



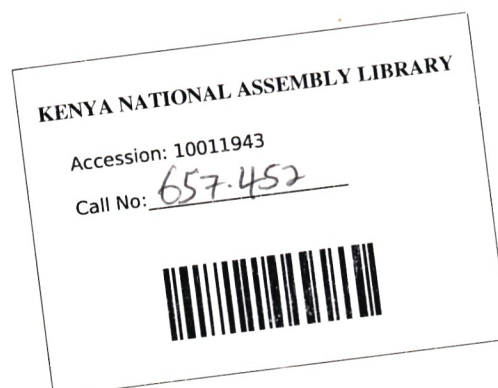
AGRICULTURAL FINANCE CORPORATION

ANNUAL REPORT
& ACCOUNTS
• 1994 •

657.452
AFC

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I have the pleasure to present the annual report and accounts of the Agricultural Finance Corporation for the year ended 30th June, 1994.

The year marked a turn-around for Kenya's economy which responded positively to the initial liberalisation measures which took a heavy toll in 1993. Although the Agricultural sector is yet to stabilise, the Corporation is still holding its ground.

Reforms

As the Ministry of Finance continued to firmly implement economic reforms in spite of public and political outcry, the inflation rate that was threatening the common *Mwananchi* was brought down to sustainable levels. The weather condition on its own accord also improved to the relief of our long suffering customers.

The shilling also made a dramatic recovery, gaining against all convertible currencies after suffering a considerable beating in 1993. But while meat is great for some, it is poison for others. Therefore, the recovery of the shilling, while causing delight to importers and Kenyan consumers, brought nightmares to our newly found clientele in the horticultural and floricultural export sector.

Corporate Performance

In spite of the aforementioned economic performance, and the milliard agonies besetting the agricultural sector, the Corporation returned good results during the year. Total income increased by 13.8% during the year from Kshs. 450.2 million last year to Kshs. 512.5 million. The assets of the Corporation also increased from Kshs. 4.1 billion to Kshs. 4.4 billion.

The improved results, in spite of the constraints of the AFC Act (Cap 323) in the liberalised financial market, are a result of the positive attitude and dedication to duty of the members

Nina furaha ya kuwasilisha ripoti ya kila mwaka na matumizi ya shirika la kitaifa la kutoa mikopo kwa wakulima kwa mwaka uliomalizika tarehe 30 mwezi Juni mwaka 1994.

Mwaka huo ulikuwa wenye shughuli nyingi kiuchumi nchini Kenya kutokana na hatua za mwanzo mwanzo za kuuweka uchumi huru ambazo zilianza kuthibitiwa mwaka 1993. Ingawa sekta ya kilimo inatarajiwa kuthibitiwa zaidi, shirika la AFC lingali katika harakati za kufikia lengo hilo.

Marekebisho

Huku wizara ya fedha ikiendelea kutekeleza marekebisho ya kiuchumi kwa uzingativu mkubwa licha ya malalamiko kutoka na maongozi ya kisiasa na msimamo wa wananchi, gharama ya

maisha ambayo ilitishia mwananchi wa kawaida imepunguzwa hadi katika kiwango cha kustahimiliwa na kila mmoja. Mabadiliko ya hewa kwa upande wake yalichangia kuimarisha hali hiyo na hasa wateja wetu.

Shilingi ya Kenya pia iliimarika kwa ghafla na kujizatiti miongoni mwa sarafu kuu baada ya kushuka kwa kiwango cha juu mwaka 1993. Ingawa nyama hupendwa na wengi, kwa upande mwingine nyama hiyo huwa sumu kwa wengine. Hivyo basi, kuimarika kwa shilingi ya Kenya na licha ya kuwa furaha kwa waagizaji bidhaa kutoka nchi za nje na wanunuzi wa bidhaa humu nchini Kenya, kulisababisha hali ya kutatanisha kwa wateja wetu wapya katika sekta ya uuzaji bidhaa za mboga na matunda pamoja na maua katika nchi za nje.

Shughuli za Shirika

Mbali na maendeleo ya kiuchumi yaliotajwa hapo awali na matatizo katika sekta ya kilimo, shirika la AFC lilipata matokeo bora mwaka



LEO P. ODERO - CHAIRMAN

of staff guided by a strong and committed management team.

My Congratulations to them.

Outlook

Looking into the future, I laud the Government for the positive economic reforms that are presently being implemented. It is noteworthy that the budget deficit was reduced from 10.4 percent of the GDP in 1992/93 to 7.4 percent in 1993/94. The deficit is expected to be reduced further by streamlining the revenue collection machinery through the newly launched Kenya Revenue Authority. The AFC on its part expects to play its part by continuously reviewing and improving its loan administration procedures.

Appreciation

I would like to extend my sincere appreciation to the farmers who have continued to work hard in spite of various factors that have not been favourable to them. I am also grateful to the World Bank for their continued support.

Finally I acknowledge the enabling environment that has prevailed in the country as a result of the able leadership of **His Excellency The President, Daniel Toroitich arap Moi.**

LEO P. ODERO
CHAIRMAN

huo. Mapato ya jumla yaliongezeka kwa asilimia 13.8 wakati wa kipindi hicho kutoka shilingi Milioni 450.2 mwaka uliopita hadi shilingi Milioni 512.5. Rasilimali za shirika hili pia ziliongezeka kutoka shilingi Bilioni 4.1 hadi shilingi Bilioni 4.4.

Kuimarika kwa matokeo hayo licha ya matatizo ya shirika la AFC katika kifungu nambari 323 cha katiba yake kwenye soko huru la kiuchumi kumetokana na uzingativu na kujitolea kazini kwa wafanyi kazi wake chini ya usimamizi bora katika shirika hilo. Hivyo basi nawapongeza wafanyi kazi hao.

Matarajio

Tukiangalia hali ya baadaye, naipongeza serikali kwa juhudi katika marekebisho ya kiuchumi ambayo yanatekelezwa kwa wakati huu. AFC itaendelea katika jitihada za kuikuza sekta ya kilimo na uimarishaji wa uchumi kwa manufaaa ya taifa hili kwa jumla.

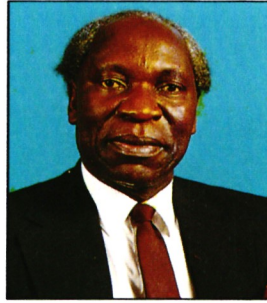
Shukrani

Ningependa kuwashukuru wakulima ambao wameendelea kufanya kazi kwa bidii katika nyanja mbali mbali ambazo zimekuwa haziwanufaishi. Pia naipongeza Benki Kuu ya Dunia kwa usaidizi wake.

Mwisho nimefurahishwa na mazingira bora ya uwekaji rasilimali ambayo yametokana na uongozi thabiti wa **Mtukufu Rais Daniel Toroitich arap Moi.**

LEO P. ODERO
MWENYEKITI

Board of Directors



LEO P. ODERO
CHAIRMAN



GIDEON K. TOROITICH
MANAGING DIRECTOR



JEANNE W. GACHECHE
CORPORATION SECRETARY



BENJAMIN KIPKULEI, OBE
PERMANENT SECRETARY
MINISTRY OF FINANCE



ENG. PETER WAMBURA
PERMANENT SECRETARY
MINISTRY OF AGRICULTURE



EVANS NGAVA
DIRECTOR



EPHAINITO WANYAMA
DIRECTOR



DANIEL NDONYE
DIRECTOR



ADEN ODOWA
DIRECTOR

The Directors have pleasure in submitting the Report and Accounts of the Agricultural Finance Corporation for the year ended June 30th, 1994.

Wakurugenzi wanafuraha ya kuwasilisha ripoti na tarakimu ya matumizi ya pesa ya shirika la kutoa mikopo kwa wakulima (AFC) ya mwaka wa 1994 uliomalizika tarehe 30 mwezi wa sita.

Activities

AFC is a Government owned statutory body which was established in 1963 for the purpose of providing credit for Agricultural production and development. During the year the Corporation continued to discharge its mandate by advancing loans for food crop production (predominantly maize and wheat), purchase of land and general farm development.



G. K. TOROITICH - MANAGING DIRECTOR

Shughuli

Shirika la AFC ni la serikali na lilianzishwa mwaka wa 1963 kwa lengo la kutoa mikopo kwa uzalishaji na ustawishaji wa kilimo. Katika mwaka huo, shirika liliendelea kutekeleza wajibu wake kwa kupeana mikopo ya uzalishaji wa mazao hasa mahindi na ngano, ununuzi wa mashamba na ustawishaji wa mashamba kwa jumla.

Results

	1994 K£'000	1993 K£'000
Total Income	25,626	22,512
Total Expenses	23,062	19,974
Profit before Tax	2,564	2,538
Tax	897	1,034
Retained Profit	<u>1,667</u>	<u>1,504</u>

Matokeo

	1994 K£'000	1993 K£'000
Mapato kwa Jumla	25,626	22,512
Matumizi kwa Jumala	23,062	19,974
Faida Kabla ya Utozaji Ushuru	2,564	2,538
Ushuru	897	1,034
Faida Iliyohifadhiwa	<u>1,667</u>	<u>1,504</u>

Directors

The Corporation is directed by a Board of 8 Directors appointed by the Government responsible for policy decisions in accordance with the powers bestowed upon them by the AFC Act (Cap 323 Laws of Kenya). The Board meets regularly to consider loan applications and to determine policy issues for the guidance of management.

Wakurugenzi

Shirika hili la AFC linasimamiwa na baraza la wakurugenzi wanane ambao huteuliwa na serikali. Wakurugenzi hao wanaajibika kutekeleza maongozi ya serikali kwa mamlaka waliopewa na shirika la AFC kulingana na kifungu nambari 323 cha sheria za Kenya.

Baraza hili la wakurugenzi hukutana mara kwa mara ili kudhukuru (kufikiria) maombi ya kupata mikopo na kuyakinisha maongezi ambayo

The Directors who served during the year were:

Mr. Leo P. Odero	- Chairman
Mr. Gideon K. Toroitich	- Managing Director
Mr. Daniel M. Ndonge	- Member
Mr. Ephainito Wanyama	- Member
Mr. Evans M. Ngava	- Member
Mr. Aden B. Odowa	- Member

The Permanent Secretary, Ministry of Agriculture, Livestock Development and Marketing.
The Permanent Secretary, Ministry of Finance.

Management

The day to day management is vested with the Managing Director who is responsible to the Board for all planning and implementation of policies.

Staff

Total staff strength stood at 1,199 at the end of the year. The Corporation takes the welfare of staff members to be of great importance in order to sustain a healthy workforce. To this end, the activities of the sports and social welfare clubs continued unabated throughout the year. These are Netball, Football, Scrabble, Darts, Chess, Choir and Christian Union.

The AFC training and sports centre is nearing completion and will be commissioned in the very near future.

Branches

The Corporate network of 49 branch offices, which cover all the provinces and most dis-

yatachunguzwa na wakuu wa shirika. Wakurugenzi waliohudumu katika mwaka wa 1994 ni kama wafuatavyo:-

Bw. Leo P. Odero	- Mwenyekiti
Bw. Gideon K. Toroitich	- Mkurugenzi Mkuu
Bw. Daniel M. Ndonge	- Mwana Chama
Bw. Epinoa Wanyama	- Mwana Chama
Bw. Evans M. Ngava	- Mwana Chama
Bw. Aden B. Odowa	- Mwana Chama

Katibu wa kuduma katika Wizara ya Kilimo, Ustawi wa Mifugo na Uuzaji.
Katibu wa kuduma katika Wizara ya Fedha.

Usimamizi

Usimamizi wa kila kitu uko chini ya Mkurugenzi Mkuu ambaye anawajibu wa kupanga na kutekeleza maongozi yaliyopendekezwa na baraza la wakurugenzi.

Wafanyikazi

Shirika hili kufikia mwisho wa mwaka jana wa 1994 lilikuwa na wafanyikazi elfu 1,199. Shirika linazingatia sana maslahi ya wafanyikazi wake na huhakikisha kwamba wamo katika mazingira mema yakufanya kazi.

Wafanyikazi walihusika katika shughuli za michezo na za kijamii. Wafanyikazi walishiriki katika michezo kama vile Netiboli, Kandanda, Scrabble, Vishale na Chess, Uimbaji na ushirika wa kikristo yaani Christian Union. Ujenzi wa ukumbi wa mafunzo na michezo wa shirika hili unaendelea na unakaribia kumalizika na punde ukamilikapo, utanzishwa rasmi.

tricts, continued to serve the rural farming community effectively and adequately. Adequate infrastructure which includes owned or leased premises and transport was provided to ensure quality service.

Auditors

Auditors of the Corporation remain Auditor General (Corporations). No change in the status quo is envisaged.

For and on behalf of the Directors,

G. K. TOROITICH
MANAGING DIRECTOR

Matawi

Shirika lina matawi 49 katika mikoa yote na baadhi ya wilaya ambayo huendelea kuhudumia jamii za mashambani kwa njia zifaazo na zakuzitosheleza. Wakati mwingine shirika hukodisha majumba na uchukuzi mahali ambapo halina ili kutoa huduma bora.

Wakaguzi wa Hezabu (Wasikizi)

Wakaguzi wa hesabu wa shirika hili bado ni wale wale wa mashirika bila ye yote mwingine kuwa katika fikira kwa sasa.

Kwa niaba ya Wakurugenzi,

G. K. TOROITICH
MKURUGENZI MKUU

Executive Management



GIDEON K. TOROITICH
MANAGING DIRECTOR



JARED H. OTHIENO
PERSONNEL &
ADMINISTRATION MANAGER



JEANNE W. GACHECHE
CORPORATION SECRETARY



FRANCIS S. WANYAMA
FINANCIAL CONTROLLER



MATHEW K. WANYAMA
ASSISTANT GENERAL
MANAGER



BEN S. MBATIA
ASSISTANT GENERAL
MANAGER



TIROP KOSGEI
ASSISTANT GENERAL
MANAGER



YORAM T. JILO
TECHNICAL SERVICES
MANAGER



DAVID N. RIUNGU
CHIEF PLANNING
OFFICER



JOHN M. KIMONGE
CHIEF INTERNAL
AUDITOR

Report of the Auditor General (Corps.)

For the year ended 30th June, 1994

I have examined the accounts of the Agricultural Finance Corporation for the year ended 30th June, 1994 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept and the accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with Agricultural Finance Corporation Act, (Cap 323).

Subject to the reservations set out herebelow, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the Corporation's state of affairs as at 30th June, 1994 and of its profit and source and application of funds for the year ended on that date.

1. RESTRUCTURING

As previously reported, the Government through the Agricultural Finance Corporation engaged consultants to make recommendations for a restructured Balance Sheet as at 30th June, 1989. I understand that the restructured Balance Sheet is aimed at, among other measures, eliminating from the Balance Sheet loans and debts due to the Corporation but whose recoverability is doubtful and similarly eliminating from the Balance Sheet the corresponding liabilities and converting some liabilities owed by the Corporation into equity capital or grants. The recommendations for the restructuring are subject to the approval of the Government. However, at the time of signing this report, the Government's approval and acceptance of the consultant's recommendations had not been finalised and as a result, I am unable to state or ascertain the effect the proposed restructuring will have on the Corporation's financial position. Further, in view of lapse of time, the Government will have to review the restructuring a fresh to take care of the changed circumstances since 1989.

2. LOANS TO FARMERS

As in the previous years, arrears of loan repayments due from farmers have continued to increase and stood at K£ 84,667,959 as at 30th June, 1994 compared with K£ 78,193,012 as at 30th June, 1993. I have been informed that the arrears have mainly resulted from difficulties in collecting the loans owing to poor pricing of agricultural commodities, marketing problems, borrowers' negative attitude to pay following the publicity of write-offs of specified loans as were directed by the Government and amounts of loans recoveries made by marketing agencies but not yet remitted to the Corporation.

However, until the amounts of loan recoveries made by marketing agencies are remitted to the Corporation coupled with intensified loan recovery measures by the Corporation, the arrears of loans are likely to continue increasing. Further although according to note 7 to the accounts the provision for bad and doubtful debts of K£ 8,786,079 is based on identified specific bad and doubtful debts on various classes of loans the amount appears inadequate in view of the irrecoverability of many of these loans.

3. SEASONAL CROP CREDIT

As in the previous years, no written agreement has, to-date, been signed between the Corporation and Government regarding the operation of Seasonal Crop Credit (SCC) Schemes and as a result, it is still not possible to ascertain the correctness of the commission receivable amounting to K£ 8,180,943 in respect of Seasonal Crop Credit Agency Commission nor the extent of the

Report of the Auditor General (Corps.) (Contd.)

Corporation's total indebtedness to the Schemes of K£ 27,019,716 as disclosed in Note 14 to the accounts. However, the Corporation has explained that the Government had, under a letter dated 7th March, 1984 acknowledged the Corporation's right to charge such commission. For the year under review an agency commission of K£ 512,421 was charged although indications are that the operations of the agency were almost at a stand still.

4. REDEEMABLE LOANS

The Corporation has not serviced any portion of its redeemable loans totalling K£ 6,831,327 as at 30th June, 1994. In addition the Corporation has accumulated interest payable amounting to K£ 53,537,887 as follows:

Interest on Irredeemable and Redeemable Loans	K£ 32,202,193
Interest on Seasonal Crop Credit Loans	K£ 21,335,694
	<hr/>
	K£ 53,537,887

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

5. SHORT-TERM DEPOSITS

Included under debtors is an amount of K£ 1,441,549 representing both principal and interest, as at 30th June, 1994 on a short term deposit account with a Building Society which matured in 1989 but which has not been repaid. The amount is subject to a court case whereby the Society is seeking court order to restrain the Corporation from disposing of the properties pledged as security while the Corporation has filed a counter suit. Judgement in the two cases had not been made at the time of signing this report and I am therefore unable to determine the loss the Corporation is likely to incur.

W. K. KEMEI
AUDITOR GENERAL (CORPORATIONS)

Balance Sheet

As at 30th June, 1994

	NOTES	1994 K£	1993 K£
ASSETS:			
CASH & BANK BALANCES		4,496,513	4,359,963
SHORT TERM DEPOSITS		16,122,255	27,661,376
DEBTORS	3	2,977,822	1,259,311
CONSUMABLE STORES		101,941	84,708
		23,698,531	33,365,358
LOANS TO FARMERS			
LARGE SCALE LOANS	4	85,320,525	82,313,410
SMALL SCALE LOANS	5	29,104,292	27,148,972
SEASONAL CROP LOANS	6	61,869,261	48,823,610
		176,294,078	158,285,992
PROV. FOR DOUBTFUL DEBTS	7	(8,786,079)	(9,110,427)
		167,507,999	149,175,565
REPOSSESSED PROPERTIES	8	461,786	463,039
STAFF LOANS	9	3,151,444	3,166,200
B.A.T. LOANS	10	298,469	308,651
FIXED ASSETS	11	25,669,147	19,260,037
		197,088,845	172,373,492
		220,787,376	205,738,850
LIABILITIES AND CAPITAL:			
CREDITORS & ACCD. CHARGES	12	65,893,233	56,811,553
PROVISION FOR TAX	13	10,209,712	9,312,339
DUE TO AGENCY	14	18,838,773	17,674,304
LAND, TRACTOR BORR. DEPS.		109,943	109,448
BANK LOAN	15	17,850,942	17,184,743
AFC SCC LOANS	16	17,900,000	17,900,000
REDEEMABLE LOANS	17	58,680,169	57,108,411
IRREDEEMABLE LOANS	18	14,174,606	14,174,606
		203,657,378	190,275,404
REVALUATION RESERVE		3,539,160	3,539,160
GENERAL RESERVE	19	6,992,944	5,328,178
REVOLVING FUND	20	59,359	57,573
GRANTS	21	6,538,535	6,538,535
		220,787,376	205,738,850

The accounts on pages 11 to 28 were approved by the Board of Directors on 27th Oct, 1994 and were signed on its behalf by:

L.P. ODERO
CHAIRMAN

G.K. TOROITICH
MANAGING DIRECTOR

11

Profit and Loss Account

For the Year Ended 30th June, 1994

	NOTES	1994 K£	1993 K£
INCOME:			
INTEREST INCOME:			
LARGE SCALE LOANS	4	8,191,436	7,583,696
SMALL SCALE LOANS	5	2,768,008	2,317,946
SEASONAL CROP LOANS	6	6,069,178	5,539,121
OTHERS	22	6,604,347	5,138,732
		23,632,969	20,579,495
OTHER INCOME:			
AGENCY COMMISSION		513,021	533,037
APP. LEGAL & INSP. FEES		804,624	789,697
PROFIT ON SALE OF ASSETS		123,909	40,796
RENT		462,146	392,316
SUNDRIES		89,211	177,290
		1,992,911	1,933,136
TOTAL INCOME		25,625,880	22,512,631
EXPENSES:			
INTEREST EXPENSES ON:			
IRREDEEMABLE LOANS		410,880	410,880
REDEEMABLE LOANS		3,586,664	3,435,488
AFC SCC LOANS		2,506,000	2,506,000
REBATE INTEREST		456,368	182,599
BANK LOAN		2,916,199	2,158,750
		9,876,111	8,693,717
OTHER EXPENSES:			
BOARD MEMBERS' ALLOWANCES		39,773	19,047
STAFF COSTS	23	7,787,339	6,605,492
ADMINISTRATION	24	4,703,330	3,486,147
DOUBTFUL DEBTS	25 & 26	(236,449)	359,709
DEPRECIATION	11	891,850	810,338
		13,185,843	11,280,733
TOTAL EXPENSES:		23,061,954	19,974,450
PROFIT BEFORE TAX		2,563,926	2,538,181
TAXATION	13	897,374	1,034,441
TRANSFER TO GEN. RESV.	19	1,666,552	1,503,740

Statement of Source and Application of Funds

For the Year Ended 30th June, 1994

	1994 K£	1993 K£
SOURCES:		
PROFIT/(LOSS) BEFORE TAXATION	2,563,926	2,538,181
ADD:		
DEPRECIATION	891,850	810,338
PROV FOR BAD & DOUBT. DEBTS	(325,603)	276,526
BAD DEBTS WRITTEN OFF	89,154	62,519
PROFIT ON SALE OF FXD ASSETS	(123,909)	(40,796)
	<u>531,492</u>	<u>1,108,587</u>
TOTAL FROM OPERATIONS	<u>3,095,418</u>	<u>3,646,768</u>
OTHER SOURCES:		
REPAYMENT FROM FARMERS	37,076,144	36,321,156
REDEEMABLE LOANS RECEIVED	1,571,758	210,000
SALE OF ASSETS	156,194	134,384
B.A.T. & STAFF LOANS REPAID	604,439	899,870
BANK LOAN	0	12,500,000
	<u>39,408,535</u>	<u>50,065,410</u>
TOTAL SOURCES	<u>42,503,953</u>	<u>53,712,178</u>
APPLICATIONS:		
ADVANCES TO FARMERS	38,143,180	34,697,265
LOANS TO STAFF	365,469	710,744
FIXED ASSETS ACQUIRED	7,309,171	4,098,569
FARM PROPERTIES ACQUIRED	23,202	18,470
POST BANK LOAN REPAID	2,250,000	0
TAXATION PAID	0	145,960
	<u>48,091,022</u>	<u>39,671,008</u>
	<u>(5,587,069)</u>	<u>14,041,170</u>
WORKING CAPITAL CHANGES:		
INCREASE INT. RECEIVABLE FROM FARMERS	17,028,622	15,440,763
INT. ON STAFF & B.A.T. LOANS	214,032	227,893
INCREASE IN CONSUMABLE STORES	17,231	14,400
INCREASE IN DEBTORS	1,718,511	(534,918)
(INCREASE) IN CREDITORS	(9,081,679)	(8,132,906)
(INCREASE)/DECREASE IN LAND & TRACT DEPS.	(495)	0
INCREASE IN BANK LOAN INTEREST	(2,916,251)	(2,158,750)
(INCREASE) IN SCC AGENCY	(1,164,469)	(1,101,848)
	<u>5,815,502</u>	<u>3,754,634</u>
NET MOVEMENT IN LIQUID FUNDS:		
(DECREASE)/INCREASE IN SHORT TERM DEPS.	(11,539,121)	8,801,531
(DECREASE)/INCREASE IN CASH & BANK BAL.	136,550	1,485,005
	<u>(11,402,571)</u>	<u>10,286,536</u>
NET INCREASE IN WORKING CAPITAL	<u>(5,587,069)</u>	<u>14,041,170</u>

Notes to the Accounts

For the Year Ended 30th June, 1994

1. BASIS OF ACCOUNTING

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

2. SCOPE OF THE ACCOUNTS

The accounts cover the corporation's operations in relation to all loan schemes with the exception of seasonal crop credit schemes for the years 1980 to 1984 which were operated on agency basis on behalf of the Government. The accounts for these schemes, namely loan schemes 22, 23 and 24 are prepared separately.

However, the total cost of administration incurred by the Corporation including that in respect of the agency schemes has been included in these accounts.

3. DEBTORS	1994 K£	1993 K£
Unallocated loan disbursements	368,171	158,830
Auction fees & advert. charges	629,386	631,912
Development house rent accrued	240,155	186,622
Other rent receivable	80,750	75,023
Prepaid expenses	30,703	55,221
Other accounts receivable	175,876	130,689
Recoverable fees and charges	11,232	21,012
Agrarian Building Society	1,441,549	0
BALANCE AT 30TH JUNE, 1994	2,977,822	1,259,311

Agrarian Building Society:

In 1993 the amount due from Agrarian Building Society was K£ 1,328,687 and was reported under Short Term Deposits. However, in 1994 accounts, the amount due from Agrarian Building Society was reported under Debtors.

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

4. LARGE SCALE LOANS

	1994 K£	1993 K£
BALANCE AS AT 1ST JULY, 1993		
Not Yet Due: Principal	52,203,876	45,079,284
Interest	3,598,087	2,359,376
Arrears: Principal	10,980,789	10,426,438
Interest	11,027,399	10,872,230
Interest on arrears	4,503,259	4,155,245
	<u>82,313,410</u>	<u>72,892,573</u>
ADD: TRANSACTION DURING THE YEAR		
Advances	8,275,492	12,908,011
Interest earned	8,191,436	7,583,696
Repayments	(13,377,862)	(11,008,351)
Write-offs	(81,951)	(62,519)
	<u>3,007,115</u>	<u>9,420,837</u>
BALANCE AS AT 30TH JUNE, 1994	<u><u>85,320,525</u></u>	<u><u>82,313,410</u></u>
ANALYSIS OF BALANCES AS AT 30TH JUNE, 1994		
Not Yet Due: Principal	53,896,337	52,203,876
Interest	2,909,261	3,598,087
Arrears: Principal	11,426,164	10,980,789
Interest	12,096,921	11,027,399
Interest on arrears	4,991,842	4,503,259
BALANCE AS AT 30TH JUNE, 1994	<u><u>85,320,525</u></u>	<u><u>82,313,410</u></u>
PROVISION FOR DOUBTFUL DEBTS:		
BALANCE AS AT 1ST JULY, 1993		
Charge for the year	6,375,628	5,748,316
	(462,217)	627,312
	<u>5,913,411</u>	<u>6,375,628</u>
LOANS OPENED BUT NOT DISBURSED:		
Balance as at 1st July, 1993	2,222,606	8,795,478
Opened During the year	7,772,041	6,335,139
Drawings	(8,275,492)	(12,908,011)
	<u>1,719,155</u>	<u>2,222,606</u>

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

5. SMALL SCALE LOANS	1994 K£	1993 K£
BALANCE AS AT 1ST JULY, 1993		
Not Yet Due: Principal	9,804,618	10,578,683
Interest	475,574	637,295
Arrears: Principal	9,723,629	9,406,710
Interest	2,375,636	2,365,131
Interest on arrears	4,769,515	4,191,754
	<u>27,148,973</u>	<u>27,179,573</u>
ADD: TRANSACTIONS DURING THE YEAR		
Advances	5,769,915	3,170,880
Interest earned	2,768,008	2,317,946
Repayments	(6,576,982)	(5,519,427)
Write-offs	(5,622)	0
	<u>1,955,319</u>	<u>(30,601)</u>
	<u>29,104,292</u>	<u>27,148,972</u>
ANALYSIS OF BALANCES AS AT 30TH JUNE, 1994		
Not Yet Due: Principal	11,582,005	9,804,618
Interest	622,088	475,574
Arrears: Principal	9,266,447	9,723,629
Interest	2,242,037	2,375,636
Interest on arrears	5,391,715	4,769,515
	<u>29,104,292</u>	<u>27,148,972</u>
PROVISION FOR DOUBTFUL DEBTS		
Balances as at 1st July, 1993	1,437,860	1,583,505
Charge for the year	37,042	(145,645)
BALANCE AS AT 30TH JUNE, 1994	<u>1,474,902</u>	<u>1,437,860</u>
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July, 1993	2,208,312	589,498
Opened During the year	4,778,576	4,789,694
Drawings	(5,769,915)	(3,170,880)
BALANCE AS AT 30TH JUNE, 1984	<u>1,216,973</u>	<u>2,208,312</u>

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

6. SEASONAL CROP LOANS	1994 K£	1993 K£
BALANCE AS AT 1ST JULY, 1993		
Not Yet Due: Principal	13,540,563	13,304,864
Interest	470,263	338,024
Arrears: Principal	21,491,495	19,947,894
Interest	1,353,869	1,252,787
Interest on arrears	11,967,420	9,615,924
	48,823,610	44,459,493
ADD: TRANSACTIONS DURING THE YEAR		
Advances	24,097,773	18,618,374
Interest earned	6,069,178	5,539,121
Repayments	(17,121,300)	(19,793,378)
	13,045,651	4,364,117
BALANCES AS AT 30TH JUNE, 1994	61,869,261	48,823,610
ANALYSIS OF BALANCES AS AT 30TH JUNE, 1994		
Not Yet Due: Principal	22,143,298	13,540,563
Interest	473,130	470,263
Arrears: Principal	23,256,091	21,491,495
Interest	1,635,282	1,353,869
Interest on arrears	14,361,460	11,967,420
BALANCE AS AT 30TH JUNE, 1994	61,869,261	49,823,610
PROVISION FOR DOUBTFUL DEBTS:		
Balance as at 1st July, 1993	1,296,939	1,502,080
Charge for the year	100,827	(205,141)
	1,397,766	1,296,939
LOANS OPENED BUT NOT DISBURSED		
Balance as at 1st July, 1993	4,259,188	7,673,752
Opened During the year	27,707,686	15,203,810
Drawings	(24,097,773)	(18,618,374)
BALANCE AS AT 30TH JUNE, 1994	7,869,101	4,259,188

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

7. PROVISION FOR BAD AND DOUBTFUL DEBTS

During the year under review, loans in arrears increased from K£ 78,193,012 as at 30th June, 1993 to K£ 84,667,959 as at 30th June 1994, an increase of K£ 6,474,947. The provision for bad and doubtful loans to farmers is arrived at by identifying specific bad and doubtful debts on various classes of loans.

The provision is as follows:

	1994 K£	1993 K£
LOANS		
LARGE SCALE LOANS	5,913,411	6,375,629
SMALL SCALE LOANS	1,474,902	1,437,859
SEASONAL CROP LOANS	1,397,766	1,296,939
	<u>8,786,079</u>	<u>9,110,427</u>

8. REPOSSESSED FARM PROPERTIES

These are revalued at the total of the principal and interest due at the date of foreclosure less subsequent recoveries. The amount outstanding as at 30th June, 1994 was K£ 923,571. 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£ 461,786. 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.

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

9. LOANS TO STAFF

	HOUSE LOANS K£	CAR LOANS K£	PERS ADVANCE K£	TOTALS K£
BAL. AS AT 01.07.93				
Principal	2,161,694	173,333	11,775	2,346,802
Interest	709,408	99,254	10,736	819,398
	<u>2,871,102</u>	<u>272,587</u>	<u>22,511</u>	<u>3,166,200</u>

TRANSACTIONS IN THE YEAR:

Advances	318,089	35,000	12,380	365,469
Interest earned	157,095	9,823	6,055	172,973
Repayments	(573,766)	(103,141)	(35,951)	(712,858)
	<u>(4,010)</u>	<u>(57,645)</u>	<u>(16,999)</u>	<u>(78,654)</u>
Balance as at 30.06.94	<u>2,930,990</u>	<u>214,942</u>	<u>5,512</u>	<u>3,151,444</u>

ANALYSIS OF BALANCES

Principal	2,222,026	106,437	(9,665)	2,318,798
Interest	708,964	108,505	15,177	832,646
Balances as at 30.06.94	<u>2,930,990</u>	<u>214,942</u>	<u>5,512</u>	<u>3,151,444</u>

10. BRITISH AMERICAN TOBACCO (K) LTD LOANS

	1994 K£	1993 K£
BALANCE AS AT 1ST JULY, 1993	308,651	298,615
ADD: TRANSACTION DURING THE YEAR		
INTEREST EARNED	41,058	41,256
REPAYMENTS	<u>(51,240)</u>	<u>(31,220)</u>
	<u>(10,182)</u>	<u>10,036</u>
BALANCE AS AT 30TH JUNE, 1994	<u>298,469</u>	<u>308,651</u>

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

11. FIXED ASSETS

	LAND K£	BUILDINGS K£	MOTOR VEHICLES K£	FURNITURE & EQUIPMENT K£	TOTALS K£
COSTS:					
BAL. 01.07.1993	0	19,685,714	3,516,498	2,751,011	25,953,223
REALLOCATION	0	0	(1,580,247)	1,580,247	0
ADJ. BAL. 01.07.1993	0	19,685,714	1,936,251	4,331,258	25,953,223
TRANSFERS	0	(2,498)	1,580,247	(1,577,749)	0
ADDITIONS	17,517	6,887,121	0	404,533	7,309,171
DISPOSALS	0	(17,686)	(57,686)	0	(75,372)
BAL. 30.06.94	17,517	26,552,651	3,458,812	3,158,042	33,187,022
DEPRECIATION:					
BAL. 01.07.93	0	1,478,820	3,037,227	2,177,139	6,693,186
REALLOCATION	0	0	0	175	175
ADJ. BAL. 01.07.1993	0	1,478,820	3,037,227	2,177,314	6,693,361
TRANSFERS	0	(12,891)	0	12,669	(222)
CHARGE FOR YR.	0	398,765	260,289	232,796	891,850
DISPOSALS	0	(17,686)	(49,428)	0	(67,114)
BAL. 30.06.1994	0	1,847,008	3,248,088	2,422,779	7,517,875
NET BOOK VALUE					
BAL. 30.06. 1994	17,517	24,705,643	210,724	735,263	25,669,147
BAL. 30.06.1993	0	18,206,894	479,271	573,872	19,260,037

DEPRECIATION:

Depreciation is computed on a straight line basis so as to write off the cost of the fixed assets over their expected useful lives. The applicable rates of depreciation are as set out below:

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

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

12. CREDITORS AND ACCRUED CHARGES

	1994 K£	1993 K£
Borrowers' Credit Balance	4,851,305	4,286,670
Unallocated Receipts	401,418	696,659
Sundry creditors payroll	444,937	333,620
Sundry creditors general	794,764	683,656
Stale cheques	57,576	39,644
Interest accrued on loan funds	32,202,193	28,204,649
Interest accrued on SCC loans	21,335,694	18,829,693
External audit fee accrued	37,500	37,500
Gratuity	154,413	155,206
Due to Marketing Bodies	717,984	660,606
Loan drafts outstanding	4,895,449	2,883,649
	65,893,233	56,811,553

13. TAXATION

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

The balance on this account is arrived at as follows:

	K£
Balance as at 1st July, 1993	9,312,339
Tax charge for year	897,373
BALANCE AT 30TH JUNE, 1994	10,209,712

14. DUE TO AGENCY

The balance due to agency as at 30th. June 1994 is as follows:

	1994 K£	1993 K£
Due to Agency	27,019,716	25,342,826
Commission Receivable	(8,180,943)	(7,668,522)
NET DUE TO AGENCY AT 30.06.94	18,838,773	17,674,304

Agency commission receivable from operating seasonal crop credit schemes 22, 23 and 24 loan schemes has been included in the income for the year in the sum of K£ 512,421 which has been calculated in accordance with previous practice and based on the audited accounts of these schemes. No written agreement exists in relation to these schemes but a letter was received 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.

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

15. BANK LOAN

	1994 K.	1993 K£
Balance as at 1st July, 1993	17,184,743	2,525,993
Additions in the year	0	12,500,000
Interest accrued	2,916,199	2,158,750
Repayment	(2,250,000)	0
Balance as at 30th June, 1994	<u>17,850,942</u>	<u>17,184,743</u>

16. LOANS FOR SEASONAL CROP CREDIT

Balance as at 1st July, 1993	17,900,000	17,900,000
Receipts in the year	0	0
Balance as at 30th June, 1994	<u>17,900,000</u>	<u>17,900,000</u>

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

17. REDEEMABLE LOANS

a) The redeemable loans outstanding as at 30th June, 1994 were as follows:

	1994 K£	1993 K£
LAND PURCHASE AND DEVELOPMENT	7,955,410	7,955,410
AFC SMALL SCALE	811,797	811,797
KFW SMALL SCALE	561,241	561,241
IDA 105	698,688	698,688
IDA 344	2,359,147	2,359,147
IDA 129 KE LIVESTOCK	1,591,805	1,591,805
IDA 477 KE LIVESTOCK	5,546,625	5,546,625
IDA 537 KE G.F.R.	3,111,681	3,111,681
IDA 1143 KE	793,637	793,637
IBRD 1995 KE	24,831,665	23,259,907
AFC CREDIT 4	10,396,023	10,396,023
PINEAPPLE LOANS	22,450	22,450
	58,680,169	57,108,411

b) They are further classified as follows:

	1994 K£	1993 K£
Amounts Due but unpaid	6,831,327	6,404,882
Amounts Due with 12 months	591,631	426,445
Current portion	7,422,958	6,831,327
Amounts due after 12 months	58,680,169	50,277,084
Total Redeemable loans	58,680,169	57,108,411

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

18. IRREDEEMABLE INTEREST BEARING LOANS

	1994 K£	1993 K£
Land purchase and Development	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>

19. GENERAL RESERVE

	1994 K£	1993 K£
Balance as at 1st July, 1993	5,328,178	3,826,018
Profit after taxation for the year	1,666,552	1,503,740
	<u>6,994,730</u>	<u>5,329,758</u>
Transfer to revolving fund	(1,786)	(1,580)
Balance as at 30th June, 1994	<u>6,992,944</u>	<u>5,328,178</u>

20. REVOLVING FUND

Balance as at 1st July, 1993	57,573	55,993
Transfer from General Reserve	1,786	1,580
Balance as at 30th June, 1994	<u>59,359</u>	<u>57,573</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.

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

21. GRANTS

	1994 K£	1993 K£
Development	1,030,558	1,030,558
Rehabilitation	937,608	937,608
ICA	125,000	125,000
Special Emergency Fund	173,500	173,500
Ministry of Finance	2,000,000	2,000,000
IDA 105/344	108,395	108,395
IDA 692	166,740	166,740
Vihiga	35,000	35,000
North Tetu	7,450	7,450
IADP	13,906	13,906
Narok Agricultural Dev. Project	38,000	38,000
World Bank Credit 4	1,096,272	1,096,272
IDA 1143 KE	726,434	726,434
IDA 1995 KE	79,672	79,672
	6,538,535	6,538,535

22. OTHER INTEREST INCOME

	1994 K£	1993 K£
Short Term Deposits	4,764,005	3,438,499
Staff Loans	167,687	186,637
Bank Balances	1,631,597	1,472,333
B A T loans	41,058	41,256
Others	0	7
	6,604,347	5,138,732

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

23. STAFF COSTS

	1994 K£	1993 K£
Salaries	4,546,581	3,370,755
House Allowance	1,521,300	1,467,898
Hardship Allowance	33,531	26,233
Outpatient Medical Expenses	474,224	438,730
Inpatient Medical Expenses	87,699	134,315
Pension and Insurance	468,013	402,705
Leave Travel Expenses	64,612	64,926
Gratuity	170,502	134,269
Training Expenses	267,069	407,513
Other Emoluments	126,570	79,462
Uniforms	27,238	78,688
	<u>7,787,339</u>	<u>6,605,492</u>

24. ADMINISTRATION EXPENSES

	1994 K£	1993 K£
Travel & Hotel Expenses	474,460	436,979
General Office Exp. & Security	373,270	304,437
Audit Fees & Expenses	37,500	37,500
Legal Fees	53,060	32,218
Telephone & Telex	132,729	211,395
Staff House Rentals & General	0	1,020
Office Rentals	424,941	332,176
Water	8,598	10,423
Electricity & Gas	47,300	23,632
Publicity	176,160	179,187
Stamps & Postages	57,770	55,506
Printing & Stationery	375,299	284,172
EDP Stationery & Operation Expenses	101,096	75,551
Donations	314	7,500
Subscriptions & Periodicals	38,098	15,306
Maintenance of Buildings	51,327	53,299
Maintenance of Furniture & Equipment	115,984	103,769
Other Maintenance	15,741	3,345
Vehicle Running Expenses	1,170,359	862,065
Professional Consultants	308,213	994
Bank Charges	132,330	80,102
Taxes & Licences	145,070	31,191
Misappropriation	226	1,550
Rates & Rents	32,913	43,894
Insurance of Corporation Assets	234,586	223,421
Service Charge	13,229	9,540
Welfare	182,757	65,977
	<u>4,703,330</u>	<u>3,486,148</u>

Notes to the Accounts (Contd.)

For the Year Ended 30th June, 1994

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

		1994 K£	1993 K£
Large scale loans:			
Scheme	1	(164,617)	(17,096)
	2	(353,786)	635,535
	5	(108,236)	(114,793)
	31	6,091	234,101
	45	147,897	(110,560)
	99	10,434	124
		<u>(462,217)</u>	<u>627,312</u>
Small scale loans:			
	4	228	(2,585)
	6	(3,054)	(110,496)
	8	44,793	(38,156)
	9	651	(869)
	10 & 11	(2,734)	2,919
	30	(2,843)	3,541
	99	0	0
		<u>37,041</u>	<u>(145,645)</u>
Seasonal crop loans:			
	26	9,123	(72,114)
	27	24,974	21,981
	29	6,406	(1,561)
	32	20,508	(284,918)
	33	16,389	31,539
	34	16,308	83,794
	35	5,950	8,407
	36	56	56
	38	1,114	7,674
	40	(1)	1
		<u>100,827</u>	<u>(205,141)</u>
		<u>(324,349)</u>	<u>276,526</u>
REPOSSESSED FARM PROPERTIES		(1,254)	18,470
SMALL DEBTS WRITTEN OFF		1,581	2,193
		<u>327</u>	<u>20,663</u>

Notes to the Accounts

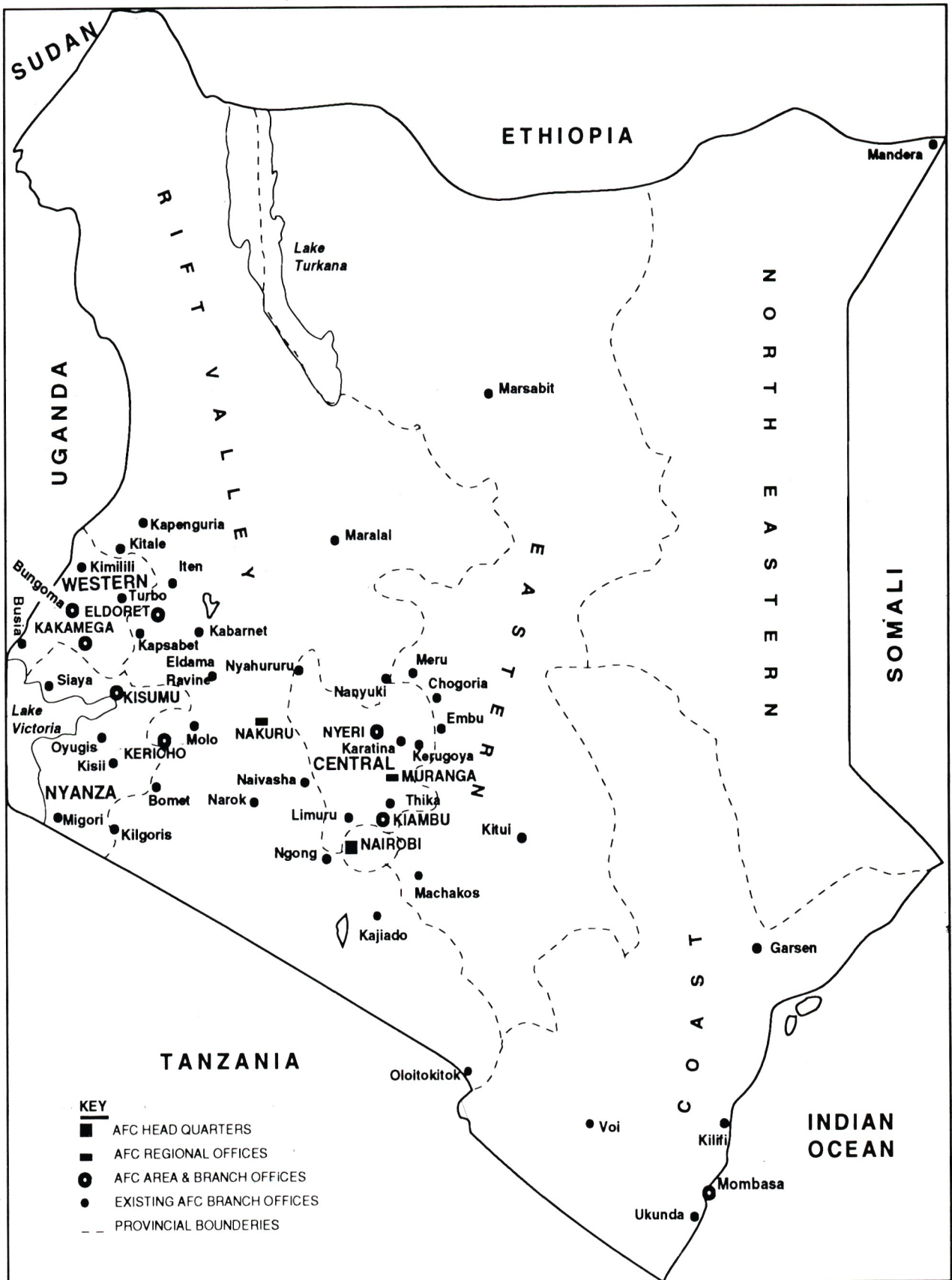
For the Year Ended 30th June, 1994

26. LOANS (WRITE-BACK)/WRITE-OFF

During the year under review, an amount of K£87,572 was written off as shown hereunder:

		1994 K£	1993 K£
LARGE SCALE LOANS SCHEME	01	3,584	0
	02	15	0
	05	77,223	62,519
	31	135	0
	98	542	0
		<hr/> 81,499 <hr/>	<hr/> 62,519 <hr/>
SMALL SCALE LOANS	06	1,411	0
	08	2,723	0
	10	25	0
	30	39	0
	99	1,425	0
		<hr/> 5,623 <hr/>	<hr/> 0 <hr/>
	ADJUSTMENT	451	0
TOTAL WRITE-OFF/(WRITE-BACK)		<hr/> 87,573 <hr/>	<hr/> 62,519 <hr/>

Branch Network



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



Agricultural Finance Corporation

Development House • Moi Avenue
P.O. Box 30367 • Nairobi
Tel: 333733 • Fax: 219390