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# AGRICULTURAL FINANCE CORPORATION

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## Annual Report and Accounts For The Year Ended 30th June, 1998

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# AGRICULTURAL FINANCE CORPORATION

# THE CHAIRMAN'S REPORT

# ON

# THE 1997/1998 ACCOUNTS

It gives me great pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1998.

Like the preceding year, the Corporation recorded another loss in its operations. The loss of KShs.199.97 million recorded during the year is attributed mainly to three causes. These are the retention of loans to the Corporation in the Government books on which interest is charged while the corresponding loans to farmers were written off, the non-charging of interest on interest due but not paid, and the increase in the provision for doubtful loans.

## ECONOMIC PERFORMANCE

The year under review was characterised by a continued slowdown in economic activities and stagnation in investments. For the third consecutive year the economy slowed down further recording a growth of only 1.8% compared to 2.3% in 1997.

The continued fall in the rate of economic growth is the result of several factors chief among them being the dilapidated and unreliable infrastructure, especially road network, power supply and telecommunications, declining tourism activities and the high interest rates that continued to prevail for the most part of the year.

The economy was further constrained by the failure of the Government to secure renewed funding facilities from the donors leading to lack of investment funds and investor confidence.

Overall growth in the Agricultural Sector improved marginally from 1.0% in 1997 to 1.5% in 1998. This was a positive fall out from the El Nino phenomenon which boosted significantly the production of sugar cane, tea, maize and wheat. In addition all the crops, except maize and wheat, recorded significant upward price adjustments.

However, some sub-sectors of Agriculture such as coffee, horticulture, pyrethrum and sisal registered declines in production.

## CORPORATE PERFORMANCE

During the year, the Corporation's income decreased by Kshs.52.2 million or 9.2% from Kshs.568.2 in 1997 to Kshs.516.0 million in 1998 mainly due to the reduction of the principal loan portfolio whereas the expenses rose by Kshs.62.6 million or 9.6% from Kshs.653.4 million in 1997 to Kshs.716.0 million in 1998. The assets decreased by Kshs.92 million, from Kshs.4,811 million in 1997 to Kshs.4,719 million in 1998 due to the Corporation's reduced investment activity.

The decline is mainly attributable to the poor economic climate that has prevailed for some time now.

## THE FUTURE

I note with appreciation the Government's efforts to rehabilitate the dilapidated infrastructure and to bring down the commercial bank interest rates to levels that will make borrowing for investment in agriculture and other sectors desirable.

The economic reforms being carried out should be sustained by the Government and it is my hope that the Corporation's restructuring plan will be completed soon to make it a more viable agricultural sector financial intermediary.

## APPRECIATION

I would like to record my appreciation to the farmers who despite the hard times, have continued to timely service their loans, the Government for continued support and the staff for their dedication to duty.

Finally, I acknowledge the enabling environment that has prevailed in the country due to the able, wise and dedicated leadership of His Excellency President, Daniel Toroitich Arap Moi and his Government.

LEE NGUGI,
CHAIRMAN.

# AGRICULTURAL FINANCE CORPORATION

## THE DIRECTORS' REPORT

## ON

## THE 1997/1998 ACCOUNTS

The Directors have the pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1998.

**THE DIRECTORS:**

The Corporation was steered by the following Board Members during the year ended 30th June, 1998:-

| | | |
|---|---|---|
| Mr. Leo P. Odero | - | Chairman |
| Mr. Gideon K. Toroitich | - | Managing Director |
| Mr. Daniel M. Ndonye | - | Member |
| Mr. Ephainito Wanyama | - | Member |
| Mr. Evans M. Ngava | - | Member |
| Mr. Aden Odowa | - | Member |
| Mr. Ayub Siele | - | Member |
| The Permanent Secretary, Ministry of Finance | - | Member |
| The Permanent Secretary, Ministry of Agriculture Livestock Development and Marketing | - | Member |

**MANAGEMENT:**

The day-to-day management of the Corporation was in the hands of the Managing Director Mr. G.K. Toroitich who is responsible to the Board. He was assisted by the following Chief Officers:-

| | | |
|---|---|---|
| Miss Jean W. Gacheche | - | Corporation Secretary |

| | | |
|---|---|---|
| Mr. Jared H. Othieno | - | Personnel and Administration Manager |
| Mr. Francis S. Wanyama | - | Financial Controller |
| Mr. Mathew K. Wanyama | - | Assistant General Manager |
| Mrs. Ruth M.A. Otima | - | Technical Services Manager |
| Mr. Ben S. Mbatia | - | Assistant General Manager |
| Mr. Daniel N. Riungu | - | Chief Planning Officer |
| Mr. John M. Kimonge | - | Chief Internal Auditor |

## STAFF:

The Corporation had a total staff compliment of 1101 at the beginning of the year and 1087 at the end. Out of these, 346 were at Head Office, 430 in Western Region and 311 in Eastern Region. Staff Sports activities continued being promoted for physical as well as mental wellbeing. The Netball, Choir and Football Clubs were in action throughout the year.

The development work on the training and Sports Complex at Langata continued during the year.

## BRANCHES:

The corporate network of 49 branches which covers all provinces and most districts was maintained to serve the farming community. More than 50% of the branches operate in our own buildings.

## ACTIVITIES:

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.172.98 Million was lent to farmers which is a decline of 31% from the Kshs.249 Million lent the previous year. Due to the reduced lending activities, the Principal Loan Portfolio fell by Kshs.55 Million from Kshs2,253 Million in 1997 to Kshs.2,198 Million in 1998.

This decline notwithstanding, the total loan portfolio increased by Kshs.149 Million from Kshs.3,561 Million in 1997 to Kshs.3,710 Million in 1998. This increase of 4.2% is attributable mainly to poor loan repayments by the farmers. During the year Kshs.425.3 Million was collected compared to Kshs.708.7 Million collected in 1997.

## RESULTS:

| | 1998 Kshs. '000' | 1997 Kshs. '000' |
|---|---|---|
| Total Income | 515,955 | 568,211 |
| Total Expenses | 715,929 | 653,426 |
| Loss before tax | (199,974) | (85,215) |
| Tax | - | - |
| Transfer to Reserves | (199,974) | (85,215) |

## AUDITORS:

The Auditors of the Corporation remained the Auditor General (Corporations).

## BANKERS:

The Corporation's Bankers are National Bank of Kenya Ltd, Moi Avenue Nairobi.

For and on behalf of the Directors,

G.K. TOROITICH, M.B.S., E.B.S.
MANAGING DIRECTOR.

# REPORT OF THE AUDITOR-GENERAL

# (CORPORATIONS)

# ON THE ACCOUNTS OF

# AGRICULTURAL FINANCE CORPORATION

# FOR THE YEAR ENDED 30TH JUNE, 1998

## REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 1998

I have examined the Accounts of the Agricultural Finance Corporation for the year ended 30 June 1998 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention are in agreement therewith and comply with the Agricultural Finance Corporation Act (Cap 323).

In my opinion, and subject to the reservations set out herebelow, the Accounts, when read together with the Notes thereon, give a true and fair view of the Corporation's financial state of affairs as at 30 June 1998 and of its loss and cash flow for the year ended on that date.

### 1. OPERATING PERFORMANCE

During the year under review the Corporation incurred a loss of Kshs.199,974,000 which brought its accumulated losses to Kshs.336,167,000 as at 30 June 1998. The Accounts for 1997/98 also reflect Creditors accounts totalling Kshs.1,733,431,000 as well as substantial loans owing from the Corporation but not being serviced. Although there is evidence of intention to restructure the Corporation in order to turn its financial performance round, the Corporation is, however, presently insolvent technically and its continued operation as a going concern will depend on the support of Government, creditors and lenders.

### 2. LOAN ARREARS

The Corporation did not recover large and small scale loans together with accrued interest thereof totalling Kshs.2,644,127,663 as at 30 June 1998. These outstanding arrears of Kshs.2,644,127,663 include loans plus interest totalling Kshs.1,427,168,000 which have remained outstanding for over ten years, an indication that the loans may eventually become non-recoverable.

### 3. DEBTORS

The Balance Sheet Debtors figure of Kshs.77,195,000 as at 30 June 1998 includes debit balances totalling Kshs.3,999,000 whose detailed analyses were not seen. Without the analyses, it was not possible to confirm the nature of such debit balances or even to ascertain how the amount affected the overall Balance Sheet Debtors position of Kshs.77,195,000 as at 30 June 1998. The Debtors balance also includes rent receivable totalling Kshs.11,840,000 most of which has remained uncollected for a long time. As previously indicated, the rent represents the Corporation's share of income, net of expenses incurred by the Agent and other maintenance costs, of rent receivable on a building property owned jointly with another Corporation. Details of the rent charged and the total expense incurred by the Agent were also not availed for audit review. Arising from the foregoing, it is not, therefore, possible to confirm the correctness of the above rent income of Kshs.11,840,000 reflected in the Accounts of the Corporation for the year 1997/98.

**S.M. MALUKI**
**AUDITOR GENERAL (CORPORATIONS)**

20 December 2000

## AGRICULTURAL FINANCE CORPORATION
## BALANCE SHEET AS AT 30TH JUNE,1998

| ASSETS: | NOTES | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|---|
| CASH & BANK BALANCES | | 11,697 | 28,193 |
| SHORT TERM DEPOSITS | | 266,264 | 569,502 |
| DEBTORS | 3 | 77,195 | 83,213 |
| CONSUMABLE STORES | | 2,616 | 2,917 |
| | | 357,772 | 683,825 |
| LOANS TO FARMERS: | | | |
| LARGE SCALE | 4 | 2,138,181 | 2,045,127 |
| SMALL SCALE | 5 | 505,947 | 550,487 |
| SEASONAL CROP | 6 | 1,066,193 | 965,052 |
| | | 3,710,321 | 3,560,666 |
| PROV.FOR DOUBTFUL DEBTS | 7 | (529,203) | (468,378) |
| | | 3,181,118 | 3,092,288 |
| REPOSSESSED PROPERTIES | 8 | 8,487 | 7,236 |
| STAFF LOANS | 9 | 146,310 | 100,556 |
| B.A.T. LOANS | 10 | 6,110 | 6,184 |
| FIXED ASSETS | 11 | 1,018,809 | 920,871 |
| | | 4,360,834 | 4,127,135 |
| | | 4,718,606 | 4,810,960 |
| LIABILITIES AND CAPITAL: | | | |
| CREDITORS & ACCD. CHARGES | 12 | 1,733,431 | 1,615,146 |
| PROVISION FOR TAX | 13 | 147,727 | 199,476 |
| DUE TO AGENCY | 14 | 487,644 | 471,560 |
| LAND, TRACTOR BORR. DEPS. | | 2,415 | 2,415 |
| BANK LOAN | 15 | 0 | 0 |
| CEREALS & SUGAR LOAN | | 300,000 | 300,000 |
| AFC SCC LOANS | 16 | 358,000 | 358,000 |
| REDEEMABLE LOANS | 17 | 1,434,603 | 1,409,603 |
| IRREDEEMABLE LOANS | 18 | 283,492 | 283,492 |
| | | 4,747,312 | 4,639,692 |
| REVALUATION RESERVE | | 175,363 | 175,363 |
| GENERAL RESERVE | 19 | (336,167) | (136,163) |
| REVOLVING FUND | 20 | 1,327 | 1,297 |
| GRANTS | 21 | 130,771 | 130,771 |
| | | 4,718,606 | 4,810,960 |

The accounts on pages 10 to 26 were approved by the Board of Directors on 5th November, 1998 and were signed on its behalf by

L.P.ODERO
CHAIRMAN

G.K. TOROITICH
MANAGING DIRECTOR

## AGRICULTURAL FINANCE CORPORATION
## PROFIT AND LOSS ACCOUNT FOR THE YEAR-ENDED 30TH JUNE,1998

| | NOTES | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|---|
| **INCOME:** | | | |
| **INTEREST INCOME:** | | | |
| LARGE SCALE | 4 | 242,657 | 237,696 |
| SMALL SCALE | 5 | 59,046 | 72,296 |
| SEASONAL CROP | 6 | 100,307 | 112,123 |
| OTHERS | 22 | 90,150 | 109,892 |
| | | 492,160 | 532,007 |
| **OTHER INCOME** | | | |
| AGENCY COMMISSION | | 8,843 | 9,226 |
| APP. LEGAL & INSP. FEES | | 4,247 | 5,762 |
| PROFIT ON SALE OF ASSETS | | (794) | (1,047) |
| RENT | | 8,891 | 15,962 |
| SUNDRIES | | 2,608 | 6,301 |
| | | 23,795 | 36,204 |
| **TOTAL INCOME** | | 515,955 | 568,211 |
| **EXPENSES:** | | | |
| **INTEREST EXPENSES ON:** | | | |
| IRREDEEMABLE LOANS | | 8,218 | 8,217 |
| REDEEMABLE LOANS | | 86,986 | 86,986 |
| AFC SCC LOANS | | 50,120 | 50,120 |
| REBATE INTEREST | | 5,820 | 6,303 |
| ADB (PIGS) LOAN | | 3,271 | 518 |
| CEREALS & SUGAR LOAN | | 46,500 | 46,500 |
| | | 200,915 | 198,644 |
| **OTHER EXPENSES:** | | | |
| BOARD MEMBERS' ALLOWANCES | | 555 | 880 |
| STAFF COSTS | 23 | 290,659 | 220,470 |
| ADMINISTRATION | 24 | 122,115 | 179,676 |
| DOUBTFUL DEBTS | 25 | 62,179 | 23,274 |
| DEPRECIATION | 11 | 39,506 | 30,482 |
| | | 515,014 | 454,782 |
| **TOTAL EXPENSES** | | 715,929 | 653,426 |
| (LOSS)/PROFIT BEFORE TAX | | (199,974) | (85,215) |
| TAXATION | 13 | 0 | 0 |
| TRANSFER TO GEN. RESERVE | 19 | (199,974) | (85,215) |

## AGRICULTURAL FINANCE CORPORATION
## CASH FLOW STATEMENT
## YEAR ENDED 30TH JUNE, 1998

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| (Loss) Before Taxation | **(199,974)** | (85,215) |
| **Adjustments for:** | | |
| Depreciation | **39,506** | 30,482 |
| Profit On Disposal Of Fixed Assets | **(300)** | (3,203) |
| Write-off of Repossessed Properties | **1,094** | 4,250 |
| Additions to Repossessed Properties | **(2,502)** | (3,232) |
| Decrease in Loans to Farmers | **(88,794)** | 90,161 |
| Increase in Loans to Staff | **(45,754)** | (16,801) |
| Increase in Consumable Stores | **301** | (790) |
| Increase in Debtors | **6,018** | (7,023) |
| Increase in Creditors | **118,285** | 94,066 |
| Increase in Due to Agency | **16,084** | 23,978 |
| | **(156,036)** | 126,673 |
| Taxation Paid | **(51,750)** | (5,391) |
| Net Cash From Operating Activities | **(207,786)** | 121,282 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets | **(137,445)** | (97,992) |
| Proceeds from Disposal of Fixed Assets | **308** | 2,249 |
| Proceeds from Disposal of Repossessed Properties | **189** | 633 |
| Net Cash Flow from Investing Activities | **(136,948)** | (95,110) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Redeemable Loan Received | **25,000** | 30,000 |
| Net Cash Flow from Financing Activities | **25,000** | 30,000 |
| Net Increase in Cash and Cash Equivalents | **(319,734)** | 56,172 |
| Cash and Cash Equivalents as at 01.07.97 | **597,695** | 541,523 |
| Cash and Cash Equivalents as at 30.06.98 | **277,961** | 597,695 |

AGRICULTURAL FINANCE CORPORATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30THJUNE,1998

## 1. BASIS OF ACCOUNTING

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

## 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 | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Unallocated loan disbursements | 91 | 3,787 |
| Auction fees & advert. charges | 25,967 | 23,878 |
| Development house rent accrued | 11,640 | 10,855 |
| Other rent receivable | 582 | 2,893 |
| Prepaid expenses | 976 | 1,082 |
| Other accounts receivable | 3,999 | 4,959 |
| Recoverable fees and charges | (6) | 128 |
| Agrarian Building Society | 33,946 | 35,631 |
| BALANCE AT 30TH JUNE, 1998 | 77,195 | 83,213 |

## 4. LARGE SCALE LOANS.

| | | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|---|
| **BALANCE AS AT 1STJULY, 1997** | | | |
| Not Yet Due: | Principal | **1,116,084** | 1,099,979 |
| | Interest | **85,289** | 76,829 |
| Arrears: | Principal | **316,825** | 274,351 |
| | Interest | **352,005** | 311,719 |
| | Interest on arrears | **174,924** | 143,844 |
| | | **2,045,127** | 1,906,722 |
| ADD: TRANSACTIONS DURING THE YEAR | | | |
| | Advances | **78,406** | 208,219 |
| | Interest earned | **242,657** | 237,696 |
| | Repayments | **(228,009)** | (290,803) |
| | Transfers | **0** | (16,707) |
| | | **93,054** | 138,405 |
| **BALANCE AS AT 30THJUNE,1998** | | **2,138,181** | 2,045,127 |

ANALYSIS OF BALANCES AS AT 30THJUNE 1998

| | | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|---|
| Not Yet Due: | Principal | **1,048,173** | 1,116,084 |
| | Interest | **89,369** | 85,289 |
| Arrears: | Principal | **358,636** | 316,825 |
| | Interest | **415,344** | 352,005 |
| | Interest on arrears | **226,544** | 174,924 |
| | Rehabilitation | **111** | 0 |
| | Excess of LC over ULF | **4** | 0 |
| **BALANCE AS AT 30THJUNE,1998** | | **2,138,181** | 2,045,127 |

PROVISION FOR DOUBTFUL DEBTS:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Balance as at 1stJuly,1997 | **329,980** | 318,777 |
| Charge/(Writeback) for the year | **(2,758)** | 11,204 |
| Bad debts | **31,536** | 0 |
| **BALANCE AS AT 30THJUNE,1998** | **358,758** | 329,981 |

LOANS OPENED BUT NOT DISBURSED

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Balance as at 1stJuly,1997 | **22,704** | 0 |
| Opened during the year | **71,933** | 230,923 |
| Drawings | **(78,406)** | (208,219) |
| **BALANCE AS AT 30THJUNE,1998** | **16,231** | 22,704 |

## 5.SMALL SCALE LOANS.

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| **BALANCE AS AT 1STJULY, 1997** | | |
| Not Yet Due: Principal | **138,167** | 257,832 |
| Interest | **12,664** | 27,484 |
| Arrears: Principal | **197,653** | 181,281 |
| Interest | **48,895** | 45,936 |
| Interest on arrears | **153,108** | 135,738 |
| | **550,487** | 648,271 |
| ADD: TRANSACTIONS DURING THE YEAR | | |
| Advances | **32,450** | 21,246 |
| Interest earned | **59,046** | 72,296 |
| Repayments | **(136,036)** | (186,786) |
| Transfers & Writeoff | **0** | (4,540) |
| | **(44,540)** | (97,784) |
| **BALANCE AS AT 30TH JUNE, 1998** | **505,947** | 550,487 |

**ANALYSIS OF BALANCES AS AT 30THJUNE 1998**

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Not Yet Due: Principal | **72,722** | 138,167 |
| Interest | **5,445** | 12,664 |
| Arrears: Principal | **204,170** | 197,653 |
| Interest | **48,552** | 48,895 |
| Interest on arrears | **173,922** | 153,108 |
| ICA,N.Tetu,Vihiga,excess lc over ulf | **1,136** | 0 |
| **BALANCE AS AT 30THJUNE,1998** | **505,947** | 550,487 |
| PROVISION FOR DOUBTFUL DEBTS: | | |
| Balance as at 1stJuly,1997 | **48,512** | 44,558 |
| (Writeback)/Charge for the year | **18,635** | 3,992 |
| Adjustment | **2,138** | 0 |
| Bad debts | **0** | (38) |
| **BALANCE AS AT 30THJUNE,1998** | **69,285** | 48,512 |
| LOANS OPENED BUT NOT DISBURSED | | |
| Balance as at 1stJuly,1997 | **(114)** | 0 |
| Opened During the year | **34,322** | 21,132 |
| Drawings | **(32,450)** | (21,246) |
| **BALANCE AS AT 30THJUNE,1998** | **1,758** | (114) |

## 6. SEASONAL CROP LOANS.

| | 1998<br>Kshs '000 | 1997<br>Kshs '000 |
|---|---|---|
| **BALANCE AS AT 1ST. JULY 1997** | | |
| Not Yet Due: Principal | **18** | 94,826 |
| Interest | **(435)** | 1,220 |
| Arrears: Principal | **484,351** | 544,013 |
| Interest | **30,860** | 33,711 |
| Interest on arrears | **450,258** | 397,965 |
| | **965,052** | 1,071,735 |
| ADD: TRANSACTIONS DURING THE YEAR | | |
| Advances | **62,119** | 20,173 |
| Interest earned | **100,307** | 112,123 |
| Repayments | **(61,285)** | (231,095) |
| Transfers | **0** | (7,884) |
| | **101,141** | (106,683) |
| **BALANCE AS AT 30TH JUNE, 1998** | **1,066,193** | 965,052 |

ANALYSIS OF BALANCES AS AT 30TH JUNE, 1998

| | 1998 | 1997 |
|---|---|---|
| Not Yet Due: Principal | **408** | 18 |
| Interest | **(426)** | (435) |
| Arrears: Principal | **514,132** | 484,351 |
| Interest | **34,915** | 30,860 |
| Interest on arrears | **517,164** | 450,258 |
| **BALANCE AS AT 30THJUNE,1998** | **1,066,193** | 965,052 |
| PROVISION FOR DOUBTFUL DEBTS: | | |
| Balance as at 1stJuly,1997 | **90,444** | 80,971 |
| Adjustment | **61** | 0 |
| (Writeback)/Charge for the year | **10,654** | 9,473 |
| **BALANCE AS AT 30THJUNE,1998** | **101,159** | 90,444 |
| LOANS OPENED BUT NOT DISBURSED | | |
| Balance as at 1stJuly,1997 | **264** | 0 |
| Opened During the year | **91,544** | 20,437 |
| Drawings | **(62,119)** | (20,173) |
| **BALANCE AS AT 30THJUNE,1998** | **29,689** | 264 |

## 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:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| LARGE SCALE LOANS | **358,758** | 327,223 |
| SMALL SCALE LOANS | **69,285** | 50,650 |
| SEASONAL CROP LOANS | **101,160** | 90,505 |
| | **529,203** | 468,378 |

## 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,1998 was Kshs 16,975,000. 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 8,487,000. 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 | CAR LOANS | PERS ADVANCES | TOTALS |
|---|---|---|---|---|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **BALANCE AS AT 01.07.97** | | | | |
| Principal | 63,014 | 7,128 | 178 | 70,320 |
| Interest | 26,484 | 3,057 | 696 | 30,237 |
| | 89,498 | 10,185 | 874 | 100,557 |
| **TRANSACTIONS IN THE YEAR:** | | | | |
| Advances | 61,963 | 2,274 | 3,626 | 67,863 |
| Interest earned | 5,720 | 519 | 192 | 6,431 |
| Repayments | (21,375) | (3,462) | (3,929) | (28,766) |
| Adjustment | 31 | 6 | 188 | 225 |
| | 46,339 | (663) | 77 | 45,753 |
| **BALANCE AS AT 30.06.98** | 135,837 | 9,522 | 951 | 146,310 |
| **ANALYSIS OF BALANCES AS AT 30.06.98** | | | | |
| Principal | 103,725 | 5,946 | 64 | 109,735 |
| Interest | 32,112 | 3,575 | 888 | 36,575 |
| **BALANCE AS AT30.06.98** | 135,837 | 9,521 | 952 | 146,310 |

**10.BRITISH AMERICAN TOBACCO (K) LTD LOANS:**

| | **1998** | 1997 |
|---|---|---|
| | **Kshs '000** | Kshs '000 |
| **BALANCE AS AT 1ST. JULY 1997** | **6,184** | 6,193 |
| ADD: TRANSACTIONS DURING THE YEAR: | | |
| INTEREST EARNED | **851** | 893 |
| REPAYMENTS | **(925)** | (902) |
| | **(74)** | (9) |
| **BALANCE AS AT 30THJUNE,1998** | **6,110** | 6,184 |

## 11. FIXED ASSETS:

| | LAND Kshs '000 | BUILDINGS Kshs '000 | BUILDINGS IN PROGRESS Kshs '000 | MOTOR VEHICLES Kshs '000 | FURNITURE & EQUIPMENT Kshs '000 | TOTALS Kshs '000 |
|---|---|---|---|---|---|---|
| **COSTS:** | | | | | | |
| **BAL. 01.07.1997** | 12,764 | 447,894 | 441,352 | 72,760 | 154,700 | 1,129,470 |
| ADDITIONS | 0 | 496,613 | 115,504 | 0 | 26,185 | 638,302 |
| REVALUATION | 0 | 0 | 0 | 0 | 0 | 0 |
| DISPOSALS | 0 | 0 | 0 | (670) | 0 | (670) |
| TRANSFERS | (6,000) | 0 | (490,350) | (4,800) | 293 | (500,857) |
| **BAL. 30.06.98** | 6,764 | 944,507 | 66,506 | 67,290 | 181,178 | 1,266,245 |
| **DEPRECIATION:** | | | | | | |
| BAL. 01.07.97 | 0 | 58,637 | 0 | 69,485 | 80,478 | 208,600 |
| CHARGE FOR YR. | 0 | 19,701 | 0 | (1,525) | 21,330 | 39,506 |
| DISPOSALS | 0 | 0 | 0 | (670) | 0 | (670) |
| **BAL. 30.06.1998** | 0 | 78,338 | 0 | 67,290 | 101,808 | 247,436 |
| **NET BOOK VALUE** | | | | | | |
| **BAL. 30.06.1998** | 6,764 | 866,169 | 66,506 | 0 | 79,370 | 1,018,809 |
| BAL. 30.06.1997 | 12,764 | 389,257 | 441,352 | 3,275 | 74,222 | 920,870 |

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% |

## 12.CREDITORS AND ACCRUED CHARGES:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Borrowers' Credit Balances | **74,954** | 82,381 |
| Unallocated Receipts | **2,045** | 3,601 |
| Sundry creditors payroll | **3,332** | 3,768 |
| Sundry creditors general | **9,284** | 13,312 |
| Insurance receipts | **(2,988)** | (5,456) |
| Stale cheques | **199** | 7,661 |
| Interest accrued on loan funds | **997,560** | 902,908 |
| Interest accrued on scc loans | **627,194** | 577,074 |
| External audit fee accrued | **1,500** | 750 |
| Gratuity | **3,570** | 1,733 |
| Due to Marketing Bodies | **14,507** | 14,470 |
| Loan drafts outstanding | **2,274** | 12,944 |
| **BALANCE AT 30THJUNE,1998** | **1,733,431** | 1,615,146 |

## 13.TAXATION:

The Income Tax Liability of the Corporation has not yet been agreed upon with the Income Tax Department since 1980. However, full provision has been made in the accounts for each of the years concerned. The Corporation has applied for total exemption from tax on income from its operations except on its net rent income. The balance on this account is arrived at as follows:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Balance as at 1stJuly,1997 | **199,477** | 204,868 |
| Payment during year | **(51,750)** | (5,391) |
| Tax charge for year | **0** | 0 |
| **BALANCE AT 30THJUNE,1998** | **147,727** | 199,477 |

## 14.DUE TO AGENCY:

The balance due to the agency as at 30thJune,1998 is as follows:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Due to Agency | **689,464** | 664,537 |
| Commission Receivable | **(201,820)** | (192,977) |
| Net balance | **487,644** | 471,560 |

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 8,843,000.**

## 15. BANK LOAN:

| | 1998<br>Kshs '000 | 1997<br>Kshs '000 |
|---|---|---|
| Balance as at 1st July,1997 | 0 | 0 |
| Interest accrued | 0 | 0 |
| Repayment | 0 | 0 |
| **Balance as at 30th June,1998** | **0** | 0 |

## 16. LOANS FOR SEASONAL CROP CREDIT:

| | | |
|---|---|---|
| Balance as at 1st July,1997 | **358,000** | 358,000 |
| **Balance as at 30th June,1998** | **358,000** | 358,000 |

**17.REDEEMABLE LOANS:**

a) The redeemable loans outstanding as at 30th June,1998 were as follows:

| | **1998 Kshs '000** | 1997 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) | **55,000** | 30,000 |
| | **1,434,603** | 1,409,603 |

b) They are further classified as follows:

| | **1998 Kshs '000** | 1997 Kshs '000 |
|---|---|---|
| Amounts Due but unpaid | **180,396** | 168,564 |
| Amounts due within 12months | **11,832** | 11,832 |
| Current portion | **192,228** | 180,396 |
| Amounts due after 12months | **1,242,375** | 1,229,207 |
| Total Redeemable loans | **1,434,603** | 1,409,603 |

## 18.IRREDEEMABLE INTEREST BEARING LOANS:

| | 1998<br>Kshs '000 | 1997<br>Kshs '000 |
|---|---|---|
| Land purchase and Development | 80,100 | 80,100 |
| IDA 692 KE | 203,392 | 203,392 |
| | 283,492 | 283,492 |

## 19.GENERAL RESERVE

| | 1998<br>Kshs '000 | 1997<br>Kshs '000 |
|---|---|---|
| Balance as at 1st July,1997 | (136,163) | (50,828) |
| Prior Year Adjustment | 0 | (87) |
| (Loss)/Profit after taxation for the year | (199,974) | (85,215) |
| | (336,137) | (136,130) |
| Transfer to revolving fund | (30) | (33) |
| Balance as at 30th June, 1998 | (336,167) | (136,163) |

## 20.REVOLVING FUND

| | 1998<br>Kshs '000 | 1997<br>Kshs '000 |
|---|---|---|
| Balance as at 1st July,1997 | 1,297 | 1,264 |
| Transfer from General reserve | 30 | 33 |
| **Balance as at 30th June, 1998** | 1,327 | 1,297 |

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.

## 21.GRANTS

| DETAILS | 1998 Kshs '000 | 1997 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 |
| | **130,771** | 130,771 |

## 22.OTHER INTEREST INCOME

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Short Term Deposits | **78,749** | 85,947 |
| Staff Loans | **6,431** | 5,224 |
| Bank Balances | **4,094** | 17,826 |
| B A T loans | **851** | 893 |
| Bad Debts | **25** | 2 |
| | **90,150** | 109,892 |

## 23.STAFF COSTS:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Salaries | 198,847 | 122,330 |
| House Allowance | 33,395 | 33,145 |
| Transport Allowance | 1 | 21,644 |
| Hardship allowance | 653 | 592 |
| Outpatient medical expenses | 7,863 | 8,270 |
| Inpatient medical expenses | 2,774 | 1,239 |
| Pension and Insurance | 30,392 | 17,804 |
| Leave Allowance | 2,386 | 2,533 |
| Gratuity | 8,128 | 5,159 |
| Training expenses | 1,004 | 2,422 |
| Other emoluments | 2,672 | 4,695 |
| Uniforms | 2,544 | 224 |
| Meritorious Awards | 0 | 413 |
| | 290,659 | 220,470 |

## 24.ADMINISTRATION EXPENSES:

| | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|
| Conferences | 0 | 2,579 |
| Travel & Hotel expenses | 5,352 | 10,242 |
| General office exp. & security | 8,603 | 11,226 |
| Audit fees & Expenses | 750 | 880 |
| Legal fees | 1,823 | 23,285 |
| Telephone & telex | 4,836 | 4,743 |
| Office rentals | 13,543 | 13,536 |
| Water | 423 | 423 |
| Electricity & Gas | 1,981 | 1,493 |
| Publicity | 4,399 | 3,042 |
| Stamps & postages | 1,782 | 1,860 |
| Printing & stationery | 5,327 | 7,510 |
| EDP stationery & operation expenses | 1,193 | 2,540 |
| Donations | 8 | 709 |
| Subscriptions & periodicals | 935 | 992 |
| Maintenance of Buildings | 19,154 | 25,271 |
| Maintenance of Furniture & equipment | 2,270 | 2,029 |
| Maintenance of other assets | 473 | 239 |
| Vehicle running expenses | 35,422 | 39,280 |
| Professional consultants | 310 | 9,501 |
| Bank charges | 3,652 | 4,294 |
| Taxes & Licences | 875 | 642 |
| Misappropriation | 36 | 0 |
| Land rent & rates | 1,568 | 899 |
| Insurance of corporation assets | 4,853 | 5,928 |
| Service charge | 440 | 2,281 |
| Welfare | 2,107 | 4,252 |
| | 122,115 | 179,676 |

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

| | | 1998 Kshs '000 | 1997 Kshs '000 |
|---|---|---|---|
| **Large scale loans:** | | | |
| Scheme | 1 | **12,201** | (1,743) |
| | 2 | **3,765** | 6,310 |
| | 3 & 7 | **4** | (3) |
| | 5 | **1,742** | 1,496 |
| | 31 | **13,824** | 5,647 |
| | 45 | **0** | (503) |
| | 98..99 | **0** | 0 |
| | | **31,536** | 11,204 |
| **Small scale loans:** | | | |
| | 4 | **(49)** | 38 |
| | 6 | **102** | 43 |
| | 8 | **18,179** | 3,314 |
| | 9 | **(10)** | 132 |
| | 10.. 12 | **19** | 580 |
| | 30 | **393** | (115) |
| | 99 | **0** | 0 |
| | | **18,634** | 3,992 |
| **Seasonal crop loans:** | | | |
| | 26 | **1,430** | 1,641 |
| | 27 | **4,940** | 2,647 |
| | 29 | **195** | 256 |
| | 32 | **310** | 492 |
| | 33 | **75** | 166 |
| | 34 | **324** | 50 |
| | 35..41 | **3,381** | 4,242 |
| | | **10,655** | 9,494 |
| | | **60,825** | 24,690 |
| REPOSSESSED FARM PROPERTIES | | **1,251** | (811) |
| SMALL DEBTS WRITTEN OFF | | **103** | (605) |
| | | **1,354** | (1,416) |
| **NET** | | **62,179** | 23,274 |