

AGRICULTURAL FINANCE CORPORATION

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Annual Report and Accounts

For The Year Ended 30th June, 1993

AGRICULTURAL FINANCE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 1993

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REPORT OF THE BOARD OF THE AGRICULTURAL FINANCE CORPORATION

The Honourable,
Minister of Agriculture, Livestock
Development and Marketing

5th April, 1994

Sir,

In accordance with Section 40 (I) of the Agricultural Finance Corporation Act, I have the honour to present the Annual Report and Accounts of the Corporation for the year ended 30th June, 1993.

BOARD OF DIRECTORS

Mr L.P. Odero	-	Chairman
Mr G.K. Toroitich	-	Member/Managing Director
Mr D.M. Ndonye	-	Member
Mr E. Wanyama	-	Member
Mr E.M. Ngava	-	Member
Mr A.B. Odowa	-	Member
Permanent Secretary - Ministry of Agriculture, Livestock Development and Marketing	-	Member
Permanent Secretary - Ministry of Finance	-	Member

MANAGING DIRECTOR

Mr G.K. Toroitich

CHIEF OFFICERS

Assistant General Manager (Agriculture)	-	M.K. Wanyama
Assistant General Manager (Western)	-	Y.T. Jilo

CHIEF OFFICERS contd...

Financial Controller	-	F.S. Wanyama
Technical Services Co-ordinator	-	B.S. Mbatia
Personnel & Admin. Manager	-	J.H. Othieno
Corporation Secretary	-	J.W. Gacheche (Miss)
Chief Internal Auditor	-	J.M. Kimonge
Chief Planning Officer	-	D.N. Riungu
Public Relations Officer	-	U.A. Omollo (Mrs)

BOARD MEETINGS

The Board held three full Board Meetings during the year as follows:-

1. 23rd October, 1992
2. 11th March, 1993
3. 21st June, 1993

REGISTERED OFFICES

Development House,
P.O. Box 30367,
NAIROBI.

AUDITORS

Auditor General (State Corporations),
P.O. Box 49384,
NAIROBI.

BANKERS

National Bank of Kenya
Limited,
Moi Avenue,
P.O. Box 72497,
NAIROBI.

CHAIRMAN'S REPORT

OVERVIEW

The 1992/93 Financial Year turned out to be yet another difficult one for the Corporation as a result of the recession which continued to be experienced world wide.

As far as the agricultural sector was concerned, the effects were felt through escalating input prices due to the rapid depreciation of the Kenya Shilling against the major foreign currencies. At the same time, earnings from the principal export commodities, namely tea and coffee declined substantially as a result of low external demand. The situation was further aggravated by inadequate rainfall. The resultant drought had very adverse effects on the agricultural sector, with a direct impact on the farmers' ability to service their loan obligations.

Despite the foregoing unfavourable circumstances, the Corporation managed to continue discharging its mandate of providing credit for agricultural development, and achieved positive financial results.

OPERATIONS

In pursuance of its Corporate mandate which is to enhance agricultural production through provision of credit, this Corporation strived to fulfill its obligations. During the year a total sum of KShs.693.9 million was disbursed under various categories of loans. This represented an increase of 34.3% over the previous year's disbursements of KShs.516.5 million.

Loan recoveries amounted to Shs. 726.4 million, up by 51.6% from the previous year's amount of Shs. 479.0 million. This performance is summarised hereunder:-

	<u>Disbursement</u>	<u>Recoveries</u>
Seasonal Crop Credit	372,368	395,868
Large Scale Development	258,160	220,166
Small Scale Development	<u>63,418</u>	<u>110,388</u>
	<u>693,946</u>	<u>726,422</u>

ADMINISTRATION

During the year the Corporation utilised a sum of Kshs. 81.9 million towards the expansion and improvement of infrastructure and other physical facilities. Construction of the new office building in Nyeri was completed, while the first phase of the training and sports centre at Lang'ata was nearing completion at the end of the year. The funds utilised were distributed as follows:-

	<u>Ksh. '000'</u>
Buildings	70,042
Motor Vehicles	3,535
Furniture and Equipment	<u>8,394</u>
	<u>81,971</u>

MANPOWER UTILIZATION

As a result of the general slowing down of economic activity, there was no significant growth in manpower. The total number of staff at the end of the year was 1,225 compared with 1,212 at the end of the previous year.

Emphasis has continued to be placed on manpower development through training as a means of improving productivity. During the year, 675 members of staff participated in various training programs of whom 7 were trained overseas.

The Corporation has also continued to be involved actively in sports both as a sponsor and as a participant in various sporting disciplines. The training and sports centre presently under development at Lang'ata will, when completed, play a vital role in staff welfare and development.

FINANCIAL RESULTS

The Corporation recorded another successfully year in terms of financial performance in a year that was characterised by severe economic hardships. The results of operations contained in the financial statements herewith should be viewed in light of the fact that the lending rates of the Corporation remained at 12% and 17% per annum while the rates in the commercial financial sector rose to over 25% per annum.

a) Income and Expenditure

Total Income earned during the year increased by Shs. 87.9 million from Shs. 362.3 million in the previous year to Shs. 450.2 million, an increase of 24.2%. Operating expenses on the other hand increased by 22.0% from Shs. 327.3 million to Shs. 399.5 million.

Total profit before tax consequently increased by Shs. 15.7 million from Shs. 35.0 million to Shs. 50.7 million, which was an increase of 44.8%.

b) Assets

The total net assets of the Corporation increased by Shs. 529.9 million from Shs. 3,584.8 million in the previous year to Shs. 4,114.7 million. Of these, loans to farmers constituted 72.5% at Shs. 2,983.5 million. Cash balances at the end of the year amounted to Shs. 640.4 million while fixed assets net of depreciation stood at Shs. 385.2 million.

CONCLUSION

The improved financial results attained during the year as compared to those of the previous year were primarily achieved as a result of tightened business management principles as well as effective cost control measures. This was made possible by the dedication to duty of Management and Staff of the Corporation, to whom I wish to record my thanks and appreciation. The year ahead is likely to be equally difficult as the country continues to undergo the process of economic stabilisation. The Corporation will therefore continue to exercise diligence in financial management practices.


L. P. ODERO
CHAIRMAN

APRIL, 1994

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED
30 JUNE 1993

I have examined the accounts of the Agricultural Finance Corporation for the year ended 30 June 1993 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have 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).

1. RESTRUCTURING

As previously reported, the Government through the Agricultural Finance Corporation engaged consultants to make recommendations for a restructured Balance Sheet as at 30 June 1989. I understand that the restructured Balance Sheet is aimed at, among other measures, eliminating from the Balance Sheet loans and debts due to the Corporation but whose recoverability is doubtful and similarly eliminating from the Balance Sheet the corresponding liabilities and converting some liabilities owed by the Corporation into equity capital or grants. The recommendations for the restructuring are subject to the approval of the Government. However, at the time of signing this report, the Government's approval and acceptance of the consultant's recommendations has not been finalised and as a result, I am unable to state how the Balance Sheet will alter upon restructuring.

2. LOANS TO FARMERS

As in the previous years, arrears of loans to farmers have continued to increase. As at 30 June 1993, such arrears stood at K£78,193,012 (1992 - K£72,234,113). I was informed that the arrears of loans have mainly resulted from difficulties in collecting the loans owing to poor pricing of agricultural commodities, marketing problems, borrowers' negative attitude to pay following the publicity of write-offs of specified loans as were directed by the Government and amounts of loans recoveries made by marketing agencies but not yet remitted to the Corporation. However, until the amounts of loan recoveries made by marketing agencies are remitted to the Corporation coupled with intensified loan recovery measures by the Corporation, arrears of loans to farmers shall continue to increase.

3. SCC AGENCY COMMISSION

As in the previous years, no written agreement has, to-date, been signed between the Corporation and Government regarding the operation of the Seasonal Crop Credit (SCC) Schemes and as a result, it is still not possible to ascertain the correctness of the Commission receivable amounting to K£7,668,522 in respect of SCC Agency Commission nor the extent of the

Corporation's total indebtedness to the Schemes of K£17,674,304, as disclosed in Note 3 to the accounts. However, the Corporation has explained that the Government had, under a letter dated 7 March 1984, acknowledged the Corporation's right to charge such Commission.

4. REDEEMABLE LOANS

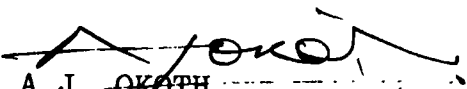
The Corporation has not serviced any portion of its redeemable loans totalling K£6,404,882 as at 30 June, 1993. In addition, the Corporation has accumulated interest payable amounting to K£47,034,342 as follows:-

Interest on Irredeemable and Redeemable Loans -	K£28,204,649
Interest on Seasonal Crop Credit Loans -	<u>K£18,829,693</u>
	K£47,034,342
	=====

The Corporation has not been servicing these loans apparently due to an anticipation that the Government would restructure its capital and convert some of the outstanding loan funds into grants. Although the Corporation has indicated that negotiations are in progress with the Government with a view to capitalizing the principal loan amounts and writing off the accrued interest thereof, however, until such restructuring is accomplished, the Corporation remains heavily indebted to the Government.

5. SHORT-TERM DEPOSITS

As in the previous year, short-term deposits include an amount of K£1,328,686 (principal sum K£817,500 and interest accrued thereon K£511,186) in a Building Society which matured in 1989 but has not been repaid. The Corporation is holding title deeds of the properties pledged as security against the amount. The Building Society has filed a suit seeking the Corporation to be restrained from disposing of the properties while the Corporation has filed a counter suit. However, until the outcome of the two cases is known, I am unable to determine the loss the Corporation is likely to incur. In addition, deposits which matured in May 1993 amounting to K£2,500,000 and accrued interest thereon of K£34,931 were outstanding against a Commercial Bank as at 30 June 1993. I understand that the Bank has requested the Corporation to consider rolling over the deposits for another term. However, at the time of signing this report, no agreement had been reached between the Bank and the Corporation but the deposits were still outstanding.


A. J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)


7 March 1994

AGRICULTURAL FINANCE CORPORATION

BALANCE SHEET AS AT 30TH JUNE, 1993

ASSETS:	NOTES	1993 K£	1992 K£
CASH & BANK BALANCES		4,359,963	2,874,958
SHORT TERM DEPOSITS		27,661,376	18,859,845
DEBTORS	3	1,259,311	1,794,229
CONSUMABLE STORES		84,708	70,308
		33,365,358	23,599,340
LARGE SCALE	4	82,313,410	72,892,573
SMALL SCALE	5	27,148,972	27,179,573
SEASONAL CROP	6	48,823,610	44,459,493
		158,285,992	144,531,639
PROV.FOR DOUBTFUL DEBTS	7	(9,110,427)	(8,833,901)
		149,175,565	135,697,738
REPOSSESSED PROPERTIES	8	463,039	444,569
STAFF LOANS	9	3,166,200	3,137,469
B.A.T. LOANS	10	308,651	298,615
FIXED ASSETS	11	19,260,037	16,065,395
		172,373,492	155,643,786
		205,738,850	179,243,126
LIABILITIES AND CAPITAL:			
CREDITORS & ACCD. CHARGES	12	56,811,553	48,678,647
PROVISION FOR TAX	13	9,312,339	8,423,859
DUE TO AGENCY	14	17,674,304	16,572,456
LAND, TRACTOR BORR. DEPS.		109,448	109,448
BANK LOAN	15	17,184,743	2,525,993
A.F.C. SCC LOANS	16	17,900,000	17,900,000
REDEEMABLE LOANS	17	57,108,411	56,898,411
IRREDEEMABLE LOANS	18	14,174,606	14,174,606
		190,275,404	165,285,420
REVALUATION RESERVE		3,539,160	3,539,160
GENERAL RESERVE	19	5,328,178	3,826,018
REVOLVING FUND	20	57,573	55,993
GRANTS	21	6,538,535	6,538,535
		205,738,850	179,243,126

The accounts on pages 9 to 27 were approved by the Board of Directors on 9th November, 1993 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, 1993

INCOME:		<i>1993</i> K£	<i>1992</i> K£
INTEREST INCOME			
	<i>NOTES</i>		
LARGE SCALE	4	7,583,696	6,590,274
SMALL SCALE	5	2,317,946	2,403,787
SEASONAL CROP	6	5,539,121	3,692,943
OTHERS	22	5,138,732	3,739,865
		20,579,495	16,426,869
OTHER INCOME			
AGENCY COMMISSION		533,037	393,997
APPLIC. LEGAL & INSPEC. FEES		789,697	766,225
PROFIT ON SALE OF FIXED ASSETS		40,796	108,459
RENT		392,316	341,667
SUNDRIES		177,290	78,680
		1,933,136	1,689,028
TOTAL INCOME		22,512,631	18,115,897
EXPENSES:			
INTEREST EXPENSES ON:			
IRREDEEMABLE LOANS		410,880	410,880
REDEEMABLE LOANS		3,435,488	3,421,740
AFC SCC LOANS		2,506,000	2,506,000
REBATE INTEREST		182,599	95,659
BANK LOAN		2,158,750	28,493
		8,693,717	6,462,772
OTHER EXPENSES:			
BOARD MEMBERS' ALLOWANCES		19,047	19,593
STAFF COSTS	23	6,605,492	6,184,433
ADMINISTRATION	24	3,486,147	2,612,082
DOUBTFUL DEBTS	25	359,709	252,590
DEPRECIATION	11	810,338	833,099
		11,280,733	9,901,797
TOTAL EXPENSES		19,974,450	16,364,569
PROFIT BEFORE TAX		2,538,181	1,751,328
TAXATION	13	1,034,441	744,314
TRANSFER TO GENERAL RESERVE	19	1,503,740	1,007,014

AGRICULTURAL FINANCE CORPORATION

STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30TH. JUNE 1993

<u>SOURCES:</u>	<u>1993</u> <u>K £</u>	<u>1992</u> <u>K £</u>
PROFIT/(LOSS) BEFORE TAXATION	2,538,181	1,751,328
ADD: DEPRECIATION	810,338	833,099
PROVISION FOR BAD & DOUBTFUL DEBTS	276,526	867,737
BAD DEBTS WRITTEN OFF	62,519	0
PROFIT ON SALE OF FIXED ASSETS	(40,796)	(108,459)
	1,108,587	1,592,377
TOTAL FROM OPERATIONS	3,646,768	3,343,705
<u>OTHER SOURCES:</u>		
REPAYMENT FROM FARMERS	36,321,156	23,950,220
REDEEMABLE LOANS RECEIVED	210,000	0
PROCEEDS FROM SALE OF FIXED ASSETS	134,384	108,708
REPAYMENTS ON B.A.T. & STAFF LOANS	899,870	525,077
BANK LOAN	12,500,000	2,500,000
	50,065,410	27,084,005
TOTAL SOURCES	53,712,178	30,427,710
<u>APPLICATIONS:</u>		
ADVANCE TO FARMERS	34,697,265	25,825,746
LOANS TO STAFF	710,744	607,456
PURCHASE OF FIXED ASSETS	4,098,569	4,432,140
ACQUISITION OF FARM PROPERTIES	18,470	164,564
TAXATION PAID	145,960	0
	39,671,008	31,029,906
	14,041,170	(602,196)
<u>CHANGES IN WORKING CAPITAL</u>		
INCREASE IN INT. RECEIVABLE FROM FARMERS	15,440,763	12,687,004
INTEREST ON STAFF LOAN AND B.A.T. LOANS	227,893	200,277
INCREASE IN CONSUMABLE STORES	14,400	(5,334)
INCREASE IN DEBTORS	(534,918)	(274,807)
(INCREASE) IN CREDITORS	(8,132,906)	(8,254,252)
(INCREASE)/DECREASE IN LAND & TRACTOR DEPS.	0	(4)
INCREASE IN BANK LOAN INTEREST	(2,158,750)	(25,993)
(INCREASE) IN SCC AGENCY	(1,101,848)	(1,095,024)
	3,754,634	3,231,867
<u>NET MOVEMENT IN LIQUID FUNDS</u>		
(DECREASE)/INCREASE IN SHORT TERM DEPOSITS	8,801,531	(2,785,031)
(DECREASE)/INCREASE IN CASH AND BANK BAL.	1,485,005	(1,049,032)
	10,286,536	(3,834,063)
NET INCREASE IN WORKING CAPITAL	14,041,170	(602,196)

NOTES TO THE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1993

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 exception of Seasonal Crop Credit schemes for the years 1980 to 1984 which were operated on agency basis on behalf of the Government. The accounts for these schemes, namely loan schemes 22, 23 and 24 are prepared separately.

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

	1993	1992
	<u>K £</u>	<u>K £</u>
Unallocated loan Disbursements	158,830	846,067
Auction Fees & Advert. Charges	631,912	536,590
Development house rent accrued	186,622	171,236
Other Rent Receivable	75,023	41,581
Prepaid Expenses	55,221	36,537
Other accounts Receivable	130,689	143,750
Recoverable Fees and charges	21,012	18,468
	-----	-----
BALANCE AT 30TH JUNE, 1993	1,259,311	1,794,229
	=====	=====

4. LARGE SCALE LOANS

	1993 K £	1992 K £
BALANCE AS AT 1ST JULY, 1992:		
Not Yet Due: Principal	45,079,284	44,135,617
Interest	2,359,376	2,190,219
Arrears: Principal	10,426,438	9,280,408
Interest	10,872,230	8,858,997
Interest on Arrears	4,155,245	3,609,291
	-----	-----
	72,892,573	68,074,532
	-----	-----
ADD: TRANSACTION DURING THE YEAR:		
Advances	12,908,011	6,422,515
Interest Earned	7,583,696	6,590,274
Repayments	(11,008,351)	(8,194,748)
Write-offs	(62,519)	0
	-----	-----
	9,420,837	4,818,041
	-----	-----
BALANCE AT 30TH JUNE, 1993	82,313,410	72,892,573
	=====	=====

ANALYSIS OF BALANCES AS AT 30TH JUNE 1993

	1993 K £	1992 K £
Not Yet Due: Principal	52,203,876	45,079,284
Interest	3,598,087	2,359,376
Arrears: Principal	10,980,789	10,426,438
Interest	11,027,399	10,872,230
Interest on Arrears	4,503,259	4,155,245
	-----	-----
BALANCE AT 30TH JUNE, 1993	82,313,410	72,892,573
	=====	=====

PROVISION FOR DOUBTFUL DEBTS:

Balance as at 1st July, 1992	5,748,316	5,547,218
Charge for the year	627,312	201,179
Loans written off during the year	0	(81)
	-----	-----
BALANCE AT 30TH JUNE, 1993	6,375,628	5,748,316
	=====	=====

LOANS OPENED BUT NOT DISBURSED

Balance as at 1st July, 1992	8,795,478	3,613,849
Opened during the year	6,335,139	11,599,080
Drawings	(12,908,011)	(6,422,515)
Adjustment	0	5,064
	-----	-----
BALANCE AT 30TH JUNE, 1993	2,222,606	8,795,478
	=====	=====

5. SMALL SCALE LOANS

	1993 <u>K £</u>	1992 <u>K £</u>
BALANCE AS AT 1ST JULY, 1992		
Not Yet Due: Principal	10,578,683	9,863,054
Interest	637,295	568,481
Arrears: Principal	9,406,710	8,788,411
Interest	2,365,131	2,268,711
Interest on Arrears	4,191,754	3,629,992
	-----	-----
	27,179,573	25,118,649
	-----	-----
ADD: TRANSACTIONS DURING THE YEAR		
Advances	3,170,880	4,671,983
Interest Earned	2,317,946	2,403,787
Repayments	(5,519,427)	(5,014,846)
	-----	-----
	(30,601)	2,060,924
	-----	-----
BALANCE AS AT 30TH JUNE, 1993	27,148,972	27,179,573
	=====	=====
	1993	1992
	<u>K £</u>	<u>K £</u>
ANALYSIS OF BALANCE AS AT 30TH JUNE, 1993		
Not Yet Due:		
Principal	9,804,618	10,578,682
Interest	475,574	637,296
Arrears:		
Principal	9,723,629	9,406,711
Interest	2,375,636	2,365,131
Interest on Arrears	4,769,515	4,191,753
	-----	-----
BALANCE AT 30TH JUNE, 1993	27,148,972	27,179,573
	=====	=====
<u>PROVISION FOR DOUBTFUL DEBTS</u>		
Balance as at 30.6.1992	1,583,505	1,395,020
Charge for the year	(145,645)	188,404
Loans written off during the year	0	0
	-----	-----
BALANCE AT 30TH JUNE 1993	1,437,860	1,583,424
	=====	=====
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July, 1992	589,498	1,439,751
Opened during the year	4,789,694	3,821,730
Drawings	(3,170,880)	(4,671,983)
	-----	-----
BALANCE AT 30TH JUNE, 1993	2,208,312	589,498
	=====	=====

6. SEASONAL CROP LOANS

		1993	1992
		<u>K £</u>	<u>K £</u>
Not Yet Due:	Principal	13,304,864	8,018,344
	Interest	338,024	252,170
Arrears:	Principal	19,947,894	19,305,844
	Interest	1,252,787	1,220,913
	Interest on Arrears	9,615,924	7,978,657
		-----	-----
		44,459,493	36,775,928
		-----	-----
ADD: TRANSACTIONS DURING THE YEAR			
	Advances	18,618,374	14,731,248
	Interest Earned	5,539,121	3,692,943
	Repayments	(19,793,378)	(10,740,626)
		-----	-----
		4,364,117	7,683,565
		-----	-----
BALANCE AS AT 30TH JUNE, 1993		48,823,610	44,459,493
		=====	=====

ANALYSIS OF BALANCES AS AT 30TH JUNE, 1993

		1993	1992
		<u>K £</u>	<u>K £</u>
Not Yet Due:	Principal	13,540,563	13,304,864
	Interest	470,263	338,024
Arrears:	Principal	21,491,495	19,947,894
	Interest	1,353,869	1,252,787
	Interest on Arrears	11,967,420	9,615,924
		-----	-----
BALANCE AT 30TH JUNE, 1993		48,823,610	44,459,493
		=====	=====

PROVISION FOR DOUBTFUL DEBTS

Balance as at 1st July, 1992	1,502,080	1,023,925
Charge during the year	(205,141)	478,155
Loans written off during the year	0	0
	-----	-----
BALANCE AS AT 30TH JUNE, 1993	1,296,939	1,502,080
	=====	=====

LOANS OPENED BUT UNDRAWN

Balance as at 1st July, 1992	7,673,752	2,902,871
Opened during the year	15,203,810	19,502,129
Drawings	(18,618,374)	(14,731,248)
	-----	-----
BALANCE AT 30TH JUNE, 1993	4,259,188	7,673,752
	=====	=====

7. PROVISION FOR BAD AND DOUBTFUL DEBTS:

During the year under review, arrears in loans increased from K£ 72,234,113 as at 30th. June 1992 to K£ 78,193,012 as at 30th June, 1993, an increase of K£ 5,958,899. The provision for bad and doubtful loans to farmers is arrived at by identifying specific bad and doubtful debts in the loan portfolio.

The provision is as follows:

	1993 <u>K £</u>	1992 <u>K £</u>
Large Scale Loans	6,375,626	5,748,397
Small Scale Loans	1,437,859	1,583,424
Seasonal Crop Loans	1,296,939	1,502,080
BALANCE AT 30TH JUNE, 1993	<u>9,110,427</u> =====	<u>8,833,901</u> =====

8. REPOSSESSED FARM PROPERTIES:

These are revalued at the total of the principal and interest due at the date of foreclosure, less subsequent recoveries. The amount outstanding as at 30th. June 1993 was K£ 926,079. 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 K£ 463,039. 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 K £	CAR LOANS K £	PERSONAL ADVANCES K £	TOTAL K £
Balance as at 01.07.92				
Principal	2,341,790	135,807	(26,675)	2,450,922
Interest	547,116	85,930	53,501	686,547
	<u>2,888,906</u>	<u>221,737</u>	<u>26,826</u>	<u>3,137,469</u>

TRANSACTIONS

Advances	525,288	163,391	22,065	710,744
Interest Earned	170,995	12,763	2,879	186,637
Repayments	(714,087)	(125,304)	(29,259)	(868,650)
	<u>(17,804)</u>	<u>(50,850)</u>	<u>(4,315)</u>	<u>28,731</u>
BAL. 30.6.93	<u>2,871,102</u>	<u>272,587</u>	<u>22,511</u>	<u>3,166,200</u>

ANALYSIS OF BALANCE
AS AT 30TH JUNE, 1993

Principal	2,159,100	173,333	13,072	2,345,505
Interest	712,002	99,254	9,439	820,695
BAL. 30.6.93	<u>2,871,102</u>	<u>272,587</u>	<u>22,511</u>	<u>3,166,200</u>

10. BRITISH AMERICAN TOBACCO (K) LTD LOANS

	1993 K £	1992 K £
BALANCE AS AT 1ST JULY, 1992	<u>298,615</u>	<u>288,318</u>
<u>TRANSACTIONS DURING THE YEAR</u>		
Interest Earned	41,256	51,231
Repayments	(31,220)	(40,934)
	<u>10,036</u>	<u>10,297</u>
BALANCE AT 30TH JUNE, 1993	<u>308,651</u>	<u>298,615</u>

11. FIXED ASSETS

<u>COST</u>	<u>BUILDINGS</u>	<u>VEHICLES</u>	<u>FURNITURE AND EQUIPMENT</u>	<u>TOTAL</u>
	K £	K £	K £	K £
As at 01.07.92	16,253,654	3,500,275	2,331,267	22,085,196
Additions	3,502,060	176,764	419,744	4,098,568
Disposals	(70,000)	(160,541)	-	(230,541)
Bal 30.6.93	<u>19,685,714</u>	<u>3,516,498</u>	<u>2,751,011</u>	<u>25,953,223</u>
<u>DEPRECIATION</u>				
As at 01.07.92	1,171,675	2,852,514	1,995,611	6,019,800
Charge	312,730	315,904	181,703	810,337
Disposal	(5,585)	(131,191)	(175)	(136,951)
Bal. 30.6.93	<u>1,478,820</u>	<u>3,037,227</u>	<u>2,177,139</u>	<u>6,693,186</u>
NET BOOK VALUE At 30.6.93	<u>18,206,894</u>	<u>479,271</u>	<u>573,872</u>	<u>19,260,037</u>

DEPRECIATION

Depreciation is computed on a straight line basis so as to write off the cost off the fixed assets over their expected useful lives. The applicable rate 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

	1993 <u>K £</u>	1992 <u>K £</u>
Borrowers credit balances	4,286,670	3,698,794
Unallocated Receipts	696,659	330,675
Sundry Creditors Payroll	333,620	216,994
Sundry Creditors General	683,656	611,170
Stale cheques	39,644	29,152
Interest Accrued on Loan Funds	28,204,649	24,358,281
Interest Accrued on SCC Loans	18,829,693	16,323,694
External Audit fee accrued	37,500	67,050
Gratuity	155,206	143,418
Due to Marketing Bodies	660,606	1,277,262
Loan drafts outstanding	2,883,649	1,622,157
BALANCE AT 30TH JUNE, 1993	----- 56,811,553 =====	----- 48,678,647 =====

13. TAXATION

The Income Tax liability of the Corporation has not yet been agreed 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 its operations except on net rent income.

The balance on this account is arrived at as follows:

Balance as at 1st July, 1992	8,423,858
Tax charge for year	1,034,441
Tax paid in the year	(145,960)
BALANCE AT 30TH JUNE, 1993	----- 9,312,339 =====

14. DUE TO AGENCY

The balance due to agency as at 30th June, 1993 is as follows:

	1993 <u>K £</u>	1992 <u>K £</u>
Due to Agency	25,342,826	23,708,935
Commission receivable	(7,668,522)	(7,136,479)
	-----	-----
NET DUE TO AGENCY AT 30.6.93	17,674,304	16,572,456
	=====	=====

Agency commission receivable from operating seasonal crop credit schemes 22, 23 and 24 has been included in the income for the year in the sum of K 532,037 which has been calculated in accordance with previous practice and based on the audited accounts of these schemes. No written agreement exists in relation to these schemes but a letter was received on 7th March, 1984 from the Permanent Secretary, Treasury, which acknowledged the Corporation's right to deduct commission. Likewise section 39 of the Agricultural Finance Corporation Act (Cap 323) provides that the Corporation shall be indemnified by the Government against all losses, costs and expenses of acting as an agent.

15. BANK LOAN

	1993 <u>K £</u>	1992 <u>K £</u>
Balance as at 01.07.1992	2,525,993	0
Additions in the year	12,500,000	2,500,000
Interest Accrued	2,158,750	28,493
Repayment	0	(2,500)
	-----	-----
BALANCE AT 30TH JUNE, 1993	17,184,743	2,525,993
	=====	=====

16. LOANS FOR SEASONAL CROP CREDIT

Balance as at 1st July, 1992	17,900,000	17,900,000
Receipts in the year	0	0
	-----	-----
BALANCE AT 30TH JUNE, 1993	17,900,000	17,900,000
	=====	=====

17. REDEEMABLE LOAN

a) The redeemable loans outstanding as at 30th June, 1993 were as follows:

	1993 <u>K £</u>	1992 <u>K £</u>
Land Purchase & Development	7,955,410	7,955,410
AFC Small Scale	811,797	811,797
KFW Small Scale	561,241	561,241
IDA 105	698,688	698,688
IDA 344	2,359,147	2,359,147
IDA 129 KE Livestock	1,591,805	1,591,805
IDA 477 KE Livestock	5,546,625	5,546,625
IDA 537 KE G.F.R	3,111,681	3,111,681
IDA 1143 KE	793,637	793,637
IBRD 1995 KE	23,259,907	23,259,907
AFC CREDIT 4	10,396,023	10,186,023
PINEAPPLE LOANS	22,450	22,450
BALANCE AT 30TH JUNE, 1993	57,108,411 =====	56,898,411 =====

b) They are further classified as below:

	1993 <u>K £</u>	1992 <u>K £</u>
Amount due but unpaid	6,404,882	5,978,437
Amounts due within 12 months	426,445	426,445
Current portion	6,831,327	6,404,882
Amounts due after 12 months	50,277,084	50,493,529
Total redeemable loans	57,108,411 =====	56,898,411 =====

18. IRREDEEMABLE INTEREST BEARING LOANS

	1993 K £	1992 K £
Land purchase and Development	4,005,000	4,005,000
IDA 692 KE	10,169,606	10,169,606
	----- 14,174,606 =====	----- 14,174,606 =====

19. GENERAL RESERVE

	1993 K £	1992 K £
Balance as at 1st July, 1992	3,826,018	2,820,738
Profit after taxation for the year	1,503,740	1,007,013
Transfer to revolving fund	5,329,758 (1,580)	3,827,751 (1,733)
BALANCE AT 30TH JUNE, 1993	----- 5,328,178 =====	----- 3,826,018 =====

20. REVOLVING FUND

	1993 K £	1992 K £
Balance as at 1st July, 1992	55,993	54,260
Transfer from general reserve	1,580	1,733
BALANCE AT 30TH JUNE, 1993	----- 57,573 =====	----- 55,993 =====

The transfer to the revolving fund represents 2% of interest earned on scheme 54 loans, as per section 2.08 of the agreement between the Government of Kenya and the Corporation.

21. GRANTS

	1993 <u>K £</u>	1992 <u>K £</u>
<u>DETAILS</u>		
Development	1,030,558	1,030,558
Rehabilitation	937,608	937,608
I.C.A	125,000	125,000
Special Emergency Fund	173,500	173,500
Ministry of Finance	2,000,000	2,000,000
IDA 105/344	108,395	108,395
IDA 692	166,740	166,740
Vihiga	35,000	35,000
North Tetu	7,450	7,450
IADP	13,906	13,906
Narok Agricultural Dev. Project	38,000	38,000
World Bank Credit 4	1,096,272	1,096,272
IDA 1143 KE	726,434	726,434
IDA 1995 KE	79,672	79,672
BALANCE AT 30TH JUNE, 1993	----- 6,538,535 =====	----- 6,538,535 =====

22. OTHER INTEREST INCOME

	1993 <u>K £</u>	1992 <u>K £</u>
Short Term Deposits	3,438,499	3,213,961
Staff Loans	186,637	149,046
Bank Balances	1,472,333	372,778
B.a.T loans	41,256	51,232
Others	7	(47,151)
TOTAL TO 30TH JUNE, 1993	----- 5,138,732 =====	----- 3,739,866 =====

23. STAFF COSTS

	1993 <u>K £</u>	1992 <u>K £</u>
Salaries	3,370,755	3,267,473
House Allowance	1,467,898	1,437,088
Hardship Allowance	26,233	24,222
Out-Patient Medical expenses	438,730	388,292
In-Patient Medical expenses	134,315	125,524
Pension & Insurance	402,705	494,341
Leave Travel Expenses	64,926	58,129
Gratuity	134,269	152,929
Training Expenses	407,513	126,567
Other Emoluments	79,462	49,385
Uniforms	78,688	57,502
Disturbance Allowance	0	2,981
TOTAL TO 30TH JUNE, 1993	----- 6,605,492 =====	----- 6,184,433 =====

24. ADMINISTRATION EXPENSES

	1993 <u>K.£</u>	1992 <u>K.£</u>
Travel & Hotel Expenses	436,979	274,541
Mileage Claimed	0	183
General . Office Exp. and Security	304,437	183,074
Audit fees and Expenses	37,500	34,385
Legal Fees	32,218	14,935
Telephone and Telex	211,395	143,053
Staff House Rentals & General	1,020	239
Office Rentals	332,176	331,225
Water	10,423	3,396
Electricity and Gas	23,632	14,387
Publicity	179,187	166,670
Stamps and Postages	55,506	38,498
Printing and Stationery	284,172	330,281
E.D.P Stationery and Operation Exp.	75,551	44,055
Donations	7,500	3,749
Subscriptions and Periodicals	15,306	13,110
Maintenance of Buildings	53,299	7,585
Maintenance of Furniture & Equipment	103,769	116,726
Other Maintenance	3,345	954
Vehicle Running Expenses	862,065	519,606
Professional Consultants	994	(21,743)
Bank Charges	80,102	68,430
Taxes and Licences	31,191	30,914
Misappropriation	1,550	2,763
Rates and Licences	43,894	42,974
Insurance of Corporation Assets	223,421	213,848
Service Charge	9,540	2,974
Welfare	65,977	31,270
TOTAL TO 30TH JUNE, 1993	----- 3,486,147 =====	----- 2,612,082 =====

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

	1993	1992
	<u>K £</u>	<u>K £</u>
<u>Large Scale:</u>		
Scheme 01	(17,096)	302,667
Scheme 02	635,535	59,280
Scheme 05	(114,793)	(287,742)
Scheme 07	0	0
Scheme 31	234,101	(152,711)
Scheme 45	(110,560)	280,577
Scheme 99	124	(892)
	-----	-----
	627,312	201,179
	-----	-----
<u>Small Scale:</u>		
Scheme 04	(2,585)	(600)
Scheme 06	(110,496)	98,055
Scheme 08	(38,156)	91,015
Scheme 09	(869)	591
Scheme 10	2,919	0
Scheme 30	3,541	(657)
	-----	-----
	(145,645)	188,404
	-----	-----
<u>Seasonal Crop</u>		
Scheme 26	(72,114)	93,443
Scheme 27	21,981	31,574
Scheme 29	(1,561)	10,936
Scheme 32	(284,918)	323,802
Scheme 33	31,539	18,783
Scheme 34	83,794	6,521
Scheme 35	8,407	(6,948)
Scheme 36	56	43
Scheme 37	0	0
Scheme 38	7,674	0
Scheme 40	1	0
	-----	-----
	(205,141)	478,154
	-----	-----
TOTAL INCREASE IN PROVISION	276,526	867,737
	=====	=====
Repossessed Farm Properties	18,470	164,569
	-----	-----
Small Debts Written off	2,193	2,877
	-----	-----
	20,664	167,446
	=====	=====

26. LOANS (WRITEBACK)/WRITE-OFF

During the year under review, an amount of K£ 62,519 was written off as shown hereunder:

	1993 K £	1992 K £
<u>Large Scale:</u>		
Scheme 01	0	(189)
Scheme 02	0	32,037
Scheme 05	62,519	(768,735)
Scheme 31	0	(3,708)
Scheme 99	0	3,053
	-----	-----
	62,519	(737,542)
	-----	-----
<u>Small Scale:</u>		
Scheme 06	0	(2,420)
Scheme 08	0	(35,951)
Scheme 30	0	(6,679)
	-----	-----
	0	(45,050)
	-----	-----
TOTAL (WRITE BACK)/WRITE OFF	62,519	(782,592)
	=====	=====

