AGRICULTURAL FINANCE CORPORATION

PAPERS LAID No. 32
Speaker
D/Speaker
Clerk
D/Clerk
P. C. A.
Clerk Assts
Editor
Library ✓
Press
PARLIAMENT OF KENYA LIBRARY

Annual Report and Accounts

For The Year Ended 30th June, 1997

Contents

Chairman's Statement	2-3
Report of the Directors	4-6
Report of the Auditor General	7-12
Balance Sheet	13
Profit and Loss Account	14
Cash Flow Statement	15
Notes to the Accounts	16-29

KENYA NATIONAL ASSEMBLY
Accession: 10012714
Call No: 657.452-AFC

AGRICULTURAL FINANCE CORPORATION

THE CHAIRMAN'S REPORT

ON

THE 1996/1997 ACCOUNTS

It gives me great pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1997.

Despite the difficulties faced during the 1996/97 financial year the Corporation posted only a loss of Kshs. 85,215,036 compared to a loss of Kshs. 210,617,726 made in the previous year. The loss is mainly attributable to the non-charging of interest on interest due and not paid and also to the inevitable increase in the administration costs. By not charging interest on interest due but not paid, the Corporation had to forego interest income during the year amounting to Kshs. 222 million.

Farm incomes of the Corporation's borrowers were affected by low prices of the produce such as maize and sugar occasioned by a glut of cheap imports on the one hand, and the prohibitive farm input prices on the other hand. This, as we shall see later, adversely affected the Corporation's loan collections which in turn led to reduced lending to the farmers.

ECONOMIC PERFORMANCE

The Gross Domestic Product (GDP) in 1997 grew by 2.3% compared to the growth of 4.6% in 1996. The 1997 growth was far below the projected growth of 5.9%. The decline in economic growth in 1997 was mainly the result of the deterioration in the performance of the key sectors. These include agriculture which recorded a decline of 1.2% in 1997 compared to 4.4% growth of 1996, manufacturing which grew by 1.9% compared to 3.7% previously and tourism, whose earnings declined by 11.6%.

Inflation went up slightly to 11.2% in 1997 from 9.0% in 1996 mainly due to shortage of agricultural commodities. Political uncertainties in 1997, reduced budgetary allocations and reduced donor funding resulted in reduced level of investments during the year.

Drought in late 1996 and early 1997 coupled with heavy rains towards the later part of 1997 in addition to rising agricultural input costs reduced the production of most commodities particularly cereals. Production of maize fell by 2 million bags prompting importation of 1.1 million tonnes compared to 10.6 thousand tonnes imported in 1996. Production of coffee and tea declined but the decline was partly cushioned by better world prices.

CORPORATE PERFORMANCE

During the year, the Corporation's income increased by Kshs. 9.6 million (2%) from Kshs. 558.6 million in 1996 to Kshs. 568.2 million in 1997. The assets increased by Kshs. 162 million (3.48%) from Kshs. 4.649 billion in 1996 to Kshs. 4.811 billion in 1997. This modest improvement in performance is mainly attributable to the dedication to duty by the staff of the entire Corporation.

THE FUTURE

I note with appreciation the continued efforts by the Government to bring down the commercial bank interest rates. Once reduced to affordable levels, the Corporation's burden will be reduced as farmers will also have access to the bank loans and hence reduce the high demand for loans from the Corporation.

The reforms being carried out in the financial sector are bearing fruits and it is my hope that the Government will sustain the same and also complete its grand plan of restructuring the Corporation to make it a more viable agricultural sector financial intermediary.

APPRECIATION

I would like to record my appreciation to the farmers who serviced their loans timely, the Government for continued support and the Agricultural Finance Corporation staff for their dedication to duty.

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

L. P. ODERO
CHAIRMAN

AGRICULTURAL FINANCE CORPORATION

THE DIRECTORS' REPORT

ON

THE 1996/1997 ACCOUNTS

The Directors have the pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1997.

THE DIRECTORS

The Corporation was steered by the following Board Members during the year ended 30th June, 1997.

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

MANAGEMENT

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

Miss Jean W. Gacheche	-	Corporation Secretary
Mr. Jared H. Othieno	-	Personnel & Admin. Manager
Mr. Francis S. Wanyama	-	Financial Controller
Mr. Mathew K. Wanyama	-	Assistant General Manager
Mrs Ruth M.A Otima	-	Technical Services Manager

Mr. Ben S. Mbatia	-	Assistant General Manager
Mr. David N. Riungu	-	Chief Planning Officer
Mr. John M. Kimonge	-	Chief Internal Auditor

STAFF

The Corporation had a staff compliment of 1109 at the beginning of the year and 1101 at the end. Sports activities for staff continued being promoted for their physical and mental wellbeing. Our netball, choir, football and darts clubs were in action throughout the year.

Development work on the training and sports complex at Langata continued during the year.

BRANCHES

The Corporate network of 49 branches which covers all provinces and most districts was maintained to serve the farming community. More than 50% of the corporation branches operate in Agricultural Finance Corporation owned buildings.

ACTIVITIES

Agricultural Finance Corporation is a Government owned statutory body established under the Agricultural Finance Corporation act cap 323 of the laws of Kenya enacted in 1963 for the purpose of assisting in the development of Agriculture.

During the year, Kshs. 249 million was lent to farmers which is a decline of 17% from Kshs. 300 million lent last year. Due to the reduced lending activities, the loan portfolio fell by 1.82% from Kshs. 3.627 billion in 1996 to Kshs. 3.561 billion in 1997. The Corporation will put greater emphasis on lending to farmers in order to reverse the trend.

RESULTS

	1997 KSHS'000	1996 KSHS'000
Total Income	568,210	558,625
Total Expenses	653,425	769,243
Profit/Loss before tax	(85,215)	(210,617)
Tax	-	-
Transfer to reserve	(85,215)	(210,617)

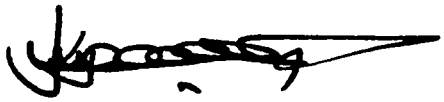
AUDITORS

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

BANKERS

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

For and on behalf of the Directors.



G. K. TOROITICH
MANAGING DIRECTOR

REPORT OF THE AUDITOR-GENERAL

(CORPORATIONS)

ON THE ACCOUNTS OF

AGRICULTURAL FINANCE CORPORATION

FOR THE YEAR ENDED 30TH JUNE 1997

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 1997

I have examined the accounts of the Agricultural Finance Corporation for the year ended 30 June 1997 in accordance with Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations I required for the purpose of the audit. Proper books of account have been kept and the accounts which have been prepared under the historical cost convention, are in agreement therewith and comply with the Agricultural Finance Corporation Act, (Cap 323).

Subject to the reservations set out herebelow, in my opinion, the accounts, when read together with the notes to the accounts, give a true and fair view of the Corporation's financial state of affairs as at 30 June 1997 and of its loss and cash flow for the year ended on that date.

1. AVOIDABLE EXPENDITURE - KSHS. 16,892,119

Information available indicates that in March 1985, an Investment Company applied for and was granted a loan of Kshs. 6,000,000 by the Agricultural Finance Corporation against a title document of land owned by the Company.

Further, in September 1986 and July 1987, the Corporation advanced a total of Kshs. 4,760,000 to two directors of the same Company in their personal capacities against 3 title documents belonging to the Company. This is contrary to Section 20 of AFC Act (Cap 323) which prohibits the Corporation from raising a notification of charges in respect of land owned by anybody other than the registered owner.

In 1991, the Company asked the Corporation to temporarily release the title documents (3 in all) it was holding to enable the Company sell a portion of the land and repay the loan of Kshs. 6,000,000 but the request was not granted. On December, 7th 1992, the Corporation was ordered by the court to release all 3 title documents but it only released one and kept the other two even after the loan of Kshs. 6,000,000 had been repaid in full on 9th September 1993. It took another court order on April 14th 1994 to release the other two documents.

As a result of the irregular retention of Company title documents as security for the private loans, the Corporation paid damages to the Company and legal fees totalling Kshs. 16,892,119 arrived at as follows:

	Kshs.
General damages, loss of farming and rent	12,331,954
Legal fees	4,560,165

	16,892,119
	=========

In view of the above, the expenditure of Kshs. 16,892,119 paid as damages and legal fees now included in the Corporation's accounts for the year under review is not, in my opinion, a proper charge to public funds as it could have been avoided had the Corporation followed the proper procedures.

2. MOTOR VEHICLE SPARES AND REPAIRS.

During the year under review, the Corporation incurred an expenditure of Kshs. 30,033,961 in purchasing spare parts and repairing its motor vehicles as follows:-

	Kshs.
Purchase of spares / repairs	28,814,491
Direct repairs of vehicles	1,219,470

	30,033,961
	=========

The examination of records relating to this expenditure indicated that open competitive tenders/quotations were not invited and it is not clear how the single supplier of the spares and the garages which undertook the repairs were identified. Further, some of the local purchase orders issued by the Corporation when purchasing the spares did not indicate the number of the vehicle for which such spares were fitted and consequently, I am unable to confirm that the spares were fitted in the Corporation vehicles. I did not also see the stock cards for these spare parts. Arising from the above, I am unable to confirm the propriety of the expenditure of kshs. 30,033,961 incurred in procuring spare parts and repairing the Corporation vehicles during the year under review.

3. STAFF PENSION FUND

The Corporation for a number of years has been running a staff pension fund scheme which was being managed by the Kenya National Assurance Company (now in liquidation). As at 30 June 1997, the pension fund as per the court award stood at Kshs. 64,821,930. When Kenya National Assurance Company being put on liquidation, the Corporation took over the management of the pension scheme. However, I have not seen correspondence to show when this balance of Kshs. 64,821,930 will be paid to the Corporation by the liquidators of Kenya National Assurance Company. Further, the Balance Sheet cash and bank balance figure of Kshs. 28,193,254 and fixed deposits of Kshs. 569,502,000 excluded staff pension fund. Such funds as at 30 June 1998 amounted to Kshs. 55,000,000 in fixed deposits and Kshs. 6,762,665 in current account both in a bank now placed under Central Bank Management. Although the Corporation has been managing the Pension Fund on behalf of the pensioners for a number of years, the pension funds are not reflected in the Corporation's accounts. No audited accounts of the fund have also been seen. Consequently, I am not in a position to confirm that the pensioners' funds are secure.

Further, I have not seen any authority allowing the Corporation to invest the above amount in the relatively new bank.

4. DEBTORS

4.1 As reported in the previous year, the Balance Sheet debtors figure includes an amount of Kshs. 35,630,479 being an original deposit of Kshs. 16,350,000 and interest of Kshs. 19,280,479 due from a building society. Although the deposit matured in 1989, the Corporation has not been able to recover the amount which is subject to a court case. The society is seeking court orders to restrain the Corporation from disposing of the property pledged as security while the Corporation has filed a counter suit. Available information indicate that the building society was put under liquidation in March 1997 and a liquidator appointed. I am also informed that the liquidator has already invited bids for the purchase of one of the properties charged to AFC but I have not seen the outcome of this action as at the time of signing this report. Until the sale of the property is finalised, I am unable to express an opinion on the recoverability of the above debt.

4.2 Further, the debtors figure of Kshs. 83,212,898 includes an amount of Kshs. 4,888,266 whose nature was not explained during the audit.

Consequently, I am unable to confirm the correctness of the Balance Sheet debtors figure of kshs. 83,212,898.

5. LOANS ARREARS TO FARMERS

The situation with regard to the recoverability of loans from farmers for three schemes as analysed in notes 4, 5 and 6 to the accounts remained as reported in the previous year. The balance of loans and interest as at 30 June 1997 stood at kshs. 2,208,879,100 compared to a balance of Kshs. 2,068,557,520 outstanding as at 30 June 1996. The provision for bad and doubtful debts of Kshs. 468,377,960 made in the accounts would suggest that a substantial portion of these loans may have to be written off. As reported earlier, the trend of loan repayment arrears unless seriously addressed is likely to adversely affect the operations of the Corporation.

6. REDEEMABLE LOANS

As reported in the previous year the Corporation was not able to service any portion of the redeemable loan of Kshs. 1,409,603,380 most of which had fallen due from 1989 including the portion for the year under review. Similarly, the Corporation did not service the accumulated interest of Kshs. 1,479,981,345 on account of both irredeemable and seasonal credit loans of Kshs. 1,767,603,380 some of which have been outstanding since 1989. Furthermore, the Corporation's operations during the year ended with a deficit of Kshs. 136,163,000. All this taken into account indicate that the Corporation is technically insolvent.

7. RESTRUCTURING

As previously reported, the Government through the Agricultural Finance Corporation engaged consultants to make recommendations on restructuring of the Corporation's Balance Sheet as at 30 June 1989. The restructuring was aimed at, among other measures, eliminating from the Balance Sheet loans and debts due to the Corporation but whose recoverability was doubtful and similarly eliminating from the Balance Sheet corresponding liabilities owed by the Corporation and converting some of them into equity capital or Government grants. Although the recommendations for the restructuring were subject to the approval of the Government, I have not seen the approval at the time of signing this report. Consequently, I am unable to state how the Balance Sheet will alter after the restructuring.

8. SHORT TERM DEPOSITS KSHS. 569,502,000

Included in the short term deposits shown in the Balance Sheet is an amount of Kshs. 12,081,815 invested in a private commercial bank. I was not shown authority from the relevant Ministry which allowed the Corporation to invest this amount in the relatively new bank. Further, I did not also see the necessary deposit certificates for all these fixed deposits for verification.

W. K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

24 December 1998

AGRICULTURAL FINANCE CORPORATION
BALANCE SHEET AS AT 30TH JUNE,1997

ASSETS:	NOTES	1997 Kshs '000	1996 Kshs '000
CASH & BANK BALANCES		28,193	18,159
SHORT TERM DEPOSITS		569,502	523,364
DEBTORS	3	83,213	76,191
CONSUMABLE STORES		2,917	2,127
		683,825	619,841
LOANS TO FARMERS:			
LARGE SCALE	4	2,045,127	1,906,721
SMALL SCALE	5	550,487	648,271
SEASONAL CROP	6	965,052	1,071,735
		3,560,666	3,626,727
PROV.FOR DOUBTFUL DEBTS	7	(468,378)	(444,306)
		3,092,288	3,182,421
REPOSSESSED PROPERTIES	8	7,236	8,048
STAFF LOANS	9	100,556	83,746
B.A.T. LOANS	10	6,184	6,193
FIXED ASSETS	11	920,871	748,781
		4,127,135	4,029,189
		4,810,960	4,649,030
LIABILITIES AND CAPITAL:			
CREDITORS & ACCD. CHARGES	12	1,615,146	1,521,080
PROVISION FOR TAX	13	199,476	204,868
DUE TO AGENCY	14	471,560	447,582
LAND, TRACTOR BORR. DEPS.		2,415	2,415
BANK LOAN	15	0	0
CEREALS & SUGAR LOAN		300,000	300,000
AFC SCC LOANS	16	358,000	358,000
REDEEMABLE LOANS	17	1,409,603	1,379,603
IRREDEEMABLE LOANS	18	283,492	283,492
		4,639,692	4,497,040
REVALUATION RESERVE		175,363	70,783
GENERAL RESERVE	19	(136,163)	(50,828)
REVOLVING FUND	20	1,297	1,264
GRANTS	21	130,771	130,771
		4,810,960	4,649,030

The accounts on pages 13 to 29 were approved by the Board of Directors on 18th December 1997 and were signed on its behalf by:

L.P.ODERO
CHAIRMAN

G.K. TOROITICH
MANAGING DIRECTOR

AGRICULTURAL FINANCE CORPORATION
PROFIT AND LOSS ACCOUNT FOR THE YEAR-ENDED 30TH JUNE,1997

	NOTES	1997 Kshs '000	1996 Kshs '000
INCOME:			
INTEREST INCOME:			
LARGE SCALE	4	237,696	211,764
SMALL SCALE	5	72,296	94,355
SEASONAL CROP	6	112,123	129,010
OTHERS	22	109,892	82,737
		532,007	517,866
OTHER INCOME			
AGENCY COMMISSION		9,226	9,728
APP. LEGAL & INSP. FEES		5,762	7,853
PROFIT ON SALE OF ASSETS		(1,047)	2,481
RENT		15,962	17,132
SUNDRIES		6,301	3,566
		36,204	40,760
TOTAL INCOME		568,211	558,626
EXPENSES:			
INTEREST EXPENSES ON:			
IRREDEEMABLE LOANS		8,217	8,217
REDEEMABLE LOANS		86,986	86,986
AFC SCC LOANS		50,120	50,120
REBATE INTEREST		6,303	6,622
BANK LOAN		0	34,205
ADB (PIGS) LOAN		518	0
CEREALS & SUGAR LOAN		46,500	9,555
		198,644	195,705
OTHER EXPENSES:			
BOARD MEMBERS' ALLOWANCES		880	1,081
STAFF COSTS	23	220,470	198,605
ADMINISTRATION	24	179,676	107,636
DOUBTFUL DEBTS	25	23,274	245,603
DEPRECIATION	11	30,482	20,614
		454,782	573,539
TOTAL EXPENSES		653,426	769,244
(LOSS)/PROFIT BEFORE TAX		(85,215)	(210,618)
TAXATION	13	0	0
TRANSFER TO GEN. RESERVE	19	(85,215)	(210,618)

AGRICULTURAL FINANCE CORPORATION
CASH FLOW STATEMENT
YEAR ENDED 30TH JUNE, 1997

CASH FLOW FROM OPERATING ACTIVITIES	1997 Kshs '000
(Loss) Before Taxation	(85,215)
Adjustments for:	
Depreciation	30,482
Profit On Disposal Of Fixed Assets	(3,203)
Write-off of Repossessed Properties	4,250
Additions to Repossessed Properties	(3,232)
Decrease in Loans to Farmers	90,161
Increase in Loans to Staff	(16,801)
Increase in Consumable Stores	(790)
Increase in Debtors	(7,023)
Increase in Creditors	94,066
Increase in Due to Agency	23,978
	126,673
Taxation Paid	(5,391)
Net Cash From Operating Activities	121,282
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(97,992)
Proceeds from Disposal of Fixed Assets	2,249
Proceeds from Disposal of Repossessed Properties	633
Net Cash Flow from Investing Activities	(95,110)
CASH FLOW FROM FINANCING ACTIVITIES	
Redeemable Loan Received	30,000
Net Cash Flow from Financing Activities	30,000
Net Increase in Cash and Cash Equivalents	56,172
Cash and Cash Equivalents as at 01.07.96	541,523
Cash and Cash Equivalents as at 30.06.97	597,695

AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1997

1. BASIS OF ACCOUNTING

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

2. SCOPE OF THE ACCOUNTS

The accounts cover the corporation's operations in relation to all loan schemes with the exception of Seasonal Crop Credit schemes for the years 1980 to 1984 which were operated on Agency basis on behalf of the Government. However, the total cost of administration incurred by the Corporation including that in respect of the agency schemes has been included in these accounts.

3. DEBTORS

	1997	1996
	Kshs '000	Kshs '000
Unallocated loan disbursements	**3,787**	886
Auction fees & advert. charges	**23,878**	20,114
Development house rent accrued	**10,855**	10,409
Other rent receivable	**2,893**	2,818
Prepaid expenses	**1,082**	1,226
Other accounts receivable	**4,959**	4,655
Recoverable fees and charges	**128**	2,731
Agrarian Building Society	**35,631**	33,352
BALANCE AS AT 30TH JUNE,1997	**83,213**	76,191

4. LARGE SCALE LOANS

BALANCE AS AT 1ST JULY, 1996	1997 Kshs '000	1996 Kshs '000
Not Yet Due: Principal	**1,099,979**	1,092,975
Interest	**76,829**	77,245
Arrears: Principal	**274,351**	252,063
Interest	**311,719**	277,370
Interest on arrears	**143,844**	124,598
	1,906,722	1,824,251

ADD: TRANSACTIONS DURING THE YEAR		
Advances	**208,219**	191,127
Interest earned	**237,696**	211,764
Repayments	**(290,803)**	(320,363)
Transfers	**(16,707)**	(57)
	138,405	82,471
BALANCE AS AT 30TH JUNE,1997	**2,045,127**	1,906,722

ANALYSIS OF BALANCES AS AT 30TH JUNE 1997		
Not Yet Due: Principal	**1,116,084**	1,099,979
Interest	**85,289**	76,829
Arrears: Principal	**316,825**	274,351
Interest	**352,005**	311,719
Interest on arrears	**174,924**	143,844
BALANCE AS AT 30TH JUNE,1997	**2,045,127**	1,906,722

PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1st July,1996	**318,777**	143,805
Charge/(Writeback) for the year	**11,204**	175,609
Bad debts	**0**	(637)
BALANCE AS AT 30TH JUNE,1997	**329,981**	319,414

LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July,1996	**49,212**	40,426
Opened during the year	**181,711**	199,913
Drawings	**(208,219)**	(191,127)
BALANCE AS AT 30TH JUNE,1997	**22,704**	49,212

5. SMALL SCALE LOANS.

	1997 Kshs '000	1996 Kshs '000
BALANCE AS AT 1ST JULY, 1996		
Not Yet Due: Principal	**257,832**	390,494
Interest	**27,484**	39,859
Arrears: Principal	**181,281**	178,977
Interest	**45,936**	44,145
Interest on arrears	**135,738**	122,816
	648,271	776,291
ADD: TRANSACTIONS DURING THE YEAR		
Advances	**21,246**	4,931
Interest earned	**72,296**	94,355
Repayments	**(186,786)**	(226,821)
Transfers & Writeoff	**(4,540)**	(485)
	(97,784)	(128,020)
BALANCE AS AT 30TH JUNE, 1997	**550,487**	648,271

ANALYSIS OF BALANCES AS AT 30TH JUNE 1997

Not Yet Due: Principal	**138,167**	257,832
Interest	**12,664**	27,484
Arrears: Principal	**197,653**	181,281
Interest	**48,895**	45,936
Interest on arrears	**153,108**	135,738
BALANCE AS AT 30TH JUNE,1997	**550,487**	648,271

PROVISION FOR DOUBTFUL DEBTS:

Balance as at 1st July,1996	**44,558**	28,797
(Writeback)/Charge for the year	**3,992**	16,523
Bad debts	**(38)**	(762)
BALANCE AS AT 30TH JUNE,1997	**48,512**	44,558

LOANS OPENED BUT NOT DISBURSED

Balance as at 1st July,1996	**(2,285)**	(45,703)
Opened During the year	**23,417**	48,349
Drawings	**(21,246)**	(4,931)
BALANCE AS AT 30TH JUNE,1997	**(114)**	(2,285)

6. SEASONAL CROP LOANS.

	1997 Kshs '000
BALANCE AS AT 1ST. JULY 1996	
Not Yet Due: Principal	94,826
Interest	1,220
Arrears: Principal	544,013
Interest	33,711
Interest on arrears	397,965
	1,071,735
ADD: TRANSACTIONS DURING THE YEAR	
Advances	20,173
Interest earned	112,123
Repayments	(231,095)
Transfers	(7,884)
	(106,683)
BALANCE AS AT 30TH JUNE,1997	965,052

ANALYSIS OF BALANCES AS AT 30TH JUNE 1997

Not Yet Due: Principal	18
Interest	(435)
Arrears: Principal	484,351
Interest	30,860
Interest on arrears	450,258
BALANCE AS AT 30TH JUNE,1997	965,052

PROVISION FOR DOUBTFUL DEBTS:

Balance as at 1st July,1996	80,971
(Writeback)/Charge for the year	9,473
BALANCE AS AT 30TH JUNE,1997	90,444

LOANS OPENED BUT NOT DISBURSED

Balance as at 1st July,1996	5,279
Opened During the year	15,158
Drawings	(20,173)
BALANCE AS AT 30TH JUNE,1997	264

7. PROVISION FOR BAD AND DOUBTFUL DEBTS:

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

The provision is as follows:

LOANS.	**1997**	1996
	Kshs '000	Kshs '000
LARGE SCALE LOANS	**327,223**	319,518
SMALL SCALE LOANS	**50,650**	43,776
SEASONAL CROP LOANS	**90,505**	81,012
	468,378	444,306

8. REPOSSESSED FARM PROPERTIES:

These are revalued at the total of the principal and interest due at the date of foreclosure less subsequent recoveries.The amount outstanding as at 30thJune,1997 was Kshs. 14,472,000. However, the Corporation has been unable to realise these properties and is of the opinion that if a forced sale could be effected, material losses would arise. In view of this, a 50% provision has been made against these balances leaving a net figure of Kshs. 7,236,000. The Corporation is of the opinion that the provision is sufficient to cover any possible losses that may arise when such properties are eventually sold.

9. LOANS TO STAFF

	HOUSE LOANS	CAR LOANS	PERSONAL ADVANCES	TOTALS
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
BAL.AS AT 01.07.96				
Principal	56,493	2,616	(375)	58,734
Interest	21,835	2,692	485	25,012
	78,328	5,308	110	83,746
TRANSACTIONS IN THE YEAR:				
Advances:-Cheques	18,849	5,277	7,516	31,642
-Transfers	0	954	0	954
Interest earned	4,649	365	211	5,225
Repayments	(12,328)	(1,720)	(6,963)	(21,011)
	11,170	4,876	764	16,810
Balance as at 30.06.97	89,498	10,184	874	100,556
ANALYIS OF BALANCES				
Principal	63,013	7,128	178	70,319
Interest	26,484	3,057	696	30,237
Balance as at 30.06.97	89,497	10,185	874	100,556

10. BRITISH AMERICAN TOBACCO (K) LTD LOANS:

	1997 Kshs '000	1996 Kshs '000
BALANCE AS AT 1ST. JULY 1996	**6,194**	5,973
ADD: TRANSACTIONS DURING THE YEAR:		
INTEREST EARNED	**893**	836
REPAYMENTS	**(903)**	(615)
	(10)	221
BALANCE AS AT 30TH JUNE,1997	**6,184**	6,194

11. FIXED ASSETS:

	LAND	BUILDINGS	BUILDINGS IN PROGRESS	MOTOR VEHICLE	FURNITURE & EQUIPMENT	TOTALS
	Kshs '000	Kshs '00	Kshs '000	Kshs '00	Kshs '000	Kshs '000
COSTS:						
BAL. 01.07.1996	12,350	307,418	436,221	76,947	98,149	931,085
ADDITIONS	0	0	41,441	0	56,551	97,992
REVALUATION	0	104,580	0	0	0	104,580
DISPOSALS	0	0	0	(4,187)	0	(4,187)
TRANSFERS	414	35,895	(36,309)	0	0	0
BAL. 30.06.97	12,764	447,893	441,353	72,760	154,700	1,129,470
DEPRECIATION:						
BAL. 01.07.96	0	49,227	0	71,597	61,480	182,304
CHARGE FOR YR.	0	9,409	0	2,075	18,998	30,482
DISPOSALS	0	0	0	(4,187)	0	(4,187)
BAL. 30.06.1997	0	58,636	0	69,485	80,478	208,599
NET BOOK VALUE						
BAL. 30.06.1997	12,764	389,257	441,353	3,275	74,222	920,871
BAL. 30.06.1996	12,350	258,191	436,221	5,350	36,669	748,781

The applicable rates of depreciation are as set out below:

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

12. CREDITORS AND ACCRUED CHARGES:

	1997 kshs '000	1996 kshs '000
Borrowers' Credit Balances	82,381	97,445
Unallocated Receipts	3,601	13,848
Sundry creditors payroll	3,768	2,978
Sundry creditors general	13,312	6,417
Insurance receipts	(5,456)	848
Stale cheques	7,661	6,910
Interest accrued on loan funds	902,908	814,665
Interest accrued on scc loans	577,074	526,954
External audit fee accrued	750	750
Gratuity	1,733	2,010
Due to Marketing Bodies	14,470	14,486
Loan drafts outstanding	12,944	33,769
BALANCE AT 30TH JUNE,1997	**1,615,146**	1,521,080

13. TAXATION:

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

	Kshs '000
Balance as at 1stJuly,1996	204,868
Payment during year	(5,391)
Tax charge for year	0
BALANCE AT 30TH JUNE,1997	**199,477**

14. DUE TO AGENCY:

The balance due to the agency as at 30th June,1997 is as follows:

	1997 Kshs '000	1996 Kshs '000
Due to Agency	664,537	631,334
Commission Receivable	(192,977)	(183,752)
Net Balance	471,560	447,582

Agency commission receivable from operating seasonal crop credit schemes 22,23 and 24 loan schemes has been included in the income for the year in the sum of Kshs 9,226,000.

15. BANK LOAN:

	1997 Kshs '000	1996 Kshs '000
Balance as at 1st July,1996	0	252,163
Interest accrued	0	34,205
Repayment	0	(286,368)
Balance as at 30th June,1997	0	0

16. LOANS FOR SEASONAL CROP CREDIT:

Balance as at 1st July,1996	**358,000**	358,000
Balance as at 30th June,1997	**358,000**	358,000

17. REDEEMABLE LOANS:

a) The redeemable loans outstanding as at 30th June,1997 were as follows:

	1997 Kshs '000	1996 Kshs '000
LAND PURCHASE AND DEVELOPMENT	**159,108**	159,108
AFC SMALL SCALE	**16,236**	16,236
KFW SMALL SCALE	**11,225**	11,225
IDA 105	**13,974**	13,974
IDA 344	**47,183**	47,183
IDA 129 KE LIVESTOCK	**31,836**	31,836
IDA 477 KE LIVESTOCK	**110,932**	110,932
IDA 537 KE G.F.R.	**62,234**	62,234
IDA 1143 KE	**15,873**	15,873
IBRD 1995 KE	**496,633**	496,633
AFC CREDIT 4	**413,920**	413,920
PINEAPPLE LOANS	**449**	449
A D B (PIGS)	**30,000**	0
	1,409,603	1,379,603

b) They are further classified as follows:

	1997 Kshs '000	1996 Kshs '000
Amounts Due but unpaid	**168,564**	156,732
Amounts due within 12months	**11,832**	11,832
Current portion	**180,396**	168,564
Amounts due after 12months	**1,229,207**	1,211,039
Total Redeemable loans	**1,409,603**	1,379,603

18. IRREDEEMABLE INTEREST BEARING LOANS

	1997 Kshs '000	1996 Kshs '000
Land purchase and Development	**80,100**	80,100
IDA 692 KE	**203,392**	203,392
	283,492	283,492

19. GENERAL RESERVE

	1997 Kshs '000	1996 Kshs '000
Balance as at 1st July,1996	**(50,828)**	159,826
Prior Year Adjustment	**(87)**	0
(Loss)/Profit after taxation for the year	**(85,215)**	(210,618)
	(136,130)	(50,792)
Transfer to revolving fund	**(33)**	(36)
Balance as at 30th June, 1997	**(136,163)**	(50,828)

20. REVOLVING FUND

	1997 Kshs '000	1996 shs '000
Balance as at 1st July,1996	**1,264**	1,228
Transfer from General reserve	**33**	36
Balance as at 30th June, 1997	**1,297**	1,264

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

21. GRANTS

DETAILS	1997 Kshs '000	1996 Kshs '000
Development	20,611	20,611
Rehabilitation	18,752	18,752
I C A	2,500	2,500
Special Emergency Fund	3,470	3,470
Ministry of Finance	40,000	40,000
IDA 105/344	2,168	2,168
IDA 692	3,335	3,335
Vihiga	700	700
North Tetu	149	149
IADP	278	278
Narok Agricultural Dev. Project	760	760
World Bank Credit 4	21,925	21,925
IDA 1143 KE	14,529	14,529
IDA 1995 KE	1,594	1,594
	130,771	130,771

22. OTHER INTEREST INCOME

	1997 Kshs '000	1996 Kshs '000
Short Term Deposits	85,947	61,587
Staff Loans	5,224	4,551
Bank Balances	17,826	15,746
B A T loans	893	836
Bad Debts	2	17
	109,892	82,737

23. STAFF COSTS:

	1997 Kshs '000	1996 Kshs '000
Salaries	122,330	104,513
House Allowance	33,145	33,767
Transport Allowance	21,644	20,424
Hardship allowance	592	682
Outpatient medical expenses	8,270	8,491
Inpatient medical expenses	1,239	2,875
Pension and Insurance	17,804	16,686
Leave Allowance	2,533	2,911
Gratuity	5,159	4,146
Training expenses	2,422	1,219
Other emoluments	4,695	2,649
Uniforms	224	307
Meritorious Awards	413	135
	220,470	198,605

24. ADMINISTRATION EXPENSES:

	1997 Kshs '000	1996 Kshs '000
Conferences	2,579	0
Travel & Hotel expenses	10,242	10,564
General office exp. & security	11,226	7,760
Audit fees & Expenses	880	750
Legal fees	23,285	7,100
Telephone & telex	4,743	5,014
Office rentals	13,536	14,617
Water	423	313
Electricity & Gas	1,493	1,049
Publicity	3,042	4,045
Stamps & postages	1,860	1,687
Printing & stationery	7,510	6,134
EDP stationery & operation expenses	2,540	2,348
Donations	709	310
Subscriptions & periodicals	992	1,539
Maintenance of Buildings	25,271	1,192
Maintenance of Furniture & equipment	2,029	1,987
Maintenance of other assets	239	491
Vehicle running expenses	39,280	25,631
Professional consultants	9,501	9
Bank charges	4,294	5,111
Taxes & Licences	642	894
Misappropriation	0	(103)
Land rent & rates	899	777
Insurance of corporation assets	5,928	5,929
Service charge	2,281	288
Welfare	4,252	2,200
	179,676	107,636

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

		1997 Kshs '000	1996 Kshs '000
Large scale loans:			
Scheme	1	**(1,743)**	(1,847)
	2	**6,310**	26,893
	3 & 7	**(3)**	68
	5	**1,496**	2,082
	31	**5,647**	149,458
	45	**(503)**	(1,020)
	98..99	**0**	(25)
		11,204	175,609
Small scale loans:			
	4	**38**	95
	6	**43**	4,434
	8	**3,314**	9,451
	9	**132**	(53)
	10.. 12	**580**	106
	30	**(115)**	2,490
	99	**0**	0
		3,992	16,523
Seasonal crop loans:			
	26	**1,641**	14,869
	27	**2,647**	6,624
	29	**256**	1,875
	32	**492**	264
	33	**166**	144
	34	**50**	29,802
	35..41	**4,242**	0
		9,494	53,578
		24,690	245,710
REPOSSESSED FARM PROPERTIES		**(811)**	(591)
SMALL DEBTS WRITTEN OFF		**(605)**	484
		(1,416)	(107)
NET		**23,274**	245,603