

AGRICULTURAL FINANCE CORPORATION

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**Annual Report and Accounts
For the Year Ended 30th June, 1999**

657-452
AFC

**AGRICULTURAL FINANCE CORPORATION
ANNUAL REPORT AND ACCOUNTS FOR
THE YEAR ENDED 30TH JUNE, 1999.**

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KENYA NATIONAL ASSEMBLY

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AGRICULTURAL FINANCE CORPORATION

THE CHAIRMAN'S REPORT

ON THE

1998/99 ACCOUNTS

It gives me great pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1999.

For the fourth consecutive year, the Corporation recorded a loss in its operations. The loss of Kshs. 548.96 million recorded during the year is attributed mainly to two reasons. These are first, the retention in the Corporation's books of Accounts of loans to the Corporation from the Government, on which interest is charged while the corresponding loans to farmers were written off on Government directive and secondly, the persistent incidence of default by borrowers culminating in the high increase in the provision for bad and doubtful debts.

ECONOMIC PERFORMANCE

The domestic economy has been in a recession for the last three years. Real GDP growth fell from 2.3% in 1997 to 1.8% in 1998 and further to 1.4% in 1999.

The continued slowdown in economic performance was reflected in virtually all the key sectors of the economy. In Agriculture, growth fell to 1.2% in 1999 down from the 1.5% recorded in 1998. This was mainly due to the fall in the prices of coffee and tea on the international market, inadequate rainfall in major food growing areas and inefficiencies in major processing and marketing organisations. The sector was, however, stimulated by increases in production of coffee, pyrethrum, sisal, rice and dairy produce. Horticultural exports also grew by 48.8% in value terms.

Growth in the manufacturing sector slumped as a result of competition from cheap imports, dilapidated infrastructure and lower aggregate demand. The transport sector on the other hand, recorded a recovery despite high operational costs. Growth in government expenditure slowed down on account of the tight fiscal policies it pursued. In the financial sector, interest rates remained relatively high during the year. The tourism sector grew by 8.4% in arrivals while the revenue grew by 22.1% over the 1998 levels.

Overall, real gross fixed capital formation fell by 4.5% in 1999 due to the decline in domestic savings, grants and net borrowings from abroad. Inflation has been contained from a peak of 46.0% in 1993 to 3.5% in 1999 the lowest in four years. This again was due to the tight monetary and fiscal policies pursued by the government.

CORPORATE PERFORMANCE

During the year the Corporation's income increased by Kshs.154.0 million or 30% from Kshs. 516.0 million in 1998 to Kshs. 670.0 million in 1999. This was mainly due to the Corporation's decision to revert back to the conventional interest computation method of accruing interest on the total debt with effect from 1st December, 1998.

The expenses, however, rose by Kshs. 503.0 million or 70% from Kshs. 715.9 million in 1998 to Kshs. 1,218.9 million in 1999. This is attributed to an increase of Kshs.521 million in the Provision for Bad and Doubtful Debts in 1999. The assets also decreased by Kshs. 295.4 million or 6% from Kshs. 4,718.6 million as at 30th June, 1998 to Kshs. 4,423.2 million as at 30th June, 1999 again due to the increase in the Provision for Bad and Doubtful Debts and the Corporation's reduced investment activity. The decline is mainly attributable to the poor economic climate that has persisted over the last few years.

FUTURE OUTLOOK

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

The economic, legal and political reforms being carried out should be sustained by the Government so as to improve the country's economic environment. Alongside these reforms, it is my hope that a decision on the implementation of the Corporation's restructuring proposals will be made soon. I believe that the implementation of these proposals would in addition to making the Corporation viable, also enhance the quality of the financial intervention it provides to the Agricultural Sector.

APPRECIATION

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

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



LEE NGUGI
CHAIRMAN

AGRICULTURAL FINANCE CORPORATION
THE DIRECTORS' REPORT
ON
THE 1998/1999 ACCOUNTS

The Directors have the pleasure to present the Annual Report and Accounts of the Agricultural Finance Corporation for the year ended 30th June, 1999.

THE DIRECTORS

The Corporation was steered by the following members of the Board of Directors during the year ended 30th June, 1999.

Mr. Leo Odero	-	Chairman
Mr. Gedion 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 & Planning	-	Member
The Permanent Secretary Ministry of Agriculture & Rural Development	-	Member

MANAGEMENT

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

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

STAFF

The Corporation had a total compliment of 1087 at the beginning of the year and 1014 at the end. Out of these, 325 were at Head office, 399 in Western Region and 290 in the Eastern Region. Staff welfare activities were scaled down in order to cut down on costs leaving only the netball and choir clubs active in the year. The development work on the training and sports complex at Langata was completed and commissioned during the year.

BRANCHES

In order to reduce costs, the Corporation reorganised the branch network by merging some branches. The branch network reduced from 49 Branches at end of 1998 to 36 Branches as at 30th June, 1999.

ACTIVITIES

Agricultural Finance Corporation is a Government owned statutory body established under the Agricultural Finance Corporation Act Cap 323 of the Laws of Kenya enacted in 1963 for the purpose of assisting the development of agriculture. During the year, Kshs.42.10 million was lent to farmers which is a decline of 76% from the Kshs.172.98 million lent in 1998. Due to the reduced lending activities, the principal loan portfolio fell by Kshs.150 million from Kshs.2,198 million in 1998 to Kshs.2,048 million in 1999.

This notwithstanding, the total loan portfolio increased by Kshs.205 million from Kshs.3,710 million in 1998 to Kshs.3,915 million in 1999. This increase of 5.5% is attributed to poor loan servicing by the farmers leading to an increase in arrears outstanding.

During the year Kshs.413.3 million was collected as compared to Kshs.425.3 million collected in 1998.

RESULTS

	1999	1998
	<u>KSHS'000</u>	<u>KSHS'000</u>
Total income	669,970	515,955
Total expenses	1,218,928	715,929
Profit/(loss) before tax	(548,958)	(199,974)
Tax	-	-
Transfer to Reserves	(548,958)	(199,974)

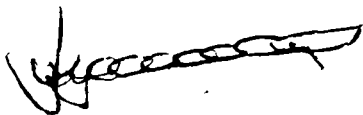
AUDITORS

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

BANKERS

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

For and on behalf of the Directors.



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

**REPORT OF THE AUDITOR-GENERAL
(CORPORATIONS)
ON THE ACCOUNTS OF THE
AGRICULTURAL FINANCE CORPORATION
FOR THE YEAR ENDED 30TH JUNE, 1999**

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE
YEAR ENDED 30 JUNE 1999**

I have examined the Accounts of the Agricultural Finance Corporations for the year ended 30 June 1999 in accordance with Section 29(2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Agricultural Finance Corporation act, (Cap 323).

In my opinion, and subject to the reservations set out herebelow, the Accounts, when read together with the notes thereon, present fairly the Corporation's financial state of affairs as at 30 June, 1999 and of its loss and cash flow for the year ended on that date.

1. FINANCIAL POSITION

During the year 1998/99, the Corporation realized a loss of Kshs.548,957,854 which brought its cumulative losses to Kshs.885,198,781 as at 30 June 1999. The Accounts also show creditors totalling Kshs.1,877,699,623 as at 30 June 1999 which include accrued interest of Kshs.1,778,224,773 in respect of overdue loans which the Corporation was unable to settle. The Corporation was unable to service its obligations as they fell due and evidently, therefore, it is technically insolvent and its continued operation as a going concern will depend on continued support of its creditors, lenders and Government.

2. LOANS TO FARMERS

During the year under review, the Corporation did not recover Large and Small scale loans together with accrued interest thereof totalling Kshs.2,742,652,704 as at 30 June 1999, most of which have been outstanding for over ten years. The total provision for bad and doubtful debt of Kshs.709,365,571 made in the Accounts over the years against the same loans is a clear indication that these loans may in fact not be recoverable.



S. M. MALUKI
AUDITOR GENERAL (CORPORATIONS)


25 May 2001

AGRICULTURAL FINANCE CORPORATION
BALANCE SHEET AS AT 30TH JUNE, 1999

ASSETS:	NOTES	1999 Kshs'000	1998 Kshs'000
		-----	-----
CASH & BANK BALANCES		19,293	11,697
SHORT TERM DEPOSITS		348,004	266,264
DEBTORS	3	100,586	77,195
CONSUMABLE STORES		2,933	2,616
		-----	-----
		470,815	357,771
LOANS TO FARMERS:			
LARGE SCALE	4	2,259,946	2,138,181
SMALL SCALE	5	482,707	505,947
SEASONAL CROP	6	1,172,261	1,066,193
		-----	-----
		3,914,913	3,710,321
PROV.FOR DOUBTFUL DEBTS	7	(1,110,911)	(529,202)
		-----	-----
		2,804,003	3,181,118
REPOSSESSED PROPERTIES	8	9,976	8,488
STAFF LOANS	9	149,759	146,310
B.A.T. LOANS	10	0	6,110
FIXED ASSETS	11	988,621	1,018,809
		-----	-----
		3,952,358	4,360,834
		-----	-----
		4,423,174	4,718,606
		=====	=====
LIABILITIES AND CAPITAL:			
CREDITORS & ACCD. CHARGES	12	1,877,700	1,733,431
PROVISION FOR TAX	13	147,726	147,726
DUE TO AGENCY	14	508,257	487,644
LAND, TRACTOR BORR. DEPS.		2,058	2,415
CEREALS & SUGAR LOAN		300,000	300,000
AFC SCC LOANS	15	358,000	358,000
REDEEMABLE LOANS	16	1,514,603	1,434,603
IRREDEEMABLE LOANS	17	283,492	283,492
		-----	-----
		4,991,837	4,747,312
		-----	-----
REVALUATION RESERVE		175,363	175,363
GENERAL RESERVE	18	(885,199)	(336,167)
REVOLVING FUND	19	1,401	1,327
GRANTS	20	139,771	130,771
		-----	-----
		4,423,174	4,718,606
		=====	=====

Signed on behalf of the Board by:


L. NGUGI
CHAIRMAN


G.K. TOROITICH
MANAGING DIRECTOR

AGRICULTURAL FINANCE CORPORATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1999

		1999	1998
		Kshs' 000	Kshs' 000
INCOME:			
INTEREST INCOME:			
	NOTES	-----	-----
LARGE SCALE	4	328,580	242,657
SMALL SCALE	5	75,196	59,046
SEASONAL CROP	6	172,060	100,307
OTHERS	21	48,812	90,150
		-----	-----
		624,646	492,160
OTHER INCOME			
		-----	-----
AGENCY COMMISSION		22,535	8,843
APP. LEGAL & INSP. FEES		4,630	4,246
PROFIT ON SALE OF ASSETS		1,661	(794)
RENT		15,163	8,891
SUNDRIES		1,334	2,608
		-----	-----
		45,323	23,795
		-----	-----
TOTAL INCOME		669,970	515,956
		-----	-----
EXPENSES:			
INTEREST EXPENSES ON:			
		-----	-----
IRREDEEMABLE LOANS		8,218	8,218
REDEEMABLE LOANS		86,986	86,986
AFC SCC LOANS		50,120	50,120
REBATE INTEREST		5,630	5,820
PIGS LOAN		4,326	3,271
CEREALS & SUGAR LOAN		46,500	46,500
		-----	-----
		201,779	200,915
OTHER EXPENSES:			
		-----	-----
BOARD MEMBERS' ALLOWANCES		585	555
STAFF COSTS	22	278,156	290,659
ADMINISTRATION	23	114,230	122,115
DOUBTFUL DEBTS	24	583,229	62,179
DEPRECIATION	11	40,948	39,506
		-----	-----
		1,017,148	515,015
		-----	-----
TOTAL EXPENSES		1,218,928	715,929
		-----	-----
(LOSS)/PROFIT BEFORE TAX		(548,958)	(199,974)
TAXATION	13	0	0
		-----	-----
TRANSFER TO GEN. RESERVE.	19	(548,958)	(199,974)
		=====	=====

AGRICULTURAL FINANCE CORPORATION
CASH FLOW STATEMENT
YEAR ENDED 30TH JUNE 1999

	1999	1998
	Kshs'000	Kshs'000
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES:		
(LOSS) BEFORE TAXATION	(548,958)	(199,974)
ADJUSTMENTS FOR:		
DEPRECIATION	40,948	39,506
PROFIT ON DISPOSAL OF FIXED ASSETS	(842)	(301)
PROFIT ON DISPOSAL OF REPO. ASSETS & B A T	(1,366)	1,094
WRITE-OFF OF LOANS TO FARMERS	32	
ADDITIONS TO REPOSSESSED PROPERTIES	(2,978)	(2,503)
DECREASE IN LOANS TO FARMERS	377,115	(88,794)
INCREASE IN LOANS TO STAFF	(1,959)	(45,754)
INCREASE IN CONSUMABLE STORES	(317)	301
DECREASE/(INCREASE) IN DEBTORS	(24,881)	6,018
INCREASE IN CREDITORS & LP TRACTOR DEPS.	144,625	118,285
INCREASE IN DUE TO AGENCY	20,613	16,084
	-----	-----
	2,034	(156,036)
TAXATION PAID	0	(51,750)
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	2,034	(207,787)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS	(9,645)	(137,445)
PROCEEDS FROM DISPOSAL OF FIXED ASSETS	1,020	308
PROCEEDS FROM DISPOSAL OF F.P.I.P. & B A T	6,834	189
ADJUSTMENT	93	0
	-----	-----
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,698)	(136,948)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
REDEEMABLE LOAN RECEIVED	89,000	25,000
	-----	-----
NET CASH FLOW FROM FINANCING ACTIVITIES	89,000	25,000
	-----	-----
NET INCREASE IN CASH & CASH EQUIVALENTS	89,335	(319,734)
CASH & CASH EQUIVALENTS 1 JULY 98	277,961	597,695
	-----	-----
CASH & CASH EQUIVALENTS 30 JUNE 99	367,296	277,961
	=====	=====

AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1999

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

	1999	1998
	Kshs'000	Kshs'000
	-----	-----
Unallocated loan disbursements	9,823	91
Auction fees & advert. charges	26,083	25,967
Development house rent accrued	21,882	11,640
Other rent receivable	504	582
Prepaid expenses	899	976
Other accounts receivable	4,287	3,999
Recoverable fees and charges	3,161	(6)
Agrarian Building Society	33,946	33,946
	-----	-----
BALANCE AT 30TH JUNE,1999	100,586	77,195
	=====	=====

4. LARGE SCALE LOANS.

	1999 Kshs'000	1998 Kshs'000
BALANCE AS AT 1ST JULY, 1998		
Not Yet Due: Principal	1,048,173	1,116,084
Interest	89,369	85,289
Arrears: Principal	358,636	316,825
Interest	415,344	352,005
Interest on arrears	226,544	174,925
Rehabilitation	110	0
Excess of LC over ULF	4	0
	-----	-----
	2,138,181	2,045,127
	-----	-----
ADD: TRANSACTIONS DURING THE YEAR		
Advances	36,538	78,406
Interest earned	328,580	242,657
Repayments	(243,353)	(228,009)
Transfers	0	0
	-----	-----
	121,765	93,054
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	2,259,946	2,138,181
	=====	=====
ANALYSIS OF BALANCES AS AT 30TH JUNE, 1999		

Not Yet Due: Principal	938,104	1,048,173
Interest	73,245	89,369
Arrears: Principal	402,816	358,636
Interest	490,317	415,344
Interest on arrears	355,350	226,544
Rehabilitation	110	110
Excess of LC over ULF	4	4
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	2,259,946	2,138,181
	=====	=====
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1st July, 1998	358,758	329,981
Adjustment.	0	(2,758)
Charge/(Writeback) for the year	211,374	31,536
Bad debts	0	0
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	570,132	358,758
	=====	=====
LOANS OPENED BUT NOT DISBURSED		

Balance as at 1st July, 1998	16,231	22,704
Opened during the year	55,073	71,933
Drawings	(36,538)	(78,406)
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	34,765	16,231
	=====	=====

5. SMALL SCALE LOANS.

	1999 Kshs'000	1998 Kshs'000
BALANCE AS AT 1ST JULY, 1998	-----	-----
Not Yet Due: Principal	72,722	138,167
Interest	5,445	12,664
Arrears: Principal	204,170	197,653
Interest	48,553	48,895
Interest on arrears	173,922	153,108
ICA loans	213	0
North Tetu & Vihiga	917	0
Excess of LC over ULF	5	0
	-----	-----
	505,947	550,487
	-----	-----
ADD: TRANSACTIONS DURING THE YEAR		
Advances	5,546	32,450
Interest earned	75,196	59,046
Repayments	(103,982)	(136,036)
Transfers & Writeoff	0	0
	-----	-----
	(23,240)	(44,540)
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	482,707	505,947
	=====	=====
 <u>ANALYSIS OF BALANCES AS AT 30TH JUNE 1999</u>		
Not Yet Due: Principal	39,794	72,722
Interest	2,867	5,445
Arrears: Principal	179,512	204,170
Interest	44,863	48,553
Interest on arrears	214,540	173,922
ICA loans	213	213
North Tetu & Vihiga	917	917
Excess of L	0	5
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	482,707	505,947
	=====	=====
 PROVISION FOR DOUBTFUL DEBTS:		

Balance as at 1st July, 1998	69,285	48,512
(Writeback)/Charge for the year	69,948	18,635
Adjustment	0	2,138
Bad debts	0	0
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	139,234	69,285
	=====	=====
 LOANS OPENED BUT NOT DISBURSED		

Balance as at 1st July, 1998	1,758	(114)
Opened During the year	16,706	34,322
Drawings	(5,546)	(32,450)
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	12,917	1,758
	=====	=====

6. SEASONAL CROP LOANS.

	1999	1998
BALANCE AS AT 1ST. JULY 1998	Kshs'000	Kshs'000
Not Yet Due: Principal	408	18
Interest	(426)	(435)
Arrears: Principal	514,132	484,351
Interest	34,915	30,860
Interest on arrears	517,164	450,258
	-----	-----
	1,066,193	965,052
	-----	-----
ADD: TRANSACTIONS DURING THE YEAR		
Advances	0	62,119
Interest earned	172,060	100,307
Repayments	(65,992)	(61,285)
Transfers	0	0
	-----	-----
	106,068	101,140
	-----	-----
BALANCE AS AT 30THJUNE,1999	1,172,261	1,066,193
	=====	=====
ANALYSIS OF BALANCES AS AT 30THJUNE 1999		

Not Yet Due: Principal	(42)	408
Interest	(436)	(426)
Arrears: Principal	487,396	514,132
Interest	33,718	34,915
Interest on arrears	651,624	517,164
	-----	-----
BALANCE AS AT 30THJUNE,1999	1,172,261	1,066,193
	=====	=====
PROVISION FOR DOUBTFUL DEBTS:		

Balance as at 1stJuly,1998	101,159	90,444
Adjustment.	0	61
(Writeback)/Charge for the year	300,386	10,654
	-----	-----
BALANCE AS AT 30THJUNE,1999	401,545	101,159
	=====	=====
LOANS OPENED BUT NOT DISBURSED		

Balance as at 1stJuly,1998	29,689	264
Opened During the year	(1,948)	91,544
Drawings	0	(62,119)
	-----	-----
BALANCE AS AT 30THJUNE,1999	27,741	29,689
	=====	=====

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.	1999 Kshs'000	1998 Kshs'000
	-----	-----
LARGE SCALE LOANS	570,132	358,758
SMALL SCALE LOANS	139,234	69,285
SEASONAL CROP LOANS	401,545	101,159
	-----	-----
	1,110,911	529,202
	=====	=====

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, 1999 was Kshs.19,952,543.34. However, the Corporation has been unable to realise these properties and is of the opinion that if a forced sale could be effected, material losses would arise. In view of this, a 50% provision has been made against these balances leaving a net figure of Kshs.9,976,271.66. The Corporation is of the opinion that the provision is sufficient to cover any possible losses that may arise when such properties are eventually sold.

9. LOANS TO STAFF

	HOUSE LOANS	CAR LOANS	PERS. ADVANCES	TOTALS
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
BALANCE AT 01.07.98				
Principal	103,725	5,946	64	109,734
Interest	32,112	3,575	888	36,576
	-----	-----	-----	-----
	135,837	9,521	952	146,310
TRANSACTIONS IN THE YEAR:	-----	-----	-----	-----
Advances	12,445	2,432	2,132	17,010
Interest earned	6,770	582	172	7,523
Repayments	(16,097)	(2,822)	(2,182)	(21,102)
Adjustment	4	14	0	17
	-----	-----	-----	-----
	3,121	205	122	3,449
	-----	-----	-----	-----
Balance as at 30.06.99	138,958	9,727	1,074	149,759
	=====	=====	=====	=====
ANALYSIS OF BALANCES				
Principal	100,076	5,570	14	105,660
Interest	38,882	4,157	1,060	44,099
	-----	-----	-----	-----
Balance as at 30.06.99	138,958	9,727	1,074	149,759
	=====	=====	=====	=====

BRITISH AMERICAN TOBACCO (K) LTD LOANS:

	1999	1998
	Kshs'000	Kshs'000
BALANCE AS AT 1ST. JULY 1998	6,110	6,184
ADD: TRANSACTIONS DURING THE YEAR:		
INTEREST EARNED	724	851
REPAYMENTS	(6,834)	(925)
	-----	-----
	(6,110)	(75)
	-----	-----
BALANCE AS AT 30TH JUNE, 1999	0	6,110
	=====	=====

11. FIXED ASSETS:

	LAND	BUILDINGS	BUILDINGS IN PROGRESS	MOTOR VEHICLES	FURNITURE & EQUIPMENT	TOTALS
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>
COSTS:						
BAL 30.06.98	6,764	944,507	66,506	67,290	181,178	1,266,245
ADDITIONS	0	7,247	0	193	3,513	10,952
REVALUATION	0	0	0	0	0	0
DISPOSALS	0	0	0	(1,307)	0	(1,307)
TRANSFERS	0	66,506	(66,506)	0	0	0
BAL 30.06.99	6,764	1,018,260	0	66,176	184,691	1,275,890
DEPRECIATION:						
BAL 30.06.1998	0	78,338	0	67,290	101,808	247,436
CHARGE FOR YR	0	20,617	0	193	20,330	41,140
DISPOSALS	0	0	0	(1,307)	0	(1,307)
BAL. 30.06.1999	0	98,955	0	66,176	122,139	287,269
NET BOOK VAL.						
BAL 30.06 1999	6,764	919,305	0	0	62,552	988,621
BAL 30.06 1998	6,764	866,169	66,506	0	79,370	1,018,809

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:

	1999 Kshs'000 -----	1998 Kshs'000 -----
Borrowers' Credit Balances	66,396	74,954
Unprocessed Loan Receipts	1,522	2,045
Sundry creditors payroll	1,603	3,332
Sundry creditors general	3,001	9,284
Insurance receipts	1,879	(2,988)
Stale cheques	351	199
Interest accrued on loan funds	1,100,911	997,560
Interest accrued on scc loans	677,314	627,194
External audit fee accrued	1,500	1,500
Gratuity	6,602	3,570
Due to Marketing Bodies	15,112	14,507
Loan drafts outstanding	1,510	2,274
	-----	-----
BALANCE AT 30THJUNE, 1999	1,877,700	1,733,431
	=====	=====

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 -----	Kshs'000 -----
Balance as at 1st July, 1998	147,726	199,477
Payment during year	0	(51,750)
Tax charge for year	0	0
	-----	-----
BALANCE AT 30THJUNE, 1999	147,726	147,726
	=====	=====

14.

DUE TO AGENCY:

The balance due to the agency as at 30th June, 1999 is as follows:

	1999 Kshs'000 -----	1998 Kshs'000 -----
Due to Agency	732,400	689,464
Commission Receivable	(224,143)	(201,820)
	-----	-----
Net balance	508,257	487,644
	=====	=====

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.22,322,719.70.

15.

LOANS FOR SEASONAL CROP CREDIT:

Balance as at 1st July, 1998	358,000	358,000
	-----	-----
Balance as at 30th June, 1999	358,000	358,000
	=====	=====

16. REDEEMABLE LOANS:

a) The redeemable loans outstanding as at 30th June,1999 were as follows:

	1999 Kshs'000 -----	1998 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	110,933	110,933
IDA 537 KE G.F.R.	62,234	62,234
IDA 1143 KE	15,873	15,873
IBRD 1995 KE	496,633	496,633
AFC CREDIT 4	413,920	413,920
PINEAPPLE LOANS	449	449
A D B (PIGS)	135,000	55,000
	----- 1,514,603 =====	----- 1,434,603 =====

b) They are further classified as follows:

	1999 Kshs'000 -----	1998 Kshs'000 -----
Amounts Due but unpaid	192,229	180,396
Amounts due within 12months	11,832	11,832
	-----	-----
Current portion	204,061	192,229
Amounts due after 12months	1,390,542	1,242,375
	-----	-----
Total Redeemable loans	1,514,603 =====	1,434,603 =====

17. IRREDEEMABLE INTEREST BEARING LOANS:

	1999	1998
	Kshs'000	Kshs'000
	-----	-----
Land purchase and Development	80,100	80,100
IDA 692 KE	203,392	203,392
	-----	-----
	283,492	283,492
	=====	=====

18. GENERAL RESERVE

	1999	1998
	Kshs'000	Kshs'000
	-----	-----
Balance as at 1st July,1998.	(336,167)	(136,163)
Adjustment	0	0
(Loss)/Profit after taxation for the year	(548,958)	(199,974)
	-----	-----
	(885,125)	(336,137)
Transfer to revolving fund	(74)	(31)
	-----	-----
Balance as at 30th June, 1999	(885,199)	(336,167)
	=====	=====

19. REVOLVING FUND

	1999	1998
	Kshs'000	Kshs'000
	-----	-----
Balance as at 1st July,1998	1,327	1,297
Transfer from General reserve	74	31
	-----	-----
Balance as at 30th June, 1999	1,401	1,327
	=====	=====

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

20. GRANTS	1999	1998
	Kshs'000	Kshs'000
DETAILS	-----	-----
Development	20,611	20,611
Rehabilitation	18,752	18,752
I C A	2,500	2,500
Special Emergency Fund	3,470	3,470
Ministry of Finance	40,000	40,000
IDA 105/344	2,168	2,168
IDA 692	3,335	3,335
Vihiga	700	700
North Tetu	149	149
IADP	278	278
Narok Agricultural Dev. Project	760	760
World Bank Credit 4	21,925	21,925
IDA 1143 KE	14,529	14,529
IDA 1995 KE	1,593	1,593
M.O A. (HORTICULT & TRAD.FOOD DEV.PRO.)	9,000	0
	-----	-----
	139,771	130,771
	=====	=====
 21. OTHER INTEREST INCOME	 1999	 1998
	Kshs'000	Kshs'000
	-----	-----
Short Term Deposits	38,305	78,749
Staff Loans	7,528	6,431
Bank Balances	2,254	4,094
B A T loans	724	851
Bad Debts	0	25
	-----	-----
	48,812	90,150
	=====	=====

22. STAFF COSTS:	1999 Kshs'000	1998 Kshs'000
	-----	-----
Salaries	186,864	198,847
House Allowance	31,686	33,395
Transport Allowance	0	1
Hardship allowance	569	653
Outpatient medical expenses	7,992	7,863
Inpatient medical expenses	2,344	2,774
Pension and Insurance	29,621	30,392
Leave Allowance	3,150	2,386
Gratuity	12,375	8,128
Training expenses	1,181	1,004
Other emoluments	2,396	2,672
Uniforms	(64)	2,544
Mileage claims	42	0
	-----	-----
	278,156	290,659
	=====	=====

23. ADMINISTRATION EXPENSES:	1999 Kshs'000	1998 Kshs'000
	-----	-----
Conferences	0	0
Travel & Hotel expenses	7,292	5,352
General office exp. & security	10,997	8,603
Audit fees & Expenses	750	750
Legal fees	1,001	1,823
Telephone & telex	4,035	4,836
Office rentals	14,874	13,544
Water	611	423
Electricity & Gas	1,879	1,981
Publicity	23,178	4,399
Stamps & postages	2,206	1,782
Printing & stationery	4,848	5,327
EDP stationery & operation expenses	1,642	1,193
Donations	0	8
Subscriptions & periodicals	1,013	935
Maintenance of Buildings	1,300	19,153
Maintenance of Furniture & equipment	2,252	2,270
Maintenance of other assets	300	473
Vehicle fuel & oil	8,211	7,799
Vehicle maintenance expenses	12,061	27,623
Professional consultants	851	310
Bank charges	3,828	3,652
Taxes & Licences	1,111	875
Misappropriation	2	36
Land rent & rates	1,589	1,568
Insurance of corporation assets	4,875	4,853
Service charge	238	440
Welfare	3,287	2,107
	-----	-----
	114,230	122,115
	=====	=====

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

		1999 Kshs'000	1998 Kshs'000
Large scale loans:			
		-----	-----
Scheme	1	11,024	12,201
	2	79,156	3,765
	3 & 7	827	4
	5	61,810	1,742
	31	58,557	13,824
	45	0	0
	98..99	0	0
		-----	-----
		211,374	31,536
Small scale loans:			
		-----	-----
	4	48	(49)
	6	4,203	102
	8	57,580	18,179
	9	17	(10)
	10.. 12	1,384	19
	30	6,718	393
	99	0	0
		-----	-----
		69,948	18,635
Seasonal crop loans:			
		-----	-----
	26	62,173	1,430
	27	135,120	4,940
	29	37,242	195
	32	6,215	310
	33	6,324	75
	34	778	324
	35..41	52,534	3,381
		-----	-----
		300,386	10,654
		-----	-----
		581,708	60,824
		-----	-----
REPOSSESSED FARM PROPERTIES		1,489	1,251
SMALL DEBITS WRITTEN OFF		32	103
		-----	-----
		1,521	1,355
		-----	-----
NET		583,229	62,179
		=====	=====

25. LOANS(WRITEBACK)/WRITE-OFF:

During the year under review, an amount of K.£0 was written off as shown hereunder:

	1999 Kshs'000	1998 Kshs'000
	-----	-----
LARGE SCALE LOAN		
Scheme		
01	0	0
02	0	0
05	0	0
31	0	0
98	0	0
	-----	-----
	0	0
SMALL SCALE LOANS	-----	-----
06	0	0
08	0	0
10	0	0
30	0	0
99	0	0
	-----	-----
	0	0
	-----	-----
ADJUSTMENT	0	0
	-----	-----
TOTAL WRITE OFF/(WRITEBACK)	0	0
	=====	=====