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AGRICULTURAL FINANCE CORPORATION



Annual Report
1987/88

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"In the context of year to year food security, restructuring of the credit system will be considered incomplete unless priority is given to the seasonal credit component."

Sixth Five-Year Development Plan (1989-93)

HEADQUARTERS:

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

AUDITORS:

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

P.O. Box 47089,
NAIROBI.

BANKERS:

National Bank of Kenya Ltd.
P.O. Box 72497,
NAIROBI.

KENYA NATIONAL ASSEMBLY

Accession: 10013790

Call No: 0601AFC

657.451AFC





PRESIDENT'S STATEMENT

“My Government has maintained a dynamic consistency of policy and developed a robust set of institutions that provide the springboard for action by the people. The maintenance of peace and security, the creation of an enabling environment for the operation of a mixed economy and a favourable investment climate for both local and foreign investors has all added greatly to the recipe for progress.”

**H.E. THE HON. DANIEL TOROITICH ARAP MOI, C.G.H. M.P.,
PRESIDENT OF THE REPUBLIC OF KENYA**

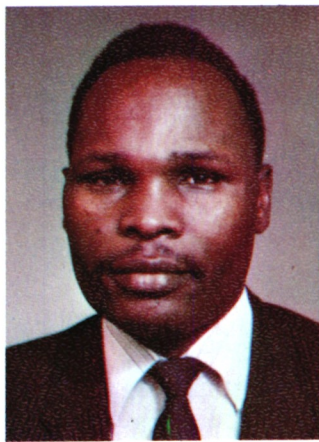
A.F.C. BOARD OF DIRECTORS



LEO P. ODERO



C.S. MBINDYO



D.N. NAMU



G.K. TOROITICH



E. WANYAMA



E.M. NGAVA



A.O. ODOWA



D. NDONYE



A.F.C. MANAGEMENT



G.K. TOROITICH
MANAGING DIRECTOR



G. KIHARA
ASSISTANT GENERAL
MANAGER—EASTERN



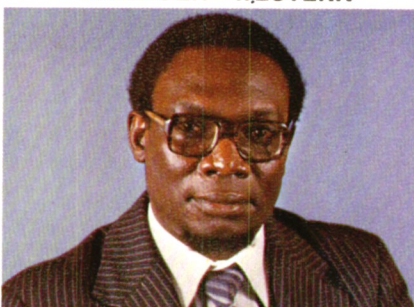
E.C.A. SAINA
ASSISTANT GENERAL
MANAGER—WESTERN



L.K. KORIR
ASSISTANT GENERAL
MANAGER—AGRICULTURE



J.W. GACHECHE
CORPORATION SECRETARY



J.H. OTHIENO
PERSONNEL & ADMINISTRATION
MANAGER



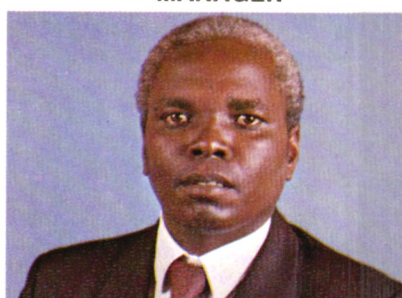
R.E. KACHULA
TECHNICAL SERVICES
MANAGER



F.S. WANYAMA
FINANCIAL CONTROLLER



J.M. KIMONGE
CHIEF INTERNAL AUDITOR



D.N. RIUNGU
CHIEF PLANNING OFFICER



T.T. AZADA
ADVISOR



MANAGING DIRECTOR
Mr. G.K. Toroitich

"As a means to protect the Government funds which are entrusted to AFC, Management observes strict business and management practices in its lending operations on the principle of extending credit on a financially, economically and technically sound basis."



REPORT OF THE BOARD OF THE AGRICULTURAL FINANCE CORPORATION

The Honourable,
Minister of Agriculture.

5th May, 1989

Sir,

In accordance with Section 40(1) 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, 1988.

BOARD OF DIRECTORS

Mr. S. Ayany
Mr. Leo P. Odera
Mr. G.K. Toroitich
Mr. H.O. Okendo
Mr. D.M. Ndonye
Mr. E. Wanyama
Mr. E.K. Bargetet
Mr. E.M. Ngava
Mr. A.B. Odowa
Permanent Secretary—MOA
Permanent Secretary—Treasury

— Chairman (ceased 17.9.87)
— Chairman (appointed 17.9.87)
— Member/Managing Director
— Member (ceased 10.2.88)
— Member
— Member
— Member (ceased 7.2.88)
— Member
— Member (appointed 13.5.88)
— Member
— Member

MANAGING DIRECTOR

Mr. G.K. Toroitich

CHIEF OFFICERS:

Assistant General Manager (Western)
Assistant General Manager (Eastern)
Assistant General Manager (Agriculture)
Financial Controller
Technical Services Co-ordinator
Personnel & Administration Manager
Corporation Secretary
Chief Internal Auditor
Chief Planning Officer

— E.C.A. Saina
— G. Kihara
— L.K. Korir
— F.S. Wanyama
— R.E. Kachula
— J.H. Othieno
— J.W. Gacheche (Miss)
— J.M. Kimonge
— D.N. Riungu



1987/88 Highlights:

The Board

There were some changes in the Board membership. Mr. Samwel G. Ayany was replaced as the chairman by Mr. Leo Odero on 17th September, 1987. Messrs Okendo and Bangetet resigned from the Board and Mr. Odowa was appointed to join the Board with effect from 13th May, 1988. During the year the Board held four meetings while the Finance and General Purposes Committee of the Board held one meeting.

The Management

Mr. G.K. Toroitich who had been appointed as Managing Director on 5th June, 1987 continued throughout the year as the Chief Executive of the Corporation as well as being a member of the Board.

Reorganization

In order to streamline the operations of the Corporation and segregate functions for effective management, the following departments/divisions at the Head Office were reorganised during the year.

- 1. Electronic Data Processing Division.
- 2. Legal Department (two divisions formed i.e. Litigation and Conveyancings documentation).
- 3. Financial Accounting Division.
- 4. Technical Services Department.
- 5. Agricultural Services Department.

The institutional restructuring exercise in other departments/divisions will continue during the next financial year.

Operations Manuals

The revised Credit Policies and Procedures Manual was released during the year, while the Personnel Policies and Administrative Procedures manual is currently being reviewed. Updating the Accounting Manual and the EDP Users Manual will continue as the need arises.

EDP

The overhaul of the loan accounting system was completed during the year. The SGV, a consulting firm, which was involved in the exercise has completed its work and handed over the operations of the computer system to Management.

Five micro computers were purchased to complement the main computer by off-loading data for analytical purposes. This left the main computer with the task of borrower accounts maintenance, general ledger accounts, preparation of manage-

ment reports and processing of the staff payroll. The system also maintains the fixed assets register of the Corporation.

World Bank Projects

The Fourth Agricultural Credit Project, funded by the World Bank, came to an end on 30th June, 1988. Since 1982, the Project was the only donor-assisted Project in the Corporation and the main source of funds in meeting the farmers' credit requirements. Specifically the Project was to:-

- (a) Strengthen AFC's administrative capabilities;
- (b) Improve AFC's staff training and staff development programmes; and
- (c) Provide credit for AFC's lending programme

Through the project the Corporation was, among other things, able to assist about 26,000 farmers with credit; recruited 50 additional Loan Officers and 30 Branch Accountants; and was able to undertake comprehensive training programme for all its professional staff.

During the year under review, preparations were made for Rural Services Design Project which includes three sub-projects, namely: Smallholder Credit Project, Ranch Rehabilitation Project and the proposed Deposit Taking Project. The Rural Services Design Project will be funded by World Bank on pilot basis to test various innovations before the preparation of a major agricultural credit project.

Manpower Utilization

During the year under review, the total staff strength increased from 1110 as of June, 1987 to 1161 as at June, 1988. Their distribution was 385 in Head Office, 414 in Western Region and 362 in Eastern Region. With the continued decentralization of operations to the field, the Corporation continued to strengthen its field offices.

Staff Training

The Corporation continued laying emphasis on improving the quality of its staff through training. The major emphasis of the training programme was the in-house courses of which 19 courses were held on various aspects such as Credit Management, General Management, Skills Improvement and Computer. The in-house courses were supplemented by short and long-term courses both in-country and overseas.

Twelve members of staff were sponsored for long-term training, lasting between one and two years. All in all, a total of 717 employees attended various types of training during the year under review.



Annual Conference

The Corporation held a very successful Annual Conference during the year. The eleventh consultative (annual) conference was held between 18th and 22nd April, 1988. A total of sixteen papers touching on every aspect of the Corporation's operations were presented and discussed at length.

The conference was attended by Board Members and Corporation's Management staff from all levels.

Loan Portfolio

The loan portfolio of the Corporation increased by KSh. 256.2 million between 1st July, 1987 and 30th June, 1988. As at 30th June, 1987, the loan portfolio was KSh. 3,327.8 million while as at 30th June, 1988 the loan portfolio was KSh. 3,584.0 million comprising of KSh. 1,826.7 million for development loans and KSh. 1,757.3 million for seasonal crop credit loans including G.M.R.

Loan Disbursements

During 1987/88 fiscal year disbursements under

AFC schemes amounted to KSh. 249.5 million as compared to KSh. 326.9 million in the previous year. The disbursement policy of matching disbursements with collections was still enforced during the year. Disbursements under seasonal crop credit schemes in 1987/88 fiscal year amounted to KSh. 380.1 million and compares with KSh. 418.1 million disbursed in 1986/87 fiscal year.

The requirement to clear arrears and provide security for loans may be attributed to the drop in disbursements.

Loan Collection

Collection under AFC schemes at KSh. 271.6 million for 1987/88 FY reflects a slight drop of KSh. 29.9 million from the corresponding period in 1986/87 FY. There was an improvement in the collections for seasonal crop credit schemes. Collections under this category amounted to KSh. 432.3 million for 1987/88 FY compared with KSh. 330.5 million collected in 1986/87 FY.



REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE, 1988

The accounts of the Agricultural Finance Corporation for the year ended 30th June, 1988 have been audited on my behalf by the Corporation's authorized auditors in accordance with Section 29(2)(b) of the Exchequer and Audit Act, (Cap 412). The authorized auditors have duly reported to me the results of the audit and on the basis of their report, I am satisfied that all the information and explanations required for the purpose of the audit were obtained. Proper books of account have been kept and the accounts, which have been prepared on the historical cost convention, are in agreement therewith and comply with the Agricultural Finance Corporation Act (Cap. 323).

In my opinion, except for the reservations set out in the following paragraphs, the accounts, when read together with the notes thereon, give a true and fair view of the state of affairs of the Corporation as at 30th June, 1988 and of its results and sources and application of funds for the year then ended.

1. Loans to Farmers

In my report on the Corporation's accounts, for the previous year, I stated that arrears of loans to farmers had increased quite substantially and that such arrears stood at K£45,782,442 as at 30th June, 1987. A review of the position in 1987/88 showed no notable improvement in the collection of these arrears which had increased to K£52,062,920 as at 30th June, 1988. During the year under review, the Corporation made additional bad and doubtful debts provision of K£1,121,608 which would tend to reflect potential non-recoverability of very significant portion of the loans granted to the farmers. The Corporation has not given any satisfactory explanation of the reason(s) for the very substantial increase in these arrears. In addition, the loan subsidiary ledger reflects an unreconciled difference of K£266,074 (K£101,356 in 1986/87) as at 30th June, 1988.

2. Agency Commission

No written agreement has up to now been signed between the Corporation and Government regarding the operation of GMR and the SCC Schemes as was the case for previous years and as a result, it is still not possible to ascertain the correctness of the Commission receivable in respect of these Schemes, nor the extent of the Corporation's total indebtedness to the Schemes. Accordingly, it was not possible to ascertain the correctness of the cumulative Agency Commission receivable amounting to K£4,921,858 charged by the Corporation on the amount of K£17,126,632 due to Government in respect of GMR and some Old Seasonal Crop Credit Schemes Loan. As disclosed in Note 12 to the accounts, the Corporation's total indebtedness to these schemes was K£12,204,774 as at 30th June, 1988.

However, the extent of this indebtedness could not, as in previous years, be readily ascertained for the same reason that although Government has acknowledged the Corporation's right to calculate and charge commission, the Agency Commission is only calculated in accordance with previous practice whereby 25% of interest earned on GMR and Seasonal Crop Credit Schemes are charged but with no indication of how these rates of charge were initially determined.

3. Redeemable Loans

The Corporation has not serviced its redeemable loans since 1984. Out of the redeemable loans figure of K£51,943,412 reflected in the Balance Sheet as at 30th June, 1988, loans totalling K£4,070,816 due to Government were not repaid while another amount of K£499,790 was due for settlement within the next twelve months. Furthermore, accrued interest on redeemable and irredeemable and AFC Seasonal Crop Credit Scheme loans total K£15,664,465 was included in the Balance Sheet under creditors and accrued charges figure of K£21,422,439.



Tax provision which is reflected in the Balance Sheet in the amount of K£6,417,789 has also not been settled. The Corporation has not been servicing these loans due to an anticipation that Government would restructure its capital and convert some of the outstanding loan funds and tax liability into grants. Although the Corporation has stated there are indications that Government is undertaking such a capital restructuring until it is carried out the Corporation remains heavily indebted to the Government.

4. Debtors

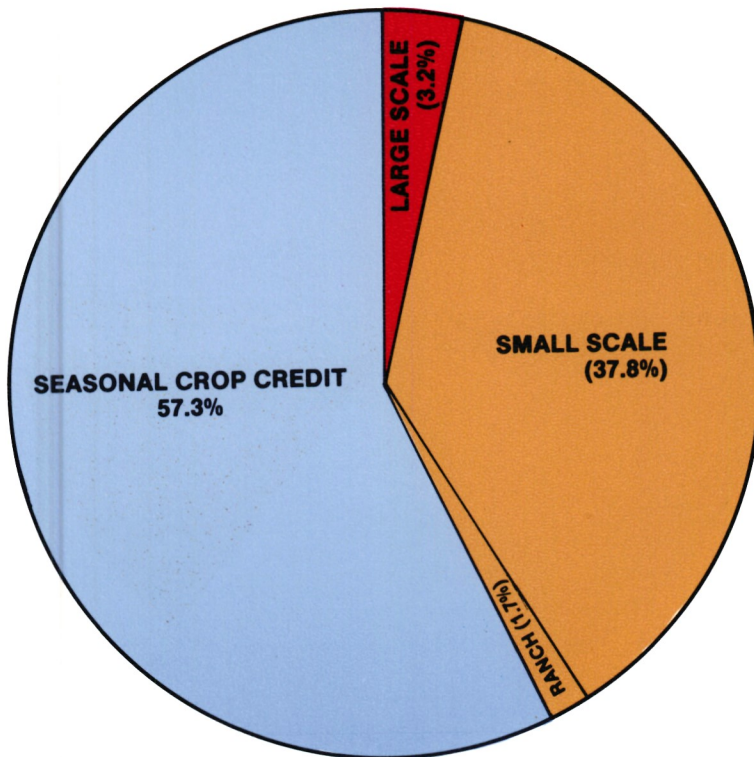
The Corporation's debtors of K£1,010,171 as at 30th June, 1988 still include unidentified amount of K£63,172. The unidentified amount increased by K£20,386 over the previous year's figure of K£42,786. It is not understood why the Corporation has been unable to analyse and identify these debts. Consequently, in the absence of analysis or explanation for these debtors it is not possible to confirm the debtors figure reflected in the Balance Sheet as at 30th June, 1988.

A.J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

17th April, 1989

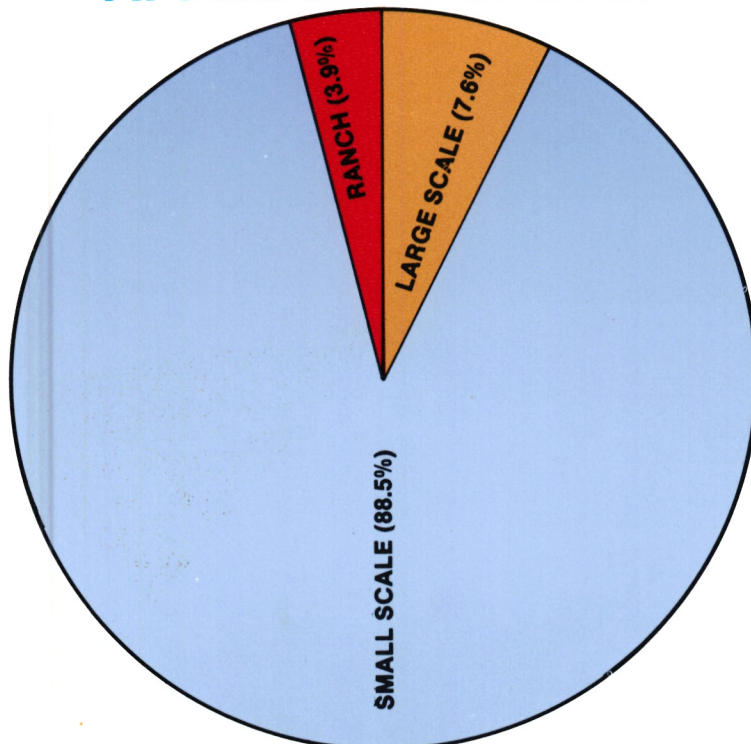


TOTAL NUMBER OF LOANS APPROVED—1987/88



TOTAL NUMBER APPROVED—5664

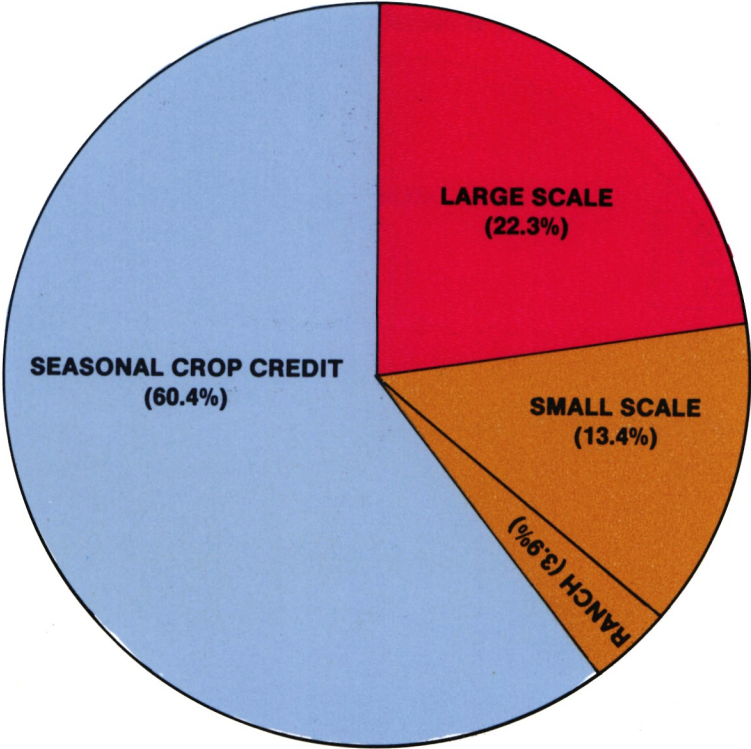
TOTAL NUMBER OF DEVELOPMENT LOANS APPROVED—1987/88



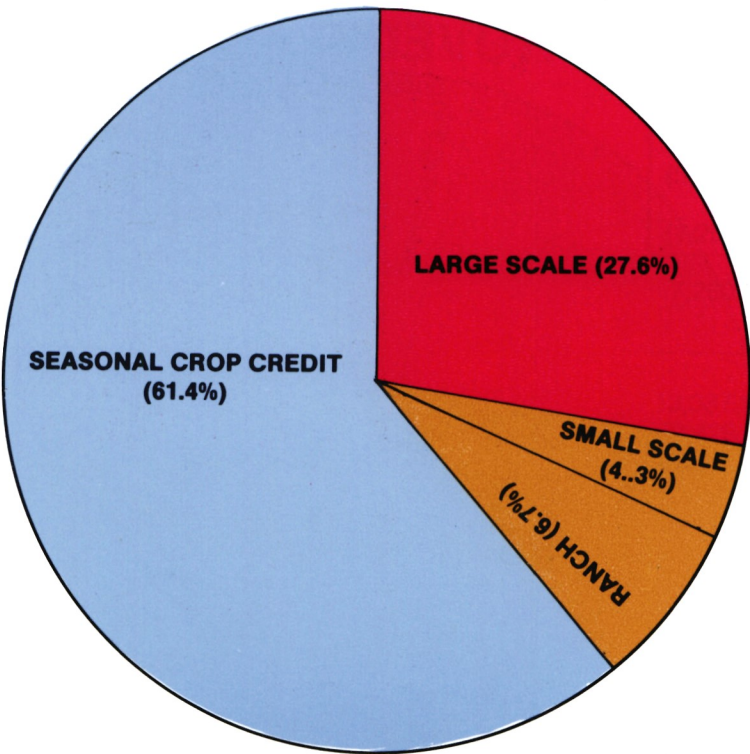
TOTAL NUMBER OF DEVELOPMENT LOANS—2418



LOAN DISBURSEMENTS—1987/88



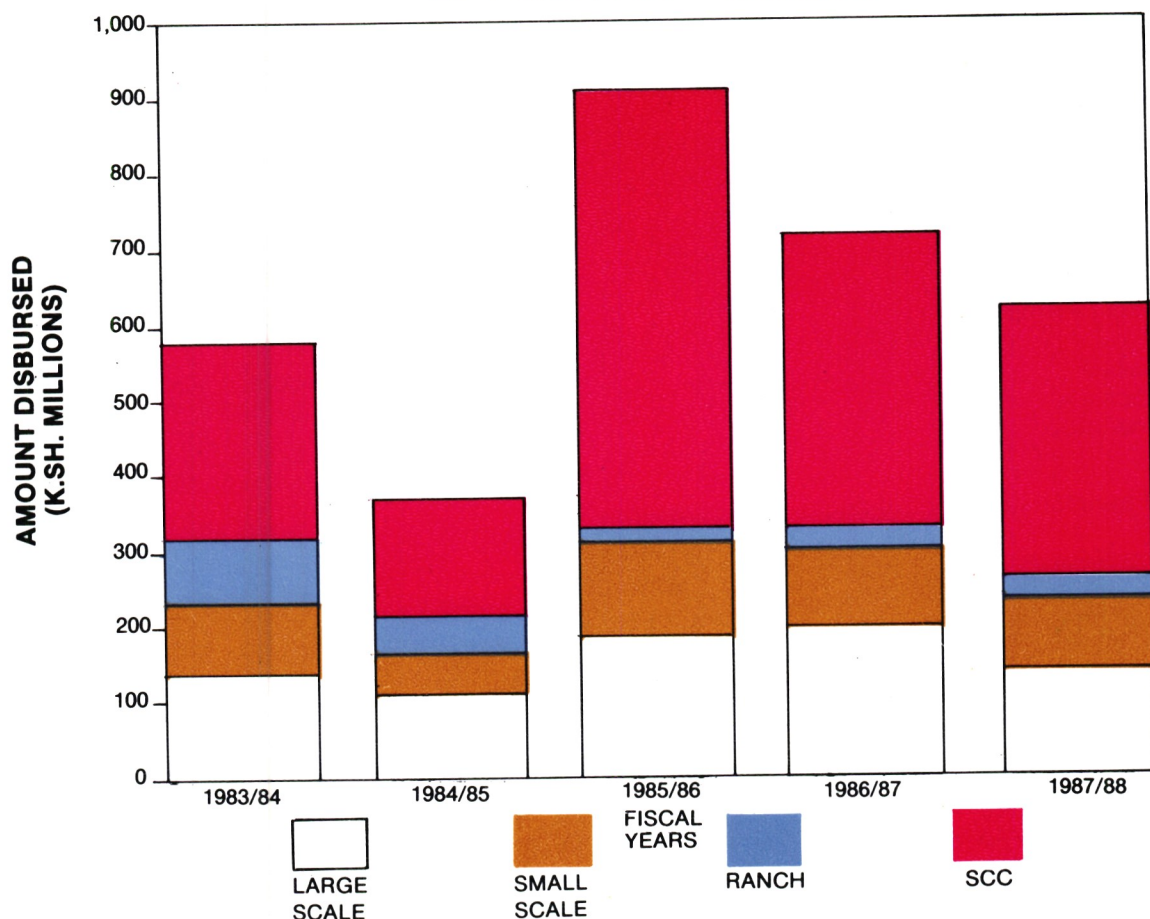
LOAN COLLECTIONS—1987/88





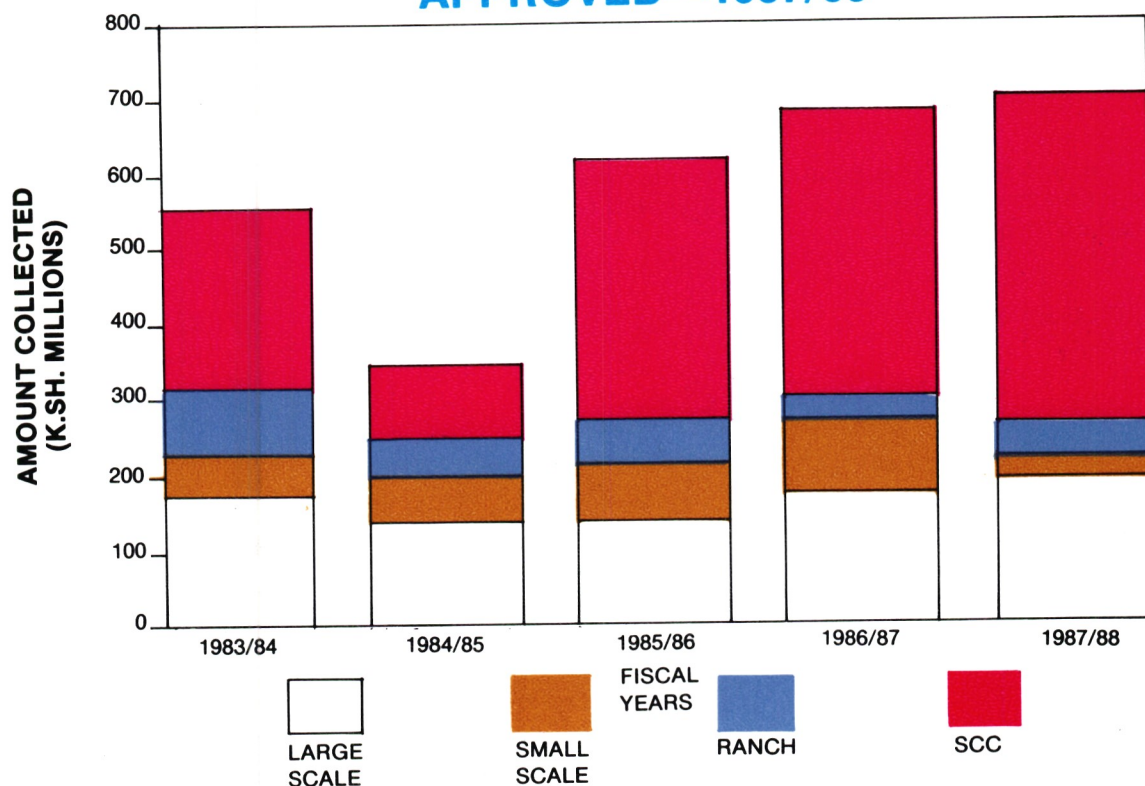
AFC LOAN DISBURSEMENTS—1983/84—1987/88

APPROVED—1987/88



AFC LOAN COLLECTIONS—1983/84—1987/88

APPROVED—1987/88





AGRICULTURAL FINANCE CORPORATION BALANCE SHEET AS AT 30TH JUNE, 1988

ASSETS	Notes	1988 K£	1987 K£
CASH AND BANK BALANCES		654,689	10,083,882
SHORT TERM DEPOSITS		17,819,090	4,481,578
DEBTORS	3	1,010,171	1,206,105
CONSUMABLE STORES		34,651	46,478
LOANS TO FARMERS			
Large scale	4	66,658,585	62,835,169
Small scale	5	24,492,172	21,777,031
Seasonal crop	6	29,291,442	26,788,422
Less: Provision for doubtful debts	2(a)i	120,442,199 7,164,539	111,400,622 6,042,931
LOANS TO STAFF	7	113,277,660	105,357,691
B.A.T. LOANS	8	2,149,701	1,899,297
REPOSSESSED PROPERTIES	2(a)ii	512,552	512,580
FIXED ASSETS	2(b),9	225,782 3,760,977	178,163 3,712,012
		<u>139,445,273</u>	<u>127,477,786</u>
LIABILITIES AND CAPITAL			
LOANS DRAFTS	18	1,666,416	2,353,415
CREDITORS AND ACCRUED CHARGES	10	21,422,439	16,340,529
PROVISION FOR TAXATION	11	6,417,789	5,012,172
GMR AGENCY	12	12,204,774	10,950,890
LAND, TRACTORS AND BORROWERS DEPOSITS		32,539	30,339
AFC SEASONAL CROP CREDIT LOANS	13	17,900,000	17,000,000
REDEEMABLE LOANS	14	51,943,412	49,310,277
IRREDEEMABLE LOANS	15	14,174,606	14,174,606
		<u>125,761,975</u>	<u>113,147,069</u>
GENERAL RESERVE	16	7,098,023	5,725,677
REVOLVING FUND	17	46,740	41,346
GRANTS	19	6,538,535	6,538,535
		<u>139,445,273</u>	<u>127,477,786</u>

(1) Reference to K£ in the accounts represents Kenya shillings twenty (KShs. 20/-).

(2) The accounts on pages 2 to 25 were approved by the Board of Directors on December, 1988 and signed on its behalf by:

MR. LEO PIUS ODERO
CHAIRMAN

MR. G.K. TOROITICH
GENERAL MANAGER



**AGRICULTURAL FINANCE CORPORATION PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1988**

	Notes	1988 K£	1987 K£
INCOME			
INTEREST INCOME ON			
Large scale loans	4	7,599,952	6,760,361
Small scale loans	5	2,857,567	2,382,822
Seasonal crop credit	6	3,194,749	3,621,781
Others	20	1,447,671	728,220
TOTAL INTEREST INCOME		15,099,939	13,493,184
OTHER INCOME			
Agency commission	12	1,168,915	860,282
Application, legal and inspection fees		266,097	199,257
Profit on sale of fixed assets		25,051	8,500
Rent		187,730	173,560
Sundries		25,320	74,132
TOTAL OTHER INCOME		1,673,113	1,315,731
TOTAL INCOME		16,773,052	14,808,915
EXPENSES			
INTEREST EXPENSES			
Irredeemable loans		410,880	410,879
Redeemable loans		2,792,800	2,656,601
A.F.C., S.C.C. loans		2,229,667	2,534,575
Advanced loans repayments		135,578	143,949
Development house construction loan		24,386	62,585
TOTAL INTEREST EXPENSES		5,593,311	5,808,589
OTHER EXPENSES			
Board members fees and allowances		18,714	25,071
Staff costs	21	4,702,596	4,205,947
Administration expenses	22	1,789,261	1,720,732
Doubtful debts provisions	23	1,281,275	277,039
Depreciation	9	604,538	689,199
TOTAL OTHER EXPENSES		8,396,384	6,917,988
TOTAL EXPENSES		13,989,695	12,726,577
PROFIT BEFORE TAXATION		2,783,357	2,082,338
Less: TAXATION	11	1,405,617	795,243
PROFIT AFTER TAXATION TRANSFERRED TO GENERAL RESERVE	16	1,377,740	1,287,095



AGRICULTURAL FINANCE CORPORATION SOURCE AND APPLICATION OF FUNDS STATEMENT FOR THE YEAR ENDED 30TH JUNE, 1988

SOURCE	1988 K£	1987 K£
PROFIT BEFORE TAXATION	2,783,357	2,082,338
ADD: ITEMS NOT INVOLVING MOVEMENT OF FUNDS		
Depreciation	604,538	689,199
Bad and doubtful debt provision	1,121,608	277,039
Profit on sale of fixed assets	(23,532)	(8,500)
TOTAL FROM OPERATION	1,702,614	957,738
	4,485,971	3,040,076
OTHER SOURCES		
Repayment from farmers	27,726,383	31,549,459
Grant received	—	62,816
Redeemable loans received	2,633,135	13,462,000
AFC SCC loans	900,000	2,000,000
Proceeds from sale of fixed assets	76,312	8,500
Reposessed farm properties	—	46,466
Repayment from other loans	789,294	317,940
	32,125,124	47,447,181
TOTAL SOURCES	36,611,095	50,487,257
APPLICATIONS		
Advances to farmers	23,115,692	37,251,520
Loan to staff	885,964	1,400,378
Purchase of fixed assets and farm properties	753,902	490,010
Bank loan repayments	686,999	233,671
	25,442,557	39,375,579
NET INCREASE IN WORKING CAPITAL	11,168,538	11,111,678
CHANGES IN WORKING CAPITAL		
Increase in interest receivable from farmers	13,652,268	12,764,964
Increase in interest receivable from staff and BAT loans	153,706	126,296
Decrease in consumable stores	(11,827)	(32,493)
Decrease in debtors	(195,934)	(283,512)
Increase in creditors	(5,081,910)	(7,948,011)
Increase in land and tractor deposits	(2,200)	(5,830)
Increase in GMR Agency	(1,253,884)	(971,486)
	7,260,219	3,649,928
NET MOVEMENT IN LIQUID FUND		
Increase in short term deposits	13,337,512	529,130
(Decrease)/Increase in cash and bank balances	(9,429,193)	6,932,620
	3,908,319	7,461,750
NET INCREASE IN WORKING CAPITAL	11,168,538	11,111,678



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

1. SCOPE OF THESE ACCOUNTS

The accounts cover the Corporation's operations in relation to the following schemes:

Large Scale

A.F.C.
I.D.A. 129/477 KE
K.F.W.
U.S.A.I.D. Crop loans
Group Farm Rehabilitation

Small Scale

A.F.C.
I.D.A. 105/344/692 KE
K.F.W.
U.S.A.I.D. Crop loans
Vihiga/North Tetu
B.A.T. (Kenya) Limited—Tobacco
loans
Pineapple loans

Seasonal Crop Credit

Scheme 26
Scheme 27
Scheme 29
Scheme 32 to 35

But do not include operations relating to the following agency schemes, whose accounts are prepared separately and have not been audited.

Barley
Cotton
Seasonal crop credit scheme 22 to 25
GMR

The accounts of these schemes for the year under review have been submitted to the Auditor General (Corporations) for audit.

The total costs of administration, including that in respect of the above agency schemes, incurred by the Corporation have been included in these accounts.

2. ACCOUNTING POLICIES

(a) Provision for Bad and Doubtful Debts:

The Corporation is empowered under the provisions of the Agricultural Finance Act (Cap. 323 section 33) to foreclose and sell any security to pay off the outstanding debt. In most cases the value of the security is at least one and half times the amount of the original loan.

(i) Loans to Farmers:

During the year under review, arrears in loans increased from K£ 45,782,442 at 30th June, 1987 to K£ 52,062,920 at 30th June, 1988 an increase of K£ 6,280,478. The provision for bad and doubtful loans to farmers is arrived at by identifying specific bad debts on various classes of loans.

The provision is as follows:

	1988 K£	1987 K£
Large Scale Loans	6,188,730	5,625,441
Small Scale Loans	720,761	400,636
Seasonal Crop Credit	255,048	16,854
	<u>7,164,539</u>	<u>6,042,931</u>

(ii) Repossessed Farm Properties:

These are valued at the total of the principal and interest due at the date of foreclosure, less subsequent recoveries. The amount outstanding at 30th June, 1988 was K£ 451,564. 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£ 225,782. 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.



(b) **Depreciation of Fixed Assets:**

This has been calculated so as to write off the cost of the fixed assets by equal annual instalments over their expected useful lives.

The following rates have been applied consistently over the years with the exception of office furniture which was revised during 1986/87 financial period from 20% to 12.5%.

DETAILS

	RATE
Development house	2%
Lifts in Development house	20%
Branch offices and staff house	5%
Office furniture	12.5%
Office equipment, staff house furniture, fixtures and fittings and office partitioning	20%
Motor vehicles	25%
Show stands	10%

	1988 K£	1987 K£
3. DEBTORS		
Un-allocated loan disbursement	249,310	172,603
Fees-auction and advertising charges	—	59,716
Other debits	440,522	677,274
Koitegan ranching water	—	14,454
Development house rent receivable accrued	191,309	200,051
Other rent receivable	39,025	—
Provision for rent debtors	(13,084)	—
Prepaid expenses	21,073	14,090
Pineapple loans	42,946	43,626
Provision for pineapple loans	(42,946)	(43,626)
General ledger correction account	63,172	42,786
Receivable fees and charges	18,844	25,131
	<u>1,010,171</u>	<u>1,206,105</u>



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

	1988 K£	1987 K£
4. LARGE SCALE LOANS		
(a) MOVEMENTS DURING THE YEAR		
Balances as at 1st July, 1987		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	4,123,840	5,616,989
Interest	2,018,298	1,717,752
Arrears:		
Principal	9,073,669	8,810,185
Interest	5,266,561	4,223,530
Interest on arrears	3,073,818	2,901,620
	23,556,186	23,270,076
Long term portion:		
Principal not yet due	39,278,983	32,732,737
	62,835,169	56,002,813
Add: Transactions during the year		
Advances	7,823,533	10,922,394
Interest earned	7,599,952	6,760,361
Repayments	(11,600,069)	(10,850,399)
	3,823,416	6,832,356
Balances as at 30th June, 1988	66,658,585	62,835,169
(b) ANALYSIS OF BALANCES AS AT 30TH JUNE, 1988		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	5,019,895	4,123,840
Interest	2,660,940	2,018,298
Arrears:		
Principal	10,048,252	9,073,669
Interest	6,072,945	5,266,561
Interest on arrears	3,926,033	3,073,818
	27,728,065	23,556,186
Long term portion:		
Principal not yet due	38,930,520	39,278,983
	66,658,585	62,835,169
(c) PROVISION FOR DOUBTFUL DEBTS		
Balance as at 1st July, 1987	5,625,441	4,303,660
Charge for the year	563,289	1,321,781
	6,188,730	5,625,441
(d) LOANS OPENED BUT NOT DRAWN		
Balance as at 1st July, 1987	5,723,025	3,573,521
Opened during the year	5,677,984	13,071,898
Drawings	(7,823,533)	(10,922,394)
	3,577,476	5,723,025



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

LARGE SCALE LOANS

(a) MOVEMENTS DURING THE YEAR
Balances as at 1st July, 1987

Short term portion:

Not yet due:

Principal (Receivable within

12 months)

Interest

Arrears:

Principal

Interest

Interest on arrears

Long term portion:

Principal not yet due

Add: Transactions during the year

Advances

Interest earned

repayment

Balance as at 30th June, 1988

(b) ANALYSIS OF BALANCES AS AT 30TH JUNE, 1988

Short term portion:

Not yet due:

Principal (Receivable within

12 months)

Interest

Arrears:

Principal

Interest

Interest on arrears

Long term portion:

Principal not yet due

(c) PROVISION FOR DOUBTFUL DEBTS

Balances as at 1st July, 1987

Charge for the year/(write back)

(d) LOANS OPENED BUT NOT DRAWN

Balances as at 1st July, 1987

Opened during the year

Drawings

Scheme 45									
Group					Rehabili-				
Scheme 01					tation				
Scheme 02					Scheme 03				
Scheme 04					Scheme 05				
Scheme 06					Scheme 07				
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AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

	1988 K£	1987 K£
SMALL SCALE LOANS		
(a) MOVEMENTS DURING THE YEAR		
Balances as at 1st July, 1987		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	3,502,072	3,642,181
Interest	764,056	622,284
Arrears:		
Principal	4,998,071	4,196,583
Interest	1,172,709	901,541
Interest on arrears	1,761,584	1,124,108
	12,198,492	10,486,697
Long term portion:		
Principal not yet due	9,578,539	7,656,687
	21,777,031	18,143,384
Add: Transactions during the year		
Advances	4,445,603	5,423,692
Interest earned	2,857,567	2,382,822
Repayments	(4,588,029)	(4,172,867)
	2,715,141	3,633,647
Balances as at 30th June, 1988	24,492,172	21,777,031
(b) ANALYSIS OF BALANCES AS AT 30TH JUNE, 1988		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	3,117,616	3,502,072
Interest	932,352	764,056
Arrears:		
Principal	5,859,220	4,998,071
Interest	1,522,487	1,172,709
Interest on arrears	2,215,280	1,761,584
	13,646,955	12,198,492
Long term portion:		
Principal not yet due	10,845,217	9,578,539
	24,492,172	21,777,031
(c) PROVISION FOR DOUBTFUL DEBTS		
Balance as at 1st July, 1987	400,636	990,629
Charge for the year/(write back)	320,125	(589,993)
	720,761	400,636
(d) LOANS OPENED BUT NOT DRAWN		
Balances as at 1st July, 1987	1,737,273	1,733,362
Opened during the year	4,059,143	5,427,603
Drawings	(4,445,603)	(5,423,692)
	1,350,813	1,737,273



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

	1988 K£	1987 K£
SEASONAL CROP LOANS		
(a) MOVEMENTS DURING THE YEAR		
Balances as at 1st July, 1987		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	5,796,284	10,508,704
Interest	224,458	307,493
Arrears:		
Principal	17,539,756	7,303,140
Interest	1,273,563	461,363
Interest on arrears	1,622,711	206,700
	26,456,772	18,787,400
Long term portion:		
Principal not yet due	331,650	—
	26,788,422	18,787,400
Add: Transactions during the year		
Advances	10,846,556	20,905,434
Interest earned	3,194,749	3,621,781
Repayments	(11,538,285)	(16,526,193)
	2,503,020	8,001,022
Balances as at 30th June, 1988	29,291,442	26,788,422
(b) ANALYSIS OF BALANCES AS AT 30TH JUNE, 1988		
Short term portion:		
Not yet due:		
Principal (receivable within 12 months)	6,49,166	5,796,284
Interest	245,894	224,458
Arrears:		
Principal	17,823,150	17,539,756
Interest	1,107,663	1,273,563
Interest on arrears	3,487,890	1,622,711
	23,313,763	26,456,772
Long term portion:		
Principal not yet due	5,977,679	331,650
	29,291,442	26,788,422
(c) PROVISION FOR DOUBTFUL DEBTS		
Balances as at 1st July, 1987	16,854	451,829
Charge for the year	238,194	(434,975)
	255,048	16,854
(d) LOANS OPENED BUT NOT DRAWN		
Balances as at 1st July, 1987	11,415,651	15,289,895
Opened during the year	4,009,480	17,031,190
Drawings	(10,846,556)	(20,905,434)
	4,578,575	11,415,651



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

6. SEASONAL CROP LOANS

(a) MOVEMENTS DURING THE YEAR

Balances as at 1st July, 1987

Short term portion:

Not yet due:

Principal (Receivable within

12 months)

Interest

Arrears:

Principal

Interest

Interest on arrears

Long term portion:

Principal not yet due

Add: Transactions during the year:

Advances

Interest earned

repayment

Balance as at 30th June, 1988

Scheme 26	Scheme 27	Scheme 29	Scheme 32	Scheme 33	Scheme 34	Scheme 35	TOTAL
K£	K£	K£	K£	K£	K£	K£	K£
4,030	593,823	2,682,894	15,738	94,908	2,404,891	—	5,796,284
13,288	87,552	54,634	1,500	17,028	50,456	—	224,458
5,062,638	6,602,202	390	2,266,176	3,608,350	—	—	17,539,756
302,211	493,385	4	123,782	354,181	—	—	1,273,563
755,798	320,604	—	400,214	146,095	—	—	1,622,711
6,137,965	8,097,566	2,737,922	2,807,410	4,220,562	2,455,347	—	26,456,772
62,670	199,525	4,442	6,341	44,744	13,928	—	331,650
6,200,635	8,297,091	2,742,364	2,813,751	4,265,306	2,469,275	—	26,788,422
4,428	71,851	3,087,534	8,310	93,904	1,704,607	5,875,922	10,846,556
855,733	1,014,101	352,276	376,750	82,295	364,288	149,306	3,194,749
(752,323)	(1,868,530)	(3,674,893)	(456,664)	(2,085,304)	(2,697,529)	(3,042)	(11,538,285)
107,838	(782,578)	(235,083)	(71,604)	(1,909,105)	(628,634)	6,022,186	2,503,020
6,308,473	7,514,513	2,507,281	2,742,147	2,356,201	1,840,641	6,022,186	29,291,442

(b) ANALYSIS OF BALANCES AS AT 30TH JUNE, 1988

Short term portion:

Not yet due:

Principal (Receivable within

12 months)

Interest

Arrears:

Principal

Interest

Interest on arrears

Long term portion:

Principal not yet due

289	3,803	412,428	5,893	11,396	8,826	206,531	649,166
434	33,839	35,809	753	24,225	486	150,348	245,894
4,584,531	5,998,443	1,775,617	1,996,988	1,803,277	1,664,294	—	17,823,150
275,146	398,725	128,156	100,720	123,807	81,109	—	1,107,663
1,445,814	964,622	66,972	637,793	302,385	70,304	—	3,487,890
6,306,214	7,399,432	2,418,982	2,742,147	2,265,090	1,825,019	356,879	23,313,763
2,259	115,081	88,299	—	91,111	15,622	5,665,307	5,977,679
6,308,473	7,514,513	2,507,281	2,742,147	2,356,201	1,840,641	6,022,186	29,291,442
9,418	790	—	6,518	128	—	—	16,854
81,771	140,709	—	158,842	(128)	—	—	238,194
91,189	141,499	—	22,360	—	—	—	255,048
36,033	1,735,813	4,068,931	42,308	1,180,286	4,352,280	—	11,415,651
(39,191)	(1,637,419)	(905,191)	(25,239)	(1,078,975)	(2,589,632)	10,285,127	4,009,480
(4,428)	(71,851)	(3,087,534)	(8,310)	(93,904)	(1,704,607)	(5,875,922)	(10,846,556)

(c) PROVISION FOR DOUBTFUL DEBTS

Balances as at 1st July, 1987

Charge for the year/(write back)

(d) LOANS OPENED BUT NOT DRAWN

Balances as at 1st July, 1987

Opened/cancelled during the year

Drawings



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

LOANS TO STAFF

(a) MOVEMENTS DURING THE YEAR

	House Loans		Car-Loan		Personal Advance		TOTALS
	Present Staff	Ex-Staff	Present Staff	Ex-Staff	Present Staff	Ex-Staff	
	K£	K£	K£	K£	K£	K£	K£
Balance as at 1st July, 1987:							
Principal	1,490,385	41	156,071	(1,929)	149,993	(63)	1,794,498
Interest	49,968	17	28,409	1,166	25,049	190	104,799
	<u>1,540,353</u>	<u>58</u>	<u>184,480</u>	<u>(763)</u>	<u>175,042</u>	<u>127</u>	<u>1,899,297</u>
Add: Transactions during the year:							
Advances	486,891	248,754	68,352	23,369	50,790	7,808	885,964
Interest earned	49,853	18,756	16,331	3,289	13,469	1,422	103,120
Repayments	(496,055)	(21,101)	(87,413)	(6,646)	(126,425)	(1,040)	(738,680)
	<u>40,689</u>	<u>246,409</u>	<u>(2,730)</u>	<u>20,012</u>	<u>(62,166)</u>	<u>8,190</u>	<u>250,404</u>
Balance as at 30th June, 1988	<u>1,581,042</u>	<u>246,467</u>	<u>181,750</u>	<u>19,249</u>	<u>112,876</u>	<u>8,317</u>	<u>2,149,701</u>

(b) ANALYSIS OF BALANCE AS AT 30TH JUNE 1988

Principal	1,481,275	242,857	137,021	14,794	74,378	6,704	1,957,029
Interest	99,767	3,610	44,729	4,455	38,498	1,613	192,672
	<u>1,581,042</u>	<u>246,467</u>	<u>181,750</u>	<u>19,249</u>	<u>112,876</u>	<u>8,317</u>	<u>2,149,701</u>

AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

BRITISH AMERICAN TOBACCO (K) LTD LOANS
MOVEMENTS DURING THE YEAR

	1988 K£	1987 K£
Balance as at 1st July, 1987	512,580	511,853
Add: Transactions during the year:		
Interest earned	50,586	50,539
Repayments	(50,614)	(49,812)
	<u>(28)</u>	<u>727</u>
Balance as at 30th June, 1988	<u>512,552</u>	<u>512,580</u>



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

9. FIXED ASSETS
(a) MOVEMENTS DURING THE YEAR

	Share in Development House Phase I K£	Share in Development House Phase II K£	Lifts in Development House Phase II K£	Staff Housing K£	Other Buildings K£	Motor Vehicles K£	Furniture and equipment K£	Office Partitioning K£	Totals K£
Cost:									
Balance at 1st July, 1987	200,741	1,427,371	79,830	157,546	1,498,365	2,032,654	1,615,132	291,807	7,303,446
Additions	—	—	—	47,982	322,707	180,922	153,506	1,165	706,282
Disposals	—	—	—	(33,085)	—	(53,996)	(8,470)	—	(95,551)
Balance at 30th June, 1988	200,741	1,427,371	79,830	172,443	1,821,072	2,159,580	1,760,168	292,972	7,914,177
Depreciation:									
Balance at 1st July, 1987	68,759	148,639	79,830	66,648	237,151	1,710,592	1,066,521	213,294	3,591,434
Charge for the year	4,014	28,548	—	8,360	91,550	209,469	210,285	52,312	604,538
Disposal	—	—	—	(5,662)	—	(33,298)	(3,812)	—	(42,772)
Balance at 30th June, 1988	72,773	177,187	79,830	69,346	328,701	1,886,763	1,272,994	265,606	4,153,200
Net Book Value:									
Balance at 30th June, 1988	127,968	1,250,184	—	103,097	1,492,371	272,817	487,174	27,366	3,760,977
Balance at 30th June, 1987	131,982	1,278,732	—	90,898	1,261,214	322,062	548,611	78,513	3,712,012



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

(b) DEVELOPMENT HOUSE—NAIROBI

The Corporation is a 50% owner of Development house, which accommodates its Head Office in Nairobi, in conjunction with Agricultural Development Corporation.

Phase II of Development House construction was financed through a National Bank of Kenya Limited facility to a maximum of K£ 1,750,000 arranged jointly by the Agricultural Development Corporation and Agricultural Finance Corporation.

The loan was fully repaid in the year under review.

CREDITORS AND ACCRUED CHARGES

	1988 K£	1987 K£
Borrowers trust receipts and credit balances	4,157,117	3,612,615
Sundry creditors—unallocated receipts	464,787	123,744
Sundry creditors payroll	2,056	609
Sundry creditors general	792,857	551,118
Staff retirement pension	6,768	8,890
Stale cheques	18,988	66,866
Interest accrued on loan funds	9,539,104	6,696,058
Interest accrued on SCC loans	6,125,361	3,535,060
External audit fees accrued	60,000	60,000
Gratuity	131,630	126,326
Agency and open claims	6,100	6,038
Combined payments—		
Payable to marketing bodies on behalf of borrowers	117,671	1,553,205
	<u>21,422,439</u>	<u>16,340,529</u>



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

11. 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 its net rent income.

12. GMR/AGENCY

The balance due to the agency as at 30th June, 1988 is as follows:-

	1988 K£	1987 K£
Due to Agency	17,126,632	14,703,833
Less: Commission receivable	4,921,858	3,752,943
Net due to Agency	<u>12,204,774</u>	<u>10,950,890</u>

Agency commission receivable from operating the Guaranteed Minimum Return and some old Seasonal Crop Credit loan Schemes has been included in the income for the year in the sum of K£ 1,168,915 which has been calculated in accordance with previous practice and based on the unaudited 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. However the quantum has not formally been agreed.

It has been proposed that the Corporation should act as principal rather than agent for these schemes and so far schemes 26, 27, 29, 32 to 35 have been taken over.

13. AFC SEASONAL CROP CREDIT

Balance as at 1st July, 1987	K£ 17,000,000
Add: Additional credit	900,000
Balance as at 30th June, 1988	<u>17,900,000</u>



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

REDEEMABLE LOANS

(a) The movements during the year are as follows:-

	Balance 30.6.87 K£	Additions for year K£	Balance 30.6.88 K£
Land purchase and development	7,955,410	—	7,955,410
AFC Small Scale	811,798	—	811,789
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 Livestock	5,546,625	—	5,546,625
IDA 537 KE G.F.R.	2,929,126	182,555	3,111,681
IDA 1143 KE	793,637	—	793,637
IBRD 1995 KE	20,809,327	2,450,580	23,259,907
AFC Credit 4	5,231,023	—	5,231,023
Pineapple loans	22,450	—	22,450
	<u>49,310,277</u>	<u>2,633,135</u>	<u>51,943,412</u>

The K£ 13,000,000 for Seasonal Credit Schemes financed by the World Bank is being operated under a pilot project. The Corporation is to act as principal.

(b) The redeemable loans are made up of:

	1988 K£	1987 K£
Amounts due but not paid	4,070,816	3,571,426
Amounts due within 12 months	499,790	478,692
Current portion	4,570,606	4,050,118
Amounts due after 12 months	47,372,805	45,260,159
Total redeemable loans	<u>51,943,411</u>	<u>49,310,277</u>

**1988
K£** **19887
K£**

5. IRREDEEMABLE INTEREST BEARING LOANS

Land purchase and development scheme	4,005,000	4,005,000
IDA 692 KE	10,169,606	10,169,606
	<u>14,174,606</u>	<u>14,174,606</u>

6. GENERAL RESERVE

Balance as at 1st July, 1987	5,725,677	4,444,339
Profit for the year after taxation	1,377,740	1,287,095
	7,103,417	5,731,434
Transfer to revolving fund	(5,394)	(5,757)
Balance as at 30th June, 1988	<u>7,098,023</u>	<u>5,725,677</u>

7. REVOLVING FUND

Balance as at 1st July, 1987	41,346	35,589
Transfer from general reserve	5,394	5,757
Balance as at 30th June, 1988	<u>46,740</u>	<u>41,346</u>

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

18. LOANS DRAFTS

The credit balance is as a result of unrepresented cheques issued to farmers.



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

	1988 K£	1987 K£
19. GRANTS		
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 Development 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
	<u>6,538,535</u>	<u>6,538,535</u>
20. INTEREST INCOME		
Short term deposits	1,032,228	494,940
Staff loans	118,891	75,785
Bank balances	238,776	106,761
B.A.T. loans	57,597	50,539
Others	179	165
	<u>1,447,671</u>	<u>728,220</u>
21. STAFF COSTS		
Salary	2,869,211	2,429,394
House allowance	891,525	880,615
Hardship allowance	22,857	19,857
Outpatient medical expenses	243,619	248,083
Inpatient medical expenses	65,840	46,819
Pension and insurance	358,699	337,406
Leave travel expenses	5,041	9,955
Gratuity	104,274	84,399
Training expenses	100,557	113,485
Other emoluments	10,253	13,300
Uniforms	29,380	15,245
Disturbance allowance	1,340	3,463
Meritorious awards	—	3,926
	<u>4,702,596</u>	<u>4,205,947</u>



AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

	1988 K£	1987 K£
22. ADMINISTRATION EXPENSES		
Staff appointment, transfers and hotel expenses	248,652	239,071
Mileage claimed	802	1,850
General office expenses and security	89,397	119,988
Audit fees and expenses	63,845	63,781
Legal fees	12,840	6,493
Telephone and telex	137,081	180,462
Staff house rentals and general	10,968	2,650
Office rentals	132,234	124,653
General travel expenses	41,725	33,264
Water	2,213	1,809
Electricity and gas	7,384	6,943
Advertising and conferences	81,022	31,492
Stamps and postages	33,701	19,305
Printing and stationery	163,510	198,870
Office supplies	6,763	2,291
E.D.P. maintenance	31,082	30,862
E.D.P. stationery	104,486	99,034
Donations	8,465	2,523
Subscriptions and periodicals	10,207	4,273
Maintenance of building	38,644	11,525
Maintenance of furniture and equipment	41,744	19,135
Other maintenance	1,190	7,369
Vehicle running expenses	316,000	452,527
Professional consultants	12,946	—
Bank charges	51,522	41,901
Taxes and licences	19,971	5,140
Misappropriation	(335)	2,042
Rates and land rents	13,639	7,470
Insurance of corporation's assets	107,562	4,009
	<u>1,789,261</u>	<u>1,720,732</u>



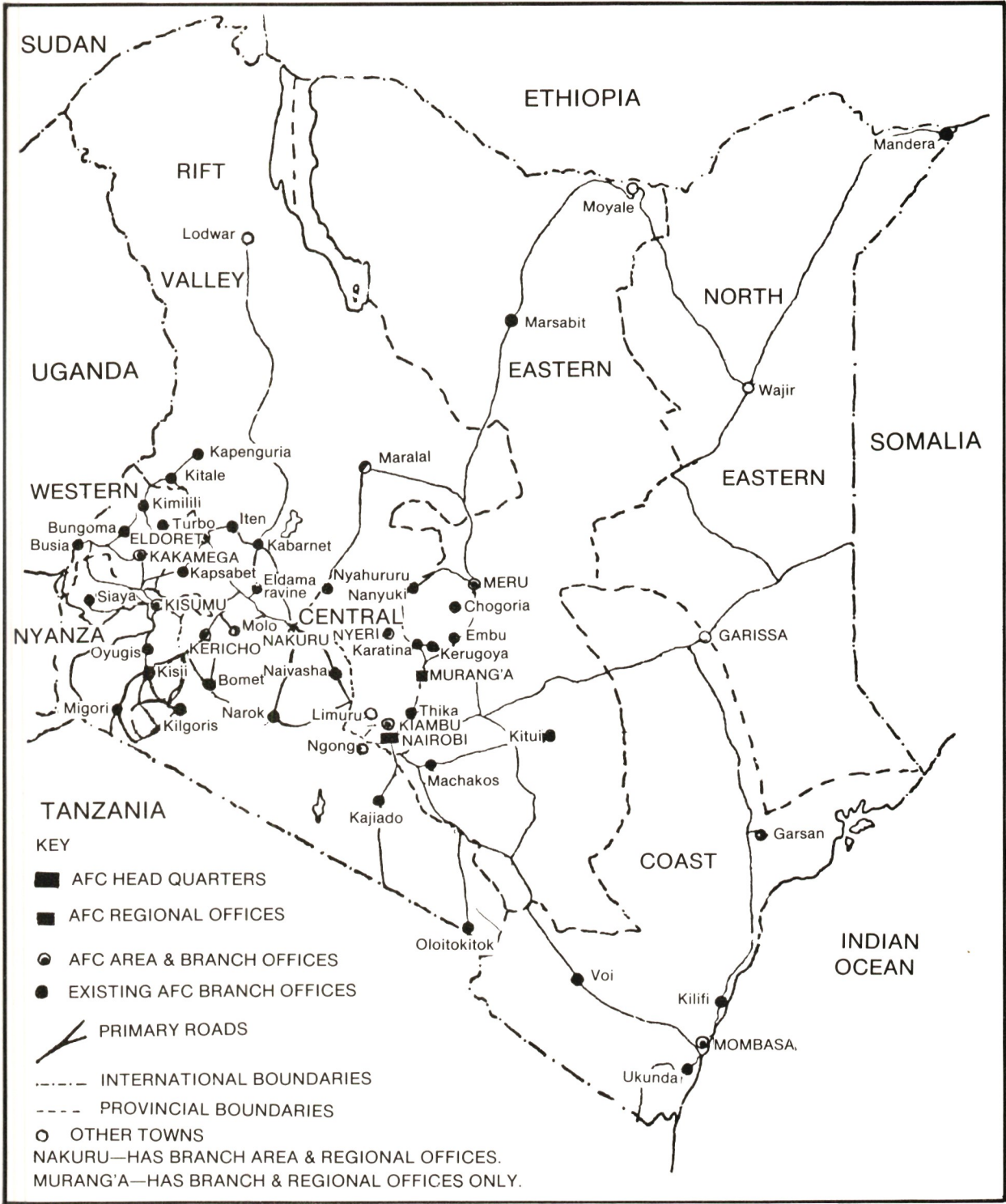
AGRICULTURAL FINANCE CORPORATION
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1988

23. DOUBTFUL DEBTS PROVISIONS

Changes in provisions for Doubtful debts:

		1988	1987	Type of Scheme
	01	169,202	(86,097)	Land purchase and development
	02	8,136	(570,905)	Land purchase and development
	03	—	(12,550)	K.F.W. and USAID funded development (Old scheme)
	05	486,934	1,565,739	Ranch loans
	07	—	(9,732)	Narok development Fund
	31	119,870	(684,039)	World Bank funded for development
	45	(220,852)	1,119,365	Group rehabilitation loans
Specific Provision LSL		563,290	1,321,781	
	04	2,011	1,120	KFW funded for development
	06	72,531	(30,939)	IDA funded for development
	08	221,142	(100,792)	AFC funded for development
	09	156	(8,433)	IADP funded for development
	30	24,284	(450,949)	World bank funded for development
Specific Provision SSL		320,124	(589,993)	
	26	81,771	(309,446)	AFC/Gok funded for seasonal crop
	27	140,709	790	AFC/Gok funded for seasonal crop
	29	15,841	(126,446)	AFC/Gok funded for seasonal crop
	33	(128)	128	AFC/Gok funded for seasonal crop
Specific Provision SCL		238,193	(434,974)	
Total specific provision for AFC loans		1,121,607	296,814	
Loans to farmers specific debts written off		96,958	—	
Repossessed farm properties		47,620	(23,233)	
Pineapple loans		(680)	(364)	
Small debt written off		15,770	3,822	
Total doubtful debts		1,281,275	277,039	

AGRICULTURAL FINANCE CORPORATION'S BRANCH NETWORK



This map is only a guideline.
Alterations can be made without prior notice..

