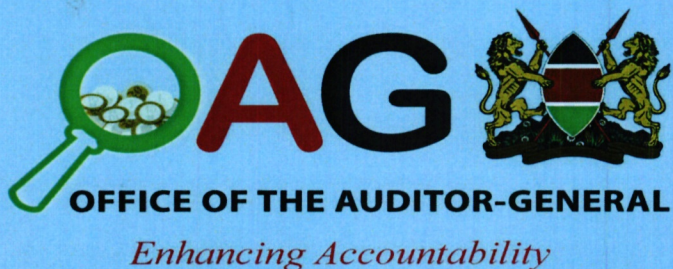


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 AUG 2021	DAY: WED (Am)
REPORT	Hon. E Wangwe
BY:	Majority Whip
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OF

THE AUDITOR-GENERAL

ON

AGRICULTURAL FINANCE CORPORATION

FOR THE YEAR ENDED
30 JUNE, 2019

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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AGRICULTURAL FINANCE CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2019**



**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

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I. KEY ENTITY INFORMATION

BACKGROUND INFORMATION

The Agricultural Finance Corporation (AFC), a wholly owned Government Development Finance Institution (DFI), was established in 1963 initially as a subsidiary of the Land and Agricultural Bank. In 1969, it was incorporated as a full – fledged financial institution under the Agricultural Finance Corporation Act, Cap 323 of the laws of Kenya. It was then tasked in assisting in the effective and peaceful transfer of land to indigenous farmers, as well as injecting new capital to farm owners to spur development. After successful implementation of this task, AFC was further reconstituted in 1969 to assume a wider mandate by taking over the functions of the Land and Agricultural Bank of Kenya.

Today we remain the leading Development Financial institution mandated to provide credit for the sole purpose of developing agriculture. This role is crucial given that Agriculture is the mainstay of the Kenyan economy where 80% of the Kenyan population which is rural based relies on agriculture as their main support system. The Corporation is domiciled in Kenya and has 47 numbers of branches in 35 counties.

INSTITUTIONAL MANDATE

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

PRINCIPAL ACTIVITIES

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

KEY ENTITY INFORMATION (Continued)

Vision

"To be the Premier Agricultural Development Bank in Kenya."

Mission

"To provide sustainable financing through participative and collaborative financial and non-financial interventions, innovations, technology and products."

Core Values

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

- i) **Customer Focus** - We strive to put the customers' needs first and ensure we add value in their lives;
- ii) **Integrity** - We are committed to adhering to moral and ethical principles to ensure efficiency in service delivery;
- iii) **Dedication** - We are a responsible organization, committed to ensuring our intended clients, staff and partners are well served and, that we have a lasting impact on Kenya's agricultural sector;
- iv) **Partnerships and Teamwork** - We are committed to teamwork within the organization and partnering with different stakeholders in the market in the delivery of our services;
- v) **Social Responsibility** - We are committed to ensuring sustainability that strengthens our business, our workforce and the communities where we operate

KEY ENTITY INFORMATION (Continued)

BOARD OF DIRECTORS

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

Name		Appointment date
Hon. Franklin Bett, EGH	Chairman	05-May-2019
Hon. David Kiptanui Koros	Member	14-Dec-2018
Susan Wanjiru Karanja	Alternate to the Cabinet	
	Secretary	
	The National Treasury	14-Dec-2018
Mr. John Musyoka Munywoki	Alternate to the Principal	
	Secretary Ministry of	
	Agriculture-Livestock &	
	Fisheries	14-Dec-2018
Mr. Lucas Meso, MBS	Managing Director	15-Sep-2018
Mr. Richard Krop	Member	14-Dec-2018
Mrs. Rosemary Munio	Member	14-Dec-2018
Hon. Steven Mutai	Member	14-Dec-2018
Mrs. Muringo Kimamo	Member	14-Dec-2018

CORPORATION SECRETARY

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

KEY ENTITY INFORMATION (Continued)

REGISTERED OFFICE

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

CORPORATE CONTACTS

HEADQUARTER

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

CONTACTS

Telephone: +254-020-3317199

E-mail: info@agrifinance.org

Website: www.agrifinance.org

CORPORATE BANKERS

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

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

Kenya Commercial Bank Limited,
Moi Avenue,
P.O Box 30081 - 00100 GPO
Nairobi.
Kenya.

KEY ENTITY INFORMATION (Continued)

INDEPENDENT AUDITOR

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

Auditor General,

Kenya National Audit Office,

P.O Box 30084 - 00100 GPO

Nairobi.

Kenya.

PRINCIPAL LEGAL ADVISERS

The Attorney General,

State Law Office,

Harambee Avenue,

P.O. Box 40112 – 00200 City Square

Nairobi, Kenya.

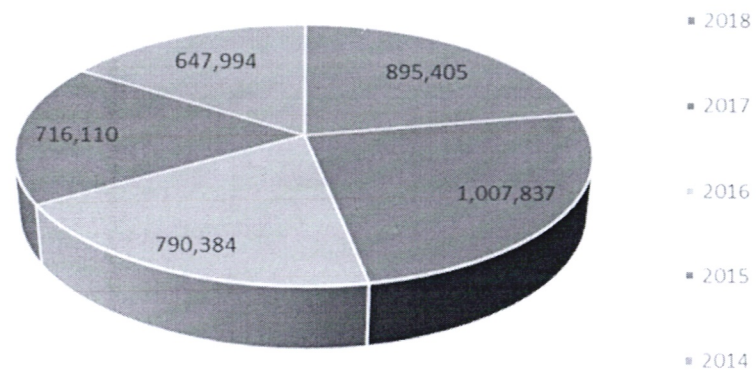
BUSINESS HIGHLIGHTS

FIVE YEAR HISTORICAL PERFORMANCE – STATEMENT OF COMPREHENSIVE INCOME

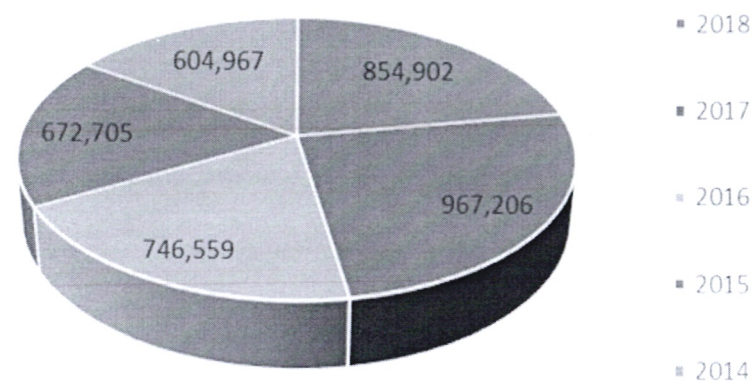
	2018 KES'000	2017 KES'000	2016 KES'000	2015 KES'000	2014 KES'000
Revenues					
Interest Income:					
Interest on Loans	743,184	932,485	682,010	602,672	526,987
Interest on Short Term Deposits	152,221	75,352	108,374	113,438	121,007
Total interest income	895,405	1,007,837	790,384	716,110	647,994
Less: Interest expenses					
Interest on Redeemable Loans	38,260	38,562	39,486	40,251	40,306
Rebate Interest	2,243	2,069	4,339	3,154	2,721
	40,503	40,631	43,825	43,405	43,027
Net interest income	854,902	967,206	746,559	672,705	604,967
Non-Interest income					
Other Operating Income	92,753	113,912	277,852	114,499	125,754
Fee Income	182,240	182,557	225,952	226,991	219,749
Income from doubtful debts	549,123	607,443	60,845	100,392	159,240
Total Non-Interest income	824,116	903,912	564,649	441,882	504,743
Total Revenues	1,679,018	1,871,118	1,311,208	1,114,587	1,109,710
Operating Expenses					
Staff Cost	(752,198)	(737,510)	(698,098)	(587,097)	(647,575)
Board Expenses	(21,109)	(24,401)	(12,053)	(15,920)	(11,755)
Administration Costs	(276,281)	(233,883)	(221,077)	(212,296)	(190,677)
Depreciation & Amortisation	(142,054)	(117,229)	(72,283)	(68,133)	(62,347)
Charge for Doubtful Debts	(208,786)	(486,767)	(58,083)	(24,836)	(38,423)
Total Expenses	(1,400,428)	(1,599,790)	(1,061,594)	(908,282)	(950,777)
Profit before tax	278,590	271,328	249,614	206,305	158,933
Tax for the Year	(157,285)	(143,721)	(67,933)	(39,156)	(52,198)
Profit for the year	121,305	127,607	181,681	167,149	106,735

Agricultural Finance Corporation
Reports and Financial Statements
For the year ended 30th June, 2019

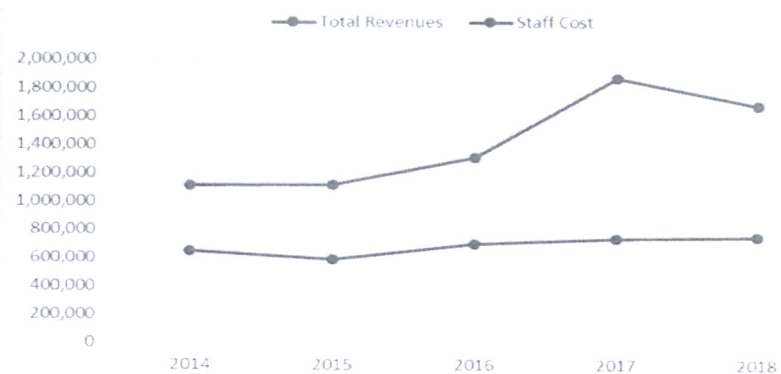
Total interest income



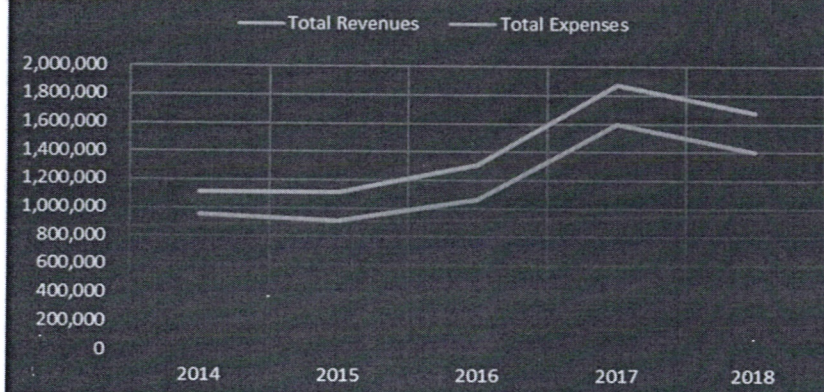
Net interest income



Total Revenue vis Staff Cost



Revenue vis Expenses



FIVE YEAR HISTORICAL PERFORMANCE (Continued)

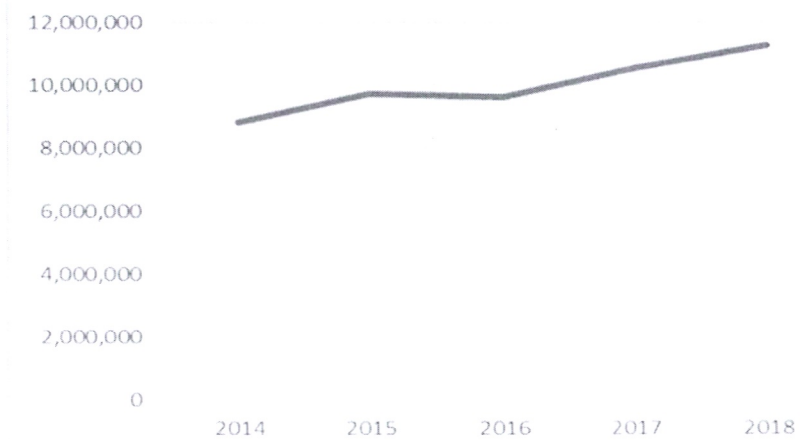
STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015	2014
	KES.'000	KES.'000	KES.'000	KES.'000	KES.'000
ASSETS:					
Non-Current Assets					
Property and Equipment	1,142,668	1,079,401	1,139,856	1,135,700	1,128,564
Intangible Assets	104,731	138,902	9,969	10,191	7,092
Deferred Tax Asset	588,975	588,975	632,446	700,379	173,661
Reposessed Farm Properties	259,167	137,995	137,995	169,053	700,379
Net Loans to Customers	5,602,718	4,896,792	4,294,811	4,313,848	3,978,304
Total Non-Current Assets	7,698,259	6,842,065	6,215,077	6,329,171	5,988,000
Current Assets					
Cash and Bank Balances	146,439	130,833	109,218	134,878	166,946
Short Term Deposits	1,271,502	1,117,576	712,498	910,743	1,023,453
Net Short Term Loans to Customers	1,981,527	1,863,232	2,538,219	2,269,144	1,428,826
Trade and Other Receivables	149,028	600,215	61,611	107,269	205,812
Inventories	3,591	1,937	1,063	1,542	1,232
Total Current Assets	3,552,087	3,713,793	3,422,609	3,423,576	2,826,269
Total Assets	11,250,346	10,555,858	9,637,686	9,752,747	8,814,269
EQUITY AND LIABILITIES					
Equity and Reserves					
Grants	3,803,691	3,597,951	2,856,476	2,856,476	2,356,476
Government Equity Capital	2,687,766	2,687,766	2,687,766	2,687,766	2,687,766
General Reserve	1,030,715	911,278	783,671	601,934	434,757
Revaluation Reserve	787,618	787,618	787,618	787,618	787,618
Total Equity and Reserves	8,309,790	7,984,613	7,115,531	6,933,794	6,266,617

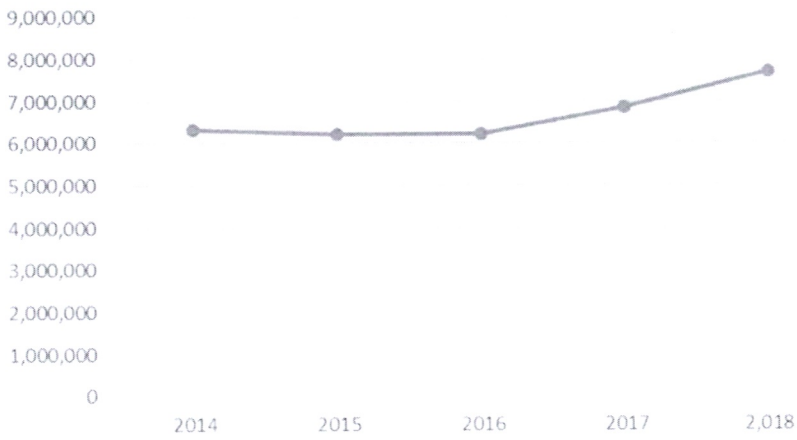
Agricultural Finance Corporation
Reports and Financial Statements
For the year ended 30th June, 2019

	2018 KES.'000	2017 KES.'000	2016 KES.'000	2015 KES.'000	2014 KES.'000
Non-Current Liabilities					
Redeemable Government Loans and Interest:	1,034,819	1,003,258	984,825	970,576	950,270
Agency Funds	831,734	831,734	852,218	926,573	901,573
Total Non-Current Liabilities	1,866,553	1,834,992	1,837,043	1,897,149	1,851,843
Current Liabilities					
Payables	503,136	363,918	389,221	567,419	385,543
Trade and Other Payables	242,851	201,603	225,403	283,894	278,940
Current Tax Payable	328,017	170,732	70,482	70,482	31,326
Current Accounts	-	-	6	9	-
Total Current Liabilities	1,074,004	736,253	685,112	921,804	695,809
Total Equity and Liabilities	11,250,347	10,555,858	9,637,686	9,752,747	8,814,269

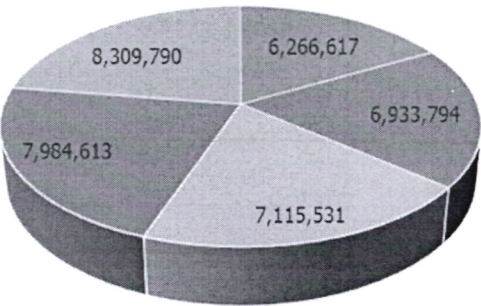
Growth in Asset Base



Total Non-Current Assets

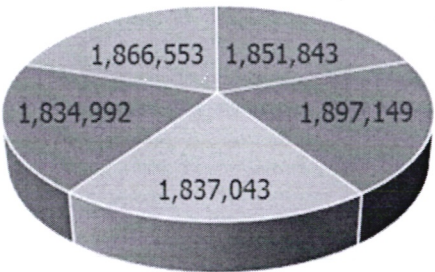


Total Equity and Reserves



■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

Total Non-Current Liabilities



■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

II. THE BOARD OF DIRECTORS



Hon. Franklin Kipng'etich Bett is a career civil servant with over thirty five years of service in the Government of Kenya. He has served in the Ministry of Finance for over 10 years rising to the position of undersecretary. He also served as The Comptroller of State House, the Permanent Secretary in the Ministry of Environment, the Kenya High Commissioner to Australia, a nominated and an elected Member of Parliament, Chair of the Parliamentary Select Committee on Agriculture, Lands and Natural Resources and a Cabinet Minister. He holds a Bachelor of Commerce (Accounting) degree from The University of Nairobi.



Mr. Henry K. Rotich is the Cabinet Secretary for The National Treasury. Prior to his appointment, Rotich was the Head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity he was involved in the formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. In addition, he was also involved in the preparation of key budget documents including the Budget Statements, as well as providing strategic coordination of structural reforms in the area of fiscal management and financial sector.

Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between, the years 2001-2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist. He was also a Director of several Boards of State Corporations.

THE BOARD OF DIRECTORS (Continued)



Prof. Hamadi Iddi Boga, is the Principal Secretary State Department for Agricultural Research and Acting Principal Secretary, State Department for Crop Development. He is an accomplished scholar, researcher and administrator. Before joining the Ministry he was a Professor of Microbiology at Jomo Kenyatta University of Agriculture and Technology (JKUAT) was the Acting Vice Chancellor of Taita Taveta University since 7th October 2016. He has a BSc in Botany and Zoology (First Class Honors) and MSc in Botany (Microbiology) from Kenyatta University in Kenya, PhD in Microbial Ecology and Microbiology from University of Konstanz, Germany and a Post-Doctoral Research stay at the Max Planck Institute for Terrestrial Microbiology in Marburg, Germany. He is also a Humboldt Fellow and was from 2010-2015 the Humboldt Ambassador Scientist for Kenya.

Boga has previously, held various administrative positions in JKUAT including Chairman of Botany Department (2002-2004), Director of Institute of Biotechnology Research (2005), Dean of Faculty of Science (2007) and Principal of JKUAT Taita Taveta Campus in Voi (2007 to 2012). From 2012-2016 he was the Principal of Taita Taveta University College.

He has an extensive international and local network of scientific engagements and collaborations. He is a board member of ICPE, ICRAF among others. He was a Board Member of the World Federation of Culture Collections (www.wfcc.org)(2010-2013). He was the Secretary of the African German Network of Excellence in Science (AGNES) (2013-2016), the Secretary (2002-2006) and later Chairman (2008-2010) of the Kenya German Scholars Association (KDSA)

Boga has over 66 scientific publications in International Journals, has supervised over 14 PhD and 31 MSc students. He is an active researcher with active international collaborations. Has a strong track record of fundraising for research. He has wide experience in Management and strategic planning.

THE BOARD OF DIRECTORS (Continued)

At the Ministry, he is currently steering strategic policy transformation in the sector and has passion for embracing technology, innovations and digitalization to ensure informed and evidence based decision making and planning.



Mr. Lucas Meso is the Managing Director of the Agricultural Finance Corporation. Mr. Meso's experience spans over 20 years in senior management positions in the banking sector. He previously worked for the Central Bank of Kenya, East African Development Bank, Commercial Bank of Africa and the Co-operative Bank of Kenya. In recognition of his role in the development of Agri-business, Mr. Meso was honoured with a Presidential National Decoration Award, Moran of the Order of the Burning Spear (MBS).

He has also made outstanding contributions in economic development in the country. As the AFC team leader, Mr. Meso visualizes transforming the Corporation into a premier class, customer focused agricultural financing outfit where value to stakeholders takes precedence.

He envisages a Corporation with extensive service outreach and meaningful impact to the Kenyan agricultural economy. He holds a Master Degree in Business Administration specializing in Strategic Management from Maastricht (MSM)/Esami and a Bachelor of Science Degree in Financial Services from the University of Manchester. He is an associate of the Chartered Institute of Bankers (ACIB) UK, a fellow of the IFS School of Finance (FIFS) and a graduate of Advanced Management Program, Strathmore University in collaboration with IESE Business School, Barcelona - Spain.

THE BOARD OF DIRECTORS (Continued)



Mr. Richard Krop Mr. Richard Krop has extensive expertise and experience in program management, strategic partnerships and resource mobilization garnered in the past 13 years having worked with Civil Society Organizations and most recently in Government Agencies for the last 8 Years. He is the Director of Masol Properties & Investments Ltd, Bendera Contractors and Creative Kenya Communications Ltd.

He is vastly experienced in monitoring and evaluation, peace building, conflict management, education and sports development. His other areas of expertise include fundraising; grant proposal writing, developing donor fund planning and report policies and financial administration. Mr. Krop is pursuing a PhD in Entrepreneurship and Small Business Development, a holder of MBA Strategic Management and BA Commerce, Human Resources Option from the University of Nairobi. He is also a member of Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM)



Hon. David Koros has previously worked in the Administration Department at Moi University. Between the year 2002 and 2007, he was the elected Member of Parliament for Eldoret South Constituency, being a member of the Health and Powers and Privilege Committees. He has been on the Board of Directors of East African Portland Cement. Mr. Koros holds Bachelor of Arts Degree with a Major in Political Science and a Minor in

Economics from Kanpur University, India. He has a Diploma in Public Advertising Management, Marketing Organization, Office Administration, Human Relation and Industrial Psychology and Computer Programming.

THE BOARD OF DIRECTORS (Continued)



Ms. Susan Wanjiru is an Alternate Director representing the Cabinet Secretary, National Treasury, since 2015. She also serves as an Alternate Director in the National Construction Authority Board of Directors.

Her experience spans over 34 years in Public Service. She has served in the Ministry of Finance rising to the position of Senior Assistant Director Investment responsible for general administration

and management of the unit, implementing and reviewing investment policies, developing financial guidelines covering the operations of State Corporations, formulating proposals for reforms of Government investments and appraising State Corporations programs and capital projects.

She holds a Master's Degree in Business Administration from the Eastern and Southern African Management Institute (ESAMI), a Post graduate Diploma in Corporate Governance and a Bachelor of Commerce – Finance and Accounting from the University of Nagpur. She is a Certified Investment & Financial Analyst and a member of the Institute of Directors Kenya.



Hon. Steven Kipkoech is a health expert and consultant. He has been in leadership position in the Bomet County. He is involved in various secondary school boards and churches. Currently he is the Director AGC Investment.

Hon. Kipkoech holds an MBA in Finance from Shahu College (Kolhapur University) and Bachelor of Commerce from Kolhapur Shivaji University (India). He also holds Diploma in Finance and Banking from India Institute of Management.

THE BOARD OF DIRECTORS (Continued)



Mrs. Rosemary Munio has extensive expertise and experience in consultancy with proficiency in strategic result based management and logical framework analysis. She has worked for over 20 years in various Non-Governmental Organizations (local and International) and for the government as a social development officer. Currently she is an independent development consultant.

She is a holder of an Executive MBA in Strategic Management from Moi University and BA in Social Works from University of Nairobi. She also holds the following Certificates of local Capacity in disaster preparedness and management, communication training program, conflict management course, gender responsive planning programming and management training, result based management.



Mrs. Muringo Kimamo is a career Human Resource professional with a wealth of experience for over 34 years in private sector. Currently a church chairperson of the Human Resource working Committee. She has participated in developing and implementing Human Resource Strategy, performance management, industrial relations including Collective Bargaining Agreement Negotiations, safety and health programs and staff pension scheme.

She holds a Bachelor of Arts degree from University of Nairobi.

THE BOARD OF DIRECTORS (Continued)



Mr. John Musyoka Munywoki is an Alternate Director representing the Principle Secretary Ministry of Agriculture, Livestock Fisheries and Irrigation, State Department for Crops Development. His experience spans over 15 years in Public Service. He has served in various capacities at the Ministry of Finance, State House, Ministry of Medical Services, Ministry of of Devolution and Planning, Ministry of Interior and Coordination of National Government, Ministry of Lands and Physical Planning and currently in the Ministry of Agriculture, Livestock Fisheries and Irrigation.

He is the Senior Chief Finance Officer heading the finance unit, assists the accounting officer to offer strategic leadership in financial matters of the Ministry, coordinates budget planning and preparation, budget execution and implementation, expenditure control and commitments, chair budget implementation committee and advises the Ministry on prudent Public Financial Management. Mr. Munywoki holds a Master of Business Administration (Finance) and a Bachelor of Commerce (Accounting option) from Kenyatta University.



Mrs. Rose Ochanda is the Corporation Secretary and Chief Manager Legal Services. She has served in various positions in State Corporations such as the Kenya Industrial Estates Limited and the Kenya Bureau of Standards as the Company Secretary and Chief Legal Officer respectively. She has also practiced as an Advocate in private with a focus on litigation, commercial and conveyance law.

She is a holder of a Master in Business Administration Degree in Strategic Management and LLB (Hons) Degrees from the University of Nairobi.

III. MANAGEMENT TEAM



Mr. Lucas Meso, MBS
Managing Director

Mr. Meso is the Managing Director of the Agricultural Finance Corporation. Mr. Meso's experience spans over 20 years in senior management positions in the banking sector. He previously worked for the Central Bank of Kenya, East African Development Bank, Commercial Bank of Africa and the Co-operative Bank of Kenya. In

recognition of his role in the development of Agri-business, Mr. Meso was honoured with a Presidential National Decoration Award, Moran of the Order of the Burning Spear (MBS). He has also made outstanding contributions in economic development in the country. As the AFC team leader, Mr. Meso visualizes transforming the Corporation into a premier class, customer focused agricultural financing outfit where value to stakeholders takes precedence. He envisages a Corporation with extensive service outreach and meaningful impact to the Kenyan agricultural economy.

He holds a Master Degree in Business Administration specializing in Strategic Management from Maastricht (MSM)/Esami and a Bachelor of Science Degree in Financial Services from the University of Manchester. He is an associate of the Chartered Institute of Bankers (ACIB) UK, a fellow of the IFS School of Finance (FIFS) and a graduate of Advanced Management Program, Strathmore University in collaboration with IESE Business School, Barcelona - Spain.



Mrs. Rose Ochanda
Corporation Secretary
& Chief Manager Legal
Services

Mrs. Ochanda is the Corporation Secretary and Chief Manager Legal Services. She has served in various positions in State Corporations such as the Kenya Industrial Estates Limited and the Kenya Bureau of Standards as the Company Secretary and Chief Legal Officer respectively. She has also practiced as an Advocate in

private with a focus on litigation, commercial and conveyance law.

She is a holder of a Master in Business Administration Degree in

MANAGEMENT TEAM (Continued)

Strategic Management and LLB (Hons) Degrees from the University of Nairobi.



Mrs. Millicent Omukaga
Head of Operations

Mrs. Omukaga is a career banker, a strategist and an accountant with immense experience in institutional transformation from the financial sector

She has 16 years of management and leadership experience having served as a General Manager as well as held management positions at KWFT, Family Bank, Price Water House Coopers (PwC), Kenya Commercial Bank, Commission for Higher Education and AFRACA.

Millicent is also a Certified Microfinance Trainer of Trainers for the World Bank TDLC and has served as the Local Consultant/Trainer for Sida's private sector development ITP in East Africa.

She holds a Bachelor of Commerce degree and a Master of Business Administration (both from the University of Nairobi), she is currently pursuing her PhD in Development Studies at Erasmus University of Rotterdam. She is a Certified Public Accountant of Kenya, Certified Internal Auditor and holds a postgraduate certificate in Strategy and Change Management from the Harvard Business School, USA.



CPA Tom O. Akeno
General Manager – Finance

CPA Akeno is an accomplished finance professional with extensive public service experience spanning over 30 years having previously worked for the Ministry of Agriculture and the Kenya Tea Development Authority (KTDA). He has vast experience in financial accounting and management, corporate finance, financial systems implementation and Co-operative's management. Since joining the Corporation as an Accountant in 1995, he has risen through the

MANAGEMENT TEAM (Continued)

ranks of Senior Accountant, Assistant Chief Accountant, Chief Accountant and currently is the General Manager Finance. He is also the Chairperson of AFC Staff Pension Schemes, Ufanisi Savings and Credit Co-operative Society and Ufa Housing Co-operative Society.

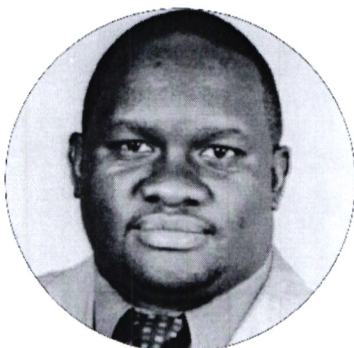
He holds a Master Degree in Business Administration specializing in Finance from the University of Nairobi and a Bachelor of Business Administration Degree in Accounting and Finance from the Kenya Methodist University. Akeno is a Certified Public Accountant and a member of good standing of the Institute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



Mr. K. W. C. Tallam
General Manager Human
Resources

Mr. Tallam is the General Manager Human Resources and Administration. He is a career Human Resource Professional having worked in the Human Resource Department of the Corporation for over 30 years rising from the position of Personnel officer, Senior Personnel Officer, Principal Personnel Officer and Human Resources Manager. He is also a Trustee of the AFC Staff Pension Scheme. He holds a B.Sc (Business Administration) Degree from the United States International University (USIU) and a Diploma in Business Administration.

MANAGEMENT TEAM (Continued)



Mr. Daniel O. Olilo
Head of ICT

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



Mr. Jackson Opati Echoka
Head of Risk Unit

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

MANAGEMENT TEAM (Continued)

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



Ms. Anastasia Wachira
Head of Loan Recoveries

Ms. Wachira has a wealth of experience in credit having participated in formulation of various credit policies in Barclays. She is a career Banker having worked with Barclays Bank of Kenya Ltd for nine years in various departments including Compliance, Retail Credit Unit and Credit Operations. Ms. Wachira's areas of interest include Finance, Credit and Risk analysis and the real estate market.

Ms. Wachira is a holder of a Bachelor of Commerce (Finance & Banking) from Egerton University. She is currently finalizing her Master of Commerce (MCOM) at Strathmore University.



Ms. Pauline Kathambana
Manager – Corporate Communications

Ms. Kathambana is a Communications Specialist with 20 years' experience in corporate communications, internal communications and brand strategy. She has previously worked for the East African Development Bank and the Kenya Power, and has been a consultant to organisations such as the Water and Sanitation Program (WSP) of the World Bank, the Norwegian Fund for Developing Countries (NORFUND) and the Anglo-American School, Moscow. In addition she is an accomplished facilitator and trainer.

MANAGEMENT TEAM (Continued)

She holds a Master of Arts degree in International Studies from the University of Nairobi and a Bachelors of Education from Kenyatta University, Kenya. She is a member of the Public Relations Society of Kenya.



***MS. Margaret Wanjiru
Muiruri
Head of Procurement***

Ms. Wanjiru is a procurement professional having worked in Procurement Department for 15 years.

She holds a Bachelor of Business Administration – Entrepreneurship Option from the Kenya Methodist University, and currently finalizing her MBA – Finance at Kenyatta University.

Margaret also holds an Advance Diploma of Chartered Institute of Purchasing and Supplies, (CIPS) (UK) and a Diploma in Business Management of Kenya Institute of Management, (KIM). She is an Associate Member of both Kenya Institute of Supplies Management (KISM) and Chartered Institute of Purchasing and Supplies (CIPS) (UK).

She has undertaken several short courses locally on Procurement and Leadership at Kenya Institute of Supplies Management (KISM), Strathmore Business School and Kenya School of Government.

MANAGEMENT TEAM (Continued)



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

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

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

IV. CHAIRMAN'S STATEMENT

General Overview

The Corporation delivered on its promises for 2018/2019 financial year on the back of a sustained and managed lending strategy, coupled with the step change in our digital platform. My assessment of the Corporation performance is good and within the overall budget.

At the beginning of the year, the Corporation rolled out a strategy whose core ambition is alignment to the Government's Medium Term Development Priorities, Constitution of Kenya, The Vision 2030, The Agricultural Sector Development Strategy, The Third Medium Term Plan and the "Big Four" Agenda.

We anticipate further growth following the recent integration of the Corporation's core banking system with the FITNES system, which will enable the Corporation to take advantage of emerging shifts in digital technology and pursue the opportunities that it offers. We now have one of the most advanced core banking platforms and, through this, we hope to offer innovative new products and superior customer experience. The Board is keen to support innovation. We shall continue to prioritize investments in technology to ensure that we meet our customers' needs and offer exceptional value and service.

Financial Performance

The 2019 financial results show total revenue reduced by 13% to KES 1.5 billion (2018 – KES 1.7 billion). This was majorly informed by a decrease in collections from Non-performing loans. Our pretax profit went up from KES. 278 million recorded in previous year to KES. 313 million, reflecting a slight increase of 13%. Interest on loans also went up by 5% from KES 743 million to KES 779 million due to increase in loan disbursements.

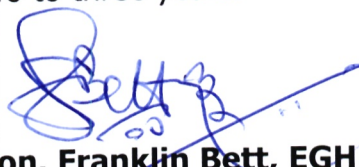
CHAIRMAN'S STATEMENT (Continued)

The Corporation operated within the approved budget on staff and general administration expenses. A total of KES 1.2 billion was spent, compared to KES 1.4 billion last year. Our asset base also grew slightly from KES. 11.3 billion to KES. 11.6 billion as a result of budgetary support of KES 300 million and growth in our general reserves due to retention of surplus.

Looking ahead

We expect higher growth and new opportunities in 2019, driven by renewed investor confidence and a rebound in the economies. The financial sector in which the Corporation operates is expected to grow in tandem and therefore, we are optimistic we will maintain our positive growth trajectory.

As a Board, we appreciate the invaluable efforts by the management in ensuring that the Corporation remains a key pillar in the financing of agriculture. Our clients and stakeholders have extended to us unwavering support and we are grateful to them too. I would also like to record my appreciation to my fellow Board members for providing strategic guidance to the running of the business. However, we cannot rest on our laurels; there is more work to do if we are to reach our stated ambition of being a preferred financial institution for development of agriculture over the coming two to three years.



Hon. Franklin Bett, EGH
CHAIRMAN

V. MANAGING DIRECTOR'S STATEMENT

In 2019, the Corporation launched its 2018-2022 strategy which aimed to support its next phase of growth and leadership positioning after successfully concluding its five-year strategic plan. This strategic plan (2018-2022) is aligned to the Government's Medium Term Development Priorities, as well as the Constitution of Kenya, The Vision 2030, The Agricultural Sector Development Strategy (ASDS) 2010-2020, The Third Medium Term Plan (MTP) 2018-2022, The "Big Four" Agenda, The Sustainable Development Goals (SDGs) and The Africa's Agenda 2063. The Strategy focuses on six key Strategic Areas, namely, Enhancement of Government Collaboration to realize achievement on the Big Four Agenda; Driving Financial Inclusion in the Agricultural Sector; The Development of a Wholesale Lending Model to de-risk and catalyze Private Sector agricultural financing; Diversification of funding sources to ensure organizational sustainability and reduce single source funding dependencies; Optimization of the business model and accordingly enhance operational efficiencies to realize cost savings and Enhance Governance & Management Framework.

During the year under review, the Corporation continued to strengthen its position as a preferred agricultural financier through signing of a number of significant partnerships. The Corporation partnered with United Nations Women and the Government in the launch of Micro Finance Ride-on Access Window (MRAW), Women Affirmative Access Window (WAAW) and Co-operative Ride-on Access Window (CRAW) products Risk Sharing Fund and Enable Youth programme.

Delivering for Customers

During this financial year, the Corporation's net loan portfolio increased by 8% up from KES. 7.6 billion to KES. 8.2 billion. The Corporation intends to reach more clients through mobile loan application to be launched in the coming year as

MANAGING DIRECTOR'S STATEMENT (Continued)

Investments in digital platforms remains a key priority for the business and a key lever through which we will drive customer convenience.

Financial review

When we take a quick preview of how we performed during the year, you will observe that the profit after tax grew to KES 313.1 million up from KES. 278.6 million. The Corporation continued with cost containment initiatives which were reflected by an expenditure of KES. 1,153 million compared to the budgeted amount of KES. 1,400 million yielding cost savings of 18%. The Corporation's asset base increased to KES 11.6 billion compared to KES.11.3 billion recorded the previous year which represents a grow of 3%.

During the twelve months period, loans worth KES 3.6 billion were disbursed compared to KES. 3.38 billion in the previous period. On the other hand a total of KES.3.5 billion was collected compared to KES.3.9 billion in the previous year. The net loan portfolio increased from KES.7.6 billion in 2018 to KES.8.3 billion in the current period representing an increase of 9%. This was largely informed by the growth in medium and short term loans advanced on implementation of the MRAW, CRAW and WAAW products during the period under review.

This positive performance is a reflection of the business model that we employed to serve our customers, a highly motivated staff, a visionary Board and continued support from the Government.

The opportunity ahead of us

The Government of Kenya has identified four pillars which economic growth will hinge on i.e: affordable housing, universal healthcare, food security and manufacturing. In view of its mandate, AFC has a significant role to play in the

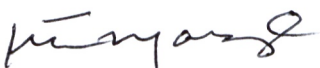
MANAGING DIRECTOR'S STATEMENT (Continued)

realization of the Government objectives in two of the Big Four, namely Food Security and Manufacturing. This will be achieved through,

- Partnerships with all credit providing Government institutions.
- The Corporation will also establish product lines which will contribute to the achievement of the Big Four Agenda.

Having addressed the milestones and the plans we have in place, the common denominator remains the staff using resources to deliver products and services to our customers. I have had an opportunity to interact with numerous staff and met many customers as part of my duties: I wish to thank all our staff and customers for their engagement with the Corporation. I'm not only confident but also excited at what the future holds for the Corporation. I call upon your continued support to elevate the overall contribution and impact the Corporation makes.

I sincerely thank the Chairman and the entire Board of Directors who have provided policy guidance and direction to the management during the year under review.


Lucas Meso, MBS
MANAGING DIRECTOR

VI. CORPORATE GOVERNANCE STATEMENT

Code of Conduct

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

Board Responsibilities

The Board of Directors is responsible for providing overall policy and leadership to the Corporation and is accountable to the Government of Kenya. The Board's duties and responsibilities include:

Fiduciary responsibility

The Board of Directors has a fiduciary responsibility to care for the finances and resources of the Corporation. They must act in good faith and with a reasonable degree of care, and they must not have any conflicts of interest. That is, the interests of the Corporation must take precedence over personal interests of individual Board members.

CORPORATE GOVERNANCE STATEMENT (Continued)

Mission and Vision of the Corporation:

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

Oversight

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

The Board of Directors establishes and maintains the Corporation's overall systems of planning, accounting and internal controls that facilitate prudent risk assessment and management.

The Board of Directors sets policy guidelines for management and ensures competent management of the business including the selection, supervision and remuneration of Senior Management.

Board Meetings

An annual plan of scheduled Board meetings is prepared each year by the Corporation Secretary, including meetings for the Board committees. The full Board meets at least four times a year and special meetings may be convened when need arises. Guidelines are in place concerning the content, presentation and delivery of papers for each Board meeting to ensure that Directors have adequate information and sufficient time for appropriate briefing ahead of each meeting.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Chairman and Managing Director

The roles and responsibilities of the Chairman of the Board and the Managing Director are distinct and separate. The Chairman provides overall leadership to the Board in line with principles of collective responsibility for Board decisions. The

Managing Director is responsible to the Board and takes charge of executive management and efficient running of the Corporation on a day-to-day basis.

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

Board Performance Evaluation

The Board is responsible for ensuring that an evaluation of their performance and that of committees and individual directors are carried out each year. This involves a self-review of the Board's capacity, functionality and effectiveness of performance against its set objectives. Evaluation enables directors to suggest how Board procedures may be improved by assessing strengths and weaknesses and addressing its balance of skills, knowledge and experience. This is done by the GOK Performance contract on the KPI of the respective Board members.

Internal Control

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

CORPORATE GOVERNANCE STATEMENT (Continued)

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

Conflict of Interest

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

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

Board Committees

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

- Audit Committee
- Finance and Business Development Committee
- Credit and Risk Committee
- Human Resource Committee

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Audit Committee

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

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

Finance and Business Development Committee

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

Human Resource Committee

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Credit and Risk Committee

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

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Risk Management

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

a) Credit Risk

Credit risk is the potential for loss due to the Corporation's clients' failure or unwillingness to meet their contractual credit obligation. It's the single largest risk that the Corporation faces. This arises principally from the loans and advances given to our clients. The amounts presented in these financial statements are net of impairment allowances based on prudent assessment of clients' abilities to meet their contractual obligations.

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

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

b) Liquidity and Funding Risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligation when they fall due or to fund increases in asset without incurring unacceptable costs or losses. Effective liquidity risk management is essential in order to maintain the confidence of the Corporations financiers & partners and to enable our core business to continue operating even under adverse liquidity circumstances. The Corporation has established the Asset and Liabilities Committee (ALCO) that is tasked with the responsibility of ensuring that all foreseeable funding and commitments are met when they fall due and that the Corporation will not encounter difficulties in meeting its obligations or financial liabilities as they fall due.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

c) Market Risk

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

d) Capital Management

The Corporation's objectives when managing capital are:

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

e) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

standards of corporate behavior. Operational risks arise from all of the Corporation's operations and are faced by all business units.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Corporation standards for the management of operational risk in the following areas:-

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Corporation's standards is supported by a program of regular reviews undertaken by both the Internal Audit and Compliance & Control Section.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Corporation and the Board Audit Committee.

f) Strategic Risk

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

g) Reputational Risk

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

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

h) Compliance & Legal Risk

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

i) Information & Communication Technology Risk

ICT Risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within an enterprise. It consists of ICT-related events and conditions that could potentially impact the business. It can occur

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

with both uncertain frequency and magnitude, and it creates challenges in meeting strategic goals and objectives.

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

VIII. CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING

TRANSFORMING THE WORLD THROUGH SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Background

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The Sustainable Development Goals replaced the eight UN Millennium Development Goals (MDGs) whose objective was to reduce extreme poverty by 2015 beginning the year 2000.

The 17 Sustainable Development Goals



CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Sustainable Development Goals and the mandate of AFC

The SDGs are in line with the Corporation's mandate of providing affordable credit to the agriculture sector for wealth and job creation, food and nutrition security, financial inclusion for women and youth, and environmental sustainability.

The following are some of the Sustainable Development Goals (SDGs) the Corporation has focused on:



CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

(1)The Goal: End poverty in all its forms everywhere



What it means to us: "Ending Poverty" which recognizes agriculture is the single largest employer in the battle to end poverty must be fought in rural areas through financing small holder farmers.

The Corporation has advanced to the Agriculture Sector a total of KES. 38.7 billion in Medium term loans and KES. 16.8 billion in short loans from 2011 to 2018, hence impacting positively on the contribution of agriculture to Kenya's GDP that has averaged between 25-30% for the last 5 years (according to the Central Bank of Kenya). The asset base of the Corporation has grown from KES. 6.6 billion to KES. 11.3 billion, an increase of 71.2% growth.

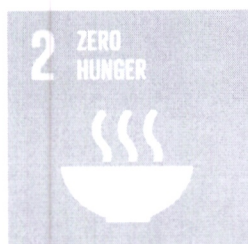
The table below summarizes credit finance to farmers and asset base growth from 2011 to 2018

Increased Finance To Farmers and Improved Asset Base									
	2011 KES.	2012 KES.	2013 KES.	2014 KES.	2015 KES.	2016 KES.	2017 KES.	2018 KES.	Total KES.
Item	Billion	Billion	Billion	Billion	Billion	Billion	Billion	Billion	Billion
Medium Term Loans	4.9	4.6	4.7	5.5	4.3	4.3	4.9	5.6	38.7
Short Term Loans	1.9	2.1	2.1	2.1	2.3	2.5	1.7	2.0	16.8
Total Assets	6.6	7.8	8.4	8.8	9.7	9.6	10.5	11.3	

From 2011 to 2018 as per above table, the Corporation has granted loans to 640,000 direct clients and 3, 840,000 indirect clients, hence contributing to the GDP growth and national food and nutrition security.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

(2) The Goal: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



What it means to us: Premised upon a comprehensive approach to tackling food insecurity and malnutrition while promoting sustainable agriculture.

On average the Corporation disburses KES 3.5 billion to various agricultural enterprises every financial year. The main agricultural value chains financed are horticulture, livestock, and seasonal crop credit. Table 2 below summarizes the credit that was disbursed directly for various agricultural food production that contribute towards ending hunger. The data is for the financial year 2018 to 2019.

Table 2: Annual Contribution of AFC to ending hunger, financial year 2018 to 2019

Item	Sum of Disbursed Amount KES '000
Horticulture	89,969
Cabbages Loan	1,398
Capsicum Loan	9,096
French Beans Loan	8,881
Onions Loan	5,864
Other Horticultural Crop Loans	39,236
Snow Peas Loan	238
Tomatoes Loan	25,256
Livestock	833,235
Dairy Loan	475,852
Fish Farming Loan	5,653
Geese. Turkey Loan	4,899
Other Livestock Loan	172,298
Pigs Loan	36,838

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Item	Sum of Disbursed Amount KES '000
Poultry Loan	130,702
Shoats Loan	6,993
Seasonal Crop	904,203
Maize Loan	443,910
Other Seasonal Crop Loans	12,816
Potatoes (Irish) Loan	11,172
Rice Loan	13,884
Sorghum Loan	59,998
Wheat Loan	362,423
Others	1,703,245
Grand Total	3,530,652

Source Banker Realm Net, Operations Department

(3) The Goal: Ensure healthy lives and promote well-being for all at all ages



What it means to us: The Corporation strives to serve all segments of the population. Data for loans distributed by type of clients from 2003 to 2018 show that out of KES. 33.2 billion disbursed, youth (18 to 35) years, received 6%, adults (36 to 70) years 72%, adult above 70 years 5%, and legal entities. The Corporation has designed a special programme, ENABLE youth, funded by the African Development Bank and the Government of Kenya that upon implementation will target at least 30% of the portfolio to belong to the youth. Hence the Corporation targets all the population segment for food and nutrition security.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

(4)The Goal: Achieve gender equality and empower all women and girls



What it means to us: The Corporation recognizes that, the contribution made by women in agriculture and agri-business impacts positively to the country's Gross Domestic Product (GDP), Food Security and Nutrition. Its focus is on ensuring the creation of an enabling environment for women in agriculture.

In Kenya, women provide 75-89% of the labor force in small-scale agriculture and manage 40% of the small-scale farms. Notably, only 1% of land titles in Kenya are owned by women while only 5% of land titles are under joint ownership between men and women. Lack of ownership creates barriers to not only accessing mainstream agricultural finances as land is the most widely accepted collateral but also prevents women from accessing market platforms such as contract farming and farming cooperatives that would help them interact with other people who could help them improve production or sales. Women are therefore restricted from accessing start-up capital, working capital, expansion capital or equipment financing and hence a continued circle of poverty among women.

Women Affirmative Access Window (WAAW)

Only 10% of the Corporation portfolio belongs to women. In recognition of the challenges women face in accessing finance, the Corporation has designed the Women Affirmative Access Window (WAAW) initiative is a credit delivery model that focuses on accelerating financial inclusion at all stages of agricultural value chains. The model will enhance delivery of agricultural credit to women in agriculture at production, mechanization, post-harvest management, value addition and access to

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

local and export markets. The key distinctive feature of WAAW from other financial sector strategies is its client-centeredness. The WAAW model innovation programme intends to address financial inclusion of women by alternative collaterals such as risk sharing facility, loan guarantee and market contracts.

The Corporation has partnered with UN women in capacity building trainings. So far over 800 farmers have been trained in financial literacy, market linkage and health and household productivity in Busia, Kilifi, Kitui and Laikipia counties. The Corporation targets to continue with the capacity building activities in the other counties in the new financial year.

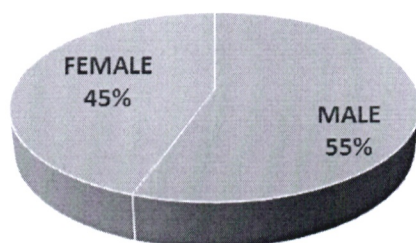
Gender Mainstreaming

In 2014 the Corporation developed a Gender Mainstreaming policy and has since put in place a Gender Committee to operationalize the gender strategy. Just this year, the Corporation was awarded a certificate of compliance, for complying with the guidelines on gender mainstreaming and inclusion for the year 2017/2018. The gender ratio of male to female employees is 55% to 45% which is within the Gender rule and constitutional threshold.

The ratio in top management staff is 45% to 55% respectively.

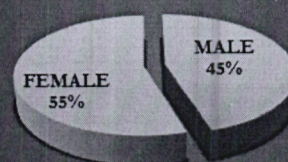
CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

EMPLOYEE GENDER STATISTICS



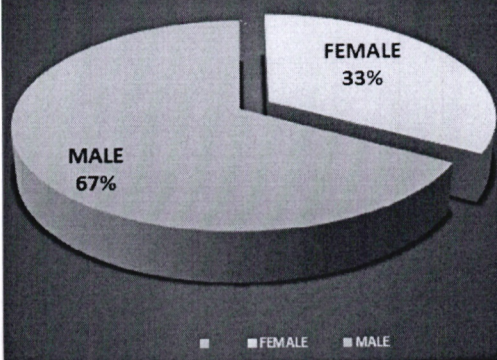
■ MALE ■ FEMALE ■

TOP MANAGEMENT GENDER
 STATISTICS



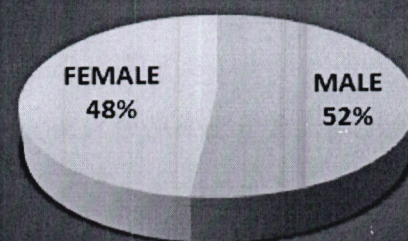
■ MALE ■ FEMALE

AFC BOARD GENDER STATISTICS



■ FEMALE ■ MALE

HQ GENDER STATISTICS



■ MALE ■ FEMALE ■

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

(5) The Goal: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



What it means to us: AFC recognizes that it is important to provide employees with ongoing education through various types of training designed to develop and improve the technical, administrative and interpersonal skills. It is believed that continuous development is essential to upgrading both technical and behavioral competencies within the workforce, and that skills and development training positions employees for growth and future opportunities within.

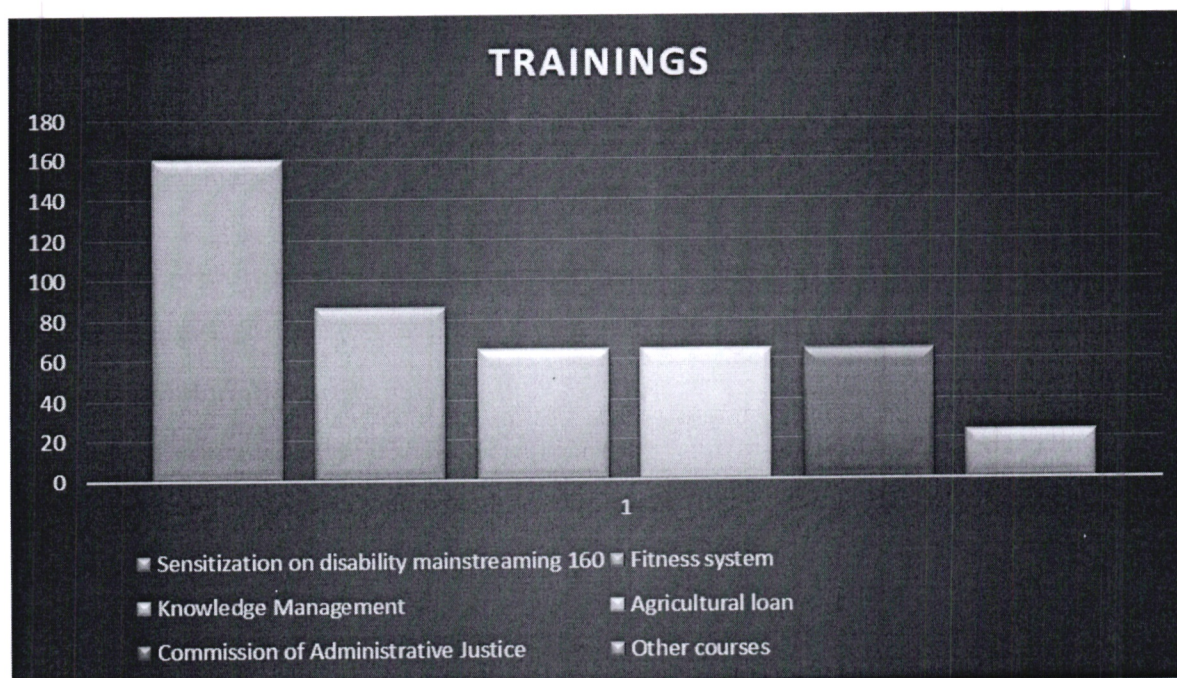
Employee Development

The Corporation offers training opportunities to all staff so as to achieve the objective of sustained knowledge and skills and to develop their careers. Various in-house courses are organized annually to meet the various needs and to improve the competency of staff.

The emphasis has been on short courses that create quick impact on the employees' performance. It has invested in training all employees across all cadres to reinforce the values of our brand purpose. The Corporation trained a total of 400 staff representing 75% in various categories.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Sensitization on disability mainstreaming	160
Fitness system	86
Knowledge Management	65
Agricultural loan	65
Commission of Administrative Justice	65
Other courses	24
TOTAL	400



CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Staff Recruitment

The Corporation handpicks the best fit candidates for every role that opens up within the Corporation. For the year 2018, of the total number of new recruits, 37% were male, with 63% being female.



(6) The Goal: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



What it means to us: The Corporation recognizes the importance of various innovations for its customers.

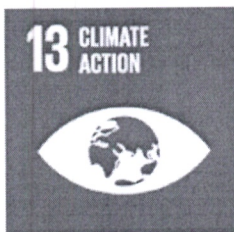
In order to bring more farmers into the orbit of financial services, the Corporation in conjunction with the Alliance for Green Revolution in Africa (AGRA), developed the Farmers Integrated Technology Network Enterprise (FITNES). The system kicked-off as a pilot project in 2014 in Bura, Tana River and has now been scaled up to all the Corporation's branches. Through the system, AFC is able to gather useful farmer information and track performance from land preparation, planting, harvesting, post-

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

harvest handling and marketing. The Corporation has also developed innovative delivery models as below:

- **Lending through anchor clients:** outreach to small holder farmers (SHFs) through input credit, on-lending, market and payment/remittance service Apex/whole sale lending for on-lending to small holder farmers through Co-operative Ride on Access Window (CRAW), Micro-Finance Ride on Access Window (MRAW)
- **Automation and reduction of lead time:** Customer origination, loan processing and repayments for efficiency and customer loyalty. This is done through M-Banking platform that enables:
 - ✓ Clients conveniently repay their loans using their mobile phones.
 - ✓ Customers and staff members can easily access their savings account (**VUNA**) remotely simply by dialing a short-code or through the AFC Vuna App for Mpesa transfers and utility payments.

(7) The Goal: "Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy."



What it means to us: It reaffirms the fact that agriculture has a major role to play in responding to climate change through measures that simultaneously facilitate adaptation and mitigation while concurrently improving rural people's livelihoods

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

(8) The Goal: "Strengthen the means of implementation and revitalize the global partnership for sustainable development. "



What it means to us: The Corporation is committed to partnerships in order to achieve its mandate. The Corporation has partnered with UN Women Kenya, European Union, AGRA to achieve SDG 5, Global Communities for capacity building for SMEs and, Government of

Kenya, African Development Bank (ADB) for Enable Youth and International Fund for Agricultural Development (IFAD) for Programme for Rural Outreach in Financial Innovative Technologies (PROFIT).

Corporate Social Responsibility

The Corporation has continuously increased on its Corporate Social Responsibility (CSR) activities. It has identified four key themes for CSR management frame-work: (1) Environment, (2) Education, (3) Water and sanitation, (4) Health and any other area deemed necessary.

With reference to these four key themes, the Corporation presents its stance and activities undertaken in the 2018 – 2019 FY

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

S.NO	NAME OF ORGANISATION	LOCATION	REGION	PROJECT	BRIEF INFORMATION	AMOUNT KES. '000
1	Bumbuni Primary School	Lunga – Lunga Sub - county in Kwale County	Coast Region	Education	Purchase iron sheets for the incomplete class and basic chairs, tables for teachers	100
2.	Iyabe Level 4 Hospital	Iyabe Location, Kisii County	Nyanza/We stern	Health	The hospital lacks beds, bed sheets, blankets and plastic chairs for in-patients	100
3.	Kerugoya School for the Deaf	Kerugoya in Kirinyaga County	Mt. Kenya	Environment	Purchase of water tank, mattresses, blankets and plant trees	100
4	Tree planting exercise	All Regions	-	Environment	Purchase of tree seedlings	1,000
5	Mater Heart run	Eldoret	North Rift	Health		100

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

S.NO	NAME OF ORGANISATION	LOCATION	REGION	PROJECT	BRIEF INFORMATION	AMOUNT KES. '000
6	a) Tree House Children Family	Lucky Summer, Mathare slums, Nairobi County	Eastern Region	Education	a) Putting up library shelves	50
	b) Makongo Special Unit for Deaf	Kaiti Division, Okia in Makueni County			b) Purchase of food stuff	50
7.	Kimplwas Childrens Home	Kimumu Ward, Moiben Uasin Gishu County	North Rift Region	Education	Purchase of iron sheets, beds, mattresses, blankets, Toiletries and food stuff	100
8	Wesley Empowerment Centre	Njoro town in Nakuru County	Central Rift	Education	Lacks iron sheets and basic chairs and tables for teachers & Purchase food stuff	101
9	Eldoro Primary School	Taita Taveta	Coast	Education	Lack of enough class rooms	1,000
10	Maugunja Primary School	Mombasa	Coast	Environment	Lack of proper latrines	896
11.	World day celebrations	Kitui	Eastern	Environment	Purchase of tree seedlings	100
	TOTAL					3,697

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Nyanza/Western Region –Iyabe Level 4 Hospital

In Nyanza/Western Region, the Corporation donated plastic chairs, Water dispensers, utensils, beddings and benches for the patients of Iyabe level 4 Sub-County referral hospital in Wanjare Sub-county, Kisii County. The hospital handles more than 100 in-patient and outpatient per day, majorly emergency cases for mothers and children.

The event was attended by the Regional Manager and representatives from Migori, Oyugis, Kilgoris, Kisii, and Kisumu branches. They were received by Dr. Okinyi the Hospital Superintendent and his team.



Hospital Superintendent Dr. Okinyi receives the donated items from Martha Ayodo, Regional Manager, Nyanza/Western Region

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Coast Region—Bumbuni Primary School

The Corporation through Coast Region donated iron sheets, sanitary towels and food stuff to Bumbani Primary School in Msambweni sub-county, Kwale County on 6th February 2019. The school was established in 2013 by the local community during land adjudication and it was allocated five (5) acres of land due to far distance from other existing public facilities. Currently, it has 261 pupils and it did its first Kenya Certificate for Primary School (KCPE) in 2018 with 16 pupils.

The event was attended by the Regional Manager and Ukunda branch staff.



Job Kemei, Regional Manager Coast and staff donate iron sheets and sanitary towels to management of Bumbani primary school

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

North Rift Region—Kimplwas Children's Home

The North Rift Region led by the Regional Manager made a visit to KIMPLWAS Children's Home on 6th February 2019 at Moiben Constituency, Uasin Gishu County. The team donated double-decker beds, mattresses, blankets and assorted foodstuffs and toiletries.

The home was established in 2003 by Kimplwas self-help group with the sole purpose of helping orphan children who are HIV positive to access education and to raise awareness in the community on the scourge in order to stamp out discrimination and social stigma associated with the disease. Currently the home supports 78 orphan children.

The Regional Manager was accompanied by staff from Eldoret, Iten and Turbo branches and were received by Mrs. Margaret Kosgei and Mr. Obadiah Karuru.



Lilian Kimulany, Regional Manager – North Rift handing over the items to Mrs. Margaret Kosgei

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Mt. Kenya Region—Kerugoya School of the Deaf

On 14th January 2019, Mt. Kenya Region donated mattresses, a water tank and blankets to Kerugoya School of the deaf in Kirinyaga County.

The school has a population of 200 students aged between 6 and 20 years.

The event was attended by the Regional Manager and Branch Manager Kerugoya and they were received by the school Principal Mr. Jesse Mwangi.

The school Principal thanked the Corporation for the donation of the items that will go a long way to support the deaf children.



One of the students receives the blanket from Regional Manager – Mt Kenya Mr. Felix Kisengo

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Central Rift Region - Wesley Empowerment Centre



Central Rift Region donate iron sheets to Wesley Empowerment management

The Central Rift Regional Office and Nakuru branch donated 102 iron sheets and food stuff to Wesley Empowerment Centre located in Njoro town. It was set up in the year 2009 and is managed by the Methodist church. It caters for the less fortunate in society especially from Jawadho and Ndarugu slums.

The aim of this centre is to empower the children of the poor socially, spiritually and academically. The Centre has more than 70 households benefitting directly through educational and other training sponsorship of at least one needy child in the family among other support services rendered.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Eastern Region - Makongo Special Unit



Branch Manager Wote, Isaac Kimundu hands over the items to the Head Teacher, Pricilla Munyao

The Corporation through Wote Branch donated 30 Blankets, 40 Bed sheets and Balls (soccer, volley and netball) to Makongo Special Unit for the Deaf

The School was started in 2011 by the current Head teacher Madam Pricilla Munyao with only 5 children. The institution has since grown from having 5 children to 65 children and 10 teachers. Most of the children come from a humble background and are in need for assistance.

The Board chairman, Head teacher and the entire teaching fraternity were elated for the support.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Mater Heart Run



North Rift, team preparing for the Mater Heart Run in Eldoret

The Corporation through North Rift Region participated in this year's 10 km Mater Heart Run that took place on 25th May 2019. It was flagged off by His Excellency Hon. Jackson Mandago the Governor of Uasin Gishu County. The main objective of the Mater Heart Run is to fundraise for the cardiac program. The cardiac program was started in 1995 to cater for children who cannot afford the surgery and the first open-heart surgery was performed in 1996.

To date over 3000 heart procedures have been performed courtesy of the support from well-wishers. Most of these surgeries were done at Mater Misericordiae hospital by Kenyan doctors, with a few being referred overseas or done by visiting Cardiologists.

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Tree Planting Exercise

Central Rift Region

The Corporation participated in a tree planting event at Kericho Rehabilitation School in Kericho County on 30th May 2019. Led by AFC Board Chairman Hon. Franklin Bett, the Corporation planted 1,000 tree seedlings at the Kericho Rehabilitation School in conjunction with Kenya Forest Service, Ministry of Labour and Social Protection and the local Administration.

The branches that participated in the tree planting exercise alongside the Central Rift region office were: Kericho, Molo and Bomet.



Hon. Franklin Bett plants a tree at the at Kericho Rehabilitation School



Staff members heading to the tree planting site

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Eastern Region

As part of the Corporation's commitment to environmental sustainability and education for all, AFC partnered with the Kenya Organization for Environmental Education (KOE), the Industrial and Commercial Development Corporation (ICDC) and the office of the Member of Parliament for Mwingi West Constituency to plant tree seedlings and to promote education by donating books in Kitui County.



AFC Corporate Communications Manager Pauline Kathambana (2nd right) presents a dummy cheque worth Kshs. 100,000 to the Kenya Organization for Environmental Education (KOE)-ECO Schools Executive Director Dr. Dorcas Otieno (2nd left). Looking on is KOEE Programs Officer Mr. David Wandabi (L) and AFC Marketing Officer Marylyne Ronoh (R)



(L-R) Mr. Wambua –Kiambu Branch, Mercy Muindi –Machakos and Eric Muita pose for a photo after planting the seedlings

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)

Mt Kenya

The Corporation participated in a tree planting exercise in Nyeri County on 21st June, 2019. Led by Mount Kenya Regional Manager Felix Kisengo, the Corporation planted 1,200 tree seedlings at Nyeri forest (Muringato). The afforestation was done in coordination with the Nyeri County Kenya Forest Service Officer, Mr. Peter Kariuki. The team involved in the exercise were staff from Mt. Kenya Region.



Mt. Kenya Region ready for tree planting exercise at Nyeri forest

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)



Staff members at Shikusa Prisons farm for the tree planting exercise in Nyanza/Western Region



Staff members ready for the tree planting exercise at Haven Recovery Centre in North Rift Region

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING (Continued)



Viola Tallam Branch Manager Turbo watering a tree seedling at National Youth Service. Looking on is Dorothy Ndunda of National Youth Service Turbo Camp



Coast Regional Manager, Job Kemei at the site after the tree planting exercise

IX. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, 2019, in accordance with the section 194 of the Public Finance Management (PFM) Act, 2012 which disclose the state of affairs of the Corporation.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2019 are set out from page 71 to page 123.

Dividends

As per the current dividend policy in place, the Corporation will only consider any dividends payout, after the government loans are fully repaid and the Corporations' liquidity is healthy. The Directors therefore do not propose to pay any dividends during the year under review. The retained earnings will be utilized to repay Government loans and the surplus will be reinvested in normal corporate business.

Directors

The members of the Board of directors who served during the year are shown on page 3. All the directors were appointed in accordance with respective section of the constitution of Kenya.

REPORT OF THE DIRECTORS (Continued)

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section 194 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Rose Ochanda

Corporation Secretary

Nairobi

Date: 21st August 2019



Hon. David Kiptanui Koros

Chair – Finance & Business

Development Committee

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

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

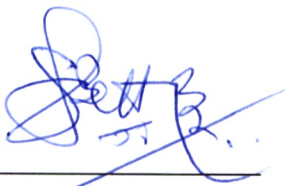
STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and Agricultural Finance Corporation Act Cap 323. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

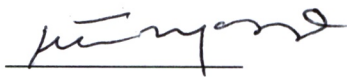
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 21st August 2019 and signed on its behalf by:



Hon. Franklin Bett
Chairman



Lucas Meso, MBS
Managing Director



Hon. David Koros
Board Member

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Agricultural Finance Corporation set out on pages 74 to 124, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Agricultural Finance Corporation as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Agricultural Finance Act, Cap 323 of the Laws of Kenya.

Basis for Qualified Opinion

1. Land Without Ownership Documents

As previously reported, property and equipment balance of Kshs.1,122,232,000 as at 30 June, 2019 includes twenty-nine (29) developed plots measuring a total of 5.3324 hectares valued at Kshs.191,627,798 and seven undeveloped plots measuring a total of 1.5383 hectares with no ownership documents. Although Management explained that it continued with the pursuit of the ownership documents through the Ministry of Lands and the National Land Commission, the documents had not been obtained as at the time of audit. In addition, the value of land and buildings with a net book value of Kshs.907,335,000 excludes unvalued parcels of land located in Busia, Nanyuki and Kerugoya whose ownership is in dispute.

In the circumstances, it has not been possible to confirm whether the property and equipment balance of Kshs.1,122,232,000 reflected in the statement of financial position as at 30 June, 2019 is fairly stated.

2. Doubtful Recoverability of Loans to Customers

As reported in the previous years and as disclosed in Note 9(a) to the financial statements, the net medium-term loans to customers of Kshs.6,238,828,000 as at 30 June, 2019 includes an amount of Kshs.22,661,000 advanced to thirteen (13) farmers in Kapsabet. Information available indicates that the Corporation advanced the amount against various collaterals in form of title deeds which appeared fraudulent. Management explained that the Corporation filed six cases in court against the fraudsters under Eldoret HCC No.100,102,103,104,105 and 106 of 2011 and judgement entered in favor of the Corporation. However, as at the date of this report, execution of the warrants issued had not been effected. Recoverability of the amount of Kshs.22,661,000 is therefore, doubtful.

Further, the net medium-term loans to customers of Kshs.6,238,828,000 include directors loans of Kshs.32,774,000 as at 30 June, 2019. The latter balance includes loan arrears of Kshs.6,196,000 due from two (2) former Directors of the Corporation. Although Management explained that they had engaged an advocate to charge the securities that guaranteed these loans, the charge had not been executed as at the time of the audit.

3. Loss of Cash

As previously reported in 2015/2016 and earlier years, examination of records between January, 2005 and November, 2010 revealed that the Corporation lost a sum of Kshs.35,840,714 through fraudulent transactions involving encashment of 196 cheques by various staff members. The case is still in court and provisions for the loss that would have been necessary in relation to this uncertainty have not been incorporated in the financial statements.

Further, during the year under review, the Corporation fraudulently lost cash at AFC Eldoret Branch through unremitted transfers and collections amounting to Kshs.4,142,450 and Kshs.4,947,950, respectively.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agricultural Finance Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Corporation or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the Corporation's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 July, 2021

XI. STATEMENT OF COMPREHENSIVE INCOME

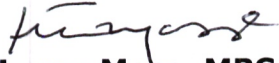
	Notes	2019	2018
		KES'000	KES'000
Revenues			
Interest Income:			
Interest on Loans	2 (a)	778,759	743,184
Interest on Short Term Deposits	2 (b)	119,688	152,221
Total interest income		898,447	895,404
Less: Interest expenses			
Interest on Redeemable Loans	3 (a)	15,395	38,260
Interest on RSF	3 (b)	9,430	-
Rebate Interest	4	2,459	2,243
		27,285	40,503
Net interest income		871,162	854,901
Non-Interest income			
Other Operating Income	5 (a)	171,892	92,753
Fee Income	5 (b)	170,980	182,240
Income from doubtful debts	6	252,138	549,123
Total Non-Interest income		595,010	824,116
Total Revenues		1,466,172	1,679,017
Operating Expenses			
Staff Cost	7 (a)	(681,735)	(752,198)
Board Expenses	7 (b)	(17,320)	(21,109)
Administration Costs	7 (c)	(299,854)	(276,281)
Depreciation & Amortisation	8 (a & b)	(154,129)	(142,054)
Charge for Doubtful Debts	12 (a)	-	(208,786)
Total Expenses		(1,153,038)	(1,400,427)
Profit before tax		313,134	278,590
Tax for the Year	23 (a)	(90,153)	(157,285)
Profit after tax		222,982	121,304

XII. STATEMENT OF FINANCIAL POSITION

	Notes	2019 KES.'000	2018 KES.'000
ASSETS:			
Non-Current Assets			
Property and Equipment	8 (a)	1,122,232	1,142,668
Intangible Assets	8 (b)	48,140	104,731
Deferred Tax Asset	10	555,557	588,975
Repossessed Farm Properties	11	268,041	259,167
Net Medium Term Loans to Customers	9 (a)	6,238,828	5,602,718
Total Non- Current Assets		8,232,798	7,698,259
Current Assets			
Cash and Bank Balances	13 (a)	101,272	146,439
Short Term Deposits	14	1,103,850	1,271,502
Net Short Term Loans to Customers	9 (b)	1,961,846	1,981,527
Trade and Other Receivables	15	140,942	149,028
Inventories	16	2,695	3,591
Total Current Assets		3,310,605	3,552,087
Total Assets		11,543,403	11,250,346
EQUITY AND LIABILITIES			
Equity and Reserves			
Grants	17	3,623,994	3,426,476
Government Equity Capital	18	2,687,766	2,687,766
General Reserve	19 (a)	1,766,436	1,030,715
Revaluation Reserve	19 (b)	787,618	787,618
Total Equity and Reserves		8,865,814	7,932,575
Non-Current Liabilities			
Redeemable Government Loan & Interest	20 (a)	543,204	1,034,819
Risk Sharing Fund & Interest	20 (b)	391,866	377,215
Agency Funds	20 (c)	831,734	831,734
Total Non-Current Liabilities		1,766,803	2,243,768
Current Liabilities			
Payables	21 (a)	390,589	503,136
Trade and Other Payables	21 (b)	125,049	242,851
Current Tax Payable	21 (c)	384,752	328,017
Current Accounts	13 (b)	10,395	-
Total Current Liabilities		910,786	1,074,003
Total Equity and Liabilities		11,543,403	11,250,346

Agricultural Finance Corporation
Reports and Financial Statements
For the year ended 30th June, 2019

The financial statements set out on pages 71 to 123 were approved by the Board of Directors on 21st August 2019 and were signed on its behalf by:



**Lucas Meso, MBS
Managing Director**

Dated _____



**CPA Tom O Akeno
General Manager - Finance
ICPAK M/NO: 8116**

Dated _____



**Hon. Franklin Bett
Chairman**

Dated _____

XIII. STATEMENT OF CHANGES IN EQUITY

	Notes	Government Equity Capital	General Reserve	Revaluation Reserve	Grants	Totals
2017:		KES.'000	KES.'000	KES.'000	KES.'000	KES.'000
At 1 July 2017 - As previously stated		2,687,766	911,278	787,618	3,597,951	7,984,613
GOK Project Subsidy Funds 2017		-	-	-	20,000	20,000
GOK Risk Sharing Fund Account		-	-	-	185,740	185,740
Reclassification impact of IFRS 9		-	(1,867)	-	-	(1,867)
Profit for the Year	19 (a)	-	121,304	-	-	121,304
Balance as at 30 June 2018		2,687,766	1,030,715	787,618	3,803,691	8,309,790
Balance as at 1 July 2018		2,687,766	1,030,715	787,618	3,803,691	8,309,790
Grant - Development Vote		-	-	-	300,000	300,000
Taita Taveta Settlement Fund		-	-	-	(102,482)	(102,482)
Reclassification of RSF		-	-	-	(377,215)	(377,215)
Waiver of Interest on GOK Loan		-	567,154	-	-	567,154
Sale of Kitale House		-	(3,000)	-	-	(3,000)
Accrued interest on GOK Loan		-	(40,277)	-	-	(40,277)
Reversal of Contract Gratuity		-	513	-	-	513
Interest on RSF for previous years		-	(14,651)	-	-	(14,651)
Profit for the Year	19 (a)	-	222,982	-	-	222,982
Balance as at 30th June 2019		2,687,766	1,766,436	787,618	3,623,994	8,865,814

XIV. STATEMENT OF CASH FLOW

	NOTES	2019 KES.'000	2018 KES.'000
Cash flow from operating activities:			
Profit/(Loss) Before Taxation		313,134	278,590
Adjustments for:			
Interest on Short Term Deposits	2 (b)	(119,688)	(152,221)
Depreciation of Property & Equipment	8 (a)	87,099	80,090
Amortisation of Intangible Assets	8 (b)	67,030	61,964
Adjustment of depreciation due to reclassification of Fittings	8 (b)	-	12
Profit/loss on Disposal of Assets	22 (b)	1,242	(1,675)
Interest expense	3 (a & b)	24,826	38,262
Increase in Inventories		896	(1,654)
Increase in Trade and Other Receivables		8,086	451,187
Decrease in Trade and Other Payables		(230,347)	180,465
Interest paid		-	(7,000)
Net cash flows generated from operating activities		152,277	928,021
Cash flow from Investing activities:			
Purchase of Property & Equipment		(78,673)	(143,370)
Purchase of Intangible Assets		(10,439)	(27,791)
Interest on Short Term Deposits	2 (b)	119,688	152,221
Proceeds from disposal of Property & Equipment	22 (c)	10,797	1,639
Increase in Repossessed Farm Properties		(8,873)	(121,172)
Decrease in Short Term Loans to Customers		19,681	(117,962)
Decrease in Loans to Customers		(636,110)	(705,926)
Net cash flow used in investing activities		(583,927)	(962,362)
Cash flow from Financing activities:			
Reclassification impact of IFRS 9	19 (a)	-	(1,867)
GOK Risk Sharing Fund Account	17	-	185,740
GOK Project Subsidy Funds 2016	17	-	20,000
Interest on GOV Loans		(501,820)	-
Grant - Development Vote		300,000	-
Taita Taveta Settlement Fund		(102,482)	-
Waiver of GOK Interest on Loan		570,154	-
Sale of Kitale House		(3,000)	-
Accrued Interest on GOK Loan		(40,277)	-
Reversal of Contract Gratuity		513	-
Interest on RSF for previous years		(14,651)	-
Net cash flow used in financing activities		208,437	203,873
Net increase in cash and cash equivalent		(223,213)	169,532
Cash and cash equivalent at the beginning of the year		1,417,941	1,248,409
Cash and cash equivalent at the end of the period		1,194,728	1,417,941

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

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs
Revenue					
Interest Income:					
Interest on Loans	1,065,719	-	1,065,719	778,759	(286,960)
Interest on Short Term Deposits	130,000	-	130,000	119,688	(10,312)
Total interest income	1,195,719	-	1,195,719	898,447	(297,271)
Non-Interest income					
Fee/Other Operating Income	356,968	-	356,968	342,872	(14,096)
Income from doubtful debts	700,000	-	700,000	252,138	(447,862)
Total Non-Interest income	1,056,968	-	1,056,968	595,010	(461,958)
Total Revenues	2,252,687	-	2,252,687	1,493,457	(759,230)
Expenses					
Staff Cost	1,005,950	-	1,005,950	681,735	324,215
Board Expenses	35,000	-	35,000	17,320	17,680
Administration Costs	400,634	-	400,634	299,854	100,780
Depreciation & Amortisation	174,130	-	174,130	154,129	20,001
Charge for Doubtful Debts	278,900	-	278,900	-	278,900
Interest on Redeemable Loans	41,679	-	41,679	24,826	16,853
Rebate Interest	3,000	-	3,000	2,459	541
Total expenditure	1,939,293	-	1,939,293	1,180,323	758,970
Surplus for the period	313,394	-	313,394	313,134	(260)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019
(Continued)**

In line with The Public Finance Management Act 2012, expenditures in excess of 10% of the approved budget were submitted to The National Treasury for review and approval. In this regard, upon the analysis of the financial performance of the Corporation for the period ended 31st December 2018, the management reviewed the approved budget for the financial year 2018/2019 to take into account adjustments in funding, revenue and operational expenditures. Pursuant to this requirement, we submitted our reviewed budget items which were re-allocations from other votes. The budgetary reallocation in the Supplementary budget had no overall effect on the approved budget for the financial year 2018/19.

The target on Interest Income was not achieved due to the loan write offs effected during the year, in addition, majority of the disbursements made during the year were development loans whose interest accruals are spread over a longer term compared to seasonal crop loans which are for a period of 12 months.

The decline in Non-Interest Income was largely informed by the low collections from the bad and doubtful debts. It's worth noting that the Income was boosted the previous years by the Government compensation for loans waived. Reduced charge for doubtful debts was occasioned by the collections made from NPLs and other cases considered for interest concession during the period. An analysis of the loan book revealed no charge for doubtful debts during the year.

XVI. NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

NOTES TO FINANCIAL STATEMENT (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

NOTES TO FINANCIAL STATEMENT (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach.

NOTES TO FINANCIAL STATEMENT (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO FINANCIAL STATEMENT (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a) Revenue Recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognised in the year in which the entity actually receives such grants.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

NOTES TO FINANCIAL STATEMENT (Continued)

iv) Rental income is recognised in the income statement as it accrues using the effective lease agreements.

v) Other income is recognised as it accrues.

vi) Income from doubtful debts is recognised upon actual collections.

b) Property and Equipment

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

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

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

NOTES TO FINANCIAL STATEMENT (Continued)

c) Depreciation and Impairment of Property & Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on Property and Equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount over their estimated useful lives. The rates used are set out in the Corporation's accounting policy for Non-Current assets as follows:

Freehold land Nil

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

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

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

NOTES TO FINANCIAL STATEMENT (Continued)

d) Intangible Assets

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

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

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

e) Amortization and Impairment of Intangible Assets

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

All computer softwares are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an

NOTES TO FINANCIAL STATEMENT (Continued)

impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Trade and Other Receivables

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

g) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

Deferred tax

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

NOTES TO FINANCIAL STATEMENT (Continued)

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENT (Continued)

h) Inventories

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

i) Borrowings

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

j) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 28th June 2018. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The revisions were incorporated in the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation did not record any additional appropriations of the 2018-2019 budget.

The Corporation's budget is prepared on a difference basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the

NOTES TO FINANCIAL STATEMENT (Continued)

financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

k) Comparative figures

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

l) Retirement Benefit Obligations.

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

NOTES TO FINANCIAL STATEMENT (Continued)

contributions to the above schemes are charged to the profit and loss account in the year which they relate. An actuarial valuation done as at 30th June 2018 indicated the fund has a deficit of KES 46 million. The Corporation endeavours to clear the deficit in the next financial year ending 30th June 2020.

m) Provision for Doubtful Debts

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

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

As at 30th June 2019, the total loan portfolio stood at KES 8.9 billion comprising of short term loans of KES 2.3 billion, medium term loans of KES 6.2 billion and staff loans of KES 0.4 billion. Arising from the recoveries made from Non-performing loans of KES 252.1 million and loan write off as a result of interest concession amount to KES 13.2 million, the total accumulated provisions for loans significantly reduced to KES 767.5 million resulting to a write back of KES 42.7 million as summarized in the table below.

NOTES TO FINANCIAL STATEMENT (Continued)

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

Impairment Allowance Reconciliation (KES. '000)

Asset	Value	Accumulated Provisions B/F	Write-offs/Interest Concessions	Recoveries from NPLs	Cumulative provisions Net Write-offs	Provisions IFRS 9	Write Back
Loan Advances/ Portfolio	8,925,506	1,032,838	13,171	252,135	767,531	724,833	42,699
Other Debts	151,678	28,368	14,234	-	14,133	-	14,234

Summary note on accumulated provisions for the year as at 30th June 2019 as disclosed under note 9

Accumulated Provisions	Portfolio/value	B/F	Charge, Write back/ Collection	Current balance
Short Term	2,298,109	336,263	-	336,263
Medium Term	6,198,549	652,964	(308,006)	344,958
Staff	428,847	43,611	-	43,611
Total	8,925,505	1,032,838	(308,006)	724,832
Other Debts	151,678	28,369	(14,234)	14,133
Grand Total	9,077,217	1,061,205	(322,240)	738,966

NOTES TO FINANCIAL STATEMENT (Continued)

n) Cash and Cash Equivalents

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

o) Trade and Other Payables

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

p) Provision for Staff Leave Pay

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

q) Farm Properties in Possession

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

r) Net Loans to Customers

Loans and advances to customers and staff are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and which the Corporation does not intend to sell immediately or in the near term. Loans and advances

NOTES TO FINANCIAL STATEMENT (Continued)

to customers are recognised when cash is advanced to borrowers and are net off the provision of bad and doubtful debts.

s) Legal and other claims

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

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

t) Derecognition

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

u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENT (Continued)

v) Related Parties Disclosures

Government of Kenya

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

Employees

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

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Corporation. Business transactions with all parties, including the

Directors or their related parties are carried out at arms' length. In the financial year 2018/19 the Directors submitted their annual declarations of interests which included:

An acknowledgement that should it come to the attention of a Director that a matter concerning the Corporation may result in a conflict of interest, they are obliged to declare the same and will exclude themselves from any discussion or decision over the matter in question.

An acknowledgement that should the Director be appointed to the Board of an entity, including a Government entity that may expose the Director to potential or actual conflict of interest, the Director will be obliged to declare such appointment, undergo an assessment to determine the extent of such conflict and, where applicable, offer their resignation as a Director where the conflict cannot be mitigated by the existing Board policies for the management of conflicts of interest.

NOTES TO FINANCIAL STATEMENT (Continued)

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

i) Nature of related party relationships

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

Key management remuneration	2019 KES'000	2018 KES'000
Directors	17,320	21,109
Key management compensation	48,449	40,813

w) Contingent Liability

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared.

NOTES TO FINANCIAL STATEMENT (Continued)

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of asset, its susceptibility, adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Impairment losses on loans and advances

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

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

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

NOTES TO FINANCIAL STATEMENT (Continued)

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

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

NOTES TO FINANCIAL STATEMENT (Continued)

	2019 KES.'000	2018 KES.'000
2 (a). Interest on Loans		
Interest on Medium Term Loans	636,632	630,531
Interest on Short Term Loans	115,593	85,076
Interest on Staff Loans	26,534	27,577
Balance as at 30th June	778,759	743,184

2 (b). Interest on Short Term Deposits		
Details are as follows:-		
	2019 KES.'000	2018 KES.'000
Short Term Deposits	119,224	152,151
Bank Accounts	464	70
Balance as at 30th June	119,688	152,221

3 (a). Interest on Redeemable Loans
The interest charge on redeemable loans outstanding as at 30th June 2019 were as follows:

	2019 KES.'000	2018 KES.'000
RSDP & IBRD 1995 KE	-	34,532
A D B (PIGS)	-	3,729
GOK Restructured Red Loan	15,395	-
Balance as at 30th June	15,395	38,260

3 (b). Interest on RSF		
Risk Sharing Fund	9,430	-
Balance as at 30th June	9,430	-

These are long term Government loans advanced to the Corporation and repayable at specific rates of interest accrued on annual basis. The Corporation is not exposed to the risk of interest rate fluctuations in the market as the rates were determined at the time of loan receipt.

	2019 KES.'000	2018 KES.'000
4. Rebates Interest	2,459	2,243
Balance as at 30th June	2,459	2,243

These are rebates paid to clients on their credit balances at the rate of 1 % p.a on loan repayments received in advance before the instalments fall due in compliance with AFC Cap 323.

NOTES TO FINANCIAL STATEMENT (Continued)

5 (a). Other operating Income	2019	2018
Non-Interest Income	KES.'000	KES.'000
Rent income - Note 22 (a).	88,991	69,434
Profit on disposal of assets- Note 22 (b).	(1,242)	1,675
Agency commission	3,849	3,201
Sundries	23,363	18,444
Write back of provisions	56,931	-
Balance as at 30th June	171,892	92,753

5 (b). Fees Income	2019	2018
	KES.'000	KES.'000
Application & Forms fees	24,448	35,716
Conveyance	56,905	55,187
Loan Commitments Fees	40,987	35,956
Inspection fees	106	121
Other Loan Processing fees	5,457	6,691
Discharge of Securities Fees	5,848	5,160
Loan Waiver Processing Fees	171	237
Account Maintenance Fee Income	37,059	43,171
Balance as at 30th June	170,980	182,240

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

6. Income from doubtful debts

The Corporation fully provides for all non-performing loans as per the existing credit policy and interest accruals from such is suspended. Any collection from these loans are recognized as income. During the year, the collections from these loans was as below:-

	2019	2018
	KES.'000	KES.'000
Recoveries from NPL's	252,138	549,123
Balance as at 30th June	252,138	549,123

NOTES TO FINANCIAL STATEMENT (Continued)

7. (a) Staff Costs

	Actual	Budget	Variance Budget	Actual	Variance Actual
	30.06.19 KES.'000	30.06.19 KES.'000	30.06.19 KES.'000	30.06.18 KES.'000	2017 vs 2018 KES.'000
Salaries	410,996	477,400	66,404	403,449	7,547
Overtime	2,826	4,200	1,374	2,607	219
House allowance	101,104	110,000	8,896	101,525	(421)
Transport allowance	45,593	55,000	9,407	45,797	(205)
Hardship allowance	9,718	14,000	4,282	9,069	649
Acting/Duty & Aggregation allowance	1,070	3,150	2,080	1,011	59
Leave allowance	3,114	6,500	3,386	3,170	(56)
Other emoluments	1,200	1,500	300.00	1,200	-
Staff appointments & transfers allowances	2,419	3,500	1,081	1,185	1,235
Medical & staff Insurance expenses	36,257	65,000	28,743	46,270	(10,013)
Staff Insurance expenses	4,147	5,200	1,053	7,832	(3,685)
Pension contributions	35,164	43,000	7,836	34,282	882
Pension deficit contributions	-	80,000	80,000	50,000	(50,000)
NSSF employers contribution	1,223	1,200	(23)	1,226	(3)
Gratuities	15,151	17,000	1,849	15,656	(505)
Welfare & Uniforms	11,752	14,200	2,448	9,546	2,206
Leave Days Accrual	-	3,900	3,900	18,372	(18,372)
Total	681,735	904,750	223,015	752,198	(70,463)

NOTES TO FINANCIAL STATEMENT (Continued)

7. (b) Board Members' Expenses	Actual	Budget	Variance	Actual	Variance
	30.06.19	30.06.19	Budget	30.06.18	Actual
	KES.'000	KES.'000	30.06.19	KES.'000	2017 vs 2018
			KES.'000		KES.'000
Chairman's Standing Fees	795	1,200	405	960	(165.16)
Sitting Allowance	6,160	8,000	1,840	6,540	(380)
Travelling Allowance	1,849	6,500	4,651	2,026	(178)
Night Out & Meal Allowance	6,362	7,900	1,538	6,570	(208)
Sundry Board Expenses	809	900	91	-	809
Training Expenses	1,345	2,000	655	4,110	(2,765)
Medical	-	8,500	8,500	902	(902)
Total	17,320	35,000	17,680	21,109	(3,789)

7. (c) General & Administrative Expenses:	30.06.19	30.06.19	30.06.18	30.06.18	2017 vs 2018
	KES.'000	KES.'000	KES.'000	KES.'000	KES.'000
Bank charges	2,344	2,500	156	2,874	(530)
Corporate Comm & advertisement	13,324	38,300	24,976	9,947	3,378
Publicity/Shows & Field days	7,382	8,500	1,118	6,438	945
ISO Certification	6,045	8,000	1,955	589	5,457
Corporate social responsibility/Donations	2,909	10,000	7,091	3,086	(177)
General office expenses	15,851	20,000	4,149	15,776	75
Insurance of Corporation assets	2,090	3,000	910	4,663	(2,573)
Insurance of Motor Vehicles	8,642	9,500	858	6,941	1,702
Land rent & rates	1,268	2,500	1,232	1,454	(186)
Legal fees	1,429	6,500	5,071	3,377	(1,948)
Maintenance of buildings	1,886	7,500	5,614	3,812	(1,926)
Maintenance of furniture & equipment	5,700	6,000	300	5,914	(214)
Office rentals	20,714	24,000	3,286	21,075	(361)

NOTES TO FINANCIAL STATEMENT (Continued)

7. (c) General & Administrative Expenses:	Actual	Budget	Variance Budget	Actual	Variance Actual
	30.06.19 KES.'000	30.06.19 KES.'000	30.06.18 KES.'000	30.06.18 KES.'000	2017 vs 2018 KES.'000
Printing & stationery	7,226	8,300	1,074	6,925	301
Professional consultants	6,773	10,000	3,227	7,176	(403)
Subscriptions to professional bodies	1,982	3,100	1,118	2,038	(57)
Research & development	2,742	4,300	1,558	416	2,326
Security	27,126	32,000	4,874	26,618	507
Software licences Taxes & licences	29,050	38,200	9,150	28,426	624
Telephone, internet & postage	31,022	34,343	3,321	28,158	2,864
General hotel & travel	22,319	35,000	12,681	24,169	(1,850)
Entertainment Expense	567	5,000	4,433	700	(133)
Training	34,607	35,000	393	26,026	8,581
Vehicle fuel & oil	13,520	14,500	980	12,925	595
Vehicle maintenance	12,789	15,240	2,451	9,933	2,856
Water, electricity & gas	7,098	9,151	2,053	6,694	405
Transformation expenses	2,223	8,000	5,777	7,892	(5,670)
Auditors Fees	1,531	2,200	669	1,531	-
Misappropriation	9,090	-	(9,090)	-	9,090
Fringe Benefit Tax	604	1,200	596	708	(104)
Total	299,854	401,834	101,980	276,281	23,573
Total	998,909	1,341,584	342,675	1,049,587	(50,678)
	30.6.19	30.6.18			
Average number of employees at the end of the year was:					
Permanent Employees - Management	238	237			
Permanent employees – Unionisable	279	271			
Total	517	508			

NOTES TO FINANCIAL STATEMENT (Continued)

8. (a) Property and Equipment

	Land & Building	Motor Vehicles	Furniture & Fittings	Computer Hardware	Office and ICT Equip and Others	Totals
COSTS:	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
As at 1st July 2018	1,108,558	280,340	201,548	162,459	167,555	1,920,460
Additions	-	29,716	35,096	5,309	8,552	78,673
Disposal	(14,000)	-	-	-	-	(14,000)
As at 30th June 2019	1,094,558	310,056	236,644	167,768	176,107	1,985,133
DEPRECIATION:						
Charge for previous years	167,860	212,263	91,215	151,727	154,728	777,792
Charge for the year	21,353	29,573	18,965	8,436	8,771	87,099
Disposals	(1,990)	-	-	-	-	(1,990)
As at 30th June 2019	187,223	241,836	110,180	160,163	163,500	862,901
NET BOOK VALUE						
As at 30th June 2019	907,335	68,220	126,464	7,605	12,608	1,122,232
As at 30th June 2018	940,698	68,077	110,334	10,733	12,827	1,142,668

NOTES TO FINANCIAL STATEMENT (Continued)

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

	COST	NORMAL ANNUAL DEPRECIATION CHARGE
	KES'000	KES'000
Motor Vehicles	161,238	118,429
Office Equipment	138,105	135,274
Computer Hardware	142,151	129,241
Software	16,349	15,196
Furniture and Fittings	58,116	72,253
Total as at 30th June	515,959	470,393

8. (b) Intangible Assets

	2019 KES'000	2018 KES'000
COSTS:		
As at 1 July	217,418	229,988
Additions	10,440	27,792
Obsolete software written-off	-	(40,363)
As at 30th June	227,857	217,418
AMORTISATION		
As at 1 July	112,687	91,086
Charge for the year	67,030	61,964
Obsolete software written-off	-	(40,363)
As at 30th June	179,717	112,687
NET BOOK VALUE	48,140	104,731

NOTES TO FINANCIAL STATEMENT (Continued)

Loans to Customers	2019	2018
9. (a) Loans to Customer	KES.'000	KES.'000
Medium Term Loans	6,165,776	5,920,712
Staff Loans	428,847	363,782
Directors Loans	32,774	14,799
Total Medium Loans to Customer	6,627,397	6,299,293
Less Accumulated Provision		
Medium term loans	344,958	652,964
Staff Loans	43,611	43,611
Net loans to Customer	6,238,828	5,602,718
9. (b) Short Term Loans to Customers		
Less Accumulated Provisions	2,298,109	2,317,790
	336,263	336,263
Net Short Term Loans to Customers	1,961,846	1,981,527
Classified Under		
12. (b) Medium Term Loans	344,958	652,964
12. (b) Short Term Loans	336,263	336,263
12. (b) Staff Loans	43,611	43,611
12. (b) Other debtors	14,133	28,368
Total	738,966	1,061,205
Medium Term Loans: These are loans whose maturity period are between twelve months and four years.		
Staff Loans: These are loans to current staff and ex-staff		
Directors Loans: These are loans to current & past directors		
Short Term Loans: These are loans whose maturity periods is up to 12 months and instalments for medium term loans that will fall due within the next twelve months.		
10. Deferred Tax Asset:	Notes	2019
		KES.'000
The net deferred tax asset is arrived at as follows:		2018
		KES.'000
Balance b/f as at 1 st July	588,975	588,975
Deferred Tax for the year	(33,418)	-
Balance as at 30th June	555,557	588,975
11. Repossessed Farm Properties:	2019	2018
	KES.'000	KES.'000
Acquisition value as at 1 st July	259,167	137,995
Add write back of Provision	-	58,428
Additions - FPIP	8,874	62,744
Balance as at 30th June	268,041	259,167

NOTES TO FINANCIAL STATEMENT (Continued)

12 (a). Provisions for doubtful debts

The provision for bad and doubtful loans are done in line with the policy in note (M).

The charged amounts are classified as below.

Doubtful debts charges for the year:

	2019 KES.'000	2018 KES.'000
Loans to Customers:		
Specific provision	-	-
General provision	-	164,176
Total	-	164,176
Staff Loans:		
General provisions	-	16,242
Total	-	16,242
Other Debts:		
Specific provisions	-	28,368
Total	-	28,368
Total charge for the year	-	208,786

NOTES TO FINANCIAL STATEMENT (Continued)

12 (b). Accumulated provisions for doubtful debts

The accumulated provisions are analysed as below:

	2019 KES'000	2018 KES'000
Specific Provisions		
Balance as at 1 July	410,715	1,659,350
Interest Concession - Farm Loans	(6,963)	(701,050)
Re-categorization of suspended Interest	-	(330)
Reclassification impact of IFRS 9	-	1,867
Recoveries from NPL	(252,138)	(549,123)
Balance as at 30th June	151,614	410,715
General Provisions		
Balance as at 1st July	578,512	414,336
Write back of provisions	(42,697)	-
Charge for the year	-	164,176
Interest Concession - Farm Loans	(6,208)	-
Balance as at 30th June	529,607	578,512
Staff Loans:		
Specific Provisions		
Balance as at 1st July	24,638	24,638
Balance as at 30th June	24,638	24,638
General Provisions		
Balance as at 1 st July	18,973	2,731
Charge for the year	-	16,242
Balance as at 30th June	18,973	18,973
Other debts:		
Balance as at 1st July	28,368	23,174
Written off - rent debtors	-	(23,174)
Write back of provision	(14,234)	-
Charge for the year	-	28,368
Balance as at 30th June	14,133	28,368
Provisions Summary		
General Provisions	738,966	1,061,205
Balance as at 30th June	738,966	1,061,205

NOTES TO FINANCIAL STATEMENT (Continued)

	2019 KES.'000	2018 KES.'000
13 (a). Cash and Bank Balances		
Current accounts	16,727	77,566
Branch Collection Accounts	33,004	24,853
Branch Imprest Accounts	5,265	6,825
Branch Loan Funds Accounts	46,276	37,195
Balance as at 30th June	101,272	146,439
13 (b). Cash and Bank Balances		
Current accounts	(10,395)	-
Balance as at 30th June	(10,395)	-
	2019 KES.'000	2018 KES.'000
14. Short Term Deposits		
Co-operative Bank	552,434	300,000
National Bank of Kenya	517,011	750,000
Kenya Commercial Bank	20,000	205,000
Interest receivable	14,405	16,502
Balance as at 30th June	1,103,850	1,271,502

The average effective interest rate on the short term deposits as at June 30, 2019 was 9.8% (2018 10.2%). These are committed funds held in short term deposits at various banks awaiting disbursements to farmers and whose maturity is between one to six months.

NOTES TO FINANCIAL STATEMENT (Continued)

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

Summarized analysis of the cash and cash equivalents

Financial institution	Account number	2019 KES.'000	2018 KES.'000
a) Current account			
Kenya Commercial bank	Various	19,861	34,581
Barclay Bank of Kenya	651600952	-	52
Co-operative Bank of Kenya	Various	7,999	2,520
National Bank of Kenya	Various	47,293	106,790
Balance as at 30th June		75,153	143,943
b) On - call deposits			
National Bank of Kenya	01400004368304	200,000	200,000
Kenya Commercial bank	MM1635030200	20,000	20,000
Balance as at 30th June		220,000	220,000
c) Fixed deposits account			
Co-operative Bank	Various	552,434	300,000
National Bank of Kenya	Various	317,011	550,000
Kenya Commercial Bank	Various	-	185,000
Interest receivable	Various	14,405	16,502
Balance as at 30th June		883,850	1,051,502
d) Staff car loan/ mortgage			
National bank of Kenya	01001061023900	1,734	807
Balance as at 30th June		1,734	807
e) Others(specify)			
Cash in transit	Various	3,496	3,480
cash in hand	Various	217	130
M-Pesa Phone Float	Various	1,397	1,268
M-Pesa Cash Float	Various	1,903	2,032
MBanking accounts	Various	4,881	7,726
Vault Cash	Various	2,096	7,052
Balance as at 30th June		13,990	21,689
Grand total		1,194,727	1,417,941

NOTES TO FINANCIAL STATEMENT (Continued)

	2019 KES.'000	2018 KES.'000
15. Trade and other receivables		
Rent receivable- Other properties	70,076	40,834
Prepaid expenses	7,042	39,425
Utilities & Other deposits	2,335	2,281
Accounts receivable- Others	75,622	75,384
Recoverable fees and charges	-	19,472
Balance as at 30th June	155,076	177,396

Specific Provision for Bad Debts	14,133	28,368
Balance as at 30th June	140,942	149,028

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

Less than 30 days	14,123	6,012
Between 30 and 60 days	62,112	17,560
Between 61 and 90 days	2,846	8,032
Between 91 and 120 days	2,002	9,570
Over 120 days	73,993	134,115
Total	155,076	175,289

16. Inventories

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

	2019 KES.'000	2018 KES.'000
Stationery & Office Supplies	1,925	2,940
Kitchen, Detergents & Toiletries	152	246
Computer Stationery	618	404
Balance as at 30th June	2,695	3,591

NOTES TO FINANCIAL STATEMENT (Continued)

17. GRANTS	2019 KES'000	2018 KES'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
Japanese Grant SCC Scheme 42 2004	769,000	769,000
GTZ Grant-2006	6,055	6,055
GOK Grant Livestock Off Take 2006	95,000	95,000
GOK Grant Livestock Off Take 2009	190,000	190,000
GOK Grant Livestock Off Take 2011	405,650	405,650
GOK Grant Livestock Off Take 2012	60,000	60,000
GOK Grant 2013	700,000	700,000
Grants - Food Security	500,000	500,000
GOK Project Subsidy Funds 2016	467,518	570,000
Grant Development Vote	300,000	-
Balance as at 30th June	3,623,994	3,426,476

These are non-refundable grants from the Government of Kenya and other donors to finance specific lines of credit (schemes) and have no associated financial market risk. KES. 377,215,000 (RSF) that had been reported as grants in our Financial Statements for 2017/2018 has been reclassified under Non-current liability as this is a soft loan repayable with interest from International Fund for Agricultural Development (IFAD) and The Government of Kenya.

18. GOVERNMENT EQUITY

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

NOTES TO FINANCIAL STATEMENT (Continued)

	2019 KES.'000	2018 KES.'000
19. Reserves		
(a) General Reserve		
Balance as at 1 st July	1,030,715	911,278
Reclassification impact of IFRS 9	-	(1,867)
Waiver of GOK Interest on Loan	570,154	-
Loss on sale of Kitale house	(3,000)	-
Accrued Interest on GOK Loan	(40,277)	-
Interest on RSF for previous years	(14,651)	-
Reversal of Contract Gratuity	513	-
Profit after taxation for the year	222,982	121,304
Balance as at 30th June	1,766,436	1,030,715

The General Reserve is the undistributed profit from the operations.

	2019 KES.'000	2018 KES.'000
(b) Revaluation reserve		
Balance as at 1 st July	787,618	787,618
Balance as at 30th June	787,618	787,618

Property and Equipment are stated at cost or as revalued from time to time less accumulated depreciation. The Corporation's policy is to revalue property once every five years. Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same assets are charged against the revaluation reserve. All other decreases are charged to the Income Statement.

NOTES TO FINANCIAL STATEMENT (Continued)

	2019	2018
	KES.'000	KES.'000
20. (a) Redeemable Government Loans and Interest:		
Principal		
IBRD 1995 KE Credit 4	-	258,036
RSDP1974 KE	-	182,748
ADB Livestock (Pig)	-	62,143
GOK Restructured Redm Loan	502,927	-
Sub Total	502,927	502,927
Interest		
IBRD 1995 KE Credit 4	-	309,813
RSDP1974 KE	-	208,447
ADB Livestock (Pig)	-	51,895
Accrued Interest 2018	-	(38,262)
GOK Restructured Red. Loan	40,277	-
Sub Total	40,277	531,892
Total	543,204	
20. (b) Risk Sharing Fund & Interest		
Risk Sharing Fund	377,215	377,215
Interest	14,651	-
Sub Total	391,866	377,215
Total	935,070	1,412,034
20. (c) Agency Funds:		
	2019	2018
	KES.'000	KES.'000
Kenya Sugar Board	722,218	722,218
Coffee Dev Fund	9,516	9,516
NIB- Ahero rice rev fund	100,000	100,000
Sub Total	831,734	831,734
Grand Total	1,726,526	2,243,768

NOTES TO FINANCIAL STATEMENT (Continued)

		2019	2018
	NOTES	KES.'000	KES.'000
21. Payables and Accruals			
(a) Payables			
Borrowers credit balances		279,198	361,848
Unprocessed Loan Receipts		1,460	53
Customers Loan deposits		109,932	141,235
Balance as at 30th June		390,589	503,136
(b) Other Payables and Accruals			
Cash security deposits		3,930	8,299
Insurance receipts		16,987	3,924
External audit fees		1,531	3,062
Gratuity		19,709	23,520
Employees other deductions		317	734
Accrued Leave days		12,498	25,589
Other payables		45,252	139,461
Interest on redeemable loans		24,826	38,262
Balance as at 30th June		125,049	242,851
(c) Current Tax payable		2019	2018
		KES.'000	KES.'000
Balance as at 1 st July		328,017	170,732
Deferred tax for the year		(33,418)	-
Corporate tax for the year	23 (a)	90,154	157,285
Balance as at 30th June		384,752	328,017

NOTES TO FINANCIAL STATEMENT (Continued)

Analysis of Rent Income & Profit on disposal of assets

	2019	2018
	KES.'000	KES.'000
22. (a) Rent Income		
Details are as follows:-		
Development House Income/(Loss)	25,194	12,693
Other Properties net Income	63,797	56,741
Balance as at 30th June	88,991	69,434

	2019	2018
	KES.'000	KES.'000
22. (b) Profit/Loss on disposal of assets		
The details are as follows:-		
Motor Vehicles	-	1,639
Gain on disposal of other assets	(1,242)	36
Balance as at 30th June	(1,242)	1,675

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

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

S/NO	REG NO	MAKE	DATE OF ACQUISITION	COST PRICE	PROFIT	SELLING PRICE	ACC DEP
1	2116/XVIII/49	Kitale - Residential Houses	01/07/1987	14,000	(1,254)	10,756	1,990
2		Sale of other assets		-	12	41	-
Balance as at 30th June				14,000	(1,242)	10,797	1,990

NOTES TO FINANCIAL STATEMENT (Continued)

INCOME TAX EXPENSE/ (CREDIT)

23(a) Current taxation

Current taxation based on the adjusted profit for the year at 30%
Current tax: prior year under/(over) provision
Current year deferred tax charge
Prior year under-provision for deferred tax

NOTES

	2019	2018
	KES.'000	KES.'000
	90,153	157,285
	-	-
	-	-
	-	-
	90,153	157,285

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

Profit before taxation
Tax at the applicable tax rate of 30%
Current tax: 2010/2011 under-provision
Tax effects of expenses not deductible for tax purposes
Tax effects of income not taxable
Tax effects of excess capital allowances over depreciation/amortization
Deferred tax prior year over-provision

	2019	2018
	KES.'000	KES.'000
	313,134	278,590
	93,940	83,577
	-	-
	3,100	11,575
	(17,079)	-
	10,192	62,636
	-	(503)
	90,153	157,285

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017/2018 Audit certificate	Property and Equipment The Property and equipment balance of KES 1,142,668,000 as at 30 th June 2018 still include as previously reported, twenty nine developed plots measuring 5.3324 hectares valued at KES 191,627,798 and seven undeveloped plots measuring 1.5383 hectares with no ownership documents. In addition, the value of land and buildings with a net book value of KES 940,698,000 as disclosed under note 8 (a) to the financial statements, excludes unvalued parcels of land located in Busia, Nanyuki and Kerugoya whose ownership is in dispute. Although the management has explained that it has continued with the pursuit of title documents for all its properties through Ministry of Lands and the National Land Commission, no tangible results have been achieved as at the date	During the year under review, the Corporation continued with the pursuit of title documents for all its properties through the Ministry of Lands and Urban Development and the National Land Commission and has documentary evidence of the communication with the respective government entities. We endeavor to continue with the pursuit of the same.	Chief Manager Legal Services Rose Ochanda	Unresolved.	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of this report.				
	Net Medium Term Loans to Customers As reported in the previous years and as disclosed under Note 9 (a) to the financial statements, net medium term loans to customers of KES. 5,602,718 as at 30 June 2018 includes an amount of KES. 22,661,000 advanced to thirteen farmers in Kapsabet. Information available indicates that the Corporation advanced the amount against various collaterals in form of title deeds which appeared fraudulent. Although the management has explained that the Corporation filed six (6) cases against the fraudsters under Eldoret HCC No.100,102,103,104,105 and 106 of 2011 and judgement entered in favor of the Corporation, however as at the date of this report, execution of the warrants issued had not been effected. In the circumstances, the recoverability of the amount of Kshs. 22,661,000 is doubtful.	Further to our previous responses, the Corporation asserts that it employed its internal machinery through the regional and the branch offices to carry out investigation on the traceability of the fraudsters. Presently, the execution of the said warrants is not possible due to their expiry. The Corporation finds itself in a difficult position of applying for fresh warrants as it cannot trace the persons against whom they are supposed to be executed. The Corporation has fully provided for these cases as bad and doubtful debts in our accounts and put them under non-accrual status.	Chief Manager Legal Services Rose Ochanda	Unresolved.	
	Current Tax Payable The statement of financial position as at 30th June 2018 reflects current tax payable of KES 328,017,000 which is an increase of KES 170,732,000. Although the management has explained that the	The Corporation has engaged services of a tax consultant to assist in determining its tax liability. Upon finalization of the report, the Corporation will effect the necessary adjustments in the current financial year.	General Manager – Finance. Mr Tom O. Akeno	Not resolved.	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	taxable profit was ascertained in accordance with paragraphs 15 & 16 of the Income Tax Act, Cap 470 of the Laws of Kenya, no sufficient evidence has been provided to show how the current tax figure of KES 328,017,000 and the corporation tax for the year KES 157,285,000, respectively were determined. In addition, the report provided by the Corporation from a consultant hired to determine the current tax liability and corporation tax for the year during year does not confirm both the current tax figure of KES 328,017,000 and the corporation tax for the year of KES 157,285,000 as reported. Consequently, the accuracy of the current tax payable of KES 328,017,000 cannot be confirmed.				
	Loss of Cash As previously reported in 2015/2016 and earlier years, examination of records between January 2005 and November 2010 revealed that the Corporation lost a sum of Kshs. 35,840,714 through fraudulent transactions involving encashment of 196 cheques by various staff members. The case is still in court and any provisions for the loss that would	This is an ongoing criminal case file no 113/19/2012 court file 1311/2012 Republic of Kenya vs. Lawrence M. Bokoro & Another that is ongoing at the Milimani Law Court.	Chief Manager Legal Services Rose Ochanda	Unresolved.	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	have been necessary in relation to this uncertainty have not been incorporated in these financial statements.				

Guidance Notes:

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


Managing Director

Date 21st August 2019


Chairman of the Board
Date 21st August 2019

APPENDIX 1 PROJECT IMPLEMENTED BY THE CORPORATION

No project was undertaken during the period under review.

APPENDIX 2 RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded / recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National Treasury	07/04/2018	Grant - Development Vote	150,000	-	150,000	-	-	-	150,000
The National Treasury	20/02/2019	Grant - Development Vote	150,000	-	150,000	-	-	-	150,000
Total			300,000	-	300,000	-	-	-	300,000

APPENDIX 3 ANALYSIS FOR MOVEMENT IN PROPERTY AND EQUIPMENT FOR CASH FLOW STATEMENT

Opening balances	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers	Office and ICT Equip and Others	Software	Control Total
Balances as at 30th June 2018	1,108,558	280,340	201,548	162,459	167,555	217,418	2,137,878
Less: Accumulated Depreciation	167,860	212,263	91,215	151,727	154,728	112,687	890,479
Opening balances as at 1st July 2018	940,698	68,077	110,333	10,732	12,827	104,731	1,247,399
Add: Additions during the year	-	29,716	35,096	5,309	8,552	10,440	89,112
Depreciation eliminated on disposal	1,990	-	-	-	-	-	1,990
Less: Disposal during the year	14,000	-	-	-	-	-	14,000
Depreciation charge	21,353	29,573	18,965	8,436	8,771	67,030	154,129
Balances as at 30th June 2019	907,334	68,220	126,464	7,605	12,607	48,140	1,170,371

Property and Equipment as at June 2019	1,142,668
Intangible Assets as at June 2019	104,731
	1,247,398

Add Purchases

Property and Equipment as analyzed above	78,673
Intangible Assets	10,439
	1,336,509
	1,336,509

Less disposal

	(14,000)
	1,322,509
Less dep for the year	(154,129)
Add dep on disposal	1,990
Non-Current assets as at 30-06-2019	1,170,371

