the circumstances, the ownership and completeness of property plant and equipment balance of Kshs.1,092,915,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agricultural Finance Corporation Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Repossessed Farm Properties

The statement of financial position reflects repossessed farm properties amounting to Kshs.416,627,000, as disclosed in Note 11 to the financial statements. Review of the Agricultural Finance Corporation's records indicated that the Corporation had repossessed 134 farms, measuring 1,087 hectares and valued at Kshs.416,097,879. Out of these 134 farms, seven (7) had been invaded by squatters, while forty-one (41) had no title deeds.

Holding repossessed farm properties arising from non-performing loans adversely affects the Corporation's liquidity and cash flow, as the expected interest income is lost and

resources are tied up in non-earning assets. This situation consequently disadvantages other farmers and companies who could have accessed new loans. Additional costs continue to be incurred in maintaining, monitoring, securing, insuring, and handling legal processes relating to these properties.

No reasons or explanations were provided for audit regarding why the repossessed assets were not disposed off during the year, or why the balances increased by Kshs.23,485,000 and Kshs.2,692,879 in the financial years 2023/2024 and 2024/2025, respectively.

In the circumstances, the Corporation faces reduced liquidity and cash flow, increased holding and legal costs, and the risk of potential loss or diminution of public land and assets.

My opinion is not modified in respect of this matter.

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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved some of the issues or given any explanation for failure to resolve them as at 30 June, 2025 that includes;

- i) Unsupported Property, Plant and Equipment
- ii) Overdrawing of Cashbook Through Fraud
- iii) Net Medium Term Loans
- iv) Long Outstanding Short-Term Loans Issued to Customers
- v) Staff Costs-Non-Compliance with SRC Collective Bargaining Guidelines
- vi) Management of Loan System

Other Information

The Directors are responsible for the Other Information set out on page iv to lxvi which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's 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 my 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 a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section 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

1. Unauthorized Rates in Payment of Imprests

The Agricultural Finance Corporation (AFC) Management did not adhere to the daily subsistence allowance rates as guided by the Salaries and Remuneration Commission (SRC) as set out in the circular Ref.No.SRC/ADM/11(156) dated 7 August, 2023 which reviewed allowances for public officers. Salaries and Remuneration Commission (SRC) is mandated by the constitution to set out all remuneration and allowances of public officers. However, the Corporation used daily subsistence allowance rates which were not as set per the Salaries and Remuneration Commission as detailed below;-

AFC Job Group	AFC Rate	SRC Job Group	SRC Rate	Difference
G13	13,000	U	18,200	5,200
G12	9,000	S, T	16,800	7,800
G11	9,000	Q, R	14,000	5,000
G10	7,000	N, P	11,200	4,200
G9	6,000	M	11,200	5,200
G8	6,000	L	11,200	5,200
G7	5,500	K	11,200	5,700
G6	4,500	J	6,300	1,800
G5	4,500	H	6,300	1,800
G4	4,500	G	6,300	1,800
G3	4,500	F	6,300	1,800
G2	4,500	E	4,200	-300
G1	4,500	D	4,200	-300

In the circumstances, Management was in breach of the law.

2. Non-Compliance with National Treasury Directive on Pension

The Agricultural Finance Corporation operates two pension schemes namely defined benefit scheme and defined contribution scheme which are managed by trustees. The Corporation had an outstanding pension liability amounting to Kshs.91,000,000 owed to pensioners as at 30 June, 2025. Cabinet approved a payment plan of Kshs.30,000,000 annually for three years to settle this liability to be paid in three-year time starting financial year 2025. In the financial year 2024/2025, the Corporation included the required amount in its budget. Despite this, the funds were not disbursed due to a budget cut by the National Treasury. However, no payments have been made to date.

In the circumstances, Management was in breach of the National Treasury Directive.

3. Outstanding Accounts Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.62,344,000 as disclosed in Note 15 to the financial statements. Included in the balance is Kshs.34,947,000 that was outstanding for more than one hundred and twenty (120) days. Further, review of the lease agreements provided for audit revealed that Two (2) leases had expired (Trinity Fellowship - Kakamega and National Anticorruption Campaign steering committee) and no evidence was provided to show that the leases were renewed. Three (3) leases, (Baringo County, Maseno University and KPLC - Murang'a), no lease agreement were provided for audit review.

In the circumstances, the recoverability of the Kshs.34,947,000 is doubtful and could not be confirmed.

4. Non-Compliance with Fiscal Responsibility of Wage Bill

Review of the payroll record revealed that Agricultural Finance Corporation had a wage bill of Kshs.535,172,000 in relation to staff costs and total revenue of Kshs.1,014,187,000 as at 31 March, 2025.

The analysis revealed that staff costs accounted for 53% of total revenue, significantly exceeding the 35% threshold established by the Public Finance Management (National Government) Regulations, 2015

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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 governance were not effective.

Basis for Conclusion

Irregular Appointment of Board Chairman

The chairman of the Board of the Agricultural Finance Corporation was appointed for a period of three years with effect from 18 November, 2022 vide gazette notice No. 14235 by the Cabinet Secretary for Agriculture and Livestock Development in contravention of Section 6 (1)(a) of State Corporation Act, 2012, which states that unless the written law by or under which a state corporation is established or the articles of association of a state corporation otherwise require, a Board shall, subject to subsection (4), consist of— a chairman appointed by the President who shall be non-executive unless the President otherwise directs. In addition Chapter 1 (1.1) (9) of the Mwongozo code of governance, 2015 states the chairpersons of all State Corporations shall be appointed by the President and shall at a minimum possess the qualification skills and experience set out in attachment I.

In the circumstances, Management was in breach of the law.

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 effective processes and systems of internal controls, 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.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation'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 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, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 *Corporation'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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

16. Statement of Profit/Loss and Other Comprehensive Income for the Year ended 30th June 2025

	Notes	2025 KES'000	2024 KES'000
Revenues			
Interest Income:			
Interest on Loans	2 (a)	951,767	889,693
Interest on Investments	2 (b)	99,796	58,621
Total interest income		1,051,563	948,313
Less: Interest expenses			
Interest on Redeemable Loans	3 (a)	14,582	15,862
Interest on RSF	3 (b)	4,226	9,443
Interest on INK Fund	3 (c)	2,874	5,368
Interest SAFER Project Loan	3 (d)	2,836	-
Interest DRIVE Project Loan	3 (e)	3,041	-
Interest on RN-FINFA	3 (f)	13,714	-
Rebate Interest	4	4,409	3,631
Total Interest expenses		45,680	34,305
Net interest income		1,005,883	914,009
Non-Interest income			
Other Operating Income	5 (a)	115,173	124,601
Fee Income	5 (b)	224,030	184,588
Income from doubtful debts	6	26,404	43,305
Total Non-Interest income		365,607	352,494
Total Revenues		1,371,489	1,266,503
Operating Expenses			
Staff Cost	7 (a)	(718,931)	(756,520)
Board Expenses	7 (b)	(17,694)	(20,133)
Administration Costs	7 (c)	(271,649)	(339,752)
Depreciation & Amortization	8 (a & b)	(100,383)	(97,827)
Charge for Doubtful Debts	12 (a)	(174,646)	(15,517)
Total Expenses		(1,283,303)	(1,229,750)
Profit before tax		88,186	36,753
Tax for the Year	23 (a)	(19,835)	(20,522)
Profit after tax		68,351	16,231

17. Statement of Financial Position as at 30th June 2025

	Notes	2025 KES.'000	2024 KES.'000
ASSETS:			
Non-Current Assets			
Property and Equipment	8 (a)	1,092,915	1,138,804
Intangible Assets	8 (b)	174,815	51,271
Deferred Tax Asset	10	23,052	23,366
Repossessed Farm Properties	11	416,627	413,405
Net Medium-Term Loans to Customers	9 (a)	10,641,675	9,331,156
Total Non- Current Assets		12,349,083	10,958,001
Current Assets			
Cash and Bank Balances	13 (a)	497,816	254,252
Short Term Deposits	14	150,778	392,330
Net Short-Term Loans to Customers	9 (b)	949,115	889,764
Trade and Other Receivables	15	62,344	69,328
Inventories	16	2,774	4,421
Total Current Assets		1,662,827	1,610,095
Total Assets		14,011,910	12,568,096
EQUITY AND LIABILITIES			
Equity and Reserves			
Grants	17	4,583,923	4,083,923
Government Equity Capital	18	2,687,766	2,687,766
General Reserve	19 (a)	1,842,220	1,913,557
Revaluation Reserve	19 (b)	787,618	787,618
Total Equity and Reserves		9,901,527	9,472,864

Statement of Financial Position as at 30th June 2025 (Continued)

Non-Current Liabilities

Redeemable Government Loans and Interest:	20 (a)	480,822	529,402
Risk Sharing Fund	20 (b)	26,870	390,416
INK Fund	20 (c)	87,097	105,979
Enable Youth Fund	20 (d)	366,573	320,173
SAFER (World Bank)	20 (e)	301,253	-
DRIVE Project Loan	20 (f)	301,253	-
RK FINFA Loan	20 (g)	553,714	-
Agency Funds	20 (h)	776,672	822,218
Total Non-Current Liabilities		2,894,255	2,168,188

Current Liabilities

Payables	21 (a)	874,046	612,516
Trade and Other Payables	21 (b)	318,037	286,253
Current Tax Payable	21 (c)	10,110	16,439
Current Accounts	13 (b)	13,935	11,835
Total Current Liabilities		1,216,128	927,044

Total Equity and Liabilities		14,011,910	12,568,096
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The financial statements set out on pages 1 to 85 were approved by the Board of Directors on 31st July, 2025 and were signed on its behalf by:



Eng. John M Mruttu
Chairman

Dated 31/07/2025



Mr. George Kubai
Managing Director

Dated 31/07/2025



CPA Betty Suge
Chief Finance
& Investments
Officer

Dated 31/07/2025

18. Statement of Changes in Equity for the Year ended 30th June 2025

	Notes	Government Equity Capital	General Reserve	Revaluation Reserve	Grants	Totals
2024:		KES.'000	KES.'000	KES.'000	KES.'000	KES.'000
At 1 July 2023 - As previously stated		2,687,766	1,921,152	787,618	4,083,923	9,480,459
Subsidy to Financial Institution		-	-	-	-	-
Prior year adjustment	19	-	(23,827)	-	-	-23,827
Profit for the Year	19 (a)	-	16,231	-	-	16,231
Balance as at 30th June 2024		2,687,766	1,913,556	787,618	4,083,923	9,472,863
Balance as at 1st July 2024		2,687,766	1,913,556	787,618	4,083,923	9,472,863
Prior year adjustment		-	(84,361)	-	-	(84,361)
Subsidy to Financial Institution		-	-	-	500,000	500,000
Dividends Payable	21	-	(55,327)	-	-	(55,327)
Profit for the Year	19 (a)	-	68,351	-	-	68,351
Balance as at 30th June 2025		2,687,766	1,842,220	787,618	4,583,923	9,901,527

19. Statement of Cash Flows for the Year ended 30th June 2025

		2025	2024
	NOTES	KES.'000	KES.'000
Cash flow from operating activities:			
Profit/(Loss) Before Taxation		88,186	36,753
Adjustments for:			
Interest on Short Term Deposits	2 (b)	(99,796)	(58,621)
Depreciation of Property & Equipment	8 (a)	69,720	83,020
Amortization of Intangible Assets	8 (b)	30,663	14,808
Profit/loss on Disposal of Assets	22 (b)	(7,232)	(2,158)
Interest expense	3 (a & b)	45,680	25,306
Increase in Inventories	16	1,647	774
Corporate Tax paid	21 (c)	(26,165)	(38,239)
Increase in Deferred Tax Asset		314	(3,181)
Increase in Trade and Other Receivables	15	6,984	99,535
Decrease in Trade and Other Payables	21 (a & b)	231,657	80,706
Provision for doubtful debts	12	174,646	-
Gratuity paid		(26,426)	-
Interest paid	20 (b)	(77,407)	(22,160)
Net cash flows generated from operating activities		412,472	216,543
Cash flow from Investing activities:			
Purchase of Property & Equipment	8 (a)	(29,831)	(47,958)
Purchase of Intangible Assets	8 (b)	(154,208)	(7,331)
Interest on Short Term Deposits	2 (b)	99,796	58,621
Proceeds from disposal of Property & Equipment	22 (c)	7,232	3,117
Increase in Repossessed Farm Properties	11	(3,221)	(23,486)
Decrease/Increase in Short Term Loans to Customers	9 (b)	(59,351)	(94,118)
Decrease/Increase in Loans to Customers	9 (a)	(1,310,519)	(137,590)
Net cash flow used in investing activities		(1,481,338)	(248,745)

Statement of Cash Flow for the Year ended 30th June 2025 (Continued)

Cash flow from Financing activities:

INK Fund Loan repayment	19	(25,404)	(28,577)
Repayment of GOK Loan	20	(6,641)	-
Enable Youth Fund	20	46,400	-
Prior year adjustment	19	(84,361)	(23,827)
Commodities Loan repayment	20	(124,000)	-
Risk Sharing Loan Repayment	20	(377,215)	-
Subsidy to Financial Institution	17	500,000	-
RK FINFA Loan	20	540,000	-
KDC Loan	20	600,000	-
Net cash flow used in financing activities		1,068,778	(52,404)

	NOTES	2025 KES.'000	2024 KES.'000
Net increase in cash and cash equivalent		(88)	(84,606)
Cash and cash equivalent at the beginning of the year		634,747	719,352
Cash and cash equivalent at the end of the period	13 & 14	634,659	634,747

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are subject to readily convertible to known amounts of cash and are insignificant risk of changes in value.

20. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025 KES.'000	2024-2025 KES.'000	2024-2025 KES.'000	2024-2025 KES.'000	2024-2025 KES.'000	
Revenue						
Interest Income:						
Interest on Loans	840,150	-	840,150	951,767	111,617	113%
Interest on Short Term Deposits	50,000	-	50,000	99,796	49,796	200%
Transfers from the government	500,000	-	500,000	500,000	-	100%
Total interest income	890,150	-	890,150	1,051,563	161,413	118%
Non-Interest income						
Fee/Other Operating Income	300,000	-	300,000	339,203	39,203	113%
Income from doubtful debts	40,000	-	40,000	26,404	(13,596)	66%
Total Non-Interest income	340,000	-	340,000	365,607	25,607	108%
Total Revenues	1,230,150	-	1,230,150	1,417,170	187,020	115%
Expenses						
Staff Cost	732,800	31,750	764,550	718,931	45,619	94%
Board Expenses	18,000	3,210	21,210	17,694	3,516	83%
Administration Costs	153,600	140,630	294,230	271,649	22,581	92%
Depreciation & Amortization	40,000	-	40,000	100,383	(60,383)	251%
Charge for Doubtful Debts	-	-	-	174,646	(174,646)	0%
Interest on Loans	29,500	-	29,500	41,272	(11,772)	140%
Rebate Interest	3,500	-	3,500	4,409	(909)	126%
Taxation paid	36,000	-	36,000	19,835	16,165	55%
Total expenditure	1,013,400	175,590	1,188,990	1,348,818	(159,828)	113%
Surplus for the period	216,750	-	41,160	68,351	27,191	166%

Statement of Comparison of Budget and Actual Amounts for the Period ended 30th June 2025 (Continued)

Notes on Significant variances between Budget and Actual

In line with The Public Finance Management Act 2012, expenditures in excess of 10% of the approved budget are to be submitted to The National Treasury for review and approval. In this regard, upon the analysis of the financial performance of the Corporation for the period ended 31st December 2024, the management reviewed the approved budget for the financial year 2024/2025 to take into account adjustments in funding, revenue and operational expenditures. Pursuant to this requirement, we submitted our reviewed budget items.

The substantial increase in interest earned on Short Term Deposits was primarily driven by the placement of KES 1.64 billion received under the SAFER, DRIVE, RK-FINFA programs and the GoK grant for MSMEs into short-term deposits while awaiting the completion of legal formalities required for loan disbursements.

During the review period, loan disbursements amounted to KES 4.75 billion, up from KES 3.54 billion in 2024. As a result, the loan book expanded from KES 10.56 billion to KES 12.07 billion, driving a notable increase in interest income.

The modest growth in non-interest income was driven by an increase in loan processing fees associated with the disbursements made during the period. These fees included loan application, commitment, conveyancing, and other related charges.

21. Notes to the Financial Statements

I. General Information

AFC is established by and derives its authority and accountability from Agricultural Finance Corporation Act Cap 323. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is providing credit facilities for sole purpose of developing agriculture.

II. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation and all values are rounded off to the nearest thousand (KES'000).

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act Cap 446, Agricultural Finance Corporation Act Cap 323, International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS.



Notes to the Financial Statement (Continued)

III. Application of New and Revised International Financial Reporting Standards (IFRS)

a. Relevant new standards and amendments to published standards effective for the year ended 30th June 2024

The Corporation has applied the following standards and amendments for the first time for their annual reporting period commencing 1st January 2023. These standards and amendments did not have a material impact on the financial statements.

Title	Key requirements	Effective Date
Amendments to IFRS 9 (Phase 2).	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.	Annual periods beginning on or after 1 January 2021
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	Annual periods beginning on or after 1 January 2022

Notes to the Financial Statement (Continued)

Title	Key requirements	Effective Date
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).	Annual periods beginning on or after 1 January 2022



Notes to the Financial Statement (Continued)

Summary of Significant Accounting Policies (Continued)

b. Changes in accounting policies and disclosures (Continued)

New standards, amendments and interpretations issued not yet effective

Recognition of income and expenses

i. Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

Notes to the Financial Statement (Continued)

ii. Dividend income

Dividend income is recognised when the Corporation's right to receive payment is established.

iii. Risk premium

Risk premium fees are charged on unsecured loans issued to customers and members of staff and is meant to mitigate against risk of default arising from permanent death or disability. The net fees, minus any claims or other costs incurred, are recognised upfront as a liability and are amortized into the profit or loss over the tenure of the loan.

iv. Fees and commission income and expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. A contract with a customer that results in a recognised financial instrument in the Corporation's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

v. Rental income

Rental income in respect of operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases.

Notes to the Financial Statement (Continued)

vi. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

vii. Income Tax

a) Current income Tax

Current income tax expense comprises current income tax and change in deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it related to items recognized directly in equity or other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. The amount of tax payable or recoverable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

b) Deferred Income Tax

Deferred income tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit. It is also not recognised for temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the investor is able to control the timing of the reversal of the temporary difference.

Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or

Notes to the Financial Statement (Continued)

substantively enacted by the reporting date. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis, or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax, the Corporation considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

c) Financial assets and liabilities

(i) Recognition and measurement

Financial assets and financial liabilities are recognised in the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the Financial Statement (Continued)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e., day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

d) Early adoption of standards

The entity did not early – adopt any new or amended standards in financial year 2024/25.

IV. Summary of Significant Accounting Policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Notes to the Financial Statement (Continued)

a) Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the entity's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the entity actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognised as it accrues.
- vi) **Income from doubtful debts** is recognised upon actual collections.

b) Property and Equipment

All categories of property and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Notes to the Financial Statement (Continued)

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, appropriate, only when it is probable that the future economic benefits associated with item will flow to the entity and the cost of the item can be measured reliably. Repairs and maintenances expenses are charged to profit and loss account in the year to which they are incurred. Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

c) Depreciation and Impairment of Property & Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on Property and Equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount over their estimated useful lives and pro-rated after deducting a scrap value of KES 20. The rates used are set out in the Corporation's accounting policy for Non-Current assets as follows:

Freehold land Nil

Leasehold premises and improvements rates are based on the unexpired lease term or 50 years whichever is less.

Motor vehicles	25%	Computers and Software	33.3%
Furniture & Fittings	12.5%	Buildings	2%
Office equipment	20%		

Notes to the Financial Statement (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Excess depreciation, representing the additional depreciation based on revalued amounts over depreciation based on historical costs, is transferred annually from revaluation surplus on property to retained earnings, net of deferred tax.

d) Intangible Assets

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortized over their estimated useful lives which is three.

Notes to the Financial Statement (Continued)

e) Amortization and Impairment of Intangible Assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software for three years at the rate of 33.3%.

All computer softwares are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Trade and Other Receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are charged to the Income statement and written off after all recovery efforts have been exhausted.

g) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statement (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally

Notes to the Financial Statement (Continued)

enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

i) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

j) Budget information

In accordance with the requirements of State Corporation Act, Section 11 & 12 Cap. 446, legal notice no. 93 part (3), Section 4 of State Corporation Act Regulation 2004 on Performance Contracting and Section 218 of PFM Act Regulation 2015, the Corporation received it's approved annual Budget vide the National Treasury circular Ref: DGIPE/A/1/10 dated 30th June 2025. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The revisions were incorporated in the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation did not recorded any additional appropriations of the 2024-2025 budget.

Notes to the Financial Statement (Continued)

The Corporation's budget is prepared on a difference basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section VI of these financial statements.

k) Comparative figures

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

l) Retirement Benefit Obligations.

The Corporation previously contributed to a defined benefits retirement scheme which it funded and whose assets are held in a separate Trustees' administered guaranteed fund. With effect from January 2008 the Corporation contributes to a defined contribution pension scheme following the closure of the defined benefits scheme in December 2007. A defined contribution plan, is a plan under which the Corporation pays fixed contribution in to a separate scheme and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefit relating to employees

Notes to the Financial Statement (Continued)

in service in the current or prior periods. The Corporation also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). As at the date of the report the defined benefits retirement scheme had a deficit of KES 91 million, which the Corporation proposed to be making an annual payment of KES 22 million.

m) Provision for Doubtful Debts

The Corporation had finalized the preparations for full implementation of the International Financial Reporting Standard (IFRS) 9, which became effective January 1, 2018. This accounting standard is premised on expected losses and requires entities to increase provisioning for sectors or areas that are deemed to be of higher risk.

IFRS 9 "Financial Instruments" replaced IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after January 1, 2018.

As at 30th June 2025, the total loan portfolio stood at KES 12.07 billion comprising of short term loans of KES 0.96 billion, medium term loans of KES 10.55 billion, director's loans of KES 0.06 billion and staff loans of KES 0.5 billion. Total accumulated provisions for loans increased to KES 495.39 million. The status of the accumulated provisions and portfolio classification are as summarized in the tables below.

Notes to the Financial Statement (Continued)

The tables below reconciles the closing impairment allowances for financial assets accordance with IFRS 9.

Asset	Value KES'000	(ECL) Accumulated Provisions Balance b/f	Interest Concession	Charge	Total ECL. IFRS 9
Loan Advances/ Portfolio	12,074,358	346,430	(2,691)	151,652	495,391

Summary note on accumulated provisions for the year as at 30th June 2025 as disclosed under note 9 (KES '000)

Classification	Portfolio Value	B/F	Concession	Charge	Current balance
Short Term	956,049	17	(1,584)	24,082	22,515
Medium Term	10,286,900	338,130	(1,089)	58,587	395,628
Directors	66,303	4,832	-	(2,284)	2,548
Staff	503,709	2,654	(18)	10,949	13,586
Enable Youth	261,397	797	-	60,317	61,114
Other Debts	-	2,449	-	23,401	25,850
Total	12,074,358	348,878	(2,691)	175,053	521,241

Notes to the Financial Statement (Continued)

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term deposits and branch imprests floats at the end of the financial year.

o) Trade and Other Payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

p) Provision for Staff Leave Pay

All employees' entitlements to annual leave days which are recognised as they accrue to the employees. At the end of the financial year, a provision is made for the estimated liability for annual leave not utilized at the reporting date.

q) Farm Properties in Possession

These are clients farms that failed to attract bidders/buyers at a public auction, hence the Corporation purchased them at the reserved price. The acquired farms will be later disposed off through a competitive bidding or a private treaty.

Notes to the Financial Statement (Continued)

r) Net Loans to Customers

Loans and advances to customers and staff are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and which the Corporation does not intend to sell immediately or in the near term. Loans and advances to customers are recognised when cash is advanced to borrowers and are net off the provision of bad and doubtful debts.

s) Legal and other claims

Provisions for legal claims are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

t) Derecognition

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or substantially all the risks and rewards of ownership incidental to the financial asset are transferred. A financial liability is derecognised when its contractual obligations are redeemed or otherwise extinguished.

u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the Financial Statement (Continued)

v) Related Parties Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. There were no other entity transactions involving the Government of Kenya.

Employees

The entity provides certain qualifying employees with car and housing loans on terms more favourable than available in the market. The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Corporation. Business transactions with all parties, including the Directors or their related parties are carried out at arms' length. In the financial year 2024/245 the Directors submitted their annual declarations of interests which included:

An acknowledgement that should it come to the attention of a Director that a matter concerning the Corporation may result in a conflict of interest, they are obliged to declare the same and will exclude themselves from any discussion or decision over the matter in question. An acknowledgement that should the Director be appointed to the Board of an entity, including a Government entity that may expose the Director to potential or actual conflict of interest, the Director will be obliged to declare such appointment, undergo an assessment to determine the extent of such conflict and, where applicable, offer their resignation as a Director where the conflict cannot be mitigated by the existing Board policies for the management of conflicts of interest.

Notes to the Financial Statement (Continued)

An acknowledgement that the foregoing also applies to interests of the immediate family members of the Directors.

w) Nature of related party relationships

Companies and other parties related to the Corporation include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Key management remuneration	2025 KES'000	2024 KES'000
Directors	17,694	20,133
Key management compensation	48,487	82,944

x) Contingent Liability

The Corporation does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The Corporation didn't have any contingent liability for the period under review.

y) Significant Judgments and Sources of Estimation

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 Entity based its assumptions and estimates on parameters available when the financial statements were prepared.

Notes to the Financial Statement (Continued)

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 Entity
- The nature of asset, its susceptibility, 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

Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer, realizable value of securities, the Corporation's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Corporation reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the

Notes to the Financial Statement (Continued)

Operation department is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Corporation also makes a collective impairment measurement for exposures which, although not specifically identified as non-performing, have an inherent risk of default. The portfolio constitutes a large number of loan and advances account cutting across various sectors. Assets with similar risk characteristics are grouped together for the purpose of determining the collective impairment within the Corporation.

Notes to the Financial Statement (Continued)

	2025 KES.'000	2024 KES.'000
2 (a). Interest on Loans		
Interest on Medium Term Loans	842,109	789,307
Interest on Short Term Loans	87,767	72,881
Interest on Staff Loans	21,892	27,505
Balance as at 30th June	951,767	889,693
2 (b). Interest on Investments		
Details are as follows:-		
	2025 KES.'000	2024 KES.'000
Short Term Deposits	97,934	58,000
Bank Accounts	1,862	620
Balance as at 30th June	99,796	58,621
3 (a). Interest on Redeemable Loans		
The interest charge on redeemable loans outstanding as at 30 th June 2025 were as follows:		
	2025 KES.'000	2024 KES.'000
GOK Restructured Red. Loan	14,582	15,862
Balance as at 30th June	14,582	15,862
3 (b). Interest on RSF		
Risk Sharing Fund	4,226	9,443
Balance as at 30th June	4,226	9,443
3 (c). Interest on INK Fund		
INK Fund	2,874	5,368
Balance as at 30th June	2,874	5,368
3 (d). SAFER Project Loan		
SAFER	2,836	-
Balance as at 30th June	2,836	-
3 (e). DRIVE Project Loan		
DRIVE	3,041	-
Balance as at 30th June	3,041	-
3 (f). Interest on RN-FINFA		
RN-FINFA	13,714	-
Balance as at 30th June	13,714	-

Notes to the Financial Statement (Continued)

4. Rebates Interest	2025	2024
	KES.'000	KES.'000
Rebates Interest	4,409	3,631
Balance as at 30th June	4,409	3,631

These are rebates paid to clients on their credit balances for loan repayment received in advance before the instalments fall due in compliance with AFC Act Cap 323.

5 (a). Other operating Income	2025	2024
Non-Interest Income	KES.'000	KES.'000
Rent income - Note 22 (a).	99,062	108,582
Profit on disposal of assets- Note 22 (b).	7,232	2,158
Agency commission	813	3,322
Sundries	8,066	7,947
Write back of provisions	-	2,591
Balance as at 30th June	115,173	124,601

5 (b). Fees Income	2025	2024
	KES.'000	KES.'000
Application & Forms fees	42,306	23,810
Conveyance	80,866	69,277
Loan Commitments Fees	60,763	52,641
Inspection fees	119	104
Other Loan Processing fees	5,420	4,596
Discharge of Securities Fees	4,782	4,667
Loan Waiver Processing Fees	262	424
Account Maintenance Fee Income	29,512	29,070
Balance as at 30th June	224,030	184,588

These are incomes from applications, conveyancing and farm inspection fees received when loans are being processed during the period.

6. Income from doubtful debts

All loans considered to be non-performing are provided and classified as doubtful debts as the likelihood of full repayment is remote. However, any subsequent recoveries are recognized as income.

	2025	2024
	KES.'000	KES.'000
Writeback of General Provisions	2,284	-
Recoveries from NPL	-	1,543
Income from Muri Farm	24,120	41,763
Balance as at 30th June	26,404	43,305

Notes to the Financial Statement (Continued)

7. (a) Staff Costs	Actual 2025 KES.'000	Actual 2024 KES.'000
Salaries	388,498	424,471
Overtime	2,441	3,868
House allowance	96,299	101,551
Transport allowance	46,014	48,509
Hardship allowance	7,897	8,184
Acting/Duty & Aggregation allowance	3,030	4,534
Leave allowance	3,405	3,821
Entertainment Allowance	2,400	-
Special Duty Allowance	1,200	1,200
Staff appointments & transfers allowances	936	4,998
Medical & staff Insurance expenses	84,148	80,904
Staff Insurance expenses	8,811	6,216
Pension contributions	32,309	34,644
NSSF employers contribution	15,590	8,634
Gratuities	17,726	15,985
Affordable Housing Levy	8,224	9,002
Total	718,931	756,520

7. (b) Board Members' Expenses	Actual 2025 KES.'000	Actual 2024 KES.'000
Honoraria	960	960
Sitting Allowance	5,400	7,400
Travelling Allowance	1,558	1,848
Night Out & Meal Allowance	7,136	6,986
Sundry Board Expenses	63	231
Training Expenses	1,586	2,191
Medical	992	518
Total	17,694	20,133

Notes to the Financial Statement (Continued)

7. (c) General & Administrative Expenses:	Actual 2025 KES.'000	Actual 2024 KES.'000
Bank charges	6,284	4,873
Corporate Comm & advertisement	4,950	6,083
Publicity/Shows & Field days	2,887	7,396
ISO Certification	399	1,371
Corporate social responsibility/Donations	455	2,341
General office expenses	13,963	19,495
Insurance of Corporation assets	1,331	1,720
Insurance of Motor Vehicles	4,301	6,318
Land rent & rates	1,715	1,245
Legal fees	26,855	2,099
Maintenance of buildings	3,428	2,963
Maintenance of furniture & equipment	7,864	12,964
Office rentals	20,831	22,300
Printing & stationery	7,930	11,327
Professional consultants	2,116	24,903
Subscriptions to professional bodies	614	1,355
Research & development	86	178
Security	26,856	25,135
Taxes & licences	5,466	3,737
Software licences	43,490	40,665
Telephone, internet & postage	30,307	35,645
General hotel & travel	16,672	26,028
Training	8,808	22,455
Vehicle fuel & oil	13,580	23,225
Vehicle maintenance	7,902	13,687
Water, electricity & gas	7,270	8,626
Transformation expenses	2,950	2,737
Auditors Fees	1,531	1,531
Welfare & Uniforms	752	7,180
Fringe Benefit Tax	56	168
Total	271,649	339,752
Total	1,008,274	1,116,406

Notes to the Financial Statement (Continued)

	30.06.25	30.06.24
Average number of employees at the end of the year was:		
Permanent Employees - Management	256	279
Permanent employees – Unionisable	174	188
Fixed term/contract employees	26	-
Total	456	467

Notes to the Financial Statement (Continued)

8. (a) Property and Equipment

	Freehold Land	Buildings & Civil Works	Motor Vehicles	Office Equipment Furniture & Fittings	Computer Hardware	Fixed assets transfer account	Totals
COSTS:	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
As at 30 June 2024	40,515	1,120,087	334,644	594,032	101,562	-	2,190,840
Additions	-	1,295	-	19,456	9,080	-	29,831
Disposal	(6,000)	-	(31,236)	-	-	-	(37,236)
As at 30th June 2025	34,515	1,121,382	303,408	613,488	110,642	-	2,183,435
DEPRECIATION:							
Charge for previous years	-	288,739	316,284	358,365	88,648	-	1,052,036
Charge for the year	-	20,801	8,119	36,629	4,171	-	69,720
Disposal	-	-	(31,236)	-	-	-	(31,236)
As at 30th June 2025	-	309,540	293,167	394,994	92,818	-	1,090,520
NET BOOK VALUE							
As at 30th June 2025	34,515	811,841	10,241	218,494	17,823	-	1,092,915
As at 30 June 2024	40,515	831,347	18,360	235,667	12,914	-	1,138,804



Notes to the Financial Statement (Continued)

Property, plant and equipment include the following items that are fully depreciated:

	COST	NORMAL ANNUAL DEPRECIATION CHARGE
	KES'000	KES'000
Motor Vehicles	293,167	263,851
Office Equipment	394,994	355,495
Computer Hardware	92,818	83,537
Software	304,509	274,058
Furniture and Fittings	14,043	12,639
Total as at 30th June	1,099,531	989,578

Notes to the Financial Statement (Continued)

8. (a) Property and Equipment

	Freehold Land	Buildings & Civil Works	Motor Vehicles	Office Equipment Furniture & Fittings	Computer Hardware	Totals
COSTS:	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
As at 30 June 2023	34,523	1,122,712	334,644	555,811	100,459	2,148,149
Additions	-	10,875	-	38,222	1,103	50,199
Reversal of disposal	6,000	-	-	-	-	6,000
Disposal	(8)	(13,500)	-	-	-	(13,508)
As at 30th June 2024	40,515	1,120,087	334,644	594,032	101,562	2,190,840
DEPRECIATION:						
Charge for previous years	-	273,543	303,844	313,612	83,275	974,275
Charge for the year	-	20,455	12,439	44,753	5,372	83,020
Disposal	-	(5,259)	-	-	-	(5,259)
As at 30th June 2024	-	288,739	316,284	358,365	88,648	1,052,036
NET BOOK VALUE						
As at 30th June 2024	40,515	831,347	18,360	235,667	12,914	1,138,804
As at 30th June 2023	34,523	849,169	30,799	242,198	17,183	1,173,873

Notes to the Financial Statement (Continued)

8. (b) Intangible Assets

	2025 KES'000	2024 KES'000
COSTS:		
As at 1 Jul	325,116	317,785
Additions	154,208	7,331
As at 30th June	479,324	325,116
AMORTISAION		
As at 1 Jul	273,846	259,038
Charge for the period	30,663	14,808
As at 30th June	304,509	273,846
NET BOOK VALUE	174,815	51,271

Notes to the Financial Statement (Continued)

Loans to Customers	2025	2024
9. (a) Loans to Customer	KES.'000	KES.'000
Medium Term Loans	10,545,116	9,090,041
Staff Loans	503,148	538,654
Directors Loans	66,303	48,873
Total Medium Loans to Customer	11,114,567	9,677,568
Less Accumulated Provision		
Medium term loans	456,759	338,927
Directors Loans	2,548	4,832
Staff Loans	13,585	2,654
Net loans to Customer	10,641,675	9,331,156
9. (b) Short Term Loans to Customers	971,613	889,781
Less Accumulated Provision		
Short term loans	22,498	17
Net Short Term Loans to Customers	949,115	889,764
Classified Under		
12. (b) Medium Term Loans	456,759	338,927
12. (b) Short Term Loans	22,498	17
12 (b) Directors Loans	2,548	4,832
12. (b) Staff Loans	13,585	2,654
12. (b) Other debtors	25,850	2,449
Total	521,240	348,879

Medium Term Loans: These are loans whose maturity period are between twelve months and four years. Staff Loans: These are loans to current staff and ex-staff

Directors Loans: These are loans to current & past directors

Short Term Loans: These are loans whose maturity periods is up to 12 months and instalments for medium term loans that will fall due within the next twelve months.

	Notes	2025	2024
10. Deferred Tax Asset:		KES.'000	KES.'000
The net deferred tax asset is arrived at as follows:			
Balance b/f as at 1 st Jul		23,366	20,185
Timing difference for the FY		(314)	3,181
Balance as at 30th June		23,052	23,366

11. Repossessed Farm Properties:	2025	2024
	KES.'000	KES.'000
Acquisition value as at 1 st Jul	413,405	389,920
Additions - FPIP	3,221	24,436
Disposals - FPIP	-	(951)
Balance as at 30th June	416,627	413,405

Notes to the Financial Statement (Continued)

12 (a). Provisions for doubtful debts

The provision for bad and doubtful loans are done in line with the policy in note (M).
The charged amounts are classified as below.

Doubtful debts charges for the year:

	2025 KES.'000	2024 KES.'000
Loans to Customers:		
Specific provision	-	-
General provision - Medium Term	117,815	15,517
General provision - Short Term	22,498	-
Total	140,314	15,517
Staff Loans:		
Specific provisions	10,931	-
Total	10,931	-
Other Debts:		
Specific provisions	23,401	-
Total	23,401	-
Total charge for the period	174,646	15,517

12 (b). Accumulated provisions for doubtful debts

The accumulated provisions are analysed as below:

	2025 KES'000	2024 KES'000
General Provisions		
Balance as at 1 st Jul	343,775	324,452
Write back of provisions	-	(2,591)
Charge for the period Medium Term Loans	117,815	15,517
Charge for the period Short Term Loans	22,498	-
Movement in provisions Staff General	(2,548)	7,940
Recoveries from NPL	-	(1,543)
Balance as at 30th June	481,541	343,775
Directors Loans		
General Provision		
Balance as at 1 st Jul	4,832	4,832
Charge for the year	-	-
Write Back	(2,284)	-
Balance as at 30th June	2,548	4,832

Notes to the Financial Statement (Continued)

Staff Loans:

Specific Provisions

Balance as at 1 st Jul	2,654	5,312
Movement in provisions Staff General	-	-
Charge for the period	-	-
Write Back	10,931	(2,658)
Interest Concession - Staff Loans	-	-
Balance as at 30th June	13,585	2,654

Other debts:

Balance as at 1 st Jul	2,449	2,449
Charge for the period	23,401	-
Balance as at 30th June	25,850	2,449

Provisions Summary

General Provisions	518,692	348,878
Balance as at 30th June	518,692	348,878

	2025 KES.'000	2024 KES.'000
13 (a). Cash and Bank Balances		
Current accounts	267,739	37,391
Branch Collection Accounts	8,126	10,284
Branch Imprest Accounts	2,590	5,026
Branch Loan Funds Accounts	19,724	41,409
Enable Youth Fund	118,245	160,142
SAFER Project Fund	68	-
DRIVE Project Bank Account	81,324	-
Balance as at 30th June	497,816	254,252

13 (b). Cash and Bank Balances

Current accounts	(13,935)	(11,835)
Balance as at 30th June	(13,935)	(11,835)

	2025 KES.'000	2024 KES.'000
14. Short Term Deposits		
Equity Bank	150,000	287,160
Family Bank	-	99,974
Interest receivable	778	5,196
Balance as at 30th June	150,778	392,330

Notes to the Financial Statement (Continued)

The average effective interest rate on the short term deposits as at June 30, 2025 was 10% (2024 17%). These are committed funds held in short term deposits at various banks awaiting disbursements to farmers and whose maturity is between one to six months.

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2025 KES.'000	2024 KES.'000
a) Current account			
Kenya Commercial bank	Various	8,357	7,879
Co-operative Bank of Kenya	Various	627	10,534
National Bank of Kenya	Various	265,543	49,069
Equity Bank	Various	1,952	1,539
Enable Youth Programme Soft Loan	1770282353134	47,244	95,802
Enable Youth Programme Interest Free	1770282353184	71,092	64,340
DRIVE Account	77178980267	81,355	-
SAFER Account	1770284794732	240	-
Balance as at 30th June		476,410	229,162
b) Fixed deposits account			
Equity Bank	Various	150,000	287,160
Family Bank	Various	-	99,974
Interest receivable	Various	778	5,196
Balance as at 30th June		150,778	392,330
c) Others(specify)			
cash in hand	Various	2	14
M-Pesa Phone Float	Various	-	901
M-Pesa Cash Float	Various	-	2,399
M-Banking accounts	Various	6,713	9,193
Vault Cash	Various	756	746
Balance as at 30th June		7,471	13,253
Grand total		634,659	634,746

Notes to the Financial Statement (Continued)

	2025	2024
	KES.'000	KES.'000
15. Trade and other receivables		
Rent receivable- Other properties	44,731	39,888
Prepaid expenses	8,276	7,780
Utilities & Other deposits	4,277	4,100
Accounts receivable- Others	30,910	20,009
Balance as at 30th June	88,194	71,777

Specific Provision for Bad Debts	25,850	2,449
Balance as at 30th June	62,344	69,328

At June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	43,649	35,524
Between 30 and 60 days	8,289	6,746
Between 61 and 90 days	1,309	1,065
Over 120 days	34,947	28,442
Total	88,194	71,777

16. Inventories

These are stocks of stores valued at cost at the end of the financial year.

	2025	2024
	KES.'000	KES.'000
Stationery & Office Supplies	2,482	4,116
Kitchen, Detergents & Toiletries	74	87
Computer Stationery	218	218
Balance as at 30th June	2,774	4,421

Notes to the Financial Statement (Continued)

	2024	2023
	KES'000	KES'000
17. Grants		
Development	20,611	20,611
Rehabilitation	18,752	18,752
I C A	2,500	2,500
Special Emergency Fund	3,470	3,470
Ministry of Finance	40,000	40,000
IDA 105/344	2,168	2,168
IDA 692	3,335	3,335
Vihiga	700	700
North Tetu	149	149
IADP	278	278
Narok Agricultural Dev. Project	760	760
World Bank Credit 4	21,925	21,925
IDA 1143 KE	14,529	14,529
IDA 1995 KE	1,594	1,594
Japanese Grant SCC Scheme 42 2004	769,000	769,000
GTZ Grant-2006	6,055	6,055
GOK Grant Livestock Off Take 2006	95,000	95,000
GOK Grant Livestock Off Take 2009	190,000	190,000
GOK Grant Livestock Off Take 2011	405,650	405,650
GOK Grant Livestock Off Take 2012	60,000	60,000
GOK Grant 2013	700,000	700,000
Grants - Food Security	500,000	500,000
GOK Project Subsidy Funds 2016	112,447	112,447
Grant - Development Vote	550,000	550,000
GOK Subsidy to Financial Inst	550,000	550,000
ACDI/VOCA Grant	15,000	15,000
MSMEs Agricultura Credit Grant	500,000	-
Balance as at 30th June	4,583,923	4,083,923

These are non-refundable grants from the Government of Kenya and other donors to finance specific lines of credit (scheme) and have no associated financial market risks.

18. Government Equity

The Government approved the financial restructuring of the Corporation vide Sessional paper No.1 dated 6th November, 2002. To this effect the Government undertook to inject additional equity to the Corporation amounting to KES.1.3 billion in five equal installments. The fifth and last tranche of 260 million was received in 2006/2007 Financial Year. The Government also converted loans due from the Corporation amounting to 1,387,765,881 into equity bringing the total figure to KES. 2,687,765,881. The equity injection was meant to build a sustainable capital base for the Corporation.

Notes to the Financial Statement (Continued)

	2025	2024
	KES.'000	KES.'000
19. Reserves		
(a) General Reserve		
Balance as at 1st Jul	1,913,557	1,921,152
Prior year adjustment	(84,361)	(23,827)
Dividends Payable	(55,327)	-
Profit after taxation for the period	68,351	16,231
Balance as at 30th June	1,842,220	1,913,557

The General Reserve is the undistributed profit from the operations.

	2025	2024
	KES.'000	KES.'000
(b) Revaluation reserve		
Balance as at 1 st July	787,618	787,618
Balance as at 30th June	787,618	787,618

Property and Equipment are stated at cost or as revalued from time to time less accumulated depreciation. Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same assets are charged against the revaluation reserve. All other decreases are charged to the Income Statement

Notes to the Financial Statement (Continued)

	2025	2024
	KES.'000	KES.'000
20. (a) Redeemable Government Loans and Interest:		
Principal		
GOK Restructured Red. Loan	480,822	486,734
Sub Total	480,822	486,734
Interest		
GOK Restructured Red. Loan	-	42,668
Sub Total	-	42,668
Total	480,822	529,402
20. (b) Risk Sharing Fund & Interest		
Risk Sharing Fund	-	377,215
Interest	26,870	13,201
Sub Total	26,870	390,416
Total	26,870	390,416
20. (c) INK Fund & Interest		
INK Fund	80,575	105,979
Interest	6,522	-
Sub Total	87,097	105,979
20. (d) Enable Youth Fund		
Enable Youth Fund	366,573	320,173
Interest	-	-
Sub Total	366,573	320,173
20. (e) SAFER Project Loan		
SAFER Project Loan	300,000	-
Interest	1,253	-
Sub Total	301,253	-
20. (f) DRIVE Project Loan		
DRIVE Project Loan	300,000	-
Interest	1,253	-
Sub Total	301,253	-

Notes to the Financial Statement (Continued)

20. (g) RK FINFA Loan

RK FINFA Loan	540,000	-
Interest	13,714	-
Sub Total	553,714	-

Total	2,117,583	1,345,970
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20. (h) Agency Funds:

	2025 KES.'000	2024 KES.'000
Kenya Sugar Board	676,672	722,218
NIB- Rice rev fund	100,000	100,000
Sub Total	776,672	822,218
Grand Total	2,894,255	2,168,188

Notes to the Financial Statement (Continued)

	NOTES	2025 KES.'000	2024 KES.'000
21. Payables and Accruals			
(a) Payables			
Borrowers credit balances		489,380	438,168
Unprocessed Loan Receipts		1,045	948
Customers Loan deposits		188,474	45,105
Suspended Income on Non-Performing Accounts		195,147	128,296
Balance as at 30th June		874,046	612,516
(b) Trade and Other Payables			
Cash security deposits		4,138	3,755
Insurance receipts		2,876	13,081
External audit fees		1,531	1,531
Gratuity		12,578	17,497
Accrued pension contributions		-	4,252
Employees other deductions		2,397	-
Accrued Leave days		9,005	10,366
Revenue Grants		12,134	27,480
Other payables		218,053	179,338
Interest on redeemable loans		-	28,954
Dividends Payable		55,327	-
Balance as at 30th June		318,037	286,253
(c) Current Tax payable			
Balance as at 1 st Jul		16,439	34,156
Tax paid		(26,165)	(38,239)
Corporate tax for the period	23 (a)	19,835	20,522
Balance as at 30th June		10,110	16,439

Notes to the Financial Statement (Continued)

Analysis of Rent Income & Profit on disposal of assets

	2025	2024
	KES.'000	KES.'000
22. (a) Rent Income		
Details are as follows:-		
Development House Income/(Loss)	31,721	49,075
Other Properties net Income	67,341	59,508
Balance as at 30th June	99,062	108,582

	2025	2024
	KES.'000	KES.'000
22. (b) Profit/Loss on disposal of assets		
The details are as follows:-		
Motor Vehicles	7,232	-
Gain on disposal of other assets	-	2,158
Balance as at 30th June	7,232	2,158

22. (c) Proceeds from disposal of properties & equipment & repossessed farm properties

The proceeds from sales of the above assets are included in the cash and bank balances.

Notes to the Financial Statement (Continued)

INCOME TAX EXPENSE/ (CREDIT)

		2025 KES.'000	2024 KES.'000
23(a) Current taxation	NOTES		
Current taxation based on the adjusted profit for the year at 30%		19,835	20,522
Current tax: prior year under/(over) provision		-	-
Current year deferred tax charge			
Prior year under-provision for deferred tax		-	-
		19,835	20,522

(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit

		2025 KES.'000	2024 KES.'000
Profit before taxation		88,186	36,483
Tax at the applicable tax rate of 30%		26,456	10,945
Current tax: 2010/2011 under-provision		-	-
Tax effects of expenses not deductible for tax purposes		(26,456)	(10,945)
Tax effects of income not taxable		-	-
Tax effects of excess capital allowances over depreciation/amortisation		-	-
Deferred tax prior year over-provision		-	-
Rental income tax		19,835	20,522
		19,835	20,522

Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2023/2024 Audit certificate	<p>Unsupported Property, Plant and Equipment</p> <p>The statement of financial position reflects a balance of Kshs.1,138,804,000 in respect of property, plant and equipment and as disclosed in Note 8(a) to the financial statements.</p> <p>As previously reported, the balance includes thirty one (31) developed plots measuring a total of 5.3324 hectares valued at Kshs.191,627,798 and two (2) undeveloped plots that is Kimilili and Kisumu plots measuring a total of 0.8191 hectares, with Kimilili plot</p>	<p>The status of each of the four undeveloped parcels is as follows:</p> <ul style="list-style-type: none"> • Nanyuki and Kerugoya: The plots were repossessed by the respective county authorities as the Corporation could not meet the development conditions specified in the allotment letters. • Kimilili: Following 	Chief Manager Legal Services	Unresolved.	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>having no ownership documents.</p> <p>Further, the value of land excludes unvalued parcels of land located in Nanyuki and Kerugoya and includes the value of a parcel in Chogoria, which Management has explained was repossessed by the respective County Governments due to failure by the Corporation to develop the property within the stipulated time. Management has also explained that the Kerugoya plot has since been developed by the Judiciary and similarly, the Chogoria plot has been developed by Meru South Co-operative Union, with a building named Mwalimu Sacco Plaza. The balance also excludes land located in Kimilili and Busia whose ownership document was not provided.</p>	<p>advice from the National Land Commission, the Corporation has written to the Bungoma county surveyor to survey the land parcel to facilitate the titling process. Management is fastracking the process to ensure the title is obtained.</p> <ul style="list-style-type: none"> • Chogoria: The land was repossessed by the county authority as the Corporation could not meet the development conditions specified in the allotment letters. The plot was dropped from the list of assets for this reason. 			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Although the Management has explained that it continues to pursue the ownership documents through the Ministry of Lands and the National Land Commission, the documents had not been obtained as at the time of audit.</p> <p>In addition, excluded in the net book value of Kshs.34;-523, for land is an amount of Kshs.523,382 that was utilized in the acquisition of five (5) parcels of land in Kimilili, Molo, Bungoma, Chogoria and Kisumu Municipality at a cost of Kshs.18,000, Kshs.4,010 Kshs.54,262, Kshs.438,820 and Kshs.8,290 respectively. The five (5) parcels of land have not been revalued contrary to the International Accounting Standard No.16 which requires sufficient regularity in revaluation of property, plant and equipment to ensure that</p>	<p>The Corporation revalued its land and properties in the financial year 2017/2018. However, the listed properties could not be revalued since the Corporation did not have the requisite title deeds to prove their ownership. These properties were allotted to the Corporation by various local authorities.</p> <p>All the listed undeveloped parcels of land without ownership documents were excluded from the list of assets. Therefore, they do not form part of our assets disclosed under note 8 of the financial statements for the purpose of fair presentation and in accordance with the auditor's recommendation in the management letter ref:</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period. In addition, the ownership documents for two (2) of the parcels of land have not been secured.</p> <p>In the circumstances, the accuracy, completeness and ownership of property plant and equipment net book value of Kshs. 1,138,804,000 could not be confirmed.</p> <p>Overdrawing of Cash Book through Fraud</p> <p>The statement of financial</p>	<p>AFC/5/2013/2014/ (6) dated 8th December 2014. This also aligns with the guidance note under the revaluation model, "If an item is revalued, the entire class of assets to which that asset belongs must be revalued (IAS 16.36)." IAS 16 requires that all assets in the recognized classifications must be revalued for the new values to be adopted for disclosure purposes. Therefore, the valuation report was not adopted on this basis, and the Auditor's recommendations in letter ref. AFC/5/2016-2017/ (10) dated 7th February 2018 were followed.</p> <p>The matter was subsequently</p>	<p>Chief Finance & Investments Officer</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>position reflects Current liabilities balance of 927,044,000 as at 30 June 2024. Included in this balance is current account balance of Kshs.11,835,000 as disclosed in note 13(b) to the financial statements. Review of the cash book balance revealed an overdrawn amount of Kshs.11,835,000 for Eldoret Branch Office Account. Review of bank reconciliation statements of Eldoret branch provided for audit, revealed that the negative balance was attributed to a fraud. The management explained that the fraud was reported in a criminal case at Eldoret in 2018, whose final judgement was done on 31 May, 2024 in favour of the corporation and the culprits given fourteen (14) days right of appeal. The Management failed to provide details of the current status of the case.</p>	<p>referred to the Magistrate's Court of Kenya at Uasin Gishu, where it was prosecuted under Criminal Case No. MCCR/4377/2018. The court has since delivered its judgment, convicting the accused of theft by public servants under the relevant provisions of the Kenyan law.</p> <p>Given that this was a criminal matter between the Republic of Kenya and the accused persons, the likelihood of recovering the lost funds remains highly remote. As a prudent financial measure, the Corporation had already made the necessary provisions for the loss in its books, pending the final determination of the case.</p> <p>Since the case has been conclusively determined, management intends to write off the loss against the</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.254,252,000 could not be confirmed. In addition, the recoverability of Kshs.11,835,000 could not be ascertained.</p> <p>Net Medium Term Loans to Customers</p> <p>Medium Term Loans Issued on Doubtful Title Deeds</p> <p>The statement of financial position reflects a balance of Kshs.9,090,041,000 in respect of net medium-term loans to customers as disclosed in Note 9(a) which, as previously reported, the balance includes an amount of Kshs.22,661,000 being principal loan advanced plus interest and</p>	<p>provisions made in our financial records. However, as per Section 197 of the Public Finance Management (PFM) Act, 2012, such an action requires prior approval from the National Treasury which has since been initiated.</p> <p>In 2007, the Corporation advanced agricultural loans to farmers in Kapsabet for cane development, aligning with its mandate to support agriculture and agricultural enterprises. Unbeknownst to the Corporation, these funds were secured against fictitious parcels of land.</p>	<p>Head Loan Recoveries</p>	<p>Unresolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>other loan fees to thirteen (13) farmers in Kapsabet. Information available indicates that the Corporation advanced the amount against various collaterals in form of title deeds that were fraudulent. The Corporation filed seven (7) cases in Court against the fraudsters and judgement was entered in favor of the Corporation. However, the Corporation had not executed the warrants issued as at 30 June, 2024 and details on the other cases have not been provided for audit.</p> <p>In the circumstances, the recoverability of loans amounting to Kshs.22,661,000 issued on fraudulent titles could not be confirmed.</p>	<p>This fraud occurred despite the Corporation's diligent efforts to perfect the security at the lands office.</p> <p>The process of accepting a title deed as security begins with a property search, followed by a valuation by prequalified professional valuers to confirm true ownership. After the beneficiaries defaulted on their loans, the Corporation attempted to sell the collateral to recover the outstanding balances, only to discover the title deeds were defective. This fraud was orchestrated by borrowers in collusion with officials at the Lands Ministry in Kapsabet, resulting in the significant losses. The Corporation filed civil proceedings at the High</p>			



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Court in Eldoret against seven fraudsters and received a judgment in its favor.</p> <p>Management conducted internal investigations to trace the fraudsters and made provisions for doubtful debts on the affected accounts. Although the Corporation has sought to enforce the judgment with the help of the Director of Criminal Investigations (DCI), the progress has been hampered by slow action, however, the Corporation is persistently following up for an investigation report from the DCI detailing the current status.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Non-Performing Loans to Directors</p> <p>Note 9 (a) to the financial statements reflects a balance of Kshs.48,873,000 under Directors' loans. As previously reported these comprises of seven (7) loan accounts out of which five (5) of the loan accounts are in arrears amounting to Kshs.35,660,367 and which have been referred to the debt recovery unit. Review of records revealed that the six (6) accounts have been graded as non-collectable even upon disposal of attached securities as per the existing credit policy. Although a provision of Kshs.4,832,000 has been made on directors' loans, this may be inadequate. In the circumstances, the accuracy and recoverability of the Directors loans balance of Kshs.48,873,000 could not be</p>	<p>Management acknowledges the observations and recommendations concerning the performance of directors' loans and provided a detailed update on the recovery efforts.</p> <ul style="list-style-type: none"> ▪ A/C No. 011051211 repaid his loan in full by 26th July 2023 after a farm inspection and a repayment proposal. ▪ A/C No. 002053808, who faced cash-flow challenges, had his outstanding loan balance restructured in October 2022 and has been making regular monthly payments since then. ▪ A/C No. 002053808, despite being issued multiple notices, has had his case forwarded to the Legal department for auction due 	Chief Credit Officer.	Unresolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	confirmed.	<p>to persistent arrears.</p> <ul style="list-style-type: none"> ▪ A/C No 001049815 whose loan is secured against a land parcel, saw partial recovery after a proposed payment plan following a suspended auction. ▪ A/C Rim no. 51951 managed to reduce their arrears significantly and committed to further payments to settle the outstanding loan balance. ▪ A/C No. 51141 received approval to subdivide her land to facilitate loan repayment, with proceeds from plot sales being channeled to clear her debt. ▪ A/C No 042063512, after amalgamating his two loans and facing multiple follow-up visits due to non-payment, had a demand notice issued, with a subsequent partial payment and ongoing valuation of his security for 			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Long Outstanding Short-Term Loans to Customers</p> <p>The statement of financial position reflects net short term loans to customers of Kshs.889,764,000 and as disclosed in Note 9(b) to the financial statements. Included in the balance is gross short-term loans to customers balance of Kshs. 889,781,000. Review of the short-term loan portfolio schedule provided reflects arrears of loans amounting to Kshs.225,135,805 that have</p>	<p>auction advertisement.</p> <p>Each case highlights the Corporation's active management and various strategies to ensure the recovery of the outstanding loans while maintaining compliance with the established guidelines.</p> <p>The prolonged outstanding nature of certain loans is primarily due to historical economic downturns and adverse market conditions that have impacted our customers' ability to repay within the stipulated timelines. Several of these loans were issued during a period of favorable economic conditions, which unfortunately deteriorated</p>	<p>Chief Credit Officer.</p>	<p>Unresolved</p>	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>been outstanding for more than one year as their maturity period was 30 June, 2024 and earlier periods with some being outstanding for more than ten (10) years. Although, Management has engaged an external agency to assist in recovering these loans, the measures have not yielded positive results.</p> <p>In the circumstances, the accuracy and completeness of short-term loans to customers of Kshs.225,135,805 could not be confirmed.</p>	<p>unexpectedly. Management has implemented a comprehensive loan recovery strategy to recover the loans as follows:</p> <p>(i) We have restructured several loans to provide customers with more manageable repayment terms. This restructuring was aimed at enabling customers to meet their obligations without defaulting further.</p> <p>(ii) Continuous engagement with customers has been a priority to understand their financial situations and to negotiate feasible repayment plans.</p> <p>(iii) For cases where amicable solutions have not been possible, we have initiated legal proceedings to recover the outstanding amounts. This process, while time-consuming, is actively</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>being pursued.</p> <p>(iv) In accordance with our credit risk management policies, provisions have been made for loans deemed irrecoverable, and necessary waivers have been conducted after thorough evaluations and approvals.</p> <p>(v) We have enhanced our credit assessment procedures to better evaluate the creditworthiness of customers before loan approval.</p> <p>(vi) A more robust risk management framework has been established to identify and mitigate potential risks promptly.</p> <p>(vii) Other notable measures include; recovery of all the defaulted cases through converting collateral provided into Farm Properties in Possession</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Budgetary control and performance</p> <p>The statement of comparison of Budget and Actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,534,500,000 and Kshs.1,300,807,000 respectively, resulting in under collection amount of Kshs.233,695,000 or 15% of the budget. Similarly, the</p>	<p>(FPIP) after three (3) unsuccessful auctions for accelerated redemption, procurement of debt collectors, collateral marketing agencies and CRB listing.</p> <p>While we acknowledge the concerns raised, we are confident that the measures implemented will improve the recovery of outstanding amounts and prevent similar occurrences in the future.</p> <p>i. Interest Income- Loans- The Corporation achieved 89% of its targeted interest income from loans during the review period. The shortfall in meeting the 100% target was attributed to operational dynamics, where only Ksh 3.54 billion was</p>	<p>Chief Finance & Investments Officer</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Corporation spent Kshs.1,264,054,000 against the budgeted amount of Kshs.1,423,300,000 resulting in under expenditure of Kshs.159,246,000 representing 11% of the estimated expenditure. Management has attributed the low absorption to low commercial activities. The under collection and under expenditure are an indication that the corporation's objectives may not have been achieved and may impact negatively on service delivery to members of public.</p>	<p>disbursed against the anticipated disbursement of Ksh 4.25 billion. Notably, part of the planned disbursements was reliant on partnership funding arrangements, such as ENABLE Youth programme, SAFER World bank programme and RK- FINFA, which did not materialize during the period under review.</p> <p>ii. Interest on Short Term Deposits- The Corporation had anticipated holding investments in term deposits in excess of Ksh 686,471,000, as per the budget estimates approved by the National Treasury. However, by the close of the financial year, only Ksh 392,330,000 had been invested in this portfolio. This shortfall, combined with unfavorable interest rates, contributed to an 8% deficit in</p>			





Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>the anticipated income. Despite these challenges, the performance against the approved budget stood at 92%.</p> <p>iii. Non-Interest Income: As highlighted above, the significant reduction in non-interest income was mainly attributed to a decline in other operating incomes, particularly rental income. This shortfall resulted from the Corporation's inability to implement various refurbishment projects aimed at enhancing rent collection. The Government, through circulars EOP/CAB.26/4A/VOL.III/(141) and DGIPE/A/1/10 dated 18th March 2024 and 27th March 2024 respectively, imposed policy measures for expenditure rationalization, suspending such investments.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Consequently, the planned activities to achieve the projected income were adversely impacted. Copies of the circulars are attached labeled</p> <p>iv. Expenditure Under-Absorption: The underutilization of the expenditure budget primarily resulted from the government-imposed austerity measures outlined in circulars EOP/CAB.26/4A/VOL.III(141) and DGIPE/A/1/10, dated 18th March 2024 and 27th March 2024, respectively. These circulars provided directives and guidelines to enhance alignment and promote more efficient and cost-effective financial practices across government entities. With these measures in place, the Corporation was unable to fully</p>			



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Staff Costs Non-Compliance with Two Third Basic Salary Rule</p> <p>Review of the payroll records provided revealed that 248 employees had deductions over and above the 1/3 basic rule that were more than two thirds of their basic pay on various months of the period under review 2023/2024. This was contrary to the provisions of Section 19 (3) of the Employment Act, 2007 which states that the total amount of all deductions that may be made by an employer from the wages of his employee at anyone time shall not exceed two thirds of such wages.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>absorb the allocated budget.</p> <p>We acknowledge the audit query regarding the non-compliance with Section 19(3) of the Employment Act, 2007, where it was observed that for 248 employees, deductions exceeded two-thirds of their basic pay during various months within the review period of 2023/2024.</p> <p>The variance observed was primarily triggered by the introduction of the Statutory Housing Levy under the Finance Act of 2023, effective from 26th June 2023. The levy requires a 1.5% deduction from the gross monthly income of all employees. While this statutory deduction was essential, it, alongside existing statutory deductions and</p>	<p>Chief Human Capital & Admin Officer</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Irregularities in Acting Capacity Appointment Review of the human resource records provided revealed that two (2) members of staff had been appointed in acting capacity. The two (2) members of staff had acted for more than six (6) months, earning Kshs. 1,971,385.35 in allowances contrary to Paragraph 8.4 of Agricultural Finance Corporation, Staff Policy and Regulations Manual (2020) states that no acting appointment on a substantive vacant position shall be made in excess of six (6) months. The Corporation is required to advertise and fill the position competitively within these six months. A person appointed into an acting position is entitle to acting allowance.</p> <p>In the circumstances,</p>	<p>employee obligations, caused some employees' net pay to fall below the one-third threshold as stipulated by the Employment Act.</p> <p>The implementation of the Statutory Housing Levy, in combination with other deductions such as PAYE (Pay As You Earn), pension contributions, and loan repayments, led to cases where employees' deductions exceeded the allowable limit. It is important to note that the majority of these employees had pre-existing commitments, including loan repayments, which when compounded by the new levy, resulted in the exceedance of the two-thirds rule.</p> <p>To ensure compliance with the one-third rule and avoid recurrence of this issue, the management is in the process</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Management was in breach of the law.</p> <p>Non-Compliance with SRC Collective Bargaining Guidelines</p> <p>Review of human resource records provided for review established that Agricultural Finance Corporation signed a Collective Bargaining Agreement on 15 December, 2021 for a period of 48 months up to 30 June 2021, which period had already lapsed by the time the agreement was signed. The retrospective signing of the agreement is an indication that the parties were ratifying rates in use before the signing of the Collective Bargaining Agreements (CBA). Salary Remuneration Commission SRC provided basic salary structure for AFC and advised that the Basic salary structure should form the basis for negotiation with the trade</p>	<p>of reviewing our loan repayment policies to allow more flexibility for employees, especially when external statutory obligations change. This includes offering extended repayment periods and revising internal policies on salary advances.</p> <p>The management concurs that these individuals have acted in their respective positions for a period exceeding six (6) months, which is in contravention of Paragraph 8.4 of the Agricultural Finance Corporation Staff Policy and Regulations Manual (2020).</p> <p>However, management would like to provide the following clarifications,</p> <p>i) Management is fully committed to ensuring</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>union for four-year bargaining agreement cycle, However, AFC continued to use the same old rates contrary to the SRC circular of September 2020. In the circumstance, Management contravened the terms of the process of collective bargaining outlined in SRC Revised Guidelines on Collective Bargaining in the Public Service.</p>	<p>that all acting appointments are addressed in line with the Corporation's policies. The delay in filling these positions substantively was due to the Governments Circulars on austerity measures specifically restricting recruitments and employment.</p> <p>ii) The position of Corporation Secretary & Chief Legal Services Officer (held by PF No. 27060) was advertised, interviews were conducted and the position was filled substantively as of August 2024. This ensures compliance with the Corporation's</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Management of Loan System Inconsistent Reports from the Loan Processing System</p> <p>Review of sets of data maintained by the loan processing systems revealed inconsistencies that affects its reliability as demonstrated below;</p> <p>i. Review of loan disbursement records revealed there was a Loan account that</p>	<p>regulations going forward.</p> <p>We acknowledge the audit observation, and the Corporation is currently in the process of implementing the recommendations outlined in the SRC circular, Ref. No. SRC/TS/JE/SRSC/3/33/4 Vol. IX (105), dated 9th September 2020</p> <p>The discrepancy in the recalculated outstanding principal amount has been identified and corrected. We confirm that the loan statements provided to clients accurately reflect the correct outstanding principal amounts as evidenced in the sample loan account statement.</p>	<p>Chief Credit Officer</p>	<p>Resolved</p>	

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>received disbursement of Kshs.9,999,000. The repayment report showed a total principal of Kshs.5,200,000 was paid during the financial year 2023/2024, thus, resulting to an outstanding principal amount of KShs.4,799,000. However, this loan account was not in the loan portfolio as at 30 June 2024. Management explained that, the loan, was fully settled within two months of the loan disbursement and provided loan account indicating the same. However, repayment records from the same system provided for audit showed that only Kshs.5,200,000 was paid. This inconsistency indicate weakness in configured</p>	<p>Additionally, the management will strengthen processing controls to ensure accuracy in the calculation of outstanding principal going forward</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>output control.</p> <p>ii. Forty (40) loans had an recalculated principal balance of Kshs.35,694,738, yet the same were not in the AFC loan portfolio as at 30 June 2024.</p> <p>iii. Review of new two thousand one hundred and seventy one (2,171) loans accounts for the year 2023/2024 and comparison with client list report from the loan origination system, revealed two (2) cases of loans disbursed before formal loan approval.</p> <p>iv. Review of disbursements amount and outstanding principal for nine thousand and nine hundred eighteen (9,918) Loans Portfolio valued at Kshs.9,505,752,157 as at 30 June 2024 revealed that five(5) loan accounts</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>had outstanding principal of Kshs.33,530,323 while the disbursed loan amount was Kshs.27,115,254 an indication that the outstanding principal amount was higher than disbursed amount Further, analysis of Loans Portfolio at the beginning of the financial year 2023/24 also revealed three (3) cases of outstanding principal greater than loan amount.</p> <p>In view of the above weaknesses in system configuration raises concerns regarding risk management, the effectiveness of internal controls, and overall adherence to established procedures contrary to Regulation 23(1) (c) of the Public Finance Management (National Government) Regulations which</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>provides that the accounting officer is accountable for maintaining effective systems of internal control and the measures taken to ensure that they are effective.</p> <p>Loans Incorrectly Classified as Normal Loan portfolio as at 30 June 2024 contained 5572 records with the Normal (NOR) health code 10. However, it was established that 27 accounts with total outstanding amount of 18,861,914.59 were incorrectly classified in normal category instead of watch, substandard or doubtful categories based on the principal arrears, interest arrears and collateral registered. Out of the .27, there were 7 accounts without registered collateral. This implies that the system setting is inconsistent with grading characteristics in section, 7.1.1 under which loans need to</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>be performing in accordance with contractual terms; the outstanding amounts should be adequately secured by readily marketable security and the servicing is either up to date or less than six months instalments. The grading characteristics tabulated in 7.1.2 indicate when a loan should be classified as Normal, Watch, Substandard, Doubtful and Loss.</p> <p>Incorrect classification may result in inadequate provisioning, and ultimately to overstatement of accounts receivable and net income</p>				

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Managing Director
Date 31/07/2025



Chairman of the Board
Date 31/07/2025

22. Appendices

Appendix I: Project Implemented by the Corporation

No project was undertaken during the period under review.

Appendix Ii: Recording of Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Agriculture and Livestock Development	19/07/2024	MSMEs Agricultura Credit Grant	500,000	-	500,000	-	-	-	500,000
Total			500,000	-	500,000	-	-	-	500,000

Appendix III: Inter-Entity Confirmation Letter


Agricultural Finance Corporation
P.O Box 30367 -00100 G.P.

The National Treasury and Planning wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs'000) as at 30 th June 2025				Amount Received by [beneficiary entity] (Kshs) as at 30 th June 2025 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	19/09/2024	-	500,000		500,000	500,000	-
Total	-	-	500,000	-	500,000	-	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Account's department of beneficiary entity:

Name Betty Suge **Sign**  **Date** 31/07/2025

Appendix IV: Reporting of Climate Relevant Expenditures

Agricultural Finance Corporation

Tel 0733600039

Email Address: info@agrifinco.org

Name of CEO/MD/ George Kubai

Name and contact details of contact person (in case of any clarifications) Betty Suge

Project Name	Project Description	Project Objectives	Project Activities	Kenya Shillings ('000)				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Water Development	Better water conservation practices	Sufficient and reliable water supply	Sinking boreholes and other water storage facilities	8,397	8,397	8,397	8,397	AIA	None
Drought Mitigation	Drought tolerate crops	Ensure food and nutrition security and livelihood	Targets mandate crops i.e sorghum, millet, cowpeas etc	2,247	2,247	2,247	2,247	AIA	None
Irrigation	Artificial water application to the soil using various systems	Address over reliance on rain feed agriculture	Financing irrigation systems i.e pipping pumps etc	5,416	5,416	5,416	5,416	AIA	None

APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES (Continued)

Eco friendly Horticulture	Environmentally friendly Horticulture farming practices	Environmental safety	Practicing environmentally friendly farming practices	45,661	45,661	45,661	45,661	AIA	None
Green House Financing	Farming practices within shelter structures	Management of extreme weather conditions	Optimal temperature control, consistent air circulation and proper moisture delivery	-	-	-	-	Internally	None
Organic Farming	Use of ecological based pest control and biological fertilizers	Lower risks and sustainable farming practices	Crop rotation, animal manures, crop residues, green manures and the biological control of pests and diseases to maintain soil health and productivity	809	809	809	809	Internally	None

Appendix VI: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
-	-	-	-	-	-	-