AGRICULTURAL FINANCE CORPORATION

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2002

AGRICULTURAL FINANCE CORPORATION

REPORT AND ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE 2002

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AGRICULTURAL FINANCE CORPORATION

THE CHAIRMAN'S REPORT

ON

THE 2001/2002 ACCOUNTS

It is my pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June 2002.

During the year under review, the Corporation recorded a profit of Kshs.123.7 million compared to a loss of Kshs. 227.8 million the previous year. This is mainly attributed to the decrease in provision for doubtful debts amounting to Kshs. 620 million in the previous year by Kshs. 224 million to Kshs. 396 million during the year under review.

ECONOMIC PERFORMANCE

The economy recorded a slight growth of 1.1% in 2002 compared to 1.2% in 2001. This slow growth is mainly attributed to the effects of poor infrastructure, low domestic credit, low output and prices of major agricultural exports, and the uncertainties regarding general election. Reduced tariffs on raw materials and other intermediate inputs, electricity supply, stable macro-economic environment and moderate weather buoyed the economy.

The performance of the agricultural sector remained weak in 2002. After recording a modest 1.3% recovery in 2001, the sector's GDP growth declined to 0.7% during the period under review. The poor performance was attributed to mixed weather conditions, which led to a significant production decline of major agricultural commodities. In terms of output, the sector registered a decline in the production of maize, wheat, coffee, and tea. Agricultural commodity prices remained mixed. The prices of tea, seed cotton, maize, wheat and bacon declined while those of coffee, sisal, beef and milk increased marginally.

In 2002 the volume of manufacturing recorded a modest expansion of 1.2% up from 0.8% registered in 2001. This was attributed to factors such as the stable macro-economic environment, the reduction in import duty to a zero rate for the majority of industrial intermediate inputs as well as the government interventions in promoting export opportunities for manufacturing goods.

In the financial sector the government continued with the tight monetary policy that enhanced the stability of the shilling and exchange rate. In this respect the country achieved a decline in inflation from 5.8% in 2001 to 2% in 2002. Controlled domestic borrowing by government led to lowered Treasury bill rates that stood at 8.38% by end of period. The low TB rates benchmark further led to a drop in all interest rates indicating a trend towards a low interest regime. This scenario led to increased domestic credit as demand for loanable funds increased.

THE FUTURE

I note with appreciation the Government's efforts to rehabilitate the infrastructure and to bring down the commercial bank interest rates to levels that will make borrowing for investment in agriculture and other sectors desirable. This together with the emerging markets through AGOA, COMESA and EAC will contribute favourably to the turning around of our economy.

The government's approval of the sessional paper number (1) of 2002 on the financial restructuring of the Corporation was very commendable.

APPRECIATION

I would like to record my appreciation first, to those farmers who despite the hard economic times, have continued to service their loans, secondly, to the Government for its continued support to the Corporation and last but not least to the staff for their dedication to duty.

ROBERT J. KIGUNDA
CHAIRMAN.

AGRICULTURAL FINANCE CORPORATION

THE DIRECTORS' REPORT

ON

THE 2001/2002 ACCOUNTS

The Directors have the pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June 2002.

DIRECTORS

The Corporation was steered by the following Board members during the financial year ended 30th June 2002.

Mr. Lee Ngugi	-	Chairman
Mr. Gideon K. Toroitich	-	Managing Director
Mr. Stephanus Kruger	-	Member
Mr. Francis Tuiyot	-	Member
Mr. George Okoth	-	Member
Mr. Naftali Mogere	-	Member
Mr. Joseph Nakurro	-	Member
Permanent Secretary Ministry of Finance & Planning	-	Member
Permanent Secretary Ministry of Agriculture and Rural Development	-	Member

MANAGEMENT

The Managing Director, Mr. G. K. Toroitich, who was responsible to the Board, over saw the day-to-day management of the Corporation. The following Departmental heads assisted him: -

Mrs. Gladys N. Tarayia	-	Corporation Secretary
Mr. K.W.C. Tallam	-	Personnel and Administration Manager
Mrs. Mary Onyango	-	Financial Controller
Mrs. Ruth M. A. Otima	-	Technical Services Co-ordinator
Mr. David N. Riungu	-	Chief Planning Officer
Mr. Henry A.Shikokoti	-	Chief Internal Auditor

STAFF COMPLIMENT

The Corporation had a total staff compliment of 787 at the beginning and 552 at the end of the year. Out of these, 205 were deployed at the Head office, and 347 at the Branches.

BRANCH NETWORK

In a bid to contain operating costs, the Corporation reorganized its branch network by merging some branches. This reduced the total number of branches from 32 at the end of 2001 to 29 as at 30th June 2002.

OPERATIONS

Agricultural Finance Corporation is a Government owned statutory body established under the Agricultural Finance Corporation Act Cap 323 of the Laws of Kenya enacted in 1963, for the purpose of assisting the development of agriculture.

During the year, Kshs. 2.7 million was lent to farmers. This was a drastic decrease of 96% over the Kshs. 69.80 million lent in the previous year. The principal loan portfolio dropped by Kshs. 95 million from Kshs. 1,901 million in 2001 to Kshs. 1,806 million in 2002. However, this notwithstanding, the total loan portfolio increased by Kshs. 759 million from Kshs. 5,023 million in 2001 to Kshs. 5,781 million in 2002. The increase of 14% was mainly a reflection of poor loan servicing by the farmers, which led to an increase in interest arrears.

During the year Kshs. 226.7 million was collected as compared to Kshs. 263.0 million collected in the previous year, a drop of Kshs. 36.3 million or 13%.

RESULT

	2002 (Kshs.'000)	2001 (Kshs.'000)	Increase/(Decrease) (Kshs.'000)
Total Income	1,175,272	1,013,437	161,835
Total Expenses	998,475	1,241,267	(242,792)
Profit/(loss) before tax	176,797	(227,830)	404,627
Provision for Tax	53,039	-	53,039
Transfer to Reserves	123,758	(227,830)	351,588

EXPENSES

As a result of the cost control measures in place, operating expenses decreased modestly to Kshs. 391.1 million compared to Kshs. 417.1 million the previous year, a decrease of 6%.

Provisions for doubtful debts decreased to Kshs. 396 million in the year compared to Kshs. 620 million the previous year, a decrease by Kshs. 224 million or 36%.

AUDITORS

The Auditors of the Corporation remained the
Auditor General (Corporations),
P.O. Box 49384,
NAIROBI.

BANKERS

The Corporation's Bankers since inception are: -
National Bank of Kenya Limited,
Moi Avenue,
P.O. Box 72497,
NAIROBI.

For and on behalf of the Directors.

OMUREMBE IYADI
MANAGING DIRECTOR.

REPORT OF THE AUDITOR-GENERAL

ON THE ACCOUNTS OF

AGRICULTURAL FINANCE CORPORATION

FOR THE YEAR ENDED 30TH JUNE, 2002

REPORT OF CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 2002

I have examined the financial statements of the Agricultural Finance Corporation for the year ended 30 June, 2002 in accordance with Section 29 of Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the financial statements, which have been prepared under historical cost convention, as modified to include revaluation of certain assets are in agreement therewith and comply with the Agricultural Finance Corporation Act (Cap 323).

Except for the reservations set out below, the financial statements, when read together with the notes thereon, present fairly the financial state of affairs of the Corporation as at 30 June, 2002 and of its profits and cash flows for the year ended on that date.

1. FINANCIAL POSITION

During the year, ended 30 June, 2002 the Corporation realized a profit of Kshs. 123,758,000 compared to a loss of Kshs.227,830,000 in the previous year. However, in spite of the profit realized, the Balance Sheet still reflects negative working capital of Kshs. 628,036,000 and negative General Reserve balance of Kshs. 786,957,000. The Corporation was therefore technically insolvent and was unable to service its obligations as they fell due. Although the Government obtained approval by Parliament through sessional paper in August 2002 to restructure the Corporation in order to improve its poor financial position the restructuring has not been concluded since. The financial statements have, therefore, been drawn on a going concern basis on the assumption that the Corporation will continue to get support from creditors, lenders and the Government.

2. LOAN TO FARMERS

As pointed out in previous years' reports, recovering of the large and small scale loans from farmers has remained unsatisfactory. The outstanding balance of loans and accrued interest from farmers stood at Kshs. 5,780,961,000 as at 30 June, 2002 compared to Kshs. 5,023,261,000 the previous year. The very high provision for bad and doubtful debts of Kshs. 2,081,307,000 or 36% made in the Corporation's accounts is a clear indication that substantial portion of loans and interest may not be recovered and may have to be written off. Further, it was observed that although loans should be fully secured, the securities offered did not fully cover the loans issued.

3. PROFESSIONAL CONSULTANCY KSHS. 1,502,000

The Corporation appointed a firm of consultants to value the Corporation's buildings for insurance purposes at a cost of Kshs. 1,501,920.15. However, it was not clear how the consultants were identified for commissioning and further the Board's approval was not seen. Under the circumstances, therefore, the propriety of the expenditure incurred on the valuation of the buildings could not be confirmed.

4. IRREGULAR PAYMENT OF MEDICAL EXPENSES

The Corporation's medical expenses increased by Kshs. 7,004,000 from Kshs. 7,488,000 to Kshs. 14,492,000 or 94% as at 30 June, 2002. The sharp increase was mainly due to irregular payments totalling Kshs. 5,850,237 made to the former Managing Director to meet medical expenses incurred by a relative. The Corporation's attempt to have the ex-Managing Director refund the irregular payments have not been successful. Under the circumstances the propriety of Kshs. 5,850,237 incurred on medical expenses could not be confirmed.

E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

12 October, 2004

AGRICULTURAL FINANCE CORPORATION

BALANCE SHEET AS AT 30TH JUNE, 2002

ASSETS:	NOTES		2002 Kshs.'000		2001 Kshs.'000
CURRENT ASSETS:					
CASH & BANK BALANCES			4,847		(388)
SHORT TERM DEPOSITS			100,454		110,985
DEBTORS	3		79,946		71,519
CONSUMABLE STORES			2,004		2,475
LOANS TO FARMERS	4, 5 & 6	5,291,390		4,428,231	
PROV.FOR DOUBT. DEBTS	7	(2,078,238)	3,213,152	(1,726,142)	2,702,089
TOTAL CURRENT ASSETS:			3,400,403		2,886,680
LESS: CURRENT LIABILITIES					
TRADE CREDITORS	12(a)		2,397,743		2,185,778
OTHER CREDITORS	12(b)		44,336		35,265
PROVISION FOR TAX	13		72,763		19,724
DUE TO AGENCY	14		477,921		505,451
CEREALS & SUGAR LOAN			300,000		300,000
AFC SCC LOANS	15		358,000		358,000
REDEEMABLE LOANS	16		377,676		354,012
TOTAL CURRENT LIABILITIES			4,028,439		3,758,230
WORKING CAPITAL			(628,036)		(871,550)
LONG TERM ASSETS:					
LOANS TO FARMERS	4, 5 & 6		489,571		595,030
STAFF LOANS	9	119,223		135,160	
PROV. FOR DOUBT.DEBTS	10	(3,069)	116,154	(1,514)	133,646
REPOSSESSED PROPERTIES	8		61,750		36,608
FIXED ASSETS	11		901,911		938,606
TOTAL LONG TERM ASSETS			1,569,386		1,703,890
TOTAL ASSETS			941,350		832,340
LESS :REDEEMABLE LOANS	16		1,136,927		1,160,591
NETWORTH			(195,577)		(328,251)
FINANCED BY:					
IRREDEEMABLE LOANS	17		283,492		283,492
GRANTS	20		130,771		130,771
REVALUATION RESERVE		175,363		175,363	
GENERAL RESERVE	18	(786,987)		(919,526)	
REVOLVING FUND	19	1,784	(609,840)	1,649	(742,514)
			(195,577)		(328,251)

The accounts on pages 10 to 25 were approved by the Board of Directors on 15 /10 / 2002 and were signed on its behalf by:

LEE NGUGI
CHAIRMAN

G.K. TOROITICH
MANAGING DIRECTOR

AGRICULTURAL FINANCE CORPORATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2002

	NOTES	2002 Kshs'000	2001 Kshs'000
INCOME:			
INTEREST INCOME:			
LARGE SCALE	4	551,917	487,172
SMALL SCALE	5	130,079	111,832
SEASONAL CROP	6	368,305	296,761
OTHERS	21	17,094	31,818
TOTAL INTEREST INCOME		**1,067,395**	**927,583**
LESS:INTEREST EXPENSE:			
IRREDEEMABLE LOANS		8,218	8,218
REDEEMABLE LOANS		86,986	86,986
AFC SCC LOANS		50,120	50,120
REBATE INTEREST		4,985	3,945
ADB LOAN (PIGS)		8,100	8,459
CEREALS & SUGAR LOAN		46,500	46,500
BANK LOAN		6,122	0
		211,031	**204,228**
NET INTEREST INCOME		**856,364**	**723,355**
OTHER INCOMES:			
AGENCY COMMISSION		50,253	41,974
APP. LEGAL & INSP. FEES		2,089	3,986
PROFIT ON SALE OF ASSETS		7,844	3,567
RENT		45,511	32,401
SUNDRIES		2,180	3,926
		107,877	**85,854**
TOTAL OPERATING INCOME		**964,241**	**809,209**
OTHER EXPENSES:			
BOARD MEMBERS' ALLOWANCES		568	975
STAFF COSTS	22	218,984	245,165
ADMINISTRATION	23	133,024	130,906
DEPRECIATION	11	38,586	40,079
		391,162	**417,125**
		573,079	392,084
DOUBTFUL DEBTS	24	396,282	619,914
PROFIT/(LOSS)BEFORE TAXATION		176,797	(227,830)
TAXATION	13	53,039	0
PROFIT AFTER TAXATION	19	**123,758**	**(227,830)**
TO REVOLVING FUND.	19	(135)	(132)
TO GENERAL RESERVE	19	**123,623**	**(227,962)**

AGRICULTURAL FINANCE CORPORATION

CASH FLOW STATEMENT

FOR YEAR ENDED 30TH JUNE 2002

	2002 Kshs.'000	2001 Kshs.'000
CASH FLOW FROM OPERATING ACTIVITIES:		
PROFIT/(LOSS) BEFORE TAXATION	176,797	(227,830)
ADJUSTMENTS FOR:		
DEPRECIATION	38,586	40,079
PROFIT ON DISPOSAL OF FIXED ASSETS	(6,900)	(3,864)
PROFIT ON DISPOSAL OF F.P.I.P & B A T	(944)	297
PRIOR YEAR ITEM	8,916	0
WRITE-OFF OF LOANS TO FARMERS	0	0
ADDITIONS TO REPOSSESSED PROPERTIES	(25,142)	(13,870)
(INCREASE)/DECREASE IN LOANS TO FARMERS	(405,604)	(215,588)
(DECREASE)/INCREASE IN LOANS TO STAFF	17,492	14,321
INCREASE IN CONSUMABLE STORES	471	694
DECREASE/(INCREASE) IN DEBTORS	(8,427)	31,426
INCREASE IN CREDITORS & LP TRACTOR DEPS.	221,036	200,593
INCREASE IN DUE TO AGENCY	(27,530)	(9,952)
NET CASH FROM OPERATING ACTIVITIES	**(11,249)**	**(183,694)**
CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS	(1,827)	(15,190)
PROCEEDS FROM DISPOSAL OF FIXED ASSETS	6,900	3,864
PROCEEDS FROM DISPOSAL OF F.P.I.P. & B A T	944	(297)
ADJUSTMENT	(64)	0
NET CASH FLOW FROM INVESTING ACTIVITIES	**5,953**	**(11,623)**
CASH FLOW FROM FINANCING ACTIVITIES		
GRANTS REPAID/REDEEMABLE LOAN RECEIVED	0	0
NET CASHFLOW FROM FINANCING ACTIVITIES	0	0
NET INCREASE IN CASH & CASH EQUIVALENTS	(5,296)	(195,317)
CASH & CASH EQUIVALENTS 1 JULY 2001	110,597	305,914
CASH & CASH EQUIVALENTS 30 JUNE 2002	105,301	110,597

AGRICULTURAL FINANCE CORPORATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2002

1. ACCOUNTING POLICIES:

(a)Accounting convention

The accounts of the Corporation are prepared under the historical cost convention modified to include revaluation of certain assets.

(b)Depreciation

Fixed assets are depreciated over their estimated useful lives using the straight line method of depreciation. The following rates of depreciation have been used:

Freehold land	Nil
Leasehold premises and and improvements	Rates based on the unexpired lease term or 5o yrs whichever is less.
Motor vehicles	25%
Show stands	10%
Furniture	12.5%
Fittings	20%
Office equipment	20%

(c)Interest

Interest receivable and payable is calculated and included on the accrual basis.

(d)Provision for doubtful debts

Specific provision is made in respect ofloans whose recovery is considered doubtful.

2. SCOPE OF THE ACCOUNTS

The accounts cover the Corporation's operations in relation to all loan schemes with the exception of Seasonal crop credit schemes for the years 1980 to 1984 which were operated on agency basis on behalf of the Government.

However, the total cost of administration incurred by the Corporation including that in respect of the agency schemes has been included in these accounts.

3. DEBTORS

	2002 Kshs.'000	2001 Kshs.'000
Unallocated loan disbursements	22	12
Auction fees & advert. charges	43,095	35,133
Development house rent accrued	33,489	16,945
Other rent receivable	3,516	2,509
Prepaid expenses	870	9,102
Staff mortgage insurance	0	13
Employees other deductions	4,740	8,724
Retired Staff Pension	7,716	7,487
Other accounts receivable	7,222	1,143
Recoverable fees and charges	242	90
Agrarian Building Society	33,946	33,946
Funds at Trust Bank Ltd (under receivership)	107,217	111,328
Less:Accum.Prov. For D.Debts	(162,129)	(154,913)
BALANCE AT 30TH JUNE,2002	**79,946**	**71,519**

4. LARGE SCALE LOANS

	2002 Kshs.'000	2001 Kshs.'000
BALANCE AS AT 1STJULY, 2001		
Not Yet Due: Principal	713,197	825,470
Interest	61,528	66,454
Arrears: Principal	509,652	457,913
Interest	621,757	552,307
Interest on arrears	857,620	571,336
Rehabilitation	110	110
Excess of LC over ULF	0	0
	2,763,864	2,473,590
ADD: TRANSACTIONS DURING THE YEAR		
Advances	860	23,038
Interest earned	551,917	487,172
Repayments	(148,450)	(167,561)
Writeoff	(16,584)	(24,608)
Net Transfers	(50,294)	(27,767)
	337,449	290,274
BALANCE AS AT 30THJUNE,2002	3,101,313	2,763,864
ANALYSIS OF BALANCES AS AT 30THJUNE 2002		
Not Yet Due: Principal	595,761	713,197
Interest	52,243	61,528
Arrears: Principal	560,493	509,652
Interest	680,856	621,757
Interest on arrears	1,210,850	857,620
Rehabilitation	110	110
Excess of LC over ULF	0	0
BALANCE AS AT 30THJUNE,2002	3,100,313	2,763,864
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1stJuly,2001	932,317	659,710
Adjustment.	0	(60)
Charge/(Writeback) for the year	147,494	272,667
Bad debts	0	0
BALANCE AS AT 30THJUNE,2002	1,079,811	932,317
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1stJuly,2001	3,912	(3,918)
Opened/ (cancelled)during the year	(2,948)	30,868
Drawings	(860)	(23,038)
BALANCE AS AT 30THJUNE,2002	104	3,912

SMALL SCALE LOANS.

	2002 Kshs'000	2001 Kshs'000
BALANCE AS AT 1STJULY, 2001		
Not Yet Due: Principal	65,747	42,263
Interest	3,886	2,378
Arrears: Principal	155,460	165,734
Interest	41,235	42,249
Interest on arrears	363,958	279,204
ICA loans	213	213
North Tetu & Vihiga	917	917
Excess of LC over ULF	0	0
	631,416	**532,958**
ADD: TRANSACTIONS DURING THE YEAR		
Advances	1,814	46,736
Interest earned	130,079	111,832
Repayments	(49,929)	(60,110)
Transfers & Writeoff	(744)	0
	81,220	**98,458**
BALANCE AS AT 30TH JUNE, 2002	**712,636**	**631,416**
ANALYSIS OF BALANCES AS AT 30THJUNE 2002		
Not Yet Due: Principal	44,888	65,747
Interest	2,384	3,886
Arrears: Principal	155,408	155,460
Interest	43,453	41,235
Interest on arrears	465,373	363,958
ICA loans	213	213
North Tetu & Vihiga	917	917
Excess of LC over ULF	0	0
BALANCE AS AT 30TH JUNE,2002	**712,636**	**631,416**
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1stJuly,2001	200,769	145,562
(Writeback)/Charge for the year	67,031	55,222
Adjustment	0	(15)
Bad debts	0	0
BALANCE AS AT 30TH JUNE,2002	**267,800**	**200,769**
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1stJuly,2001	6,918	1,499
Opened/ (cancelled)during the year	(4,340)	52,155
Drawings	(1,814)	(46,736)
BALANCE AS AT 30TH JUNE,2002	**764**	**6,918**

6. SEASONAL CROP LOANS.

	2002 Kshs'000	2001 Kshs'000
Balance as at 1stJuly,2001		
Not Yet Due: Principal	(57)	(38)
Interest	(443)	(398)
Arrears:Principal	456,608	466,531
Interest	32,361	32,778
Interest on arrears	1,139,512	867,677
	1,627,981	1,366,550
ADD: TRANSACTIONS DURING THE YEAR		
Advances	0	0
Interest earned	368,305	296,761
Repayments	(28,275)	(35,330)
Transfers	0	0
	340,030	261,431
BALANCE AS AT 30THJUNE,2002	1,968,011	1,627,981
ANALYSIS OF BALANCES AS AT 30THJUNE 2002		
Not Yet Due: Principal	0	(57)
Interest	0	(443)
Arrears:Principal	449,313	456,608
Interest	32,064	32,361
Interest on arrears	1,486,634	1,139,512
BALANCE AS AT 30THJUNE,2002	1,968,011	1,627,981
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1stJuly,2001	593,055	486,295
Adjustment.	0	0
(Writeback)/Charge for the year	137,572	106,760
BALANCE AS AT 30THJUNE,2002	730,627	593,055
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1stJuly,2001	24	27,741
Opened During the year	20	(27,717)
Drawings	0	0
BALANCE AS AT 30THJUNE,2002	44	24

Note that the Loans to Farmers figure of Shs 3,213,152 under Current Assets includes an amount of Shs 205,705 ('000) being the instalments falling due within the next 12 months.

7. PROVISION FOR BAD AND DOUBTFUL DEBTS:

The provision for bad and doubtful loans to farmers is arrived at by identifying specific bad and doubtful debts on various classes of loans.

The provision is as follows:

LOANS:	2002 Kshs'000	2001 Kshs'000
LARGE SCALE LOANS	1,079,811	932,317
SMALL SCALE LOANS	267,800	200,769
SEASONAL CROP LOANS	730,627	593,055
	2,078,238	1,726,141

8. REPOSSESSED FARM PROPERTIES:

These are revalued at the total of the principal and interest due at the date of foreclosure less subsequent recoveries.The amount outstanding as at 30thJune,2002 was Kshs 123,499,422.73 However, the Corporation has been unable to realise these properties and is of the opinion that if a forced sale could be effected, material losses would arise. In view of this, a 50% provision has been made against these balances leaving a net figure of Kshs 61,749,711.36 The Corporation is of the opinion that the provision is sufficient to cover any possible losses that may arise when such properties are eventually sold.

9. LOANS TO STAFF

	HOUSE LOANS Kshs'000	CAR LOANS Kshs'000	PERSONAL ADVANCES Kshs'000	TOTALS Kshs'000
BAL.AS AT 01.07.01				
Principal	118,284	4,403	(251)	122,436
Interest	9,658	1,908	1,158	12,724
	127,942	**6,311**	**907**	**135,160**
TRANSACTIONS IN THE YEAR:				
Advances	-	1,578	375	1,953
Interest earned	7,559	605	273	8,437
Repayments	(27,974)	(1,708)	(4,681)	(34,363)
Adjustment	2,755	28	5,253	8,036
	(17,660)	**503**	**1,220**	**(15,937)**
Balance as at 30.06.2002	**110,282**	**6,814**	**2,127**	**119,223**
ANALYSIS OF BALANCES				
Principal	106,116	4,720	650	111,486
Interest	4,166	2,094	1,477	7,737
Balance as at 30.06.2002	**110,282**	**6,814**	**2,127**	**119,223**

PROVISION FOR DOUBTFUL DEBTS -STAFF LOANS:

This relates to specific amounts owed by ex-staff whose recovery is deemed doubtful.

The balance in the accounts is arrived at as shown below:

	Kshs. '000	Kshs. '000
Balance as at 01.07.01	1,514	0
Charge for the year:		
House loans	0	0
Car loans	632	634
Personal advances	923	880
Balance as at 30.06.02	**3,069**	**1,514**

11. FIXED ASSETS:

	LAND Kshs'000	BUILDINGS Kshs'000	BUILDINGS IN PROGRESS shs'000	MOTOR VEHICLES Kshs'000	FURNITURE & EQUIPMENT Kshs'000	TOTALS Kshs.'000
COSTS:						
BAL. 01.07.01	8,683	1,026,265	0	61,033	195,900	1,291,881
ADDITIONS	667	256	0	0	904	1,827
REVALUATION	0	0	0	0	0	0
DISPOSALS	0	0	0	(14,973)	0	(14,973)
TRANSFERS	0	0	0	0	0	0
BAL. 30.06.2002	9,350	1,026,521	0	46,060	196,804	1,278,735
DEPRECIATION:						
BAL. 01.07.01	0	140,480	0	61,033	151,762	353,275
ADJUSTMENT		0		0	0	0
CHARGE FOR YR.	0	20,924	0	0	17,598	38,522
DISPOSALS	0	0	0	(14,973)	0	(14,973)
BAL. 30.06.2002	0	161,404	0	46,060	169,360	376,824
NET BOOK VAL.						
BAL. 30.06.2002	9,350	865,117	0	0	27,444	901,911
BAL. 30.06.2001	8,683	885,785	0	0	44,138	938,606

The applicable rates of depreciation are as set out below:

Office and Residential Buildings	2.0%
Show stands	10.0%
Office Furniture	12.5%
Office Fittings	20.0%
Office Equipment	20.0%
Motor Vehicles	25.0%

Our fleet of motor vehicles which cost Kshs.46,060,339.35 is fully depreciated but in use in our operations. However when a vehicle proves uneconomical to operate we board it and arrange for its disposal.

12(a). TRADE CREDITORS

	2002 Kshs'000	2001 Kshs'000
Borrowers' Credit Balances	59,351	47,016
Unprocessed Loan Receipts	44	285
Interest accrued on loan funds	1,500,358	1,350,555
Interest accrued on scc loans	827,674	777,554
Due to Marketing Bodies	9,165	9,142
Loan drafts outstanding	1,151	1,226
BALANCE AT 30THJUNE,2002	2,397,743	2,185,778

12(b). OTHER CREDITORS

Sundry creditors payroll	0	0
Sundry creditors general	18,620	20,149
Insurance receipts	3,017	4,399
Stale cheques	653	67
External audit fee accrued	2,125	3,020
Gratuity	19,921	7,630
BALANCE AT 30THJUNE,2002	44,336	35,265

13. TAXATION:

	Kshs'000	Kshs'000
Balance as at 1stJuly,2001	19,724	19,724
Tax charge for year	53,039	0
BALANCE AT 30THJUNE,2002	72,763	19,724

14. DUE TO AGENCY:

The balance due to the agency as at 30thJune,2002 is as follows:

Due to Agency	830,187	807,534
Commission Receivable	(352,266)	(302,083)
Net balance	477,921	505,451

Agency commission receivable from operating seasonal crop credit schemes 22,23 and 24 loan schemes has been included in the income for the year in the sum of Kshs 50,253,000.00.

15. LOANS FOR SEASONAL CROP CREDIT:

Balance as at 1st July,2001	358,000	358,000
Balance as at 30th June,2002	358,000	358,000

16. REDEEMABLE LOANS:

a) The redeemable loans outstanding as at 30th June,2002 were as follows:

	2002 Kshs'000	2001 Kshs'000
LAND PURCHASE AND DEVELOPMENT	159,108	159,108
AFC SMALL SCALE	16,236	16,236
KFW SMALL SCALE	11,225	11,225
IDA 105	13,974	13,974
IDA 344	47,183	47,183
IDA 129 KE LIVESTOCK	31,836	31,836
IDA 477 KE LIVESTOCK	110,932	110,932
IDA 537 KE G.F.R.	62,234	62,234
IDA 1143 KE	15,873	15,873
IBRD 1995 KE	496,633	496,633
AFC CREDIT 4	413,920	413,920
PINEAPPLE LOANS	449	449
A D B (PIGS)	135,000	135,000
	1,514,603	1,514,603

b) They are further classified as follows:

	2002 Kshs'000	2001 Kshs'000
Amounts Due but unpaid	365,844	354,012
Amounts due within 12months	11,832	11,832
Current portion	377,676	365,844
Amounts due after 12months	1,136,927	1,148,759
Total Redeemable loans	1,514,603	1,514,603

17. IRREDEEMABLE INTEREST BEARING LOANS:

	2002 Kshs'000	2001 Kshs'000
Land purchase and Development	80,100	80,100
IDA 692 KE	203,392	203,392
	283,492	**283,492**

18. GENERAL RESERVE

	2002 Kshs'000	2001 Kshs'000
Balance as at 1st July,2001	(919,526)	(691,564)
Adjustment	8,916	0
Profit/(Loss) after taxation for the year	123,758	(227,830)
	(786,852)	**(919,394)**
Transfer to revolving fund	(135)	(132)
Rounding off adjustment	0	0
Balance as at 30th June, 2002	**(786,987)**	**(919,526)**

19. REVOLVING FUND

	2002 Kshs'000	2001 Kshs'000
Balance as at 1st July,2001	1,649	1,517
Transfer from General reserve	135	132
Balance as at 30th June, 2002	**1,784**	**1,649**

The transfer to the revolving fund represents 2% on interest earned on scheme 06 as per section 2.08 of the agreement between the Government of Kenya and the Corporation.

20.GRANTS

DETAILS	2002 Kshs'000	2001 Kshs'000
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
M.O A. (HORTICULT & TRAD.FOOD DEV.PRO.)	0	0
	130,771	130,771

21.OTHER INTEREST INCOME

	2002 Kshs'000	2001 Kshs'000
Short Term Deposits	8,506	13,877
Staff Loans	8,455	8,219
Bank Balances	133	192
Trust Bank A/C.	0	9,530
Bad Debts	0	0
	17,094	31,818

22. STAFF COSTS:

	2002 Kshs'000	2001 Kshs'000
Salaries	127,856	164,451
House Allowance	21,607	27,156
Transport Allowance	0	0
Hardship allowance	189	271
Outpatient medical expenses	14,492	7,488
Inpatient medical expenses	1,202	883
Pension and Insurance	23,023	27,978
Leave Allowance	1,629	1,985
Gratuity	25,513	12,190
Training expenses	724	482
Other emoluments	2,723	2,234
Uniforms	0	7
Mileage claims	26	40
	218,984	245,165

23. ADMINISTRATION EXPENSES:

	2002 Kshs'000	2001 Kshs'000
Conferences	0	0
Travel & Hotel expenses	5,482	4,870
General office exp. & security	13,682	11,382
Audit fees & Expenses	1,005	1,670
Legal fees	13,536	956
Telephone & telex	2,891	2,974
Office rentals	10,686	12,113
Water	312	346
Electricity & Gas	2,103	2,126
Publicity	2,172	2,357
Stamps & postages	2,101	2,595
Printing & stationery	4,458	4,149
EDP stationery & operation expenses	2,610	2,866
Donations	0	0
Subscriptions & periodicals	983	623
Maintenance of Buildings	3,210	476
Maintenance of Furniture & equipment	2,032	1,882
Maintenance of other assets	381	232
Vehicle fuel & oil	7,361	7,212
Vehicle maintenance expenses	17,403	10,822
Professional consultants	1,502	1,470
Bank charges	3,131	3,181
Taxes & Licences	918	930
Misappropriation	0	25
Land rent & rates	906	1,262
Insurance of corporation assets	6,050	4,844
Service charge	0	7
Welfare	808	301
Dev. House & Langata Expenses	26,817	48,440
Other Miscellaneous expenses	484	795
	133,024	130,906

24.INCREASE/(DECREASE) IN PROVISION FOR DOUBTFUL DEBTS:

		2002 Kshs'000	2001 Kshs'000
Large scale loans:			
Scheme	1	19,163	18,418
	2	50,325	130,070
	3 & 7	255	255
	5	32,322	10,505
	31	62,505	113,419
	45	0	0
	98..99	0	0
		164,570	**272,667**
Small scale loans:			
	4	2	(37)
	6	3,363	5,831
	8	64,005	37,434
	9	7	309
	10.. 12	391	1,158
	30	4,130	10,526
	99	0	0
		71,898	**55,221**
Seasonal crop loans:			
	26	26,960	29,170
	27	50,755	40,518
	29	12,006	9,130
	32	5,832	2,870
	33	4,488	2,063
	34	2,582	1,098
	35..41	30,332	21,912
		132,955	**106,761**
		369,423	**434,649**
REPOSSESSED FARM PROPERTIES		25,142	13,869
LOAN WRITEOFFS		161	24,608
		25,303	**38,477**
NET LOANS TO FARMERS		394,726	**473,126**
SUNDRY DEBTORS:			
AGRARIAN BUILDING SOCIETY		0	33,946
TRUST BANK LIMITED		0	111,328
EX-STAFF LOANS		1,556	1,514
		1,556	**146,788**
		396,282	**619,914**

NOTE 25. CONTINGENT LIABILITIES:

There are no contingent liabilities.