

Report & Financial Statements

2008/2009

FOR THE YEAR ENDED 30TH JUNE 2009

COFFEE DEVELOPMENT FUND TEAM-BUILDING PICTORIAL



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

PARLIAMENT
OF KENYA
LIBRARY

ON

**FINANCIAL STATEMENTS
OF THE
COFFEE DEVELOPMENT FUND
FOR THE YEAR ENDED
30TH JUNE 2009**

OUR SERVICE STANDARDS



Quality - we will:

- Treat you with respect and courtesy, maintaining confidentiality where required
- Identify ourselves when we speak to you;
- Be clear & helpful in our dealings with you, giving reasons for our decisions;
- Act with care and diligence as we prepare a response, behaving honestly and with integrity in accordance with the public service, code of conduct;
- Present our information clearly, using simple language, understandable graphics, or other means relevant to your needs, being sensitive to the diversity of the Kenyan public;
- Ensure that our website is kept up-to-date with the latest information and products; and
- Ensure that our website is easy to use and well set out.

Responsiveness - we will Endeavour to:

- Deal with your enquiries and complaints quickly and effectively;
- Answer your phone calls promptly, and ensure that unattended phones are re-directed or provided with an answering service;
- Reply to your letters, faxes and e-mails within two weeks. On more complex issues, our initial reply will give you an estimate of the time a comprehensive response will take, and the cost, if any and
- Make payments to our suppliers within 60 days of receipt of invoice.

Accessibility - we will be available:

- For enquiries, from 8.00a.m to 5.00p.m Monday to Friday at our offices located on 5th Floor of Coffee Plaza, and via our intermediaries' offices.

Service Improvement - we aim to:

- Make accurate and timely payments;
- Ensure that the accuracy and quality of our services remain world-class by incorporating relevant advances in Information Technology into our operations;
- Further improve procedures for monitoring loan disbursements and loan repayment;
- Upgrade the ways in which we deliver our services, in line with improvements in technology and the changing needs of our customers;
- Make access to our services easier and more convenient, particularly for people with special needs ;and
- Develop a more streamlined system of handling your enquiries and feedback on our services.



VISION

A vibrant, sustainable and profitable coffee industry.

MISSION

Accelerate production of high quality coffee and improved farmer earnings, by providing accessible, affordable credit and financial solutions to the coffee sector.

CoDF'S MANDATE

The purpose of the Fund is to provide sustainable, affordable credit and advances to coffee farmers for farm development, farm inputs, farming operations and coffee price stabilization.

CORE VALUES

- Effectiveness and Efficiency
 - Professionalism
 - Team Work
- Transparency and Accountability
 - Gender Equity
 - Customer Focus
- Social Responsibility



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INSTITUTIONAL DETAILS

Coffee Development Fund is a state corporation under the Ministry of Agriculture. It was established under Section 34 of the Coffee Act No. 9 of 2001 as amended by the Finance Act of 2005. Its operations began in May 2006 following the gazette of the Board of Trustees via Gazette Notice No. 1388 of 5th May 2006 and subsequent inauguration on 15th May 2006.

Its purpose is to provide sustainable and affordable credit to coffee farmers for farm inputs, farming operations and Coffee price stabilization.

It is run by a ten member Board of Trustees, comprising of three government representatives, six independent members appointed by name and the Managing Trustee who is the Secretary to the Board and Chief Executive Officer of the Fund. The Board is assisted by a management team headed by the Managing Trustee with departmental heads namely the Finance and Administration Manager, the Credit and Commercial Manager backed by the Internal Auditor, Public Relations Officer, Human Resource and Administration Officer and the Information and Communication Technology Officer.

CORPORATE INFORMATION

Its registered office is as follows:

Coffee Plaza, 5th Floor, Eastern Wing
Exchange Lane,
Off Haile Selassie Avenue
P.O. Box 52714 - 00200
City Square
Nairobi, Kenya

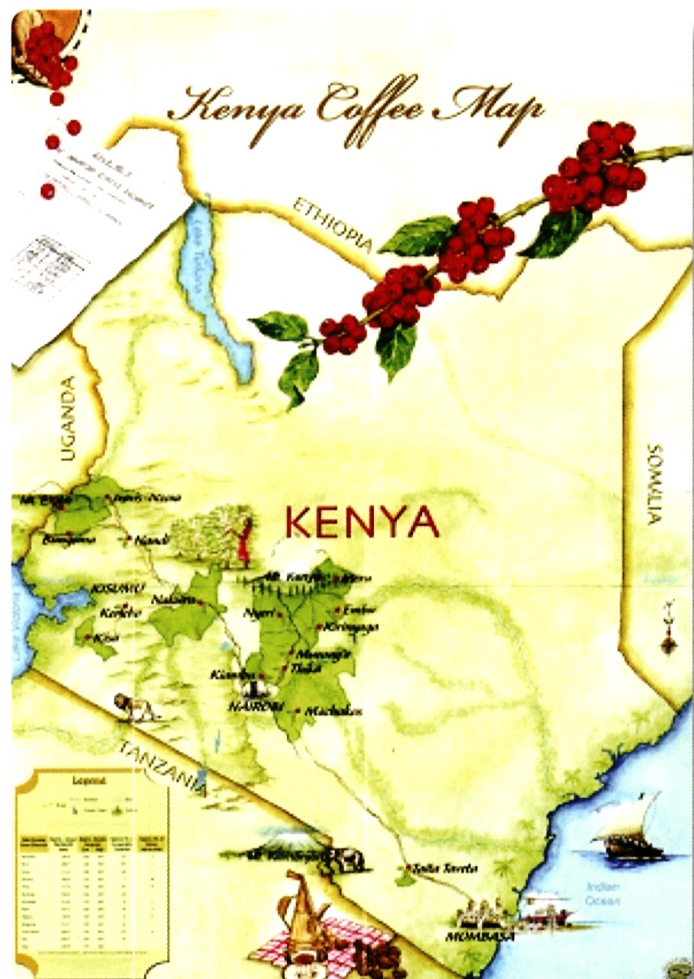
Phone: +254 - 20 - 2210806-9
Mobile: +254 - 770 - 587333/355
+254 - 737 - 204278/9
Fax: +254 - 20-2210816
E-mail: info@codf.co.ke
Website: www.codf.co.ke

BANKERS

Co-operative Bank of Kenya Ltd.
Haile Selassie Avenue,
P.O. Box 48231-00100, Nairobi
Tel: + 254-20-3276000
Fax: + 254-20-219821
Website: www.co-opbank.co.ke

AUDITORS

Controller and Auditor General
Anniversary Towers, University Way,
P.O. Box 49384-00100, Nairobi
Tel : + 254-20-2227383,



BOARD OF TRUSTEES



The CoDF Board of Trustees

From Left to right standing, Dr. Johnson Irungu - Rep. PS Ministry of Agriculture, Mr. Christopher O. Gekara, Mr. Dominic Ndewa - Rep. PS Ministry of Finance, Mr. Justus S. Kiago - Rep. PS Ministry of Co-operative Development & Marketing. Seated from left to right, Mrs. Hellen Njue, Mr. George O. Ooko - Managing Trustee, Prof. Zablon N'thamburi - Chairman, Ms. Alice N. Kamau and Mr. Joseph K. Lagat.

COMMITTEES OF THE BOARD

Audit and Governance Committee

1. Ms. Alice N. Kamau - Chairperson
2. Mr. Justus S. Kiago - Rep. PS, Ministry of Co-operative, Development and Marketing
3. Dr Johnson Irungu - Rep. PS, Ministry of Agriculture
4. Mr. Christopher Gekara - Member

The main function of the Audit and Governance Committee is to strengthen the control environment, the financial Reporting and auditing function as well as ensuring that ethical standards are maintained by the Fund.

COMMITTEES OF THE BOARD



Staff and General Purposes Committee

1. Ms Helen C. Njue - Chairperson
2. Dr Johnson Irungu - Rep. PS, Ministry of Agriculture
3. Mr. Dominic Ndewa - Rep. PS, Ministry of Finance
4. Mr. Christopher Gekara - Member

The main function of the Staff and General Purposes Committee is to set and review human resources policies and approval of senior management appointments.

1. Mr. Joseph K. Lagat - Chairman
2. Dr. Johnson Irungu - Rep. PS, Ministry of Agriculture
3. Mr. Justus S. Kiago - Rep. PS, Ministry of Co-operative Development & Marketing
4. Mr. Dominic Ndewa - Rep. PS, Ministry of Finance
5. Ms Helen C. Njue - Member

The main function of the Finance and Credit Committee is reviewing the credit portfolio and monitoring of the Fund's financial performance.

MANAGEMENT TEAM



The Fund's Management Team

From Left to right Mr. Bramwel K. Sigowo - Internal Auditor, Ms. Bessie V. Atieno - Public Relations Officer, Mr. Shadrack M. Theuri - Credit and Commercial Manager, Mr. George O. Ooko - Managing Trustee, Ms. Hellen N. Wasike - Human Resources and Administration Officer, Mr Patrick Nyaga - Finance and Administration Manager and Mr. Fernando B. Wangila - Information and Communication Technology Officer.

CHAIRMAN'S REPORT



Foreword

It is my pleasure to invite you to the Fund's 2008/2009 Financial Statements for the fiscal year ending 30th June 2009. Much of our focus for the past year has been on prudent lending and strengthening the Fund's network and operations.

Business Environment Recap

Against the backdrop of depressed global recession, increased infrastructure spending by the government, unfavourable weather conditions and high costs of production due to increased international crude oil prices, the economy grew at a rate of 1.7%. The agriculture sector grew by 3.2% compared to 5.5% last year.

The coffee production in the country is estimated to have grown by about 36% from 42,000 metric tones last coffee year to over 57,000 metric tones this coffee year.

Corporate performance

The Fund's portfolio comprising of Advances and Coffee Rehabilitations loans grew substantially from 426.6 million to 841 million as at the close of the fiscal period. The Fund has continued with its practice of lending through Savings Credit and Co-operative Societies as intermediaries.

Regulatory Environment

As part of the streamlining of the Coffee Sector, the Government through the Ministry of Agriculture is continuing with reform initiatives aimed at increasing institutional, sectoral and industry efficiencies. Part of these reforms involves consolidating, reviewing and updating various Agricultural Acts including the Coffee Act.

Board Composition

The term of the Funds inaugural Board of Trustees expired on 28th April 2009 after a period of three years. Subsequently, a new Board of Trustees was appointed and gazetted for a new term of three years up to 28th April 2012.

I also extend my gratitude to the following former Trustees; Mrs. Zipporah Matasi, Mr. Timothy Mutirithia, & Mr. Tom Bonyo as well Mr. Kennedy Nyaundi who resigned to join the Interim Independent Electoral Commission (IIEC) as a commissioner, for their commitment and services in the setting up of the Fund.

I would also like to welcome our new trustees Mr. Joseph Lagat, Mrs. Hellen Njue and Dr. Johnson Irungu who is the representative of the Permanent Secretary Ministry of Agriculture. Consequently, thank you my fellow Trustees for placing your faith in my leadership by electing me as the Chairman of the Board for another term.

Outlook

The Ministry of Co-operative Development and Marketing is in the process of implementing an alternative means of coffee marketing for small-scale farmers following the poor performance of the second window. The Fund is also sourcing for additional monies from various sources to meet the high demand for credit by the coffee farmers. These will include seeking financial support from donors and development agencies as well as lobbying for the establishment of a coffee levy.

Conclusion

Finally, I hereby take this opportunity to give a vote of thanks to my fellow Trustees for their dedication and steadfastness towards the Fund.

On behalf of the Board of Trustees, I express my heartfelt appreciation to the members of staff who were motivated and performed their duties diligently. The Fund would also like to appreciate the support of the Government in providing financial support and an enabling environment for the operations of the Fund.



Zablon N'thamburi (Prof)

Chairman

MANAGING TRUSTEE'S REPORT



I am pleased to present the Fund's performance report for the period ending 30th June 2009. This is the Fund's third year of Operations.

Status of the Coffee Industry

Coffee in Kenya is produced by about 700,000 farm families through the cooperative sector. Besides, there are about 3,000 small to medium estates that are less than 20 hectares each. There are also about 380 large estates with over 20 hectares each. The current area under coffee is estimated at 170,000 hectares of which 40,000 are under estates and the remaining 130,000 hectares under smallholder cooperative growers. Coffee farming requires high capital outlay to meet the cost of operation, processing, marketing and coffee infrastructure hence the need for provision of credit and financial services.

Financial Highlights

The Funds Total assets grew from Sh. 829M to Kshs 978M a growth of about 18%. The Revolving Loan Fund grew from Kshs 717 M to Kshs 836.6 M a growth of 17% during the year under review.



Total income for the year was Kshs 107.9M versus Kshs 115M for the prior year. The decline was as a result of reduction of Government grants, a situation that affected all government institutions as Ministry of Finance faced the twin challenges of International Financial crises and the cost aftermath of the post election chaos.

Expenditure increased by 35% from Sh70.2M to Kshs 94.1M reflecting the increasing scope of operations and additional staff.

The Net surplus for the year was Sh13.8M versus Kshs 44.8M in the prior year.

Operations

During the year, we added one more Intermediary, Kikai Rural Sacco Ltd to bring the total to 25 Intermediaries. The New Intermediary will serve Bungoma West district and environs. In the period under review, the Fund introduced a new product the Coffee Rehabilitation Loan (CRL) that is repayable within three years. The terms of payment and eligibility conditions of the product are stipulated in circular number two (2).

We have served 55,000 coffee farmers to date across all the Coffee growing regions in Kenya.

The year 2008/2009 recorded a production of 57,830 metric tonnes, an improvement from prior year's 42,000 metric tonnes which was severely affected by Coffee berry disease. The improved production also reflects the gradual contribution of reforms effected in the sector including the contributions by the Fund.

The Production by Growing area was:

Growing Area	Production in Metric Tonnes
Central	37,062
Eastern	14,987
Rift Valley	2,651
Western/Nyanza	3,130
Total	57,830

During the auction period running from 1st October 2008 to 30th June 2009, the average price per bag of coffee was \$154.10.

MANAGING TRUSTEE'S REPORT

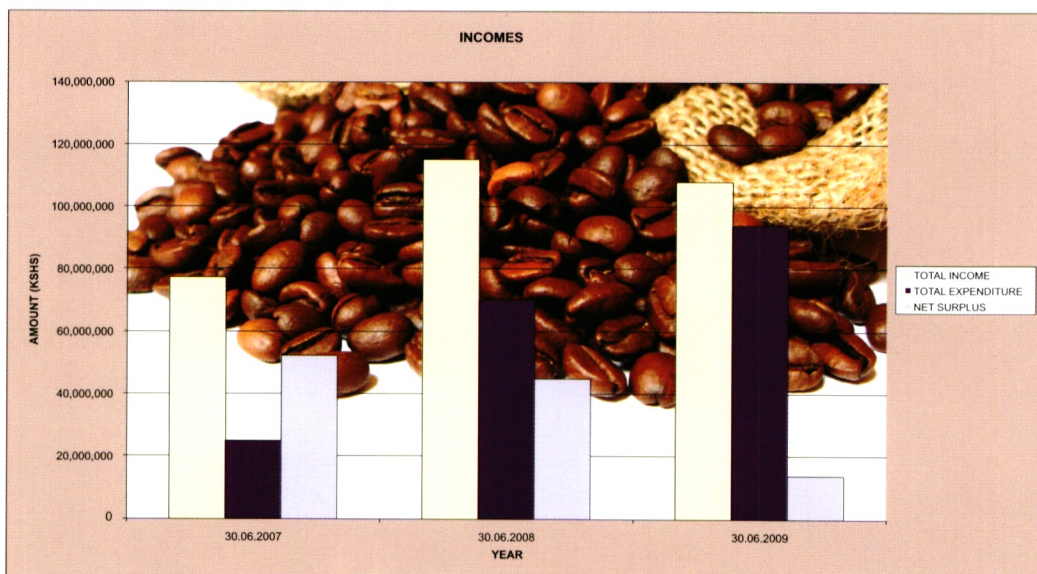
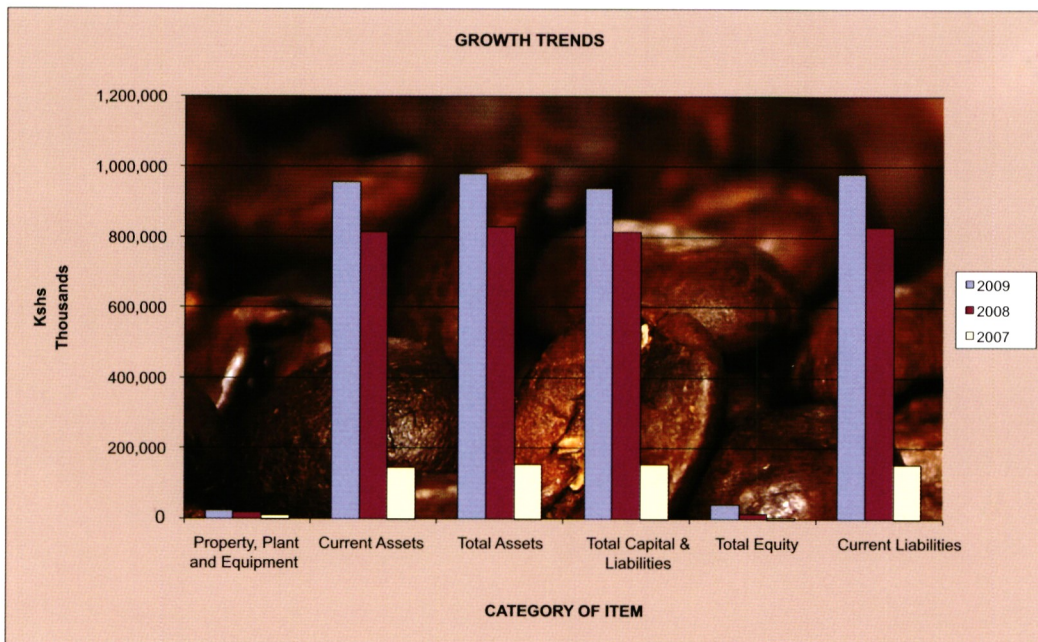


Projects

During the year, we installed an integrated software system to manage Credit portfolio and financial management as well as Administration. The system is operational and has greatly enhanced our data handling capacity & operational efficiency as well as reporting.

I wish to express my sincere gratitude to the Fund's staff for their role and contribution towards building the Fund to its current capacity. I also acknowledge the support from the Ministry of Agriculture and Partners. We thank our Trustees for their guidance and support. Lastly many thanks to Coffee Farmers who have utilised our services and all Coffee stakeholders.

George O. Ooko (Mr.)
Managing Trustee



PROLOGUE

At the Coffee Development Fund, we are committed to the highest level of corporate governance, which is critical to our business philosophy and to maintaining stakeholders trust in the Fund. Our corporate governance policy functions as a built-in, self-regulating mechanism, which provides the framework to monitor and ensure statutory compliance, foster a culture that values and rewards the highest ethical standards and personal integrity. The Fund strives to ensure that at all times all its Trustees and staff act with integrity, honesty and professionalism. The Fund believes that if its Board of Trustees and Management adopt sound corporate governance principles; this will set the right “tone at the top” thereby reinforcing an ethical business culture governing all its dealings. This statement sets out the key corporate governance principles observed by the Fund and illustrates the practices and systems established by the Board of Trustees in line with these principles.

Board of Trustees

The Fund is run through the direction of the Board of Trustees, which is responsible for;

- i) Providing policy guidelines and strategic decision-making;
- ii) Establishing and maintaining the Fund’s overall systems of planning, accounting and internal control as well as ensuring its integrity;
- iii) Setting the strategic direction of the Fund;
- iv) Setting policy guidelines for management and ensuring competent management of the business including the selection, supervision and remuneration of senior management;
- v) Ensuring that the business of the Fund is conducted in compliance with relevant laws, regulations and the legality of transactions;
- vi) Reporting the performance of the Fund to stakeholders and ensuring the Fund meets all its other responsibilities to stakeholders;
- vii) Ensure that the rights of stakeholders that are protected by law are respected;
- viii) Permit and facilitate performance-enhancing mechanisms for stakeholder participation;
- ix) Ensure that where stakeholders participate in performance-enhancing mechanisms, they have access to all relevant information;
- x) Putting in place independent and viable mechanisms to evaluate performance of the Fund and management;
- xi) Account for stewardship [efficient and effective use of entrusted resources] for the maximum benefit of the Fund;
- xii) Ensure that the Fund operates within ethical guidelines that enhance integrity, social accountability and the reputation and credibility of the Fund;
- xiii) Maintaining adequate systems of financial management and internal control over the Fund,;
- xiv) Facilitating an extension of Auditors duties in regard to:
 - Reporting on whether the Fund has financial and other risk management controls
 - Evaluating and reporting on aspects of propriety and efficiency
- xv) Extending the liability of external auditors to third parties

The day-to-day running of the Funds affairs is delegated to the Management team while the Board retains the overall responsibility

Board Structure and Processes

The Board is composed of six independent members appointed by name and three government representatives. The Board of Trustees comprise of Trustees who contribute expertise and judgment, based on their professional qualifications and business experience. It reflects a diversity of backgrounds and experience.

Board meetings are held quarterly. The Board has a formal schedule of matters specifically reserved for decisions. The Fund ensures that it provides the necessary resources and expertise to the Board of Trustees to assist them in their decision-making and as such, they are regularly consulted on key policy matters. The Board has access to outsiders’ seminars on corporate legal and governance issues to enhance their knowledge and skills in corporate governance issues. In addition, all newly appointed Trustees are provided with a detailed and tailored induction in respect of the Funds activities, including its corporate governance systems as well as their responsibilities, duties and relevant regulatory requirements. The Board of Trustees and its constituent committees has a Board Charter which governs its operations in conformity with best corporate governance practices. The Board conducts an annual evaluation of its performance and that of its key committees. The evaluation is carried out by independent expert with the evaluation criteria linked to Board and Committee responsibilities and goals are set forth in the charter and governance policies. To assist in its operations the Fund has established three standing committee as follows:

CORPORATE GOVERNANCE STATEMENT



Finance and Credit Committee

The main function of the Finance and Credit Committee is reviewing the credit portfolio and monitoring of the Funds financial performance.

Staff and General Purposes Committee

The main function of the Staff and General Purposes Committee is to set and review human resources policies and approval of senior management appointments.

Audit and Governance Committee

The main function of the Audit and Governance Committee is strengthening the control environment, the Financial reporting and auditing function as well as ensuring that ethical standards are maintained by the Fund.

Conduct of Business Operations, Performance

The Funds business operations are carried out within an established framework of processes, procedures, systems and in line with the Fund's strategic plan. The Management structure has clearly set out roles, responsibilities and reporting lines, all geared towards providing strong, stable leadership and achievement of business objectives. As a key Management initiative, the Fund is using the balanced scorecard with all staff performance evaluated continuously on a semi-annual basis with financial and non-financial metrics used to evaluate executive performance.

The Fund practices affirmative action and equal opportunity recruitment of qualified persons. It has in place a disability policy and a gender policy to guide its actions and decisions. As part of its staff development program, the Fund endeavors to empower all staff regardless of their caliber through various measures whose effectiveness is monitored on a regular basis.

The Fund recognizes its Human Capital to be strategic to the achievement of its business objectives and has identified the HIV/AIDS pandemic as being a challenge to its human capital. In response, it has implemented as part of its policy, a medical scheme for all its staff and dependants to assist all who may be infected or affected. The Fund also on a continuous regular basis updates its staff on all facets of the pandemic and provides to the National Aids Control Council (NACC) progress reports.

Corporate Social Sustainability

The Fund has put in place a corporate social responsibility strategy to better address its corporate social sustainability initiatives. Consequently, it will adopt a structured approach to social sustainability issues as part of its corporate plan. The Funds initiatives for the focal period are outlined in the corporate social responsibility statement.

Environmental issues

The Fund carefully considers and exercises diligence in its consideration of environmental issues and analyses the strategic impact as well as the economic questions the raise. Thus the Fund in its lending operations incorporates due diligence to ensure credit advanced is for environmental issues in its business planning and encourages dialogue on the same between, itself and its stakeholders.

Risk Management and Internal Controls

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management frameworks. The Fund's Risk Management Policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the Fund identifies and manages risk through in-house risk review enhanced by internal and external audits. The Fund has in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safeguarded; transactions authorised, validated and reported in line with IFRS. The Fund is currently in the process of certification for ISO 900:2008 Quality Management Systems.

CORPORATE GOVERNANCE STATEMENT

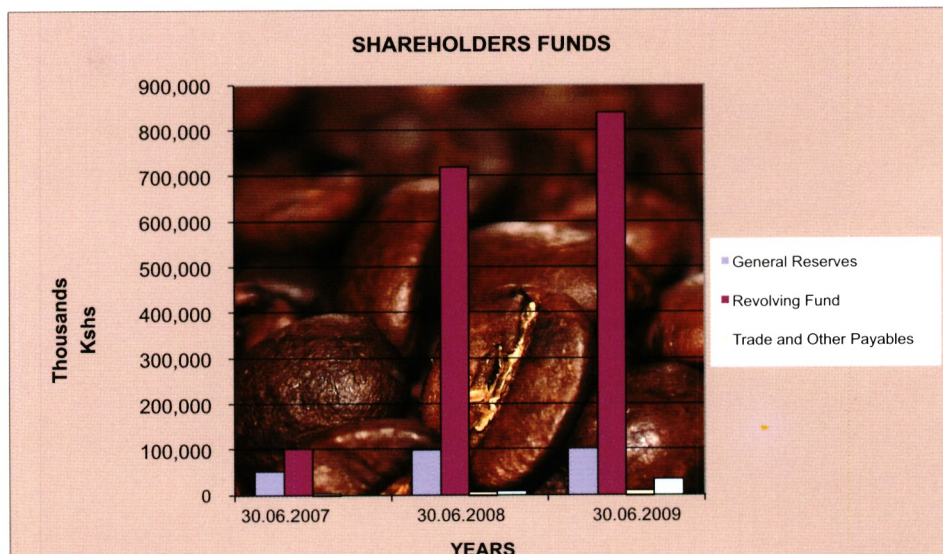
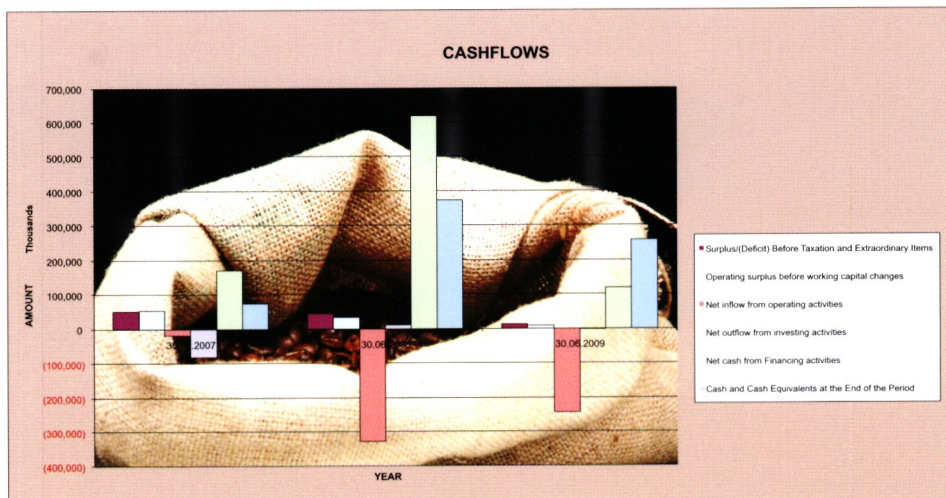


Compliance

The Board is satisfied that the Fund has to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the State Corporations Act and the Coffee Act. Further disclosures on compliance are set out in the Trustees statement of responsibilities and notes to the financial statements.

Professor Zablon N'thamburi
Chair, Board of Trustees

George O. Ooko (Mr.)
Managing Trustee



STATEMENT OF BOARD OF TRUSTEES RESPONSIBILITIES

The State Corporations Act as well as the Public Audit Act, 2003 requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Fund as at the end of each financial year and its operating results indicating its surplus or deficit for the year. It also requires the Trustees to ensure the Fund keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporations Act and the Public Audit Act, 2003.

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records, which are reliable for the preparation of financial statements, as well as adequate systems of internal financial control.

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund as at 30th June 2009 and of its surplus for the year then ended. The Trustees further confirm the accuracy and completeness of the accounting records maintained by the Fund.

Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least Twelve months from the date of this statement.

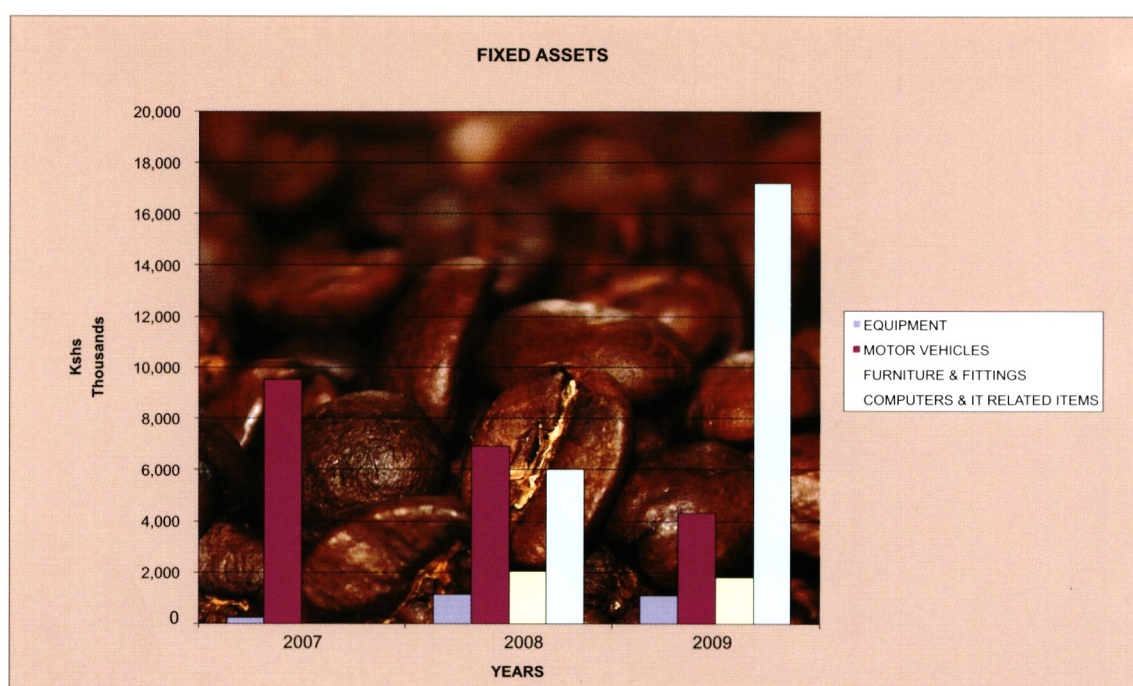
Approved by the Board of Trustees on 28/09/2009 and signed on its behalf by:



Professor Zablon N'thamburi
Chair, Board of Trustees



George O. Ooko (Mr.)
Managing Trustee



CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT



Corporate Social Responsibility (CSR) for Coffee Development Fund is about how we align our activities with the expectations of our stakeholders in relation to our economic, social and environmental impacts.

The year witnessed a drought and famine situation in Kenya. As a result, we donated Kshs. 50,000.00 to the Kenya Freedom from Hunger Council and sent four of our staff members to take part in the Freedom from Hunger Walk.

The Fund also supported the Albinism Association of East Africa by providing vehicles that were used to transport guests during the Albinism Awareness Day.

We also supported the UNICEF greeting cards initiative.



Julie, Nancy and Nelly posing with the trophy presented to CoDF after the Freedom From Hunger Walk



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE COFFEE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2009

I have audited the financial statements of Coffee Development Fund set out on pages 21 to 36 which comprise the Statement of Financial Position as at 30 June 2009, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, together with a summary of significant accounting policies and other explanatory notes, in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

The Board of Trustees' Responsibility for the Financial Statements

The Board of Trustees is responsible for preparation of financial statements which give a true and fair view of the Fund's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Trustees, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of financial affairs of the Fund as at 30 June 2009 and of its surplus and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Coffee Act, 2001 of the Laws of Kenya.

A.S.M. Gatumbu
Controller and Auditor General

Nairobi

24 December 2009

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2009



	NOTES	Kshs	Kshs
Property, Plant and Equipment	2	24,360,607	16,122,936
Current Assets			
Loans and Advances	3	572,411,823	418,999,249
Interest Receivable on Loan and Advances	4(a)	-	14,727,290
Trade and Other Receivables	4(b)	124,718,626	6,316,586
Cash and Cash Equivalent	5	257,224,735	373,046,801
		954,355,183	813,089,926
Total Assets		978,715,791	829,212,862
Capital and Liabilities			
General Reserves	6	100,501,827	97,187,244
Revolving Fund	6	836,658,635	717,818,908
Total Equity	6	937,160,462	815,006,152
Current Liabilities			
Trade and Other Payables	7	7,444,722	5,225,600
Commissions Payable	8	34,110,607	8,981,110
		41,555,328	14,206,710
Total Capital & Liabilities		978,715,791	829,212,862

PROF. ZABLON NTHAMBURI
Chair BOARD OF TRUSTEES

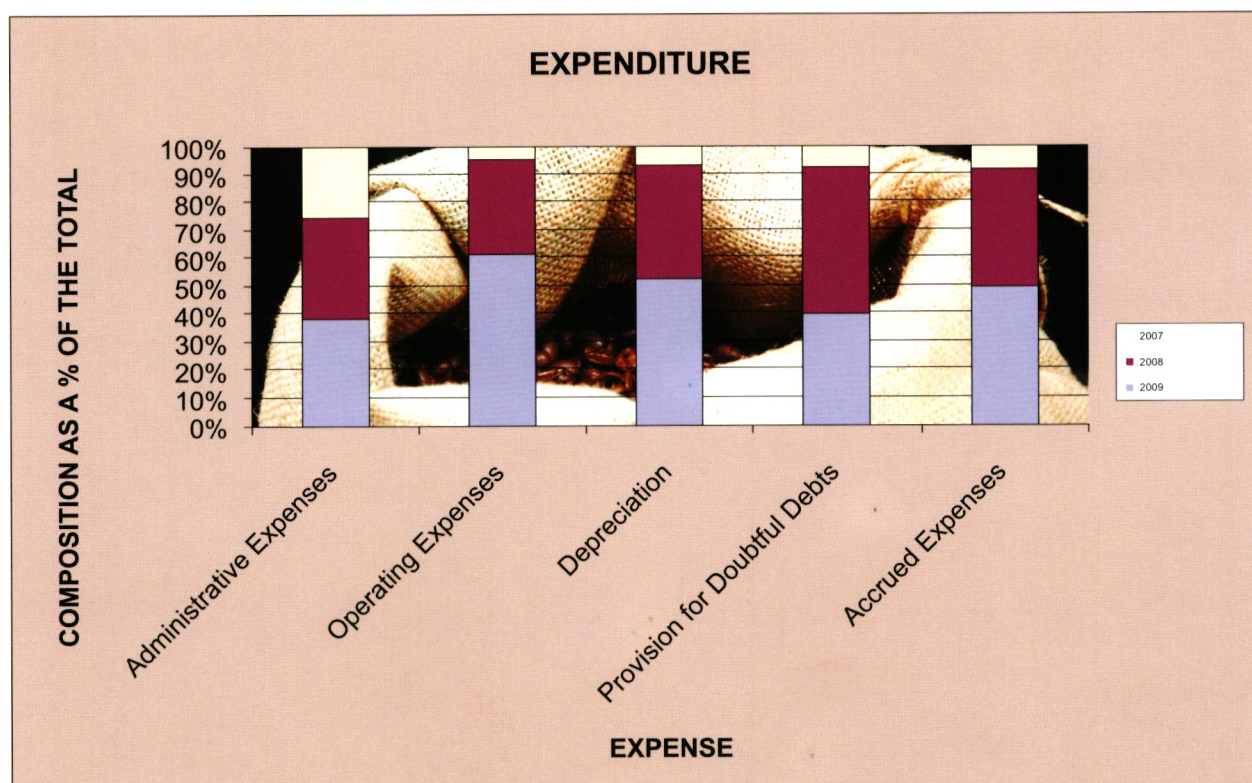
DATE: 28/09/2009

GEORGE O. OOKO
MANAGING TRUSTEE

DATE : 28/09/2009

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2009

	NOTES	Kshs	Kshs
Government Grants	9	41,666,666	71,000,000
Other Income	10	66,317,165	44,124,870
TOTAL INCOME		107,983,831	115,124,870
EXPENDITURE			
Administrative Expenses	11	26,391,987	23,029,032
Operating Expenses	12	50,899,685	30,814,981
Depreciation	2	6,359,808	4,958,241
Provision for Doubtful Debts	13	4,953,919	6,674,631
Accrued Expenses	14	5,545,495	4,798,273
TOTAL EXPENDITURE		94,150,895	70,275,158
NET SURPLUS		13,832,936	44,849,712



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2009



	Kshs	Kshs
Surplus/(Deficit)Before Taxation and Extra ordinary Items	13,832,936	44,849,712
Adjustments For		
Prior year adjustments	(10,518,353)	-
Depreciation	6,585,355	4,958,241
Accrued Expenses	-	-
Accrued Interest on Loans	-	-
Provision for Bad and Doubtful Debts	13,120,530	6,674,631
Investment income	(14,509,416)	(21,985,381)
<i>Operating surplus before working capital changes</i>	8,511,052	34,497,203
Increase in Loans and Advances	(166,533,105)	(356,673,880)
Decrease in Debtors	(103,674,749)	(19,561,754)
Increase in Commissions payable	25,129,497	8,981,110
Increase in Creditors	2,219,122	4,222,213
Net inflow from operating activities	(242,859,235)	(328,535,108)
Cash Out flows from Investing Activities		
Purchase of Property and Equipment	(14,823,026)	(11,344,541)
Investment in Fixed Deposits	-	-
Interest on Fixed Deposits	14,509,416	21,985,381
Net outflow from investing activities	(313,610)	10,640,840
Cash Inflows /(Outflows) from Financing Activities		
Loan Repayment	-	-
Treasury Bills Redemption	-	-
Grants	118,839,727	617,818,908
Net cash from Financing activities	118,839,727	617,818,908
Increase/ (Decrease) in Cash and Cash Equivalents	(115,822,067)	299,924,640
Cash and Cash Equivalents at Beginning of the Period	373,046,801	73,122,161
Cash and Cash Equivalents at the end of the Period	257,224,735	373,046,801



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2009

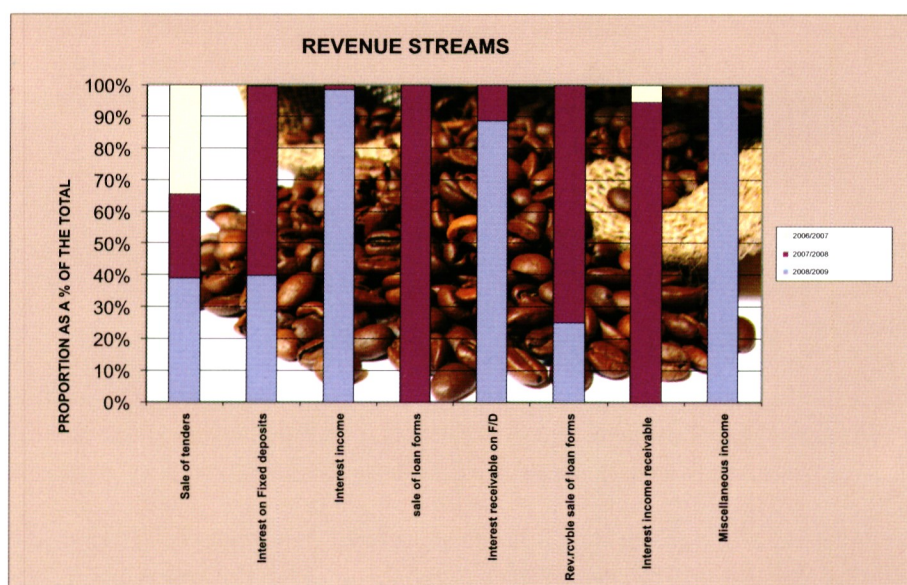
	NOTES	Share capital Kshs	Share premium Kshs	Revaluation earnings Kshs	Retained dividend Kshs	Proposed reserves Kshs	Other Kshs	Total Kshs
At 1 July 2008 as previously reported	9	717,818,908	-	-	97,187,244	-	-	815,006,152
Prior period adjustment due to effects of adopting IAS's, or changes in accounting policies		-	-	-	-	-	-	-
As restated		717,818,908	-	-	97,187,244	-	-	815,006,152
Surplus/(deficit) on revaluation of property, plant and equipment		-	-	-	-	-	-	-
Deferred income tax on revaluation		-	-	-	-	-	-	-
Transfer of excess depreciation		-	-	-	-	-	-	-
Deferred income tax on depreciation transfer		-	-	-	-	-	-	-
Released on disposal of property, plant and equipment		-	-	-	-	-	-	-
Deferred income tax on disposals		-	-	-	-	-	-	-
Net gains/(losses) recognised directly in equity	9	118,839,727	-	-	(10,518,353)	-	-	108,321,374
Net Surplus / (deficit) for the year		-	-	-	13,832,936	-	-	13,832,936
Total recognized income for 2007/2008		-	-	-	-	-	-	-
Dividends:								
Final for 2007/8		-	-	-	-	-	-	-
Interim for 2008/9		-	-	-	-	-	-	-
At 30th June 2009		836,658,635	-	-	100,501,827	-	-	937,160,462

The Fund received one Hundred eighteen Million, Eight Hundred thirty nine Thousand, seven Hundred and twenty seven Shillings (Kshs 118,839,727) from the Treasury via the Ministry of Agriculture for on lending to coffee farmers. These monies are for lending only and cannot be utilized for any other purpose. At the close of the financial year, the Fund had made a surplus of thirteen Million, Eight hundred and thirty two Thousand, and nine hundred thirty six shillings (Kshs 13,832,936). 2006/2007 Kshs 44,849,712.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2008



NOTES	Share capital Kshs	Share premium Kshs	Revaluation Kshs	Retained Earnings Kshs	Proposed Dividend Kshs	Other reserves Kshs	Total Kshs
At 1 st July 2007 as previously reported	9 100,000,000	-	-	52,337,532	-	-	152,337,532
Prior period adjustment due to effects of adopting IAS's, or changes in accounting policies	-	-	-	-	-	-	-
As restated	100,000,000	-	-	52,337,532	-	-	152,337,532
Surplus / (deficit) on revaluation of property, plant and equipment	-	-	-	-	-	-	-
Deferred income tax on revaluation	-	-	-	-	-	-	-
Transfer of excess depreciation	-	-	-	-	-	-	-
Deferred income tax on depreciation transfer	-	-	-	-	-	-	-
Released on disposal of property, plant and equipment	-	-	-	-	-	-	-
Deferred income tax on disposals	-	-	-	-	-	-	-
Net gains/ (losses) recognised directly in equity	9 617,818,908	-	-	-	-	-	617,818,908
Net Surplus / (deficit) for the year	-	-	-	44,849,712	-	-	44,849,712
Total recognized income for 2006/2007	-	-	-	-	-	-	-
Dividends:							
Final for 2006/7	-	-	-	-	-	-	-
Interim for 2006/7	-	-	-	-	-	-	-
At 30th June 2008	717,818,908	-	-	97,187,244	-	-	815,006,152





SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) BASIS OF PREPARATION

The financial statements are prepared under the Historical Cost Convention as modified by fair value adjustments where necessary and in accordance with International Financial Reporting Standards (IFRS) as well as the accrual basis.

The Fund is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

The financial statements are presented in functional currency of Kenya shillings (Kshs) which is the prevailing currency within the primary economic environment, rounded to the nearest shilling and prepared in accordance with the measurement bases prescribed by IFRS.

In the process of applying the Fund's accounting policies, the Fund's Trustees make certain judgments, Estimates and assumptions that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Trustees' best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in these notes to the Financial Statements.

b) FIXED ASSETS

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset where appropriate, only when it is probable that future economic benefits associated with them will flow to the Fund and the cost can be reliably measured. The carrying amount of a replaced part is derecognized and all other repairs and maintenance expenses are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

Motor vehicles	-	25%
Office equipment	-	20%
Computers, copiers, faxes	-	33 $\frac{1}{3}$ %
Furniture & fittings	-	12.5%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property and equipment are periodically reviewed for impairment. Where the carrying amount of property and Equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.



i) LOANS AND ADVANCES

The Fund reviews its loan portfolio to assess the likelihood of impairment at least on a quarterly basis in determining whether a loan or advance is impaired. The Management makes prudent judgments as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected from that loan or advance.

Management uses judgments based on historical experience for any assets with credit risk characteristics and as to whether any conditions would indicate potential impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii) NON FINANCIAL ASSETS

The Fund reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, the management makes prudent judgments as to whether there are any conditions that indicate potential impairment of such assets.

c) REVENUE RECOGNITION

Interest income is recognized on an accruals basis in the Statement of Comprehensive Income using the effective yield on the loan/advance. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

i. Interest Income and Expense

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest bearing Instrument on an accrual basis taking into account the effective yield on the assets.

ii. Fees and Commission Income

Fees and commission income is generally recognized on an accrual basis.

iii. Interest Computation

The Fund's loans are on lent to coffee farmers at a rate of 10% per annum broken down as follows:

4.5%	-	Coffee Development Fund
4.5%	-	Intermediary
1.0%	-	Primary Society
10.0%	-	Total

d) STAFF OBLIGATIONS

The Fund operates a gratuity scheme for its employees. It is fully funded by the Fund. Where employees are entitled to annual leave and long service awards, these are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service awards as a result of services rendered by the employees up to the balance sheet date. The Fund also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF) a national retirement benefit scheme. It also contributes to a statutory defined health insurance scheme, the National Hospital Insurance Fund (NHIF). Both of these contributions are defined by local statutes.

The Fund's contributions to the above schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

e) PROVISIONS

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

f) LIQUIDITY RISK

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Fund's management. It is unusual for a lending institutions maturities and interest rates of assets and liabilities to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities, as they mature are important factors in assessing the liquidity of the Fund and its exposure to interest rates. The Fund does not maintain cash resources to meet all liabilities as they fall due as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

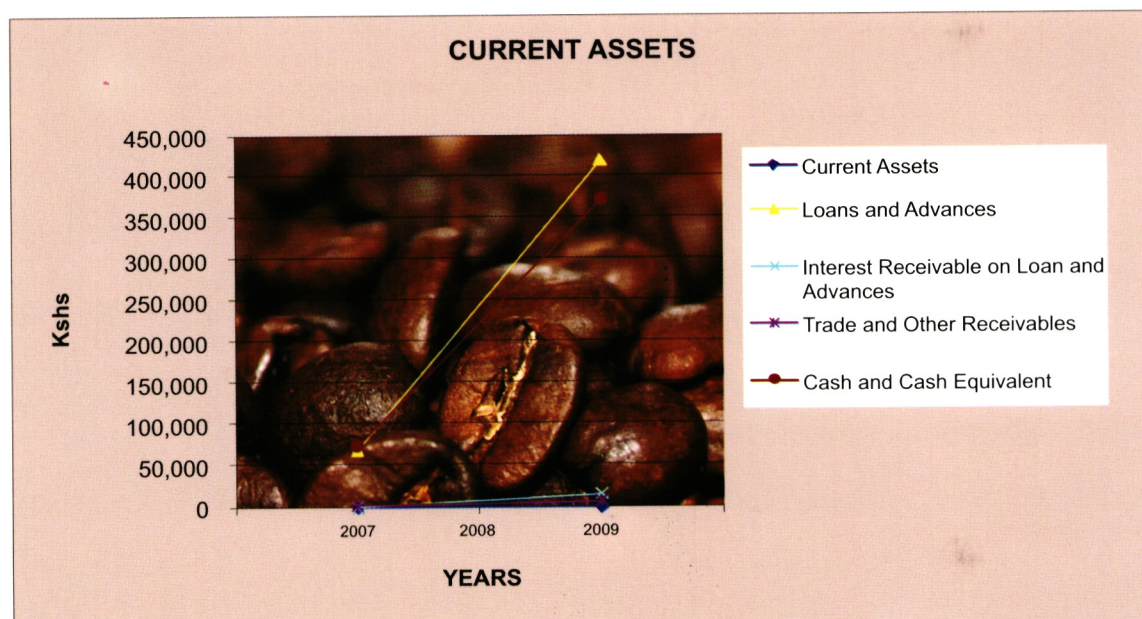
g) ORIGINATING LOANS AND PROVISION FOR LOANS IMPAIRMENT

Loans are originated by the Fund by providing money through intermediaries to the farmer and are categorized as loans originated by the Fund. All loans and advances are recognized when cash is advanced to farmers.

Specific provision is made against loans and advances considered to be doubtful of recovery. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantors and collateral, discounted at the effective interest rate of loans.

A general provision is maintained based on an evaluation of the portfolio of loans and advances in respects of losses, which, although not specifically identified, based on experience can be traced or are present in any such portfolio. This provision is based on the Trustee's assessment of the risk of non-recovery known to be present in the Fund's lending portfolio.

Where a loan or an advance is deemed irrecoverable, it is written off against the related provision for impairments. Subsequent recoveries of amount previously written off are credited to the Statement of Comprehensive Income in the Year of recovery. Loans and advances are stated after deduction of specific and general provisions.



NOTE 2. SCHEDULE OF PROPERTY PLANT & EQUIPMENT FOR THE YEAR ENDED 30th JUNE 2009

	EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS & IT RELATED ITEMS	30.06.2009	30.06.2008
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At start of year	1,315,765	10,362,365	2,202,450	8,060,801	21,941,381	10,596,840
Revaluation	-	-	-	-	-	-
Additions	249,845	-	-	14,573,181	14,823,026	11,344,541
Disposals	-	-	-	-	-	-
At end of year	1,565,610	10,362,365	2,202,450	22,633,982	36,764,407	21,941,381
Comprising:						
Cost	1,565,610	10,362,365	2,202,450	22,633,982	36,764,407	21,941,381
Revaluation	-	-	-	-	-	-
Total	1,565,610	10,362,365	2,202,450	22,633,982	36,764,407	21,941,381
Depreciation:						
At start of year	185,026	3,444,757	138,241	2,275,967	6,043,991	860,204
Charge for the year	297,886	2,590,596	275,304	3,196,026	6,359,809	4,958,241
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At end of year	482,912	6,035,353	413,545	5,471,994	12,403,800	6,043,991
Net Book Value as at 30/06/2009	1,082,698	4,327,012	1,788,905	17,161,988	24,360,607	16,122,936



*Dr. Songa delivering his speech when he
officially opened the Board of Trustees Induction*

NOTE 3. LOANS & ADVANCES

INTERMEDIARY	ADVANCES ON-LENT	CRL ON-LENT	BALANCE AT INTERMEDIARY	TOTAL
Agricultural Finance Corp.	87,842,653	-	(664,831)	87,177,822
Baringo Teachers Sacco	16,869,460	19,399,075	(45,660)	36,222,875
Egerton University Sacco	4,328,325	5,624,026	51,050	10,003,401
Embu Farmers Sacco	28,042,736	33,935,298	14,806,169	76,784,204
Kiambu Tea Growers Sacco	40,845,484	73,627,165	5,913,260	120,385,909
Kipsigis Teachers Sacco	3,417,501	7,480,950	6,121,825	17,020,276
Kirinyaga District Farmers Cfc	26,019,136	-	3,903,337	29,922,473
Kirinyaga District Farmers Sacco	30,170,716	6,944,276	1,462,388	38,577,382
K-Rep Fedha Services - Kikima	-	11,442,850	222,400	11,665,250
K-Rep Fedha Services - Nunguuni	-	5,216,335	655,617	5,871,952
Mathira Farmers Sacco	7,226,840	11,413,926	5,279,213	23,919,979
Meru Central Farmers Sacco	34,450,097	30,280,809	13,244,835	77,975,741
Meru North Farmers Sacco	2,500,309	-	2,851,616	5,351,925
Meru South Farmers Sacco	10,938,967	15,257,980	3,652,774	29,849,721
Michimikuru Rural Sacco	854,595	-	8,201,311	9,055,906
Mugama Farmers Co-Op. Union	67,550,391	20,160,010	734,428	88,444,829
Nandi Farmers Sacco	961,600	-	1,538,400	2,500,000
Ntiminyakiru Farmers Sacco	4,778,270	16,846,150	(1,420,770)	20,203,650
Taifa Farmers Sacco	22,508,918	32,394,853	8,593,390	63,497,161
Taita Taveta Teachers Sacco	-	1,498,770	124,480	1,623,250
Trans-Nzoia Teachers Sacco	3,542,150	21,024,600	76,150	24,642,900
Wakenya Pamoja Sacco	32,030,625	636,500	4,162,425	36,829,550
Kuria Teachers Sacco	5,617,092	-	120,689	5,737,781
Kikai Rural Sacco	-	2,892,984	935,856	3,828,840
Kapenguria Teachers Sacco	-	2,496,930	447,234	2,944,164
Rachounyo Teachers Sacco	-	1,995,400	1,165,000	3,160,400
Universal Traders Sacco	-	7,851,330	160,614	8,011,944
SUB - TOTAL	430,495,865	328,420,217	82,293,203	841,209,283
Less cash at intermediaries				(82,293,203)
Less loan repayments	(132,618,519)	-	(33,090,577)	(165,709,096)
Less accumulated specific provision for doubtful debts	(3,337,316)	-	-	(3,337,316)
Less accumulated general provision for doubtful debts	-	-	-	(17,457,845)
TOTAL	294,590,030	328,420,217		572,411,823

NOTE 4(a). INTEREST RECEIVABLE



	30/06/2009	30/06/2008
	Kshs	Kshs
Interest Receivable on Loans and Advances B/F in 2007/2008	14,727,289.00	15,593,264.00
Add prior year adjustment recognized for 2007/2008	(1,652,117.00)	(865,975.00)
Add Interest Receivable on Loans and Advances 2008/2009	48,467,566.09	-
Less repayment	(61,542,738.00)	-
	NIL	14,727,289.00

NOTE 4 (b). TRADE AND OTHER RECEIVABLES

	30/06/2009	30/06/2008
	Kshs	Kshs
PRE-PAYMENTS	439,197.00	1,180,413.59
REVENUE RECEIVABLE ON SALE OF LOAN FORMS	2,967,600.50	4,542,100.00
UTILITIES DEPOSITS	1,141,802.70	396,100.00
INTEREST RECEIVABLE ON FIXED DEPOSITS	1,529,912.80	197,972.08
LOAN REPAYMENTS HELD BY THE INTERMEDIARIES	33,090,577.50	NIL
DISBURSEMENTS HELD AT INTERMEDIARY	82,293,203.50	NIL
INTEREST RECIEVEABLE ON LOANS & ADVANCES	3,256,334.00	NIL
TOTAL	124,718,626.00	6,316,585.67

The Intrest receiveable on Loans & Advances is Kshs 3,256,334/- (2007/2008 Kshs 14,727,289/-) while the disbursements held at the Intermediaries is Kshs 82,293,203.50(2007/2008 Kshs 92,942,327/-).

NOTE 5. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash balances on hand as set out below:

	30/06/2009	30/06/2008
	Kshs	Kshs
Cash a Hand	64,151	6,000.00
Cash at Bank	36,409,704	160,202,904
Fixed Deposits on Call	220,750,880	212,837,897
Total	257,224,735	373,046,801

NOTE 6. EQUITY

The Fund received One Hundred Eighteen Million, Eight Hundred Thirty nine Thousand, Seven Hundred and Twenty Seven Shillings (Kshs 118,839,727) from the Treasury via the Ministry of Agriculture for on lending to coffee farmers. These monies are for lending only and cannot be utilized for any other purpose. At the close of the financial year, the Fund had made a surplus of Thirteen million, eight Hundred and thirty two thousand, nine hundred and thirty six Shillings (Kshs.13,832,936).

NOTE 7. TRADE AND OTHER PAYABLES

Sr. No.	PARTICULARS	30/06/2009	30/06/2008
		Kshs.	Kshs.
1	GRATUITY	6,446,739.00	3,524,360.00
2	LEAVE ALLOWANCE	82,371.80	218,082.00
3	AUDIT FEES	450,000.00	450,000.00
4	RETENTIONS	29,646.99	381,089.13
5	VAT	6,400.00	134,165.00
6	UAP INSURANCE LTD	251,213.00	-
7	G4S SECURITY SERVICES	62,689.84	-
8	STAFF CLAIMS	115,661.00	281,264.00
9	CONSUMER INSIGHT	-	236,640.00
	TOTAL	7,444,721.85	5,225,600.13

NOTE 8. COMMISSIONS PAYABLE



They comprise of the intermediaries and Primary Society's share of interest being 5.5% as per the breakdown in note 1C (iii). It amounts to twenty six Million, seven Hundred Thousand, seven Hundred and thirty eight shillings. (Kshs.26,700,738; 2007/2008 Kshs 8,981,110).

NOTE 9. GOVERNMENT GRANTS

Government grants are accounted for under the Income Approach where they are recognized as income over the periods necessary to match them with the related assets which they are intended to compensate on a systematic basis in accordance with IAS 20 Accounting for Government Grants and Financial Assistance. During the Financial Year 2008/2009 the Fund received Forty One Million, six hundred & sixty six thousand, six hundred & sixty six Shillings (Kshs 41,666,666), (2007/2008 Seventy One Million Shillings, Kshs71,000,000). The grants originated from the Treasury via the Ministry of Agriculture.

NOTE 10. OTHER INCOME

Other income comprise of revenues from sale of tenders, sale of loan forms, interest earned on fixed deposits as well as Accrued interest from loans and advances. The breakdown is as follows:

DESCRIPTION	30/06/2009	30/06/2008
	Kshs.	Kshs.
Sale of tenders	206,000	141,000
Interest on Fixed deposits	14,509,416	21,985,381
Interest income	48,546,797	736,027
Cash on sale of loan forms	-	1,795,100
Interest receivable on F/D	1,529,912	197,972
Revenue on sale of loan forms	1,504,300	4,542,100
Interest income receivable	-	14,727,290
Miscellaneous income	20,740	-
Total	66,317,165	44,124,870

NOTE 11. ADMINISTRATIVE EXPENSES

DESCRIPTION	30/06/2009	30/06/2008
	Kshs.	Kshs.
Board Expenses	5,263,258	6,562,454
Workshops & conferences	401,872	95,916
Employer's statutory contributions	44,800	31,000
Salaries	20,682,057	16,339,662
Total	26,391,987	23,029,032

NOTE 12 .OPERATING EXPENSES

	30/06/2009 Kshs	30/06/2008 Kshs
Advertisements	1,668,975	1,262,818
Bank Charges	208,192	386,258
Coffee Reforms Secretariat	20,344	871,524
Computer accessories	137,781	327,149
Computer Maintenance	259,550	-
Computer & IT items insurance	70,195	34,055
Commissions	26,700,738	8,981,110
Contracted professional services	1,320,604	618,960
Courier & postal services	101,041	41,517
Donations	50,000	189,620
Field Visits	1,954,115	2,366,592
General Office Expenses	758,043	1,033,245
Hire of training facilities & equipment	-	14,220
GPA Insurance	456,078	44,892
Internet/E-mail	1,558,384	1,032,737
Legal fees/dues, arbitration & compensation payments	-	-
Medical expenses	2,289,179	1,127,256
Miscellaneous Expenses	41,402	33,680
Minor alteration to building (repairs)	10,400	263,628
Motor vehicle insurance	703,143	325,834
Motor vehicle maintenance expenses	1,023,828	325,373
Motor vehicle running expenses	1,209,645	700,441
Office equipment insurance	65,574	34,480
Office partitioning expenses	685,703	3,424,584
Office equipment service & repairs	92,160	154,140
Printing & Publishing	1,509,169	1,122,223
Rents & Rates	1,949,760	1,620,960
Shows & exhibitions	166,784	286,425
Staff Party & Annual dinner	188,604	132,730
Strategic plan & service charter	319,000	1,971,370
Subscriptions to newspapers, magazines & periodicals	145,922	156,458
Training	2,186,981	714,010
Training Levy	11,150	7,800
Telephone, Telex & Facsimile	1,336,084	781,035
Traveling & Subsistence	1,701,157	427,857
Total	50,899,685	30,814,981

13. PROVISION FOR DOUBTFUL DEBTS



A provision of four million, nine Hundred and fifty three Thousand, nine hundred & nineteen shillings (Kshs 4,953,919) has been provided for doubtful debts on the amount on lent to farmers. (2007/08 Kshs 6,674,631)

14. ACCRUED EXPENSES

The Fund has made reliable provisions for various expenses as per the table below, where it has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of economic benefits will be required to settle the obligation.

Sr. No.	PARTICULARS	30/06/2009	30/06/2008
		Kshs.	Kshs.
1	GRATUITY	4,592,039.00	3,127,560.00
2	LEAVE ALLOWANCE	503,456.10	187,554.00
3	AUDIT FEES	450,000.00	450,000.00
4	VAT	-	134,165.67
5	SALARIES	-	281,264.00
6	CONSUMER INSIGHT	-	236,640.00
7	JOGRA ELECTRICALS-RETENTIONS	-	42,486.40
8	KENYA KOTCH LIGHT -RETENTIONS	-	316,891.35
9	EEA KENYA LTD-RETENTIONS	-	21,711.38
	TOTAL	5,545,495.10	4,798,272.80

15. UTILITIES DEPOSITS

This is an amount paid to the Coffee Board of Kenya as a deposit for leasing the Fund's offices totaling Kshs.372,000/-. The Fund has also Telephone Deposits for Sixty one Thousand, Seven Hundred Shillings (Kshs.61,700). All these are refundable and are non-interest bearing.

The Fund has undertaken a guarantee to the tune of three Hundred & sixty Thousand Shillings (Kshs 360,000) through the Co-operative Bank in favour of Total Kenya for supply of fuel and lubricants and in favour of Uchumi Supermarket Ltd. (in receivership). The Guarantee is for a fixed term of one year renewable.

16. COMMITMENTS

As part of the Fund's setting up processes, it was to acquire various assets and services geared towards making it fully operational. It is expected that these commitments will be fulfilled during the next financial Year 2009/2010 and will be funded from the general reserves.

17. MANAGEMENT EXPENSES

Key executive management personnel comprising of the Managing Trustee and departmental heads compensation amounts to seventeen Million, Four Hundred and ninety five Thousand, seven Hundred and ninety six (Kshs 17,495,796) as broken down below:

	2008/09	2007/08
	Kshs.	Kshs.
Emoluments & benefits	14,077,873	10,810,150
Post employment benefits	3,417,923	242,867
	17,495,796	10,567,283

18. PRIOR YEAR ADJUSTMENTS

During the period the Fund amended its depreciation rate for Computers, Copiers & IT related assets from 30% to 331/3% resulting in a prior year adjustment in Provision for depreciation of two hundred & twenty five thousand, five hundred & forty six shillings (Kshs 225,546/-), 2007/08: NIL. During the period, the Fund amended its provision for bad & doubtful debts from 1% to 3% resulting in a prior year adjustment of eight million, one hundred & sixty six thousand, six hundred & ten (Kshs 8,166,610), 2007/08 NIL. The Fund also reclassified its operating & Administrative expenditures by transferring Field visits Kshs 2,366,592/- from administrative to operating expenses.

19. ISS AMORTIZATION

The Fund has as part of its assets under Computers; Copiers & IT related various software's & the cost of the ISS, which are amortised over a three-year period. The amortisation charge for the period was two million, eight hundred & seventy three thousand, nine hundred & ninety four shillings (Kshs 2,873,994) 2007/08 Kshs 762,383/-

20. BUSINESS SEGMENT INFORMATION

a) *Business Segments*

The Fund's main business is lending to coffee farmers, which accounts for all of its operations. There are therefore no material distinct business segments to necessitate detailed disclosure, as segmental reporting is not considered of any useful value.

b) *Geographical segments*

The Fund operates wholly within Kenya.

OUR INTERMEDIARIES

1. Agricultural Finance Corporation
2. Baringo Teachers SACCO Ltd.
3. Egerton University SACCO Ltd.
4. Embu Farmers SACCO Ltd.
5. Wakenya Pamoja (Formerly Gusii) Rural Farmers SACCO Ltd.
6. Kapenguria Teachers SACCO Ltd.
7. Tai Sacco Ltd. (Formerly Kiambu Tea Growers SACCO Ltd.)
8. Kipsigis Teachers SACCO Ltd.
9. Kirinyaga District Farmers SACCO Ltd.
10. K-Rep Fedha Services Ltd.
11. Kuria Teachers SACCO Ltd.
12. Universal (Formerly Masaku) Traders SACCO Ltd.
13. Mathira Farmers SACCO Ltd.
14. Meru Central Farmers SACCO Ltd.
15. Meru North Farmers SACCO Ltd.
16. Meru South Farmers SACCO Ltd.
17. Michimikuru Rural SACCO Ltd.
18. Mugama Farmers Co-operative Union.
19. Nandi Farmers SACCO Ltd.
20. Ntiminyakiru Rural SACCO Ltd.
21. Rachuonyo Teachers SACCO Ltd.
22. Taifa SACCO Ltd.
23. Taita Taveta Teachers SACCO Ltd.
24. Trans-Nzoia Teachers SACCO Ltd.
25. Kikai Rural SACCO Ltd.



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