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PYRETHRUM BOARD OF KENYA

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**



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PYRETHRUM BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002



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PYRETHRUM BOARD OF KENYA

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LABORATORIES } P.O. Box 420 - 20100
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BANKERS Barclays Bank of Kenya Ltd
Nakuru Branch
P.O. Box 66
NAKURU

AUDITORS The Controller and Auditor General
Kenya National Audit Office
P.O. Box 30084 - 00100
NAIROBI.

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PYRETHRUM BOARD OF KENYA
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2002

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PYRETHRUM BOARD OF KENYA

BOARD MEMBERS WHO SERVED THROUGHOUT THE YEAR ENDED 30 JUNE 2002

JOHN O. MARIARIA Chairman
TOM M. KIBISU
SHADRACK KIMURGO
JOSEPH K. KOMEN
SAMUEL M. M'IKIARA
MESHACK RONO
JAMES MANGERE ONGERA
WILLIAM N. NJUGUNA
NATHANIEL CHEBELYON
JOSEPH K. Arap CHEPKONGA
WILSON K. CHEPYEGON
THE PERMANENT SECRETARY, MINISTRY OF AGRICULTURE
THE DIRECTOR OF AGRICULTURE
THE COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT

SENIOR MANAGEMENT STAFF AS AT 30 JUNE 2002

JOSHUA C. KIPTOON	-	Managing Director
KEVIN I. MPAKA	-	Corporate Secretary/Legal Officer
JAMES N. KURIA	-	Ag. Chief Entomologist
CLEOPHAS D. OCHIENG	-	Chief Chemist
THOMAS O. ONGUBO	-	Chief Internal Auditor
JAMES A. O. GICHANA	-	Works Manager
ONGIRI OSINDE	-	Chief Accountant
ROBERT M. TIAMPATI	-	Ag. Crop Production Manager
JAMES M. WANGAI (DR)	-	Marketing Manager
BEN M. WANJALA	-	Ag. Crop Research Manager.



PYRETHRUM BOARD OF KENYA
SUMMARY OF REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

1. CROP PRODUCTION

Pool Year 2001 / 2002		Pool Year 2000 / 2001
<u>11,386 (tonnes)</u>	Crop delivered by growers	<u>7,964 (tonnes)</u>

2. SALES

	Sales proceeds from	
Kshs. 923,205,036	flowers/powder/extract	Kshs. 1,488,658,800
Kshs. <u>25,442,174</u>	Sales proceeds from marc	Kshs. <u>47,056,156</u>
<u>948,647,210</u>	and other by-products	<u>1,535,714,956</u>

3. COSTS

	Total operating costs and	
Kshs. 894,355,106	depreciation	Kshs. 826,237,077
Kshs. <u>10,209,306</u>	Total distribution costs	Kshs. <u>15,079,016</u>
Kshs. <u>904,564,412</u>		Kshs. <u>841,316,093</u>

4. PYRETHRINS CONTENT

	Average pyrethrins content	
<u>1.445%</u>	of flowers delivered	<u>1.528%</u>

5. PAYMENT TO GROWERS

	Total pool payments due	
Kshs. 1,328,041,922.00		Kshs. 982,205,178.00
Kshs. 7373.00	Per Kilo of pyrethrins	Kshs. 8,073.00
Kshs. 110.60	Per Kilo of 1.5% flowers	Kshs. 121.00
Kshs. 95.85	Per Kilo of 1.3% flowers	Kshs. 101.00
Kshs. 73.73	Per Kilo of 1.0% flowers	Kshs. 80.73



PYRETHRUM BOARD OF KENYA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2002

I have examined the financial statements of the Pyrethrum Board of Kenya for the year ended 30 June, 2002 in accordance with the provision of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the financial statements, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Pyrethrum Act (Cap 340). Except for the matters set out below, in my opinion, the financial statements when read together with the notes thereon, present fairly the financial state of affairs of the Pyrethrum Board of Kenya as at 30 June, 2002 and of its loss and cash flows for the year ended on that date.

1. FIXED ASSETS

The Fixed Assets figure of Kshs. 184,943,261 as at 30 June 2002 does not include undetermined value of 12 plots whose title deeds the Board has not acquired. The Board did not also produce log books for 4 motor vehicles for audit verification. Consequently, it was not possible to confirm that the plots and the vehicles were secure and indeed owned by the Board.

Further, fixed assets includes an amount of Kshs. 242,540 described in Note 2b to the financial statements as prefabricated houses. The Board had purchased these houses from the Forestry Industrial Training Centre in May 1992 and the resultant Work-In-Progress Prefab Houses account still has a residual debit balance of Kshs. 242,540. It is over ten years since the prefab houses were purchased and it is not understood why the houses have not been delivered. The value of these houses would appear not to represent any tangible asset.

2. DEBTORS

Debtors and Prepayment figure of Kshs. 309,847,708.00 as at 30 June 2002 includes debts totalling Kshs. 1,162,457.90 owed by ex-Directors of the Board. The debts have been outstanding for more than eight (8) years and their recoverability is therefore doubtful. No provision has been made in these financial statements to cover possible loss arising from their non-recoverability. Further, there is a difference of Kshs. 1,101,497.85 between the General Ledger and the subsidiary Ledger in respect of staff management and works staff debtors which has not been reconciled or explained. Under the circumstances the propriety of debtors and prepayment figure of Kshs. 309,847,708 could not be confirmed.

PYRETHRUM BOARD OF KENYA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PYRETHRUM BOARD OF KENYA - CONTD. FOR THE YEAR ENDED 30 JUNE 2002

3. FIXED DEPOSITS - KSHS. 150,000,000

On 17 October, 2001 the Board placed short term deposits of Kshs. 150,000,000 at an interest rate of 9% per annum for 90 days with Euro Bank which was however subsequently placed under liquidation by Central Bank of Kenya on 22 February 2002. The investment had not been approved by the Board of Directors and was contrary to prevailing Government instructions which require State Corporations to invest surplus funds in Treasury Bills and Bonds.

Further, although the recoverability of the deposits is in doubt, no provision has been made in these financial statements in the event the amount is not realized. In addition, the Pyrethrum Board of Kenya did not accrue interest receivable from Euro Bank as at 30 June, 2002 totalling Kshs. 4,512,328 due to the doubtful nature of the investment.

4. SUPPLY OF PLANTLETS TO THE BOARD BY GENETICS TECHNOLOGIES LTD. (G.T.L.)

The Pyrethrum Board of Kenya entered into a contract sum of Kshs. 58 million with Genetics Technologies Ltd. for the supply of 1,300,000 plantlets at a cost of Kshs. 45 each on 9 August 2001. The contract stipulated that plantlets would be supplied between June 2001 and June 2003 and that Pyrethrum Board of Kenya will pay Kshs. 4,500,000.00 during the financial year 2001/2002. The balance would be spread over the next three financial years 2002/2003, 2003/2004 and 2004/2005. However, the Board made several payments totalling Kshs. 14,851,105.00 during the financial year under review in advance of delivery contrary to the terms of contract. No explanation has been provided for failure to adhere to the terms of the Contract. It was also not possible to establish whether plantlets valued at Kshs. 14,851,105 were actually supplied by the contracted firm. Further, the contract between the Board and the firm was not approved by the Board Directors or the parent Ministry contrary to Government procurement procedures.

E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

3 September 2004

PYRETHRUM BOARD OF KENYA
 GROWERS' ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

	Kshs.	2001 Kshs.
SURPLUS ON MARKETING AS PER PRODUCTION & MARKETING ACCOUNT (page 11)	1,000,211,642	870,435,977
<u>ADD</u> OTHER INCOME:		
Interest on deposits	<u>12,912,214</u>	<u>47,056,156</u>
 GROSS SURPLUS AVAILABLE TO GROWERS FOR THE YEAR	 <u>1,013,123,856</u>	 <u>917,492,133</u>
<u>DEDUCT</u> PAYMENT TO GROWERS (PER KG. OF PYRETHRINS)		
- Interim monthly pool payments July 2001 to June 2002 (at Kshs. 7,300)	1,200,880,222	888,157,785
- Local authorities cess (at Kshs. 73)	12,008,802	8,881,578
- Levy	751,444	525,632
- Proposed final pool payment	<u>114,401,454</u>	<u>84,640,183</u>
TOTAL POOL PAYMENTS TO GROWERS	<u>1,328,041,922</u>	<u>982,205,178</u>
NET SURPLUS/ (DEFICIT) FOR THE YEAR	(314,918,066)	(64,713,045)
GROWERS' ACCOUNT BALANCE AT 1 JULY	659,043,883	723,756,928
GROWERS' ACCOUNT BALANCE AT 30 JUNE	<u><u>344,125,817</u></u>	<u><u>659,043,883</u></u>

PYRETHRUM BOARD OF KENYA
 CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2002

	Note	Kshs	2001 Kshs.
FIXED ASSETS	2	<u>184,943,261</u>	<u>189,720,977</u>
INVESTMENTS	3	<u>40</u>	<u>40</u>
CURRENT ASSETS			
Stock in trade		1,155,354,697	199,225,853
Other stocks		133,354,585	155,751,993
Debtors and prepayments		309,847,708	294,809,991
Fixed deposits		150,000,000	766,154,500
Treasury Bills			29,508,105
Cash at bank and in hand		<u>1,738,348</u>	<u>8,922,441</u>
		<u>1,750,295,338</u>	<u>1,454,372,883</u>
CURRENT LIABILITIES			
Creditors and provisions		126,669,177	154,633,727
Creditors - growers		377,960,004	99,450,312
Overdraft		333,177,130	14,920,631
Proposed final pool payment	4	<u>114,401,454</u>	<u>84,640,183</u>
		<u>952,207,765</u>	<u>353,644,853</u>
NET CURRENT ASSETS		<u>798,087,573</u>	<u>1,100,728,030</u>
TOTAL ASSETS		<u><u>983,030,874</u></u>	<u><u>1,290,449,047</u></u>
<i>FINANCED BY:-</i>			
STOCK UNITS ISSUED	5	29,196,240	29,202,640
LEVY FUND	5	2,109,277	1,357,834
ACCUMULATED CAPITAL FUND	5	133,143,564	126,388,714
GENERAL RESERVE	5	474,455,976	474,455,976
GROWER'S ACCOUNT		<u>344,125,817</u>	<u>659,043,883</u>
		<u>983,030,874</u>	<u>1,290,449,047</u>

These accounts were approved at a meeting of the Board held on the 28th November 2002

Signed... **M. O. Owiti**.....
 Chief Executive

Signed .. **H. N. M'Narobi**.....
 Chairman

PYRETHRUM BOARD OF KENYA
 CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002

	Kshs.	2001 Kshs.
Cash flow from operating activities		
Net surplus/ (deficit) for the year	(314,918,066)	(64,713,045)
<i>Adjustments for</i>		
Depreciation	30,396,007	36,414,598
Levy	751,444	525,632
Operating surplus/(deficit) before working capital changes	<u>(283,770,615)</u>	<u>(27,772,815)</u>
(Increase) in debtors & prepayments	(15,037,717)	(157,631,561)
(Increase) in stock	(933,731,436)	(155,518,323)
(Decrease)/increase in creditors	280,306,413	(26,726,416)
Decrease in deposits	616,154,500	364,161,100
Decrease/(increase) in Treasury Bills	<u>29,508,105</u>	<u>(9,929,600)</u>
	(22,800,135)	14,355,200
Cash generated from operations	<u>(306,570,750)</u>	<u>(13,417,615)</u>
Cash flow from investing activities		
Purchase of fixed assets	(25,618,671)	(32,479,961)
Proceeds from sale of fixed assets	<u>6,748,450</u>	<u>4,836,501</u>
	<u>(18,870,221)</u>	<u>(27,643,460)</u>
Net (decrease) in cash	(325,440,971)	(41,061,075)
Opening cash balance	<u>(5,998,190)</u>	<u>35,062,885</u>
Closing cash Balance	<u>(331,439,161)</u>	<u>(5,998,190)</u>

PYRETHRUM BOARD OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

1. ACCOUNTING POLICIES

(a) **Accounting convention**

The accounts are prepared under the historical cost convention

(b) **Depreciation**

Depreciation has been charged on the cost of the fixed assets at the following rates:-

Buildings	2% p.a.
Plant, machinery, equipment & furniture	12.5% p.a.
Motor vehicles	25% p.a.

The rates are designed to write off such cost over the estimated useful lives of the assets concerned

(c) **Stock**

Stock has been valued at the lower of cost and net realisable value. Stocks of powder and extract have been valued on the basis of prime cost based on the interim price paid for pyrethrins. Stores have been valued at the lower of cost and net realisable value, and work - in - progress at the cost of raw materials plus labour and overheads directly attributable to their manufacture.

(d) **Turnover**

Turnover is the amount derived from the sale of pyrethrum products after deduction of trade discounts and commissions payable to overseas agents, and after adjustments for profits or losses on translation of foreign currencies

(e) **Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Kenya Shillings at the mean rate of exchange ruling on the balance sheet date. Exchange differences derived from the fluctuation of foreign currency denominated sales debtors or commissions creditors between the rate applied at the invoice date and the rate ruling at the date of settlement or year-end, as applicable, are included as part of the turnover of the Board.

PYRETHRUM BOARD OF KENYA

NOTES TO THE FINANCIAL STATEMENTS- CONTD.
FOR THE YEAR ENDED 30 JUNE 2002

2. (a) FIXED ASSETS

	Land and Buildings Kshs.	Plant Machinery Equipment & Furniture Kshs.	Motor Vehicles Kshs.	Capital Work- in-Progress Kshs.	Total Kshs.
COST					
At 30 June 2001	109,434,192	238,492,288	111,794,929	826,099	460,547,508
Additions	7,264,038	2,141,533	11,086,863	5,126,237	25,618,671
Transfers		2,148,437		(2,148,437)	0
Disposals		(153,330)	(10,729,329)		(10,882,659)
At 30 June 2002	<u>116,698,230</u>	<u>242,628,928</u>	<u>112,152,463</u>	<u>3,803,899</u>	<u>475,283,520</u>
DEPRECIATION					
At 30 June 2001	24,914,977	146,696,809	99,214,745		270,826,531
Year's charge	2,245,921	17,981,259	10,168,827		30,396,007
On disposal		(153,270)	(10,729,009)		(10,882,279)
At 30 June 2002	<u>27,160,898</u>	<u>164,524,798</u>	<u>98,654,563</u>		<u>290,340,259</u>
NET BOOK VALUE					
At 30 June 2002	<u>89,537,332</u>	<u>78,104,130</u>	<u>13,497,900</u>	<u>3,803,899</u>	<u>184,943,261</u>
At 30 June 2001	<u>84,519,215</u>	<u>91,795,479</u>	<u>12,580,184</u>	<u>826,099</u>	<u>189,720,977</u>

(b) CAPITAL WORK - IN - PROGRESS

	2001 Kshs.	2002 Kshs.
Godown	400,000	
Factory	2,600,000	
Borehole		22,200
Entomology block	561,359	561,359
Prefabricated houses	242,540	242,540
	<u>3,803,899</u>	<u>826,099</u>

PYRETHRUM BOARD OF KENYA

NOTES TO THE FINANCIAL STATEMENTS - CONTD.
FOR THE YEAR ENDED 30 JUNE 2002

	Kshs.	2001 Kshs.
3. INVESTMENTS		
5087 Shares in KFA Ltd.	20	20
170 Shares in KCC Ltd.	<u>20</u>	<u>20</u>
	<u>40</u>	<u>40</u>

The value of the shares was written off because both organisations are under receivership.

	Kshs.	2001 Kshs.
4. FINAL POOL PAYMENT		
Proposed final pool payment	115,152,898	85,165,815
Less: Levy	(751,444)	(525,632)
	<u>114,401,454</u>	<u>84,640,183</u>

5. (a) FINANCE EMPLOYED

	PBK Stock Kshs.	Levy Fund Kshs.	Accumulated Capital Fund Kshs.	General Reserve Kshs.
Balance at 1 July 2001	29,202,640	1,357,834	126,388,714	474,455,976
Stock units issued				
Adjustments	(6,400)	_____	6,400	_____
	29,196,240	1,357,834	126,395,114	474,455,976
Profits on sale of fixed assets			6,748,450	
Levy contributions for the year		751,444		
	<u>29,196,240</u>	<u>2,109,278</u>	<u>133,143,564</u>	<u>474,455,976</u>

(b) REDEMPTION OF P.B.K. STOCK

It is intended that the stock held by non-growers should be redeemed and the holders accordingly refunded their contributions totalling Kshs. 8,187,100

6. SUBSIDIARY COMPANY

The Board's wholly owned subsidiary company, The Pyrethrum Processing Company of Kenya Limited, does not trade. These accounts consolidate the assets and reserves of the subsidiary.

7. CONTINGENT LIABILITY

There is a contingent liability of Kshs. 526,116 relating to a dispute in court over fees charged for structural and civil engineering services rendered in respect of the rehabilitation of the Board's Dawsonville stores.

PYRETHRUM BOARD OF KENYA
 PRODUCTION & MARKETING ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

	Kshs.	2001 Kshs.
TURNOVER	<u>948,647,210</u>	<u>1,535,714,956</u>
EXPENSES		
Processing and refining	(322,944,524)	(311,748,583)
Administration	(123,006,621)	(224,967,457)
Restructuring	(180,641,510)	
Crop Production	(151,445,412)	(178,003,986)
Scientific Sciences	(52,927,963)	(62,053,881)
Marketing and Sales	(48,773,033)	(48,772,390)
Distribution	(10,209,306)	(15,079,016)
Overdraft interest	<u>(14,616,043)</u>	<u>(690,780)</u>
TOTAL EXPENSES	<u>(904,564,412)</u>	<u>(841,316,093)</u>
INCREASE (DECREASE) IN TRADE STOCK	<u>956,128,844</u>	<u>176,037,114</u>
SURPLUS ON MARKETING TRANSFERRED TO GROWERS' ACCOUNT (page 5)	<u>1,000,211,642</u>	<u>870,435,977</u>

PYRETHRUM BOARD OF KENYA

DRY PYRETHRUM FLOWER DELIVERIES

FINANCIAL YEAR	TONNES
1935	327
1936	1,095
1937	1,005
1938	1,894
1939	2,915
1940	5,954
1941	5,856
1942	5,557
1943	4,173
1944	6,652
1945	7,528
1946	6,848
1947	3,970
1948	1,582
1949	1,541
1950	2,211
1951	2,266
1952	2,781
1953	2,356
1954	2,591
January/March 1955	936
April 1955/March 1956	3,477
April 1956/March 1957	3,933
April 1957/March 1958	4,596
April 1958/March 1959	4,140
April 1959/June 1959	772
July 1959/June 1960	6,604
July 1960/June 1961	9,312
July 1961/June 1962	10,931
July 1962/June 1963	8,511
July 1963/June 1964	5,296
July 1964/June 1965	4,511
July 1965/September 1965	1,745
October 1965/September 1966	7,876
October 1966/September 1967	10,698
October 1967/September 1968	11,237
October 1968/September 1969	7,423
October 1969/September 1970	6,005
October 1970/September 1971	9,748
October 1971/September 1972	14,414
October 1972/September 1973	10,698
October 1973/September 1974	13,722
October 1974/September 1975	15,035

} 15 months period
3,527

} 15 months period
4,912

} 15 months period
6,256



PYRETHRUM BOARD OF KENYA

DRY PYRETHRUM FLOWER DELIVERIES *(continued)*

FINANCIAL YEAR	TONNES
October 1975/September 1976	14,267
October 1976/September 1977	11,429
October 1977/September 1978	8,441
October 1978/September 1979	7,950
October 1979/September 1980	10,424
October 1980/September 1981	15,704
October 1981/September 1982	18,720
October 1982/September 1983	8,974
October 1983/September 1984	3,156
October 1984/September 1985	3,101
October 1985/June 1986	3,117
July 1986/June 1987	6,407
July 1987/June 1988	6,689
July 1988/June 1989	7,538
July 1989/June 1990	8,988
July 1990/June 1991	9,943
July 1991/June 1992	12,452
July 1992/June 1993	17,711
July 1993/June 1994	11,979
July 1994/June 1995	10,551
July 1995/June 1996	7,490
July 1996/June 1997	6,220
July 1997/June 1998	7,161
July 1998/June 1999	3,995
July 1999/June 2000	4,724
July 2000/June 2001	7,964
July 2001/June 2002	11,386

} 21 months period
6,218



