

AGRICULTURAL FINANCE CORPORATION

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Annual Report and Accounts
For The Year Ended 30th June, 2001

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AGRICULTURAL FINANCE CORPORATION

THE CHAIRMAN'S REPORT

ON THE

2000/2001 ACCOUNTS

It is my pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June 2001.

During the year under review, the Corporation recorded a loss of Kshs. 227.8 million compared to a profit of Kshs. 65.7 million the previous year. This is mainly attributed to two reasons. First, provision for doubtful debts amounting to Kshs. 620 million was made during the year. Secondly the Corporation at the same time continued to provide for interest on Government loans whose corresponding loans to farmers were written off.

ECONOMIC PERFORMANCE

The economy recovered from a revised growth of negative 0.2% in the previous year to register a modest 1.2% growth in year 2001. This was mainly due to the favourable weather conditions that impacted positively on agriculture and power generation; favourable tax reforms and expanded market outlets through Africa Growth and Opportunity Act (AGOA), the Common Market of Eastern and Southern Africa (COMESA), the European Union (E.U) and East African Community (EAC). However, several other constraints continued to hamper full economic recovery. These include, the continued decline in the domestic savings to finance capital formation, dilapidated infrastructure, subdued credit expansion, low prices for the main export commodities (Tea and Coffee) and lack of donor funding which subsequently affected investor's confidence.

In Agriculture, the growth rate improved to 1.2% in 2001 up from the revised negative 2.1% recorded in 2000. This was once again due to the favourable weather conditions prevailing during the year. However, tea and coffee prices in the year 2001 declined in the international market. In terms of output, the sector registered an increase in the production of tea, pyrethrum, sisal, wheat, cotton and dairy produce. Horticultural exports also increased tremendously by 69.1% in value terms.

The Manufacturing sector registered an improved growth rate of 0.8% compared to negative 1.4% the previous year. This was mainly attributed to the favourable tax reforms and expanded market outlets through the AGOA, COMESA and EAC. However, the sectors capacity utilization was hampered by the poor state of infrastructure, high electricity tariffs and low consumer demand. The Transport sector continued to recover despite the high operational costs prevailing. The Financial sector was relatively stable and interest rates were on the decline during the year. The Tourism sector declined by 4.1% in arrivals while revenues increased by 13% over the 2000 figures.

CORPORATE PERFORMANCE

During the year the Corporation's income increased by Kshs. 152.3 million or 29% from Kshs. 861.1 million in 2000 to Kshs. 1,013.4 million in 2001. This is attributed to the Corporation's move to revert back to the conventional interest computation method of accruing interest on the total debt with effect from 1st December, 1998 and a notable decrease in operational costs.

The expenses increased by Kshs. 445.9 million or 35% from Kshs. 795.3 million in 2000 to Kshs. 1,241.2 million in 2001 mainly due to an increase of Kshs. 620 million in the provision for bad and doubtful debts. The assets decreased by Kshs. 37.2 million or 5% from Kshs. 4,627.8 million as at 30th June 2000 to Kshs. 4,590.6 million as at 30th June 2001.

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.

It is my sincere hope that the Corporation's restructuring proposals earlier made to Government will be concluded soon. This will go along way in making it a viable Agricultural sector financial intermediary.

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

29TH DECEMBER 2003.

AGRICULTURAL FINANCE CORPORATION
THE DIRECTORS' REPORT
ON
THE 2000/2001 ACCOUNTS

The Directors have the pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June 2001.

DIRECTORS

The Corporation was steered by the following Board members during the year ended 30th June 2001.

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
The Permanent Secretary Ministry of Finance & Planning	-	Member
The Permanent Secretary Ministry of Agriculture & Rural Development	-	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. The following chief officers assisted him:

Mr. Mumo Matemu	-	Corporation Secretary
Mr. K. W. C. Tallam	-	Personnel and Administration Manager
Mrs. Mary Onyango	-	Financial Controller
Mr. Mathew K. Wanyama	-	Assistant General Manager - W / Region
Mrs Ruth M.A Otima	-	Technical Services Co-ordinator
Mr. Ben S. Mbatia	-	Assistant General Manager - E / Region
Mr. Daniel N. Riungu	-	Chief Planning Officer
Mr. Henry A. Shikokoti	-	Chief Internal Auditor

STAFF COMPLIMENT

The Corporation had a total staff compliment of 944 at the beginning of the year and 787 at the end. Out of these, 241 were deployed at the Head office, 326 in the Western Region and 220 in the Eastern Region.

BRANCH NETWORK

In a bid to contain operating costs, the Corporation continued with the reorganisation of the branch network by merging some branches. This reduced the total number of branches from 34 at end of 2000 to 32 as at 30th June, 2001.

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 report year, Kshs. 69.80 million was lent to farmers. This was an increase of 16% over the Kshs. 60.50 million lent in the previous year. The principal loan portfolio dropped by Kshs. 57 million from Kshs. 1,958 million in 2000 to Kshs. 1,901 million in 2001. However, this notwithstanding, the total loan portfolio increased by Kshs. 650 million from Kshs. 4,373 million in 2000 to Kshs. 5,023 million in 2001. The increase of 15% was mainly a reflection of poor loan servicing by the farmers, which lead to an increase in interest arrears.

During the year Kshs. 263.0 million was collected as compared to Kshs. 414.7 million collected in the previous year, a drop of Kshs. 151.7 million or 37%.

RESULTS

	2001 <u>(Kshs'000)</u>	2000 <u>(Kshs'000)</u>	Increase/ (Decrease) <u>(Kshs'000)</u>
Total income	1,013,437	861,103	152,334
Total expenses	1,241,267	795,356	445,911
Profit/(loss) before tax	(227,830)	65,747	(293,577)
Tax	-	19,724	(19,724)
Transfer to Reserves	(227,830)	46,023	(273,853)

EXPENSES

As a result of the cost control measures in place, operating expenses decreased modestly to Kshs. 355 million compared to Kshs. 387 million the previous year, a decrease of 8%.

Provisions for doubtful debts increased to Kshs. 620 million in the report year compared to Kshs. 204 million the previous year, an increase of Kshs. 416 million or 204%. This is in line with the trend in the financial sector of making full provisions for Non Performing Loans (NPL).

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 Ltd, Moi Avenue, Nairobi.

P. O. Box 72497,

NAIROBI

For and on behalf of the Directors.



OMUREMBE IYADI
MANAGING DIRECTOR.

29TH DECEMBER 2003.

**REPORT OF THE CONTROLLER AND
AUDITOR GENERAL
ON THE ACCOUNTS OF THE
AGRICULTURAL FINANCE
CORPORATION
FOR THE YEAR ENDED 30TH JUNE, 2001**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION
FOR THE YEAR ENDED 30 JUNE 2001**

I have examined the Accounts of Agricultural Finance Corporation for the year ended 30 June 2001 in accordance with the provisions of Section 29 of the 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 Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Agricultural Finance Corporation Act, (Cap 323).

Except for the reservations set out herebelow, in my opinion, the Accounts, when read together with the Notes thereon, present a true and fair view of the Corporation's financial state of affairs as at 30 June 2001 and of its loss and cash flows for the year ended on that date.

1. FINANCIAL POSITION

During the year ended 30 June 2001, the Corporation recorded a loss of Kshs.227,830,000 compared to a profit of Kshs.46,023,000 realized in the previous year. The Balance Sheet reflects a negative working capital of Kshs.871,550,000 and negative General Reserve of Kshs.919,526,000 compared to a negative working capital of Kshs.752,350 and negative General Reserve of Kshs.691,564,000 reflected respectively in the previous year. The Corporation is therefore technically insolvent and its existence as a going concern is dependent upon the support from the Government and its lenders. Although Parliament, in August 2002, approved a sessional paper on restructuring the Corporation, the process has not been concluded.

2. LOAN ARREARS FROM FARMERS

As previously stated the recoverability of the large and small scale loans from farmers during the year remained unsatisfactory. The outstanding balance of loans and accrued interest from farmers stood at Kshs.5,023,261,000 as at 30 June 2001 compared to a balance of Kshs.4,373,098,000 in 1999/2000. The very high provision for bad and doubtful debts of Kshs.1,726,141,000 made in the Corporation's Accounts against the farmers outstanding loans as at 30 June, 2001 suggests that a substantial portion of these loans are considered irrecoverable and may, therefore have to be written off. Unless the trend and level of loan recovery is given serious attention, the operation of the Corporation is likely to be adversely affected.

3. **FIXED ASSETS**

The Fixed Assets balance of Kshs.938,606,000 as at 30 June 2001 includes land valued at Kshs.8,683,000 out of which three parcels valued at Kshs.321,559 have no title deeds as the Corporation has not taken proactive action to obtain them even though land survey had been done way back in 1996/97. In the absence of title documents, I am not in a position to confirm the ownership of the land.

4. **UNPAID RENT ARREARS**

The Corporation is a joint owner of the Development House, Nairobi, with the Agricultural Development Corporation (ADC). In that capacity it is owed rent arrears amounting to Kshs.16,944,631 being its share of rent arrears totalling Kshs.33,795,721. It has been explained that most of the arrears date from 1998/99. This casts doubt on the recoverability of the outstanding amount especially when there are no definite arrangements for recovery in place.


B. G. NJOROGE
CONTROLLER AND AUDITOR GENERAL

Nairobi

23 October 2003

AGRICULTURAL FINANCE CORPORATION
BALANCE SHEET AS AT 30TH JUNE 2001

ASSETS:	NOTES	2001	2000
		<u>Kshs.'000</u>	<u>Kshs.'000</u>
CURRENT ASSETS:			
CASH & BANK BALANCES		(388)	3,988
SHORT TERM DEPOSITS		110,985	301,926
DEBTORS	3	71,519	102,945
CONSUMABLE STORES		2,475	3,169
LOANS TO FARMERS	4, 5 & 6	4,428,231	3,694,778
PROV.FOR DOUBT. DEBTS		<u>(1,726,142)</u>	<u>(1,291,567)</u>
TOTAL CURRENT ASSETS:		2,886,680	2,815,239
LESS: CURRENT LIABILITIES			
TRADE CREDITORS	12(a)	2,185,778	1,994,860
OTHER CREDITORS	12(b)	35,265	25,590
PROVISION FOR TAX	13	19,724	19,724
DUE TO AGENCY	14	505,451	515,403
CEREALS & SUGAR LOAN		300,000	300,000
AFC SCC LOANS	15	358,000	358,000
REDEEMABLE LOANS	16	<u>354,012</u>	<u>354,012</u>
TOTAL CURRENT LIABILITIES		3,758,230	3,567,589
		-----	-----
WORKING CAPITAL		(871,550)	(752,350)
LONG TERM ASSETS:			
LOANS TO FARMERS	4, 5 & 6	595,030	678,320
STAFF LOANS	9	135,160	147,967
PROV. FOR DOUBT.DEBTS	10	<u>(1,514)</u>	0
REPOSSESSED PROPERTIES	8	36,608	22,738
FIXED ASSETS	11	938,606	963,495
		-----	-----
TOTAL LONG TERM ASSETS		1,703,890	1,812,520
		-----	-----
TOTAL ASSETS		832,340	1,060,170
LESS :REDEEMABLE LOANS	16	<u>1,160,591</u>	<u>1,160,591</u>
		-----	-----
NETWORTH		(328,251)	(100,421)
		=====	=====
FINANCED BY:			
IRREDEEMABLE LOANS	17	283,492	283,492
GRANTS	20	130,771	130,771
REVALUATION RESERVE		175,363	175,363
GENERAL RESERVE	18	<u>(919,526)</u>	<u>(691,564)</u>
REVOLVING FUND	19	1,649	1,517
		-----	-----
		(328,251)	(100,421)
		=====	=====

The accounts on pages 12 to 27 were approved by the Board of Directors on 3/12/ 2001 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 2001

	NOTES	<u>2001</u> Kshs'000	<u>2000</u> Kshs'000
INCOME:			
INTEREST INCOME:			
LARGE SCALE	4	487,172	427,194
SMALL SCALE	5	111,832	98,717
SEASONAL CROP	6	296,761	251,583
OTHERS	21	31,818	25,797
		-----	-----
TOTAL INTEREST INCOME		927,583	803,291
LESS: INTEREST EXPENSE:			
IRREDEEMABLE LOANS		8,218	8,218
REDEEMABLE LOANS		86,986	86,986
AFC SCC LOANS		50,120	50,120
REBATE INTEREST		3,945	4,244
ADB LOAN (PIGS)		8,459	8,100
CEREALS & SUGAR LOAN		46,500	46,627
		-----	-----
		204,228	204,295
		-----	-----
NET INTEREST INCOME		723,355	598,996
OTHER INCOMES:			
AGENCY COMMISSION		41,974	36,137
APP. LEGAL & INSP. FEES		3,986	3,751
PROFIT ON SALE OF ASSETS		3,567	1,873
RENT		32,401	5,093
SUNDRIES		3,926	10,958
		-----	-----
		85,854	57,812
		-----	-----
TOTAL OPERATING INCOME		809,209	656,808
OTHER EXPENSES:			
BOARD MEMBERS' ALLOWANCES		975	353
STAFF COSTS	22	245,165	266,441
ADMINISTRATION	23	130,906	88,282
DEPRECIATION	11	40,079	31,974
		-----	-----
		417,125	387,050
		-----	-----
		392,084	269,758
DOUBTFUL DEBTS	24	619,914	204,011
		-----	-----
PROFIT/(LOSS)BEFORE TAXATION		(227,830)	65,747
TAXATION	13	0	19,724
		-----	-----
PROFIT AFTER TAXATION	19	(227,830)	46,023
TO REVOLVING FUND.	19	(132)	(115)
TO GENERAL RESERVE	19	(227,962)	45,908
		=====	=====

AGRICULTURAL FINANCE CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs.'000	2000 Kshs.'000
CASH FLOW FROM OPERATING ACTIVITIES:		
PROFIT/(LOSS) BEFORE TAXATION	(227,830)	65,747
ADJUSTMENTS FOR:		
DEPRECIATION	40,079	31,974
PROFIT ON DISPOSAL OF FIXED ASSETS	(3,864)	(662)
PROFIT ON DISPOSAL OF F.P.I.P & B A T	297	(1,211)
WRITE-OFF OF LOANS TO FARMERS	0	0
ADDITIONS TO REPOSSESSED PROPERTIES	(13,870)	(12,762)
(INCREASE)/DECREASE IN LOANS TO FARMERS	(215,588)	(277,528)
(DECREASE)/INCREASE IN LOANS TO STAFF	14,321	1,792
INCREASE IN CONSUMABLE STORES	694	(236)
DECREASE/(INCREASE) IN DEBTORS	31,426	(2,360)
INCREASE IN CREDITORS & LP TRACTOR DEPS.	200,593	140,693
INCREASE IN DUE TO AGENCY	(9,952)	7,145
NET CASH FROM OPERATING ACTIVITIES	(183,694)	(47,408)
CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS	(15,190)	(6,848)
PROCEEDS FROM DISPOSAL OF FIXED ASSETS	3,864	662
PROCEEDS FROM DISPOSAL OF F.P.I.P. & B A T	(297)	1,211
ADJUSTMENT	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	(11,623)	(4,975)
CASH FLOW FROM FINANCING ACTIVITIES		
GRANTS REPAYED/REDEEMABLE LOAN RECEIVED	0	(9,000)
NET CASHFLOW FROM FINANCING ACTIVITIES	0	(9,000)
NET INCREASE IN CASH & CASH EQUIVALENTS	(195,317)	(61,383)
CASH & CASH EQUIVALENTS 1 JULY 00	305,914	367,297
CASH & CASH EQUIVALENTS 30 JUNE 2001	110,597	305,914

AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

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 improvements	Rates based on the unexpired lease term or 50 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 of loans 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

	2001 Kshs.'000	2000 Kshs.'000
	-----	-----
Unallocated loan disbursements	12	(17)
Auction fees & advert. charges	35,133	36,004
Development house rent accrued	16,945	23,595
Other rent receivable	2,509	3,194
Prepaid expenses	9,102	619
Staff mortgage insurance	13	0
Employees other deductions	8,724	0
Retired Staff Pension	7,487	0
Other accounts receivable	1,143	4,483
Recoverable fees and charges	90	1,121
Agrarian Building Society	33,946	33,946
Funds at Trust Bank Ltd (under receivership)	111,328	-
Less:Accum.Prov. For D.Debts	(154,913)	-
	-----	-----
BALANCE AT 30TH JUNE, 2001	71,519	102,945
	=====	=====

4. LARGE SCALE LOANS

	2001 <u>Kshs.'000</u>	2000 <u>Kshs.'000</u>
BALANCE AS AT 1ST JULY, 2000		
Not Yet Due: Principal	825,470	938,104
Interest	66,454	73,245
Arrears: Principal	457,913	402,816
Interest	552,307	490,317
Interest on arrears	571,336	355,350
Rehabilitation	110	110
Excess of LC over ULF	0	4
	<u>2,473,590</u>	<u>2,259,946</u>
ADD: TRANSACTIONS DURING THE YEAR		
Advances	23,038	29,956
Interest earned	487,172	427,194
Repayments	(167,561)	(278,401)
Writeoff	(24,608)	(505)
Net Transfers	(27,767)	35,400
	<u>290,274</u>	<u>213,644</u>
BALANCE AS AT 30TH JUNE,2001	<u>2,763,864</u>	<u>2,473,590</u>
<u>ANALYSIS OF BALANCES AS AT 30TH JUNE 2001</u>		
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
	<u>2,763,864</u>	<u>2,473,590</u>
BALANCE AS AT 30TH JUNE,2001	<u>2,763,864</u>	<u>2,473,590</u>
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1st July, 2000	659,710	570,132
Adjustment.	(60)	(2,323)
Charge/(Writeback) for the year	272,667	91,901
Bad debts	0	0
	<u>932,317</u>	<u>659,710</u>
BALANCE AS AT 30TH JUNE,2001	<u>932,317</u>	<u>659,710</u>
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July, 2000	(3,918)	34,765
Opened during the year	30,868	(8,728)
Drawings	(23,038)	(29,955)
BALANCE AS AT 30TH JUNE, 2001	<u>3,912</u>	<u>(3,918)</u>

5.0 SMALL SCALE LOANS.

	2001 Kshs'000	2000 Kshs'000
	-----	-----
BALANCE AS AT 1ST JULY, 2000		
Not Yet Due: Principal	42,263	39,794
Interest	2,378	2,867
Arrears: Principal	165,734	179,512
Interest	42,249	44,864
Interest on arrears	279,204	214,540
ICA loans	213	213
North Tetu & Vihiga	917	917
Excess of LC over ULF	<u>0</u>	<u>0</u>
	<u>532,958</u>	<u>482,707</u>
 ADD: TRANSACTIONS DURING THE YEAR		
Advances	46,736	30,495
Interest earned	111,832	98,717
Repayments	(60,110)	(78,961)
Transfers & Writeoff	<u>0</u>	<u>0</u>
	<u>98,458</u>	<u>50,251</u>
BALANCE AS AT 30TH JUNE, 2001	<u>631,416</u>	<u>532,958</u>
 ANALYSIS OF BALANCES AS AT 30TH JUNE 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	<u>0</u>	<u>0</u>
BALANCE AS AT 30TH JUNE 2001	<u>631,416</u>	<u>532,958</u>
PROVISION FOR DOUBTFUL DEBTS:		

Balance as at 1st July 2000	145,562	139,234
(Writeback)/Charge for the year	55,222	14,041
Adjustment	(15)	(7,730)
Bad debts	<u>0</u>	<u>17</u>
BALANCE AS AT 30TH JUNE 2001	<u>200,769</u>	<u>145,562</u>
 LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July,2000	1,499	12,918
Opened During the year	52,155	19,076
Drawings	(46,736)	(30,495)
BALANCE AS AT 30TH JUNE,2001	<u>6,918</u>	<u>1,499</u>

6. SEASONAL CROP LOANS.

	2001 Kshs'000	2000 Kshs'000
Balance as at 1st July,2000	-----	-----
Not Yet Due: Principal	(38)	(42)
Interest	(398)	(436)
Arrears: Principal	466,531	487,397
Interest	32,778	33,718
Interest on arrears	867,677	651,624
	-----	-----
	1,366,550	1,172,261
	=====	=====
ADD: TRANSACTIONS DURING THE YEAR		
Advances	0	0
Interest earned	296,761	251,583
Repayments	(35,330)	(57,293)
Transfers	0	0
	-----	-----
	261,431	194,290
	-----	-----
BALANCE AS AT 30TH JUNE 2001	1,627,981	1,366,550
	=====	=====
ANALYSIS OF BALANCES AS AT 30TH JUNE 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
	-----	-----
BALANCE AS AT 30TH JUNE 2001	1,627,981	1,366,550
	=====	=====
PROVISION FOR DOUBTFUL DEBTS:		

Balance as at 1st July 2000	486,295	401,545
Adjustment.	0	(53)
(Writeback)/Charge for the year	106,760	84,803
	-----	-----
BALANCE AS AT 30TH JUNE 2001	593,055	486,295
	=====	=====
LOANS OPENED BUT NOT DISBURSED		

Balance as at 1st July 2000	27,741	27,741
Opened During the year	(27,717)	(27,717)
Drawings	0	0
	-----	-----
BALANCE AS AT 30TH JUNE 2001	24	24
	=====	=====

Note that the Loans to Farmers figure of Shs 4,428,231 under Current Assets includes an amount of Shs 248,829 ('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:	2001 <u>Kshs'000</u>	2000 <u>Kshs'000</u>
LARGE SCALE LOANS	932,317	659,710
SMALL SCALE LOANS	200,769	145,562
SEASONAL CROP LOANS	593,055	486,295
	-----	-----
	1,726,141	1,291,567
	=====	=====

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 30th June, 2001 was Kshs 73,215,244.34. 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 36,607,622.17. 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	TOTAL
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Balance as at 01.07.00				
Principal	92,992	3,642	(226)	96,408
Interest	45,630	4,676	1,252	51,558
	138,622	8,318	1,026	147,966
TRANSACTIONS IN THE YEAR:				
Advances	2,450	0	25	2,475
Interest earned	7,406	579	234	8,219
Repayments	(20,583)	(2,427)	(2,523)	(25,533)
Adjustment	47	(159)	2,145	2,033
	(10,680)	(2,007)	(119)	(12,806)
Balance as at 30.06.2001	127,942	6,311	907	135,160
ANALYSIS OF BALANCES				
Principal	118,284	4,403	(251)	122,436
Interest	9,658	1,908	1,158	12,724
Balance as at 30.06.2001	127,942	6,311	907	135,160

10. 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
Balance as at 01.07.00	0
Charge for the year:	
House loans	0
Car loans	634
Personal advances	880
Balance as at 30.06.01	1,514

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. 01.07.00	6,764	1,018,315	0	64,746	191,484	1,281,309
ADDITIONS	0	7,921	0	0	5,321	13,242
REVALUATION	0	0	0	0	0	0
DISPOSALS	0	0	0	(5,142)	(905)	(6,047)
TRANSFERS	1,919	29	0	1,429	0	3,377
BAL. 30.06.2001	8,683	1,026,265	0	61,033	195,900	1,291,881
DEPRECIATION:						
BAL. 01.07.00	0	119,763	0	64,746	133,305	317,814
ADJUSTMENT		(235)		1,429	235	1,429
CHARGE FOR YR.	0	20,952	0		19,127	40,079
DISPOSALS	0	0	0	(5,142)	(905)	(6,047)
BAL. 30.06.2001	0	140,480	0	61,033	151,762	353,275
NET BOOK VAL.						
BAL. 30.06.2001	8,683	885,785	0	0	44,138	938,606
BAL. 30.06.2000	6,764	898,552	0	0	58,179	963,495

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 149 motor vehicles which cost Kshs.61,033,931.25 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

	2001 Kshs'000	2000 Kshs'000
	-----	-----
Borrowers' Credit Balances	47,016	49,612
Unprocessed Loan Receipts	285	1,426
Interest accrued on loan funds	1,350,555	1,204,341
Interest accrued on scc loans	777,554	727,434
Due to Marketing Bodies	9,142	9,183
Loan drafts outstanding	1,226	2,864
	-----	-----
BALANCE AT 30TH JUNE 2001	2,185,778	1,994,860
	=====	=====

12(b). OTHER CREDITORS

Sundry creditors payroll	0	399
Sundry creditors general	20,149	18,479
Insurance receipts	4,399	(3,550)
Stale cheques	67	177
External audit fee accrued	3,020	2,250
Gratuity	7,630	7,835
	-----	-----
BALANCE AT 30TH JUNE, 2001	35,265	25,590
	=====	=====

13. TAXATION:

The long unresolved Income Tax Liability of the Corporation has now been settled through waiver of all tax arrears from 1976 to 1992 by the Government.

The balance on this account is arrived at as follows:

	Kshs'000	Kshs'000
	-----	-----
Balance as at 1st July, 2000	19,724	147,726
Tax Waiver during the year	0	(147,726)
Tax charge for year	0	19,724
	-----	-----
BALANCE AT 30TH JUNE, 2001	19,724	19,724
	=====	=====

14. DUE TO AGENCY:

The balance due to the agency as at 30th June, 2001 is as follows:

Due to Agency	807,534	775,596
Commission Receivable	(302,083)	(260,193)
	-----	-----
Net balance	505,451	515,403
	=====	=====

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 41,889,776.39.

15. LOANS FOR SEASONAL CROP CREDIT:

Balance as at 1st July, 2000	358,000	358,000
	-----	-----
Balance as at 30th June, 2001	358,000	358,000
	=====	=====

16. **REDEEMABLE LOANS:**

a) The redeemable loans outstanding as at 30th June,2001 were as follows:

	2001	2000
	Kshs'000	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:

	2001	2000
	Kshs'000	Kshs'000
	-----	-----
Amounts Due but unpaid	342,180	342,180
Amounts due within 12 months	11,832	11,832
	-----	-----
Current portion	354,012	354,012
Amounts due after 12 months	1,160,591	1,160,591
	-----	-----
Total Redeemable loans	1,514,603	1,514,603
	=====	=====

17. IRREDEEMABLE INTEREST BEARING LOANS:

	2001 Kshs'000	2000 Kshs'000
	-----	-----
Land purchase and Development	80,100	80,100
IDA 692 KE	203,392	203,392
	-----	-----
	283,492	283,492
	=====	=====

18. GENERAL RESERVE

	2001 Kshs'000	2000 Kshs'000
	-----	-----
Balance as at 1st July,2000	(691,564)	(885,199)
Adjustment	0	147,726
Profit/(Loss) after taxation for the year	(227,830)	46,023
	-----	-----
	(919,394)	(691,450)
Transfer to revolving fund	(132)	(116)
Rounding off adjustment	0	2
	-----	-----
Balance as at 30th June, 2001	(919,526)	(691,564)
	=====	=====

19. REVOLVING FUND

	2001 Kshs'000	2000 Kshs'000
	-----	-----
Balance as at 1st July,2000	1,517	1,401
Transfer from General reserve	132	116
	-----	-----
Balance as at 30th June, 2001	1,649	1,517
	=====	=====

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

	2001	2000
	Kshs'000	Kshs'000
DETAILS		
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

	2001	2000
	Kshs'000	Kshs'000
Short Term Deposits	13,877	18,980
Staff Loans	8,219	6,170
Bank Balances	192	647
Trust Bank A/C.	9,530	0
Bad Debts	0	0
	31,818	25,797

22. STAFF COSTS:

	2001	2000
	<u>Kshs'000</u>	<u>Kshs'000</u>
Salaries	164,451	177,548
House Allowance	27,156	30,207
Transport Allowance	0	0
Hardship allowance	271	428
Outpatient medical expenses	7,488	7,977
Inpatient medical expenses	883	426
Pension and Insurance	27,978	30,207
Leave Allowance	1,985	2,351
Gratuity	12,190	14,361
Training expenses	482	512
Other emoluments	2,234	2,243
Uniforms	7	8
Mileage claims	40	173
	<u>245,165</u>	<u>266,441</u>

23. ADMINISTRATION EXPENSES:

	2001	2000
	<u>Kshs'000</u>	<u>Kshs'000</u>
Conferences	0	0
Travel & Hotel expenses	4,870	6,361
General office exp. & security	11,382	11,122
Audit fees & Expenses	1,670	720
Legal fees	956	1,648
Telephone & telex	2,974	3,707
Office rentals	12,113	10,586
Water	346	543
Electricity & Gas	2,126	2,025
Publicity	2,357	2,261
Stamps & postages	2,595	2,405
Printing & stationery	4,149	4,538
EDP stationery & operation expense	2,866	2,445
Donations	0	0
Subscriptions & periodicals	623	731
Maintenance of Buildings	476	430
Maintenance of Furniture & equipment	1,882	1,283
Maintenance of other assets	232	370
Vehicle fuel & oil	7,212	8,401
Vehicle maintenance expenses	10,822	16,239
Professional consultants	1,470	0
Bank charges	3,181	3,144
Taxes & Licences	930	1,020
Misappropriation	25	0
Land rent & rates	1,262	1,852
Insurance of corporation assets	4,844	4,886
Service charge	7	0
Welfare	301	1,435
Dev. House & Langata Expenses	48,440	130
Other Miscellaneous expenses	795	-----
	<u>130,906</u>	<u>88,282</u>

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

	2001 <u>Kshs'000</u>	2000 <u>Kshs'000</u>
Large scale loans:		
Scheme 1	18,418	15,089
2	130,070	(322)
3 & 7	255	384
5	10,505	24,414
31	113,419	52,126
45	0	0
98..99	<u>0</u>	<u>210</u>
	<u>272,667</u>	<u>91,901</u>
Small scale loans:		
4	(37)	(6)
6	5,831	2,149
8	37,434	4,940
9	309	19
10.. 12	1,158	305
30	10,526	6,634
99	<u>0</u>	<u>0</u>
	<u>55,221</u>	<u>14,041</u>
Seasonal crop loans:		
26	29,170	16,940
27	40,518	32,131
29	9,130	8,979
32	2,870	2,610
33	2,063	2,032
34	1,098	1,116
35..41	<u>21,912</u>	<u>20,994</u>
	<u>106,761</u>	<u>84,802</u>
	<u>434,649</u>	<u>190,744</u>
	-----	-----
REPOSSESSED FARM PROPERTIES	13,869	12,762
LOAN WRITE-OFFS	<u>24,608</u>	<u>505</u>
	<u>38,477</u>	13,267
	-----	-----
NET LOANS TO FARMERS	473,126	204,011
	-----	-----
SUNDRY DEBTORS:		
AGRARIAN BUILDING SOCIETY	33,946	0
TRUST BANK LIMITED	111,328	0
EX-STAFF LOANS	1,514	0
	-----	-----
	146,788	0
	-----	-----
	619,914	204,011
	=====	=====

25. **CONTINGENT LIABILITIES:**
There are no contingent liabilities.