

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 23 FEB 2024

DAY

OF

TABLED

BY:

MEMBER

PARLIAMENT

Hon Naomi Wago, MP
Deputy Majority Whip
A. Shitoko

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

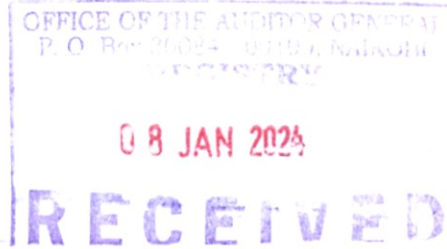
ON

COFFEE CHERRY ADVANCE REVOLVING FUND

FOR THE YEAR ENDED 30 JUNE, 2023



Revised 30th June 2023



**NEW KENYA PLANTERS
CO-OPERATIVE UNION**
FARMER CENTRIC • TRANSPARENT • ACCOUNTABLE

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

Table of Contents.....	Page
1. Acronyms, Abbreviations and Glossary of Terms	iii
2. Key Fund Information and Management.....	iv
3. The Board of Directors.....	vii
4. Key Management Team	xi
5. Chairman's Statement	xiv
6. Report of the Chief Executive Officer	xv
7. Statement of Performance against Predetermined Objectives for FY 2022/2023	xvi
8. Corporate Governance Statement.....	xviii
9. Management Discussion and Analysis	xx
10. Environmental and Sustainability Reporting.....	xxii
11. Report of the Directors.....	xxiii
12. Statement of Directors Responsibilities	xxiv
13. Report of the Independent Auditor for the Financial Statements of CCARF.....	xxv
14. Statement of Financial Performance for the year ended 30 June 2023	1
15 Statement of Financial Position as at 30 June 2023	3
16. Statement of Changes in Net Assets for the year ended 30 June 2023	5
17. Statement of Cash Flows for the year ended 30 June 2023.....	7
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023.....	9
19. Notes to the Financial Statements	11
20. Appendices	65

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CBK	Central Bank of Kenya
CCARF	Coffee Cherry Advance Revolving Fund
CEO	Chief Executive Officer
DG	Director General
FCS	Factory Cooperative Society
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
MOC & MSME	Ministry of Cooperatives & Micro, Small and Medium Enterprises.
New KPCU Plc	New Kenya Planters Cooperative Union Public Limited Company
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Fund Information and Management

(a) Background information

The Coffee Cherry Advance Revolving Fund (CCARF) is established pursuant to PFM Act, 2012, under regulation 3 of the PFM (Coffee Cherry Advance Revolving Fund) Regulations 2020 on 12th March 2020, as a National Government Public Fund. The Fund is domiciled at New KPCU Plc, a State Corporation under the Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME's) Development (MOC & MSME Development).

(b) Principal Activities

Provide affordable, sustainable and accessible coffee cherry advance to small holder coffee farmers and small holder coffee estate farmers.

(c) Key Management

The Coffee Cherry Advance Revolving Fund's day-to-day management is under the following key organs:

- i) Board of Directors
- ii) Managing Director
- iii) Management

No.	Designation	Name
1	Board of Directors	Board Members
2	Fund Administrator	Mr. Timothy Mirugi
3.	Head of Production	M/s Angeline Ndambuki Wambui
4.	Head of Finance and Accounts	CPA, Zaccheus Ndirangu
5.	Head of Human Resource	Stephen Mbenda
6.	Head of Legal Affairs	Suleiman Wandati
7.	Head of Administration	M/s Glory Kamungi
8.	Head of ICT	Viscount Amiani
9.	Head of Supply Chain	M/s Evelyne Kimemia
10.	Head of Internal Audit	Godfrey Kirimi

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Fund Administrator	Mr. Timothy Mirugi
2.	Head of Production	M/s. Angeline Ndambuki Wambui
3.	Head of Finance and Accounts	CPA, Zaccheus Ndirangu
4.	Head of Human Resource	Stephen Mbenda
5.	Head Of Legal Affairs	Suleiman Wandati
6.	Head of Administration	M/s Glory Kamungi
7.	Head of ICT	Viscount Amiani
8.	Head of Supply Chain	Evelyne Kimemia
9.	Head of Internal Audit	Godfrey Kirimi

(e) Fiduciary Oversight Arrangements

- i) Audit and Risk Committee -Board of Directors select Audit and Risk committee which reviews the controls, risk management and governance processes.
- ii) Finance committee- Board of Directors finance select committee
- iii) Technical and Commercial Committee – Board of Directors Technical and Commercial Committee
- iv) Special Funds Parliamentary Oversight Committees – Parliamentary Oversight Committee on Agriculture.

(f) Headquarters

Wakulima House
5th Floor
Haile Selassie Avenue
P.O. Box 59638 - 00200
Nairobi,
KENYA.

(g) Contacts

Telephone: (254) 20-2001401
E-mail: info@newkpculld.go.ke
Website: www.newkpculld.go.ke

(h) Bankers

Co-operative Bank of Kenya,
Wakulima Branch,
Haile Selassie Avenue,
NAIROBI,
KENYA


(i) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi,
KENYA

(j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi,
KENYA




3. The Board of Directors

Ref	Directors	Details
1.		<p>Mr. Daniel K. Chemno was born on 18th January 1965. He was appointed on the 10th of February 2023. He is the chairman of New Kenya Planters Co-operative Union Board of Directors. Daniel Chemno holds an MBA in management from ALIAS Philippines, a BBA in Management from Baraton University. He worked as the Deputy Governor in Uasin Gishu County for two terms, 2013 – 2022.</p>
2.		<p>Dr. Benson Momanyi was born on 1st June 1961. He was appointed on 13th of May 2022. He is a member of the Board of Directors and the Chair of the Finance, Strategy and Resource Mobilization Committee. He is also a member of the Technical / Commercial Committee as well as the HR, Compliance & Governance Committee. Dr. Momanyi holds a PhD in Business Administration (Strategic Management Option) from Jomo Kenyatta University of Agriculture and technology, a Master's degree in Business Administration (MBA), from University of Dar es Salaam, Bachelor's Degree in Administration from Newport University in South Africa and Certified Public Accountant (CPA Part 3 Sec 5). KASNEB and Diploma in Co-operative Administration and Management from the Co-operative University of Kenya. He is currently a Principal Consultant and Team Leader with Critical Consultancy Services Ltd consulting with over 25 organisations. Dr. Momani has also prepared practical Strategic and Business Plans for SMEP DTM which enabled it to get the license from Central Bank of Kenya to become a Deposit Taking Microfinance Company. He is currently a Board Member of Masai Mara University. He is an independent Director.</p>
3.		<p>Mr. Simon Thurania was born on 06th July 1972; He was appointed on 13th of May 2022. He is an LLB graduate with a Diploma from the Kenya School of Law. On 12th April, 2001. He is the Chair of the HR, Compliance & Governance Committee, and a member of the Audit & Risk Committee He was admitted as Advocate of the High Court of Kenya. He is currently a practicing Advocate and practices in the name of Thurania. Atheru Advocates and Company Advocates. He worked with the County Government of Meru as the Chief Legal Officer from November 2013 to August 2017, Kinuthia Arithi and Company Advocates from 30th June, 2001 to 31st October, 2013 and B.G Kariuki Advocates from 12th April, 2001 to 29th June 2001 as an Associate Advocate. He is an independent Director</p>


Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.





4.		<p>Charles Karinga was born in 01st January 1978. He was appointed 13th of May 2022. He is a member of the Technical / Commercial Committee and the Finance, Strategy and Resource Mobilization Committee. He holds a certificate in Agriculture from Kilifi Institute of Agriculture. He was the Factory Manager for Kawamura Coffee Factory from 2001 – 2005 and an Agronomist in charge of Sales and Marketing in Topserve East Africa Ltd. He is an accomplished agronomist with significant expertise in education. He is an independent Director</p>
5.		<p>Esther Nyambura Kariuki was born 15th September, 1981. She was appointed on 13th of May 2022. She holds a Bachelor of Arts Communications and Sociology Degree from the University of Nairobi. She is also currently pursuing a qualification as a Certified Financial and Investment Analyst from KASNEB and a Master’s Degree in Gender & Development Studies. She is currently the Head, Agribusiness, Co-operative Bank of Kenya. She is the Chair of the Technical / Commercial Committee and is a member of the Audit & Risk Committee. She is an independent Director.</p>
6.		<p>Patrick Maina Mburu was born on 03rd September, 1968. He was appointed on 13th of May 2022. He holds a Diploma in Banking (Credit) from Universal College. He is a member of the Finance, Strategy & Resource Mobilization Committee and the HR, Compliance and Governance Committee. He is currently the Chairman of Muthithi Farmers’ Co-operative Society and has held the position from 2014. He is an independent member.</p>
7.		<p>Charles Mutwiri Rintaugu was born on 03rd March 1959. He was appointed on 13th of May 2022. He is a member of the Technical / Commercial Committee as well as the HR, Compliance & Governance Committee. He is an Estate Farmer and owns Mukarimu Estate. He is an independent Director</p>

8.		<p>Gloria Wamalwa Gummerus was born on 01st April, 1971. She was appointed on 13th of May 2022. She is a member of the Technical Commercial Committee and the Audit & Risk Committee. She is a Estate Farmer and is the CEO of Sakami Coffee Ltd. She is also a Founder Member of Women in Coffee Kenya Chapter. She is a skilled coffee cupper and roaster. She is an independent Director.</p>
9.		<p>Thomas Masila was born on 20th August 1976. He was appointed on 13th May 2022. He is the Chair of the Audit & Risk Committee and a member of the HR, Compliance & Governance Committee. He has a Master's Degree in Project Planning and Management from the University of Nairobi, Bachelors of Education Degree in Art, Accounting and Economics from the University of Nairobi and Diploma in Co-operative Management from Kabete Campus. He is an Estate Coffee Farmer and proprietor of Mbandi Estate. He is an independent Director</p>
10.		<p>JOYCE NKIROTE KINUU is Alternate member to PS, Ministry of Cooperatives and MSMES. She is Head of the Legal Unit, State Department for Co-operatives. She is a member of all the Board Committees. She holds Bachelor of Social and Legal Sciences (BSL) Bachelor of Law (LLB) from University of Pune under. Masters of Law from University of Nairobi and Post Graduate Diploma in Law from the Kenya School of Law. She worked as a State Counsel at Office of the Attorney General and Department of Justice, Department of Advocates Complaints Commission [2011-2018] her duties included providing legal advice on complaints of professional misconduct against advocates; providing researched legal opinions; analysing and investigating complaints of professional misconduct against advocates; subjecting complaints of professional misconduct against advocates to Alternative Dispute Resolution (ADR) mechanism; prosecution of complaints of professional misconduct against advocates at the Advocates Disciplinary Tribunal; organizing and conducting stakeholders workshops, public sensitization and legal aid clinic programmes in the counties. She is an alternate Director from the office of the Attorney General.</p>

11.		<p>Mr. Festus Marangu, Deputy Inspector – General, Inspectorate of State Corporations an alternate representing the Inspector General of State Corporations. Festus Marangu was born in 1964 and holds a MSc in Governance and Leadership, MPhil in International Humanitarian Law, bachelor of Arts in Communication and Community Development.</p>
12.		<p>Mr. Moses Irungu Kibugi is an alternate member from The National Treasury. He is a Principal Finance Officer at the National Treasury. Moses was born in 1978 and holds an MBA in Forensic accounting and auditing from Moi University, Bachelor Philosophy in Applied Statistics and a Higher Diploma in applied statistics.</p>
13.		<p>Mr. Timothy M. Mirugi is the Managing Director and was appointed on the 3rd of January 2023. He holds</p> <ul style="list-style-type: none"> • Masters in Business Administration, Strategic Management - Kenyatta University: 2014 to 2019 • Bachelor of International Business Administration - Makerere University Business School: 2003 to 2006 • St. Paul’s Mbale College Uganda-Uganda Advanced Certificate of Education: 2001 to 2002 • Customer Service training at Horizons Ltd • Import Export training course in China
14.		<p>Mr. Suleiman Wandati, is the Company Secretary.</p> <ul style="list-style-type: none"> • BAL, LLB • Post Graduate Diploma from the Kenya school of law • Certified Professional Mediation • Certified Public Secretary from Kasneb (Ongoing) • Member of the Kenya Association of Cooperatives

4. Key Management Team

	Management	Details
1.	 <p>Mr. Timothy M. Mirugi Managing Director</p>	<ul style="list-style-type: none"> • Masters in Business Administration, Strategic Management - Kenyatta University: 2014 to 2019 • Bachelor of International Business Administration - Makerere University Business School: 2003 to 2006 • St. Paul's Mbale College Uganda-Uganda Advanced Certificate of Education: 2001 to 2002 • Customer Service training at Horizons Ltd • Import Export training course in China
2.	 <p>M/s Angeline W. Ndambuki Head of Production</p>	<ul style="list-style-type: none"> • Higher Diploma in Human Resource Management • Bachelor of Business Administration - Human Resource Management • Diploma in Computer Studies • Diploma in Business Administration • Certificate - Balanced Scorecard Training • Counselling Certificate
3.	 <p>CPA Zaccheus Kagema Ndirangu Head of Finance & Accounts</p>	<ul style="list-style-type: none"> • BCOM (Accounting - Option) from University Of Nairobi • CPA (K) • Strategic Leadership Development Program & • Senior Management Course from Kenya School of Government, • Project Management course • Contract Management course • IFMIS Financial Reporting • Cash Management, and • Corporate Director Course.

4.	 Mr. Stephen Mbenda Head of Human Resource	<ul style="list-style-type: none"> • Higher Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM) • Senior management course (SMC) from Kenya School of Government • Strategic Human Resource Management course from Kenya School of Government.
5.	 M/s Glory Kamungi Head of Administration	<ul style="list-style-type: none"> • Masters of Art in Project Planning and Management • Bachelor of Education (Arts) • Administrative Officers Exam – Public Service Commission • Senior Management Course – Kenya School of Government
6.	 Mr. Suleiman Wandati Company Secretary/Head of Legal Affairs	<ul style="list-style-type: none"> • BAL, LLB • Post Graduate Diploma from the Kenya school of law • Certified Professional Mediation • Certified Public Secretary from Kasneb (Ongoing) • Member of the Kenya Association of Cooperatives
7.	 Viscount Amiani Head of ICT	<ul style="list-style-type: none"> • Bachelor of Science (Computer Engineering) • Microsoft Systems Administrator • Member of Computer Society of Kenya

8.	 <p>Evelyne Kimemia Head of Supply Chain</p>	<ul style="list-style-type: none">• Degree in Purchasing and Supplies Management• Diploma in Purchasing and supplies Management• Member of Kenya Institute of Suplies Management
9.	 <p>Godfrey Kirimi Head of Internal Audit</p>	<ul style="list-style-type: none">• Bachelor of Business Administration• CPA (K)• Certified Forensic Fraud Examiner (CFFE) – Level 1• Senior Management Course – Kenya School of Government• Supervisory Skills Development – Kenya School of Government• Member ICPAK• Member Institute of Intenal Auditors

5. Chairman's Statement

The establishment of Kshs. 3 Billion CCARF, was to provide affordable, accessible and sustainable advances to small coffee growers and small coffee estates holders. Administration of this fund has addressed the waiting period between delivery of the coffee cherry and final settlement of coffee proceeds after the sale.

Upon delivery of coffee cherry to the FCS's, the coffee farmer may apply for coffee cherry advance based on 40% (Forty per-centum) of the prevailing average sales price at the Coffee Exchange, Kshs.20.00 (Twenty Shillings) per kilogram of cherry delivered or 40% (Forty per-centum) of the payment rate to members by a co-operative society for the immediate past crop year

Some of the key achievements include increase in CCARF disbursement. For the year under review, 84,881 farmers benefited from CCARF to the tune of Kshs.512M. The fund account generated interest which was applied to further the objectives of the fund.

A total amount of Kshs.310.0 million was earned in the first & second year of operation whereas Kshs.213.10 million has been earned in the year under review. The disbursement uptake has continuously improved and sensitization programs and work plans for faster disbursements are continuing.

Before the CCARF came to being, coffee farmers disproportionately continued to bear the burden of the coffee value chain because of various challenges some of which are poor crop husbandry, dilapidated primary processing milling, warehousing infrastructure and lack of access to markets, unfavorable international terms of trade, rising climate change, recession and inflation, unfriendly legal and policy framework, land division and segmentation.

The CCARF objective is to focus on Key Result Areas of enhancing the livelihoods of coffee farmers through improved access to credit. The coffee farmers expect profitable commercial farming therefore there is need for measures that support coffee production, agronomy, primary processing, milling and marketing.

CCARF financial year 2022/2023 registered improved uptake compared to previous years' as a result of sensitization programs and adoption of effective fund application and disbursement procedures.

On behalf of the Board of Directors I am confident that the current measures being put in place will address challenges and offer mitigating measures resulting in a visible contribution to Kenya's Vision 2030 and Bottom-up Economic Transformation Agenda.

.....
Daniel K. Chemno
Chairman
Board of Directors

6. Report of the Chief Executive Officer

The Coffee Cherry Advance Revolving Fund (CCARF) is established pursuant to PFM Act, 2012, under regulation 3 of the PFM (Coffee Cherry Advance Revolving Fund) Regulations 2020 on 12th March 2020, as a National Government Public Fund. To this end, during the FY 2019/2020, the National Treasury availed Kshs.3 Billion to New KPCU for provision of affordable, accessible and sustainable advances to small coffee growers and small coffee estates holders.

The CCARF Regulations places the oversight of the fund as a function upon the New KPCU Board of Directors which has continuously developed policies and strategies geared towards effective and efficient administration of the fund and has improved the uptake and disbursement to small coffee growers and small coffee estates holders

With the emergence of the fund, coffee productivity has greatly improved owing to farmers accessing advances of Kshs.20 per kg of cherry upon delivery enabling them to meet their financial needs which supports coffee farming value chain.

Deliberate measures put in place by the management through the strategic guidance of the Board, has stimulated and improved the financial performance of the fund year in year out. During the Financial Year 2020/2021, Kshs.48 Million was disbursed, 2021/2022, Kshs. 152 Million was disbursed and during the current financial year under review, Kshs.512 Million has been disbursed.

With approximately 84,881 farmers having benefitted from the fund so far, I remain confident that the current coffee reforms spearheaded by the national government, coupled with institutional policy and strategies will further improve the performance of the fund in the coming financial years through strategies such as sensitization, awareness creation programs, decentralization, automation of disbursement and recovery processes. For sustainability of the fund, proper recovery mechanisms have been instituted.

The fund account has so far generated interest income amounting to Kshs. 476 million which is applied to operationalization of the fund.



.....
Timothy M. Mirugi
Managing Director

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

Since inception, Coffee Cherry Advance Revolving Fund has continued to implement its mandate of provision of affordable and sustainable advance on coffee cherry delivered to FCS's and 40% valuation on parchment delivered to coffee marketers.

Since July 2020, the CCARF has disbursed Kshs 780 million up to 30th June 2023. This has improved rural household incomes in coffee growing areas with farmers receiving Kshs 20 per kg of coffee cherry delivered to FCS's and 40% valuation on coffee parchment delivered to coffee marketers. Refurbishment of New KPCU Plc headquarters and warehouses is ongoing with Kisii, Kitale and other satellite offices across all coffee growing counties being established.

In 2020, the Government allocated Kshs 3 billion for the Coffee Cherry Advance Revolving Fund. Since then, Kshs 780 million has been disbursed and 84,881 coffee farmers have benefited. The fund has improved access to affordable credit and has narrowed the waiting period between delivery of coffee cherry and payment for coffee sold proceeds.

The New KPCU Plc has developed Human Resource Instruments, with support from the Ministry of Cooperatives & MSME Development, which have been approved and are ready for implementation. This would enable establishment of CCARF offices and staffing.

The mandates of CCARF are as defined in the PFM Act 2012, and enabling (CCARF) regulations and entails:

- (i) Increasing access to sustainable credit advance to small holder coffee farmers and small holder estate farmers;
- (ii) Improvement of rural farmer's livelihood through access to credit.
- (iii) Implement the coffee cherry advance revolving fund sensitization, awareness and accessibility.

CCARF has three strategic objectives within the current Strategic Plan for the FY 2021/2022- FY 2027/2028. These strategic objectives are as follows:

Objective 1: Increase access to sustainable credit advance to small holder coffee farmers;

Objective 2: Improve rural livelihoods through Administering the Coffee Cherry Advance Revolving Fund.

Objective 3: Implement the coffee cherry advance revolving fund sensitization, awareness and accessibility.

CCARF develops its annual work plans based on the above *three* objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. *New KPCU Plc* achieved its performance targets set for the FY 2022-2023 period for its strategic objectives, as indicated in the diagram below:

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Objectives 1:	Increase access to sustainable credit advance to small holder coffee farmers	Number of Farmers benefitted from the CCARF	Reaching out to small holder coffee farmers to increase beneficiaries	84,881
Objectives 2:	Improve rural livelihoods through Administering the Coffee Cherry Advance Revolving Fund	Fund disbursed	Funds applied & disbursed	780M
Objective 3	Implement the coffee cherry advance revolving fund sensitization, awareness and accessibility.	Number of satellite offices established	Recruitment of CCARF officers and setting up of satellite offices	11

8. Corporate Governance Statement

Board Meetings

The Board executes its functions through Board meetings. During the financial year, five Board meetings were conducted.

Succession Plan

The Board was appointed for a period of 3 years by the Cabinet Secretary MoC&MSME's whereas the Chairman was appointed by the President for a term of 3 years. When the term of each Board member comes to an end, the appointing authority is notified for fresh appointments.

Board Charter

The company has a Board charter which defines the roles, responsibilities, functions and structures of the Board in a way that supports and guides the carrying out of its strategic oversight function. Further, the Charter provides the Board with an opportunity to think creatively and critically on their strategic and operational plans aligned with the company's strategic direction and expectations.

Appointment and Removal of Directors

The Board of Directors was appointed in May 2022. Subsequently, members were taken through an induction program to empower them in the discharge of their oversight role. A variation in the constitution of the Board was carried out through the discharge of the chair who was appointed in June 2022 through a subsequent appointment of the current Chairperson on 6th February 2023.

Roles and functions of the Board

The primary responsibility of the Board is to provide overall strategic direction and oversight to the company in pursuit of its mandate. In furtherance of its responsibilities, the Board discharges the following functions:

- a) Determine the company's vision, purpose and core values;
- b) Review, evaluate and approve, on regular basis the strategic objectives of the Company;
- c) Review, evaluate and approve the Company's budget and financial forecasts;
- d) Review, evaluate and approve major resource allocations and capital investments;
- e) Ensure that the procurement process is cost-effective and delivers value for money;
- f) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the Company's operations and performance;
- g) Ensure that effective process and systems of risk management and internal controls are in place;
- h) Adopt, implement and monitor compliance with the Company's Code of Conduct and Ethics;
- i) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- j) Review periodically the Company's strategic objectives and policies relating to sustainability and social responsibility/investments;
- k) Protect the rights of shareholders and optimize shareholder value;
- l) Enhance the Company's public image and ensure engagement with stakeholders through effective communication;
- m) Monitor compliance with the Constitution, all applicable laws, regulations, Company policies and SOPs; and

Review, monitor and evaluate to ensure that the Company is effectively and consistently delivering on its mandate

Board induction, training and development

The Board was taken through an induction course at the Kenya School of Government in Mombasa in August 2022 while the Audit & Risk Board Committee was inducted in October 2022.

Board evaluation

The State Corporations Advisory Committee evaluated the Board on the 21st of August 2023.

Conflict of Interest

Board members declared and registered conflict of interest in all Board and Committee meetings during the current financial year.

Board Remuneration

Members of the Board of Directors are remunerated for their services in accordance with the prevailing legislative provisions and/or guidance from the relevant authority. In line with best practice, the remuneration includes sitting allowance, daily subsistence allowance, mileage. The Chairman of the Board is entitled to honorarium as stipulated in the prevailing guidelines from relevant authority

Ethics and conduct

In line with Section 3 of the Leadership and Integrity Act No. 19 of 2012 of the Laws of Kenya, the Board of Directors respects the values, principles and the requirements of the COK, including:

- i. The national values and principles provided for under Article 10 of the COK;
- ii. The rights and fundamental freedoms provided for under Chapter Four of the COK;
- iii. The responsibilities of leadership provided for under Article 73 of the COK;
- iv. The principles governing the conduct of State officers provided for under Article 75 of the COK;
- v. The educational, ethical and moral requirements in accordance with Article 99 (1) (b) and 193 (1)(b) of the COK;
- vi. In the case of County Governments, the objectives of devolution provided for under Article 174 of the COK; and
- vii. The values and principles of Public Service as provided for under Article 232 of the COK.

Governance Audit

The Board of Directors complies with governance audit which includes the following parameters among others;

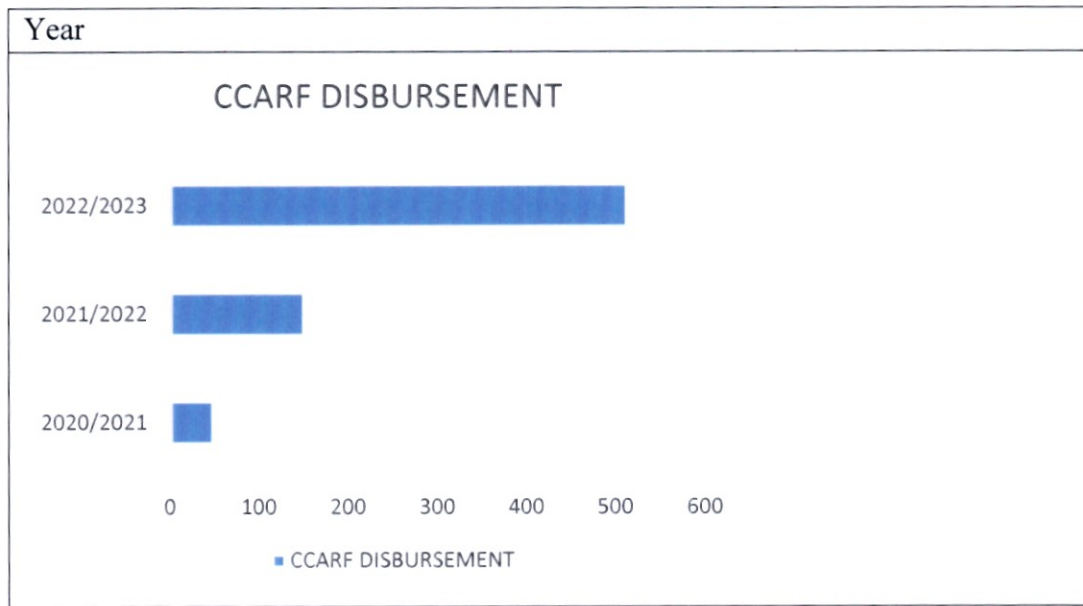
- a) Leadership and strategic management;
- b) Transparency and Disclosure;
- c) Compliance with Laws and Regulations;
- d) Communication with stakeholders;
- e) Board independence and governance;
- f) Board systems and procedures;
- g) Consistent shareholder and stakeholders' value enhancement; and
- h) Corporate social responsibility and investment

9. Management Discussion and Analysis

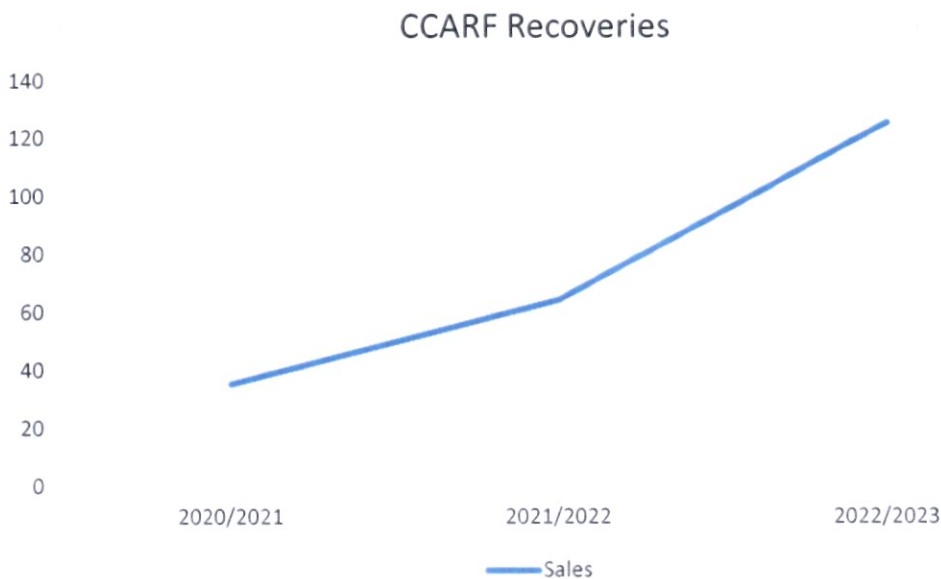
Since inception, the management has continued to implement the mandate of the Coffee Cherry Advance Revolving Fund through prudent and sustainable management of advance disbursement and recovery.

Operational Performance

Highlighted in the table below is the operational performance of the fund for the last 3 financial years.



During the same period, the following recoveries were made Kshs. 35,281,662.75 in 2020/2021, Kshs.64,321,086.16 in 2021/2022, Kshs.125,327,005.10 in 2022/2023.



CCARF Recoveries

Investment Decisions

To simplify accessibility and ensure effective processes in application, evaluation, disbursement and recovery, efforts are ongoing to automate CCARF operations.

Compliance with Statutory Requirements

Administration of CCARF is guided by PFM Act 2012, and attendant PFM (CCARF) Regulations 2020. CCARF Operations are carried out in compliance with these key regulatory frameworks.

Major Risk of the fund

These are events whose occurrence has an impact on the realization of the objective of the fund. Key risks identified in the institutional Risk Management Framework for the fund are default risk, strategic risk and communication risk.

Material arrears in statutory and other financial obligations – payables and receivables

Though the CCARF disbursement has continued to improve the CCARF recoveries on the other hand reflect a trend that might affect the operations.

10. Environmental and Sustainability Reporting

Sustainability strategy and profile

CCARF exists to transform lives. This is our purpose: the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer / citizen first, delivering relevant goods and services and improving operational excellence. Below is an outline of the organisations policies and activities that promote sustainability.

In agronomists support services, field officers visit farms to bring services closure to the farmers and follow up to ensure correct application of farm inputs. This brings farmers closer to services provided by CCARF.

It is imperative to hold the hand of the farmers all through the whole coffee value chain. Coffee quality and premium grands are made from the farm and there after sustained through careful handling during pulping, drying and delivery to milling plants.

The corporate social responsibility program targets areas of show casing to ensure farmers are made aware of the coffee tree husbandry and agronomy care which enables great results in quality and volume. The average output per coffee bush is 2 kgs whereas the same can easily produce up to 15kgs comfortably with the right use of farm inputs.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Coffee Cherry Advance Revolving Fund affairs

i) Principal activities

The principal activities of the fund are processing advance application, disbursement and recovery.

ii) Results

The results of CCARF for the year ended June 30, 2023, are set out on page 1 – 69.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii – ix. During the year 2022/2023, The Chairman of the Board was replaced and a new Chairman was appointed with effect from 6th February 2023. The rest of the Board members continued to serve for the period under review.

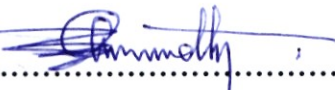
iv) Surplus remission

The Fund did not remit any remittance to the consolidated fund during the Financial Year ended 30th June 2023.

v) Auditors

The Auditor-General is responsible for the statutory audit of CCARF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


.....
Suleiman Wandati
Corporation Secretary/Secretary to the Board

**Annual Report and Financial Statements
for the year ended June 30, 2023.**

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (*Coffee Cherry Advance Revolving Fund (CCARF) PFM regulations March, 2020*) require the Directors to prepare financial statements in respect of *CCARF*, which give a true and fair view of the state of affairs of the *CCARF* at the end of the financial year ended 30th June, 2023 and the operating results of the *CCARF* for that year. The Directors are also required to ensure that the *CCARF* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *CCARF*. The Directors are also responsible for safeguarding the assets of the *CCARF*.

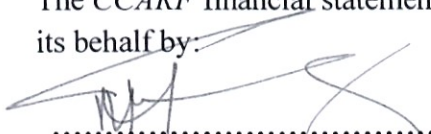
The Directors are responsible for the preparation and presentation of the *CCARF* financial statements, which give a true and fair view of the state of affairs of the *CCARF* for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *CCARF*; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *CCARF*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

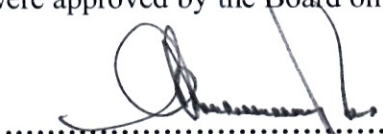
The Directors accept responsibility for the *CCARF* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the *CCARF* PFM regulations). The Directors are of the opinion that the *CCARF* financial statements give a true and fair view of the state of *CCARF* transactions during the financial year ended June 30, 2023, and of the *CCARF* financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the *CCARF*, which have been relied upon in the preparation of the *CCARF* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *CCARF* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *CCARF* financial statements were approved by the Board on 29th September, 2023 and signed on its behalf by:


.....
Timothy M. Mirugi
Managing Director


.....
Zaccheus K. Ndirangu
Head of Finance
ICPAK No. 4820:

.....
Daniel K. Chemno
Chairman of the Board

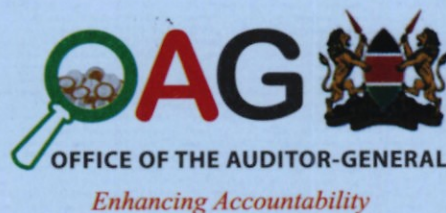
Date 8/1/2024

Date 8/1/2024

Date

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COFFEE CHERRY ADVANCE REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Coffee Cherry Advance Revolving Fund set out on pages 1 to 66, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Coffee Cherry Advance Revolving Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements presented for audit had the following inaccuracies:

- i. The statement of financial position reflects comparative cash and cash equivalents balance of Kshs.2,917,791,246 while the corresponding Note 29 to the financial statements reflects comparative balance of Kshs.2,898,209,112 resulting to an unexplained and unreconciled variance of Kshs.19,852,134.
- ii. Further, the statement reflects a comparative balance of Kshs.3,032,138,972 in respect to total net assets and liabilities. Recasting of balances yielded Kshs.3,025,381,696 resulting to an unexplained and unreconciled variance of Kshs.6,757,276.
- iii. In addition, the statement reflects a comparative current liabilities balance of Kshs.6,181,918 while the corresponding Note 43 to the financial statements reflects nil balance resulting to an unexplained and unreconciled variance of Kshs.6,181,918.
- iv. The statement of cash flows reflects net cash flows from operating activities of Kshs.135,151,796 while the corresponding Note 50 to the financial statements reflects an amount of Kshs.571,799,806 resulting to an unexplained and unreconciled variance of Kshs.436,648,010.
- v. The disclosure on capital risk management at Note 51(iv) to the financial statements reflects total Borrowings of Kshs.17,624,537 that has not been incorporated into the financial statements.

In the circumstances, the presentation, accuracy and completeness of the above balances as reflected in the financial statements could not be confirmed.

Basis for Conclusion

1. Failure to Prepare Annual Workplan and Budget for the Fund

As previously reported, the Fund did not prepare annual work programme and budget for the financial year ended 30 June, 2023. In the foregoing circumstances, it was impossible to establish the Fund's approved activities and cost estimates thereof for the financial year under review as envisaged. This was in contravention of Regulation 23(1) of the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 which states that, "at least six months before the commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year".

Further, Regulation 6(2) of the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 stipulates that the expenditure on the Fund shall be on the basis of and limited to annual work programmes and cost estimates which shall be prepared by the Administrator at the beginning of every financial year and approved by the Board.

In the circumstances, Management was in breach of the law.

2. Irregular Investment of Undisbursed Funds in Call Account at a Commercial Bank

As previously reported the cash and cash equivalents balance of Kshs.2,286,286,291 includes an amount of Kshs.2,181,054,794 invested in call deposits, held in a Commercial Bank, as disclosed at Note 29 to the financial statements. This is contrary to The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and Semi-Autonomous Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries. All funds previously held in fixed deposits in commercial banks / financial institutions were not to be rolled over but retired and invested in Treasury bills / bonds.

Further, the balances held with the commercial banks on call deposit have accumulated unapplied interest of Kshs.181,054,794. Unapplied funds do not benefit from interest, unless rolled over as part of the principal balances. This has denied the Fund the benefit of a higher return on those unpaid Funds.

In the circumstances, Management was in breach of the law and value for money was not realized from unapplied interest that was not rolled over.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

2. Presentation of the Financial Statements

Review of the financial statements revealed that the Management did not comply with the International Public Sector Accounting Standards (Accrual Basis) as prescribed in the Public Sector Accounting Standards Board Reporting Template (Revised 2023).

In the circumstances, the presentation of the financial statements was not in accordance with the format prescribed by the Public Sector Accounting Standards Board.

3. Long Outstanding Trade Receivables

The statement of financial position reflects receivables from exchange transactions and receivables from non-exchange transactions balances of Kshs.488,240,754 and Kshs.215,187,818 as disclosed in Note 30(d) and 31 to the financial statements respectively both totalling Kshs.703,428,572. However, included in Kshs.703,428,572 is Kshs.337,994,165 of receivables, which have been outstanding for more than one (1) year. Management did not provide explanation for the delays in recovery or actions being taken to recover the long overdue amounts. Further, no provisions for bad and doubtful debts have been made despite its doubtful nature.

In the circumstances, the accuracy and recoverability of the trade receivables balance of Kshs.703,428,572 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Coffee Cherry Advance Revolving Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 January, 2024

2

2



Handwritten text or scribbles in the lower right quadrant of the page.

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

14. Statement of Financial Performance for the year ended 30 June 2023


	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	-	-
Levies, Fines, and penalties	7	-	-
Public contributions and donations	8	-	-
Property taxes revenue	9	-	-
Licenses and permits	10	-	-
		-	-
Revenue from exchange transactions			
Rendering of services	11	-	
Sale of goods	12	-	
Rental revenue from facilities and equipment	13	-	
Finance income	14	213,104,015	175,597,774
Other income (CCARF 3% Admin Charges)	15	8,009,818	-
Total revenue		221,113,834	175,597,774
Expenses			
Use of goods and services	16	10,962,038	1,350,326
Employee costs	17	-	
Board Expenses	18	-	
Depreciation and amortization expense	19	-	
Repairs and maintenance	20	-	22,461,828
Total Expenses		10,962,038	23,812,154
Contracted services	21	-	-
Grants and subsidies (New KPCU Plc Budget)	22	75,000,000	-
Finance costs	23	-	-
Total expenses		85,962,038	23,812,154
Other gains/(losses)		-	-
Gain/Loss on sale of assets	24	-	-
Gain/Loss on foreign exchange transactions	25	-	-
Gain /Loss on fair value of investments	26	-	-
Impairment loss	27	-	-
Surplus/ (deficit) before tax		135,151,796	151,785,620
Taxation (Not Applicable)	28		-
Surplus/(deficit) for the period/year		135,151,796	151,785,620
Remission to National Treasury	47	-	-
Net Surplus for the year		135,151,796	151,785,620
Attributable to:		-	-
Surplus/(deficit) attributable to minority interest		-	-

Annual Report and Financial Statements

for the year ended June 30, 2023.

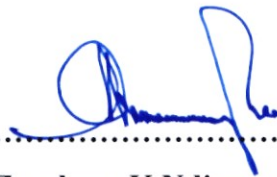
Surplus attributable to owners of the controlling Fund		55,298,543.90	151,785,619.70
		55,298,543.90	151,785,619.70

The notes set out on pages 11 to 64 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 10 were signed on behalf of the Board of Directors by:



.....
Timothy Mirugi
Managing Director

Date **8/1/2024**



.....
Zaccheus K Ndirangu
Head of Finance
ICPAK M/No:4820

Date **8/1/2024**

.....
Daniel Chemno
Chairman of the Board

Date

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

15 Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	29	2,286,286,292	2,917,791,246
Receivables from Exchange Transactions	30 (a)	488,240,754	101,396,534
Receivables from Non-Exchange Transactions	31	215,187,818	12,951,192
Inventories	32	-	-
Investments in financial assets (Collateral -Guarantee)	33	160,050,000	-
Total Current Assets		3,149,764,864	3,032,138,972
Non-Current Assets			
Property, Plant and Equipment	34	-	-
Investments	33	-	-
Intangible Assets	35	-	-
Investment Property	36	-	-
Receivables from Exchange Transactions	30 (b)	-	-
Total Non- Current Assets		-	-
Total Assets		3,149,764,864	3,032,138,972
Liabilities			
Current Liabilities			
Trade and Other Payables	37	17,624,537	
Refundable Deposits from Customers	38	-	
Current Provision (New KPCU Plc Budget)	39	-	
Finance Lease Obligation	40	-	
Current Portion of Borrowings	43	-	6,181,918
Deferred Income	41	-	
Employee Benefit Obligation	42	-	
Social Benefits	46	-	
Taxation	48		
Total Current Liabilities		17,624,537	6,181,918
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	42	-	
Non-Current Provisions	43	-	
Borrowings	44	-	-
Service Concession Liability	45	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

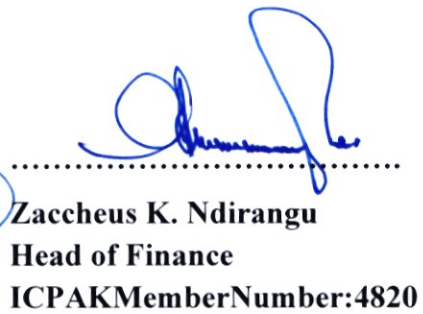
Social Benefits	46	-	-
Deferred Tax Liabilities	49	-	-
Total Non- Current Liabilities		-	-
Total Liabilities		17,624,537	-
Net Assets			
Reserves		-	-
Accumulated Surplus		368,045,806	255,105,257
Capital Fund		2,764,094,521	2,764,094,521
Total Net Assets		3,132,140,327	3,019,199,778
Total Net Assets and Liabilities		3,149,764,864	3,032,138,972

The financial statements set out on pages 1 to 10 were signed on behalf of the Board of Directors by:



.....

Timothy Mirugi
Managing Director



.....

Zaccheus K. Ndirangu
Head of Finance
ICPAK Member Number: 4820

.....

Daniel K. Chemno
Chairman of the Board

Date *8/1/2024*

Date *8/1/2024*

Date

16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021	-	-	-	81,108,391	-	2,764,094,521	2,845,202,912
Issued new capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ deficit for the year	-	-	-	151,785,620	-	-	151,785,620
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
As at June 30, 2022	-	-	-	232,894,010	-	2,764,094,521	2,996,988,531
	-	-	-	-	-	-	-
As at July 1, 2022	-	-	-	232,894,010	-	2,764,094,521	2,996,988,531
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)

Annual Report and Financial Statements

for the year ended June 30, 2023.

Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ (deficit) for the year	-	-	-	135,151,796	-	-	135,151,796
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
As at June 30, 2023	-	-	-	368,045,806	-	2,764,094,521	3,132,140,327

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		-	-
Levies, fines, and penalties		-	-
Public contributions and donations		-	-
Property taxes revenue		-	-
Licenses and permits		-	-
Rendering of services		-	-
Sale of goods		-	-
Rental revenue from facilities and equipment		-	-
Finance income		213,104,015.50	175,597,773.90
Other income		8,009,818.30	-
Total receipts		221,113,833.80	175,597,773.90
Payments			
Use of goods and services		10,962,038.00	1,350,326.20
Employee costs		-	-
Board Expenses		-	-
Repairs and maintenance		-	-
Contracted services		-	-
Grants and subsidies		75,000,000.00	-
Total payments		85,962,038.00	1,350,326.20
Net cash flows from/(used in) operating activities	50.00	135,151,795.80	174,247,447.70
Cash flows from investing activities			
Purchase of PPE and Intangible assets		-	-
Proceeds from sale of PPE		-	-
Purchase of investments		(672,050,000.00)	-
Sale of investments		-	-
Net cash flows from/(used in) investing activities		(650,000,000.00)	-
Cash flows from financing activities			
Proceeds from borrowings		18,495,045.80	-
Repayment of borrowings		-	-
Proceeds from issue of shares		-	-
Net cash flows from financing Activities		18,495,045.80	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Report and Financial Statements
for the year ended June 30, 2023.

	Notes	2022-2023	2021-2022
		Kshs	Kshs
		(631,504,954.20)	
Net increase/(decrease) in cash & Cash equivalents		(631,504,954.20)	50,386,085.95
Cash and cash equivalents at 1 July	29.00	2,917,791,246.05	2,968,177,332.00
Cash and cash equivalents as at 30 th June		2,286,286,291.85	2,917,791,246.05

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	-	-	-	-	-	-
Levies, Fines and Penalties	-	-	-	-	-	-
Public Contributions and Donations	-	-	-	-	-	-
Property Taxes Revenue	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Rendering of Services	-	-	-	-	-	-
Sale of Goods	-	-	-	-	-	-
Rental Revenue from Facilities and Equipment	-	-	-	-	-	-
Finance Income	205,000,000.00	-	205,000,000.00	213,104,015.50	-8,104,015.50	103.95
Agency Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Total Income	205,000,000.00	-	205,000,000.00	213,104,015.50	-8,104,015.50	103.95
Expenses						
Use of Goods and Services	77,000,000.00	-	77,000,000.00	74,861,358.48	2,138,641.52	97.2
Employee costs	8,000,000.00	-	8,000,000.00	7,944,113.00	55,887.00	99.3

Coffee Cherry Advance Revolving Fund (CCARF)

Annual Report and Financial Statements

for the year ended June 30, 2023.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	n
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Remuneration of Directors	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-
Contracted Services	-	-	-	-	-	-
Grants and Subsidies	205,000,000.00	-130,000,000.00	75,000,000.00	75,000,000.00	-	100
Total Expenditure	290,000,000.00	-	160,000,000.00	157,805,471.48	2,194,528.52	99
Surplus for the period		-		55,298,544.02	19,701,455.98	73.73
Capital Expenditure	-	-	-	-	-	

19. Notes to the Financial Statements

1. General Information

The Coffee Cherry Advance Revolving Fund (CCARF) is established by and derives authority and accountability from the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020. The CCARF is wholly owned by the Government of Kenya and is domiciled in New Kenya Planters Cooperative Union. The CCARF principal activity is to provide affordable, sustainable and accessible cherry advance to smallholder coffee growers and small holder coffee estates.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *CCARF* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *CCARF*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Fund’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The New KPCU PLC was not affected by the change</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Fund. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Fund’s financial performance, financial position and cash flows. <p>The New KPCU PLC complies with the reporting requirement as per the IPSAS 42</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p>Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p>

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Standard	Effective date and impact:
Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(The New KPCU PLC complies with the requirements of IPSAS 41)</i></p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>(The New KPCU PLC complies with the requirements of IPSAS 22)</i></p>

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>New KPCU PLC is not affected by the IPSAS 46</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>New KPCU PLC not affected</i></p>

- iii. ***Early adoption of standards***

The Fund did not early – adopt any new or amended standards in the financial year the Fund adopted the following standards early (state the standards, reason for early adoption and impact on Fund’s financial statements.)

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The *CCARF* recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Fund and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Fund* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *Fund*.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Fund's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY was approved by the National Assembly on 8th June, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of *n/a* on the *n/a* budget following the governing body's approval.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The CCARF budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Taxes

Current income

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where CCARF operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Fund* and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an n/a year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Fund*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Fund* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Fund* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Fund*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The *Fund* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Fund* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or equity instrument of another Fund. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Fund has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the Fund classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the Fund manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

b) Financial liabilities

Classification

The Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Fund*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the *Fund* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Fund* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability.

m)Contingent liabilities

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n) Contingent assets

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

The CCARF creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

The CCARF recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement benefit plans

The *Fund* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Fund pays fixed contributions into a separate Fund (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. CCARF does not have staff establishment and it will establish retirement benefit scheme when establishment will be in place.

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) Related parties

The *Fund* regards a related party as a person or an Fund with the ability to exert control individually or jointly, or to exercise significant influence over the *Fund*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers. (There were no related party transactions)

u) Service concession arrangements

The *CCARF* analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Fund* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *CCARF* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the CCARF financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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 below. The Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Fund.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. (There were no significant provisions applicable).

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2022-2023	2021-2022
	KShs	KShs
Unconditional Grants		
Operational Grant	-	-
Unconditional development grants	-	-
Other Grants	-	-
Total Unconditional Grants	-	-
Conditional Grants amortised/ transferred to revenue	-	-
Housing Development Grant	-	-
Infrastructure Grant	-	-
Library Grant	-	-
Facilities Development Grant	-	-
Other Organizational Grants (specify)	-	-

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of The Fund Sending The Grant	Amount recognized to Statement of Financial performance. *	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers 2022-2023	2021-2022
				KShs	KShs
	KShs	KShs	KShs	KShs	KShs
Ministry of Cooperatives & MSMEs	-	-	-	-	-
Other	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

7. Levies, Fines and Penalties

Description	2022-2023	2021-2022
	Kshs	Kshs
Fuel Levy	-	-
Other Levies (Specify)	-	-
Fines	-	-
Penalties	-	-
Total	-	-

8. Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Health Donations	-	-
Research Donations	-	-
Donations transferred to revenue on conditions being met.	-	-
Other Public Donations (Specify)	-	-
Total Transfers and Sponsorships	-	-
Reconciliation Of Public Contributions and Donations		
Balance Unspent at Beginning of The Year	-	-
Current Year Receipts	-	-
Conditions Met - Transferred to Revenue	-	-
Conditions To Be Met - Remain Liabilities	-	-

9. Property Taxes Revenue

Description	2022-2023	2021-2022
	KShs	KShs
Taxable Land and Buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Sub- Total Property and Taxes	-	-
Income Forgone/ waived	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

10. Licenses, Fees and Permits

Description	2022-2023	2021-2022
	Kshs	Kshs
Licenses	-	-
Fees	-	-
Permits	-	-

11. Rendering Of Services

Description	2022-2023	2021-2022
	KShs	KShs
Tuition Fees	-	-
Training Fees	-	-
Health services	-	-
Service Fees (specify)	-	-
Quality Assurance	-	-
Others (specify)	-	-

12. Sale of Goods

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale of goods		
Sale of electricity	-	-
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other (include in line with your organisation)	-	-

13. Rental Revenue from Facilities and Equipment

Description	2022-2023	2021-2022
	Kshs	Kshs
Operating Lease Revenues	-	-
Staff Houses	-	-
Contingent Rentals*	-	-
Total Rentals	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

14. Finance Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash investments and fixed deposits	213,104,015.44	175,597,773.90
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	213,104,015.44	175,597,773.90

15. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Income from sale of tender	-	-
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Skills development levy	-	-
Agency fee	-	-
Income written back	-	-
3% Administration cost on advances	8,009,818	-
Bad debts recovered	-	-
Miscellaneous incomes (<i>specify</i>)	-	-
Total Other income	8,009,818	-

16. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity	-	-
Water	-	-
Security	-	-
Professional Services	-	-
Subscriptions	-	-
Advertising	-	-
Admin Fees	-	-
Audit Fees	-	-
Conferences and Delegations	-	-
Consulting Fees	-	-
Consumables	-	-
Fuel and Oil	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Description	20212-2023	2021-2022
	Kshs	Kshs
Insurance	-	-
Legal Expenses	-	-
Licenses and Permits	-	-
Chemicals	-	-
Water Purification Cost	-	-
Postage	-	-
Printing and Stationery	-	-
Hire Charges	-	-
Rent expenses	-	-
Security Costs	-	-
Sewage Treatment Costs	-	-
Skills Development Levies	-	-
Inventory Scrapping	-	-
Telecommunication	-	-
Training	-	-
Travel, Subsistence & Other Allowances*	-	-
Bank charges	2,952,220.00	1,350,326.00
Other General Expenses (Transfer to New KPCU Operations)	8,009,818.00	-
Total	10,962,038.00	1,350,326.00

17. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	-	-
Employer contribution to health insurance schemes	-	-
Employer contribution to pension schemes	-	-
Travel, accommodation, subsistence, & other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Gratuity	-	-
Other employee related costs *	-	-
Total	-	-

18. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Chairman/Directors' Honoraria	-	-
Sitting Allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and Accommodation	-	-
Other Allowances	-	-
Total	-	-

19. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-

20. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Property and equipment	-	22,461,829.00
Investment Property	-	-
Equipment and Machinery	-	-
Vehicles	-	-
Furniture and Fittings	-	-
Computers and Accessories	-	-
Others (specify)	-	-
Total Repairs and Maintenance	-	22,461,829.00

21. Contracted Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Actuarial Valuations	-	-
Investment Valuations	-	-
Property Valuations	-	-
Others (specify)	-	-
Total Contracted Services	-	-

22. Grants and Subsidies

Description	2022-2023	2021-2022
	Kshs	Kshs
Community Development (New KPCU PLC support)	75,000,000.00	-
Education Initiatives and Programs	-	-
Social Development	-	-
Social benefit expenses*	-	-
Community Trust	-	-
Sporting Bodies	-	-
Total Grants and Subsidies	75,000,000.00	-

23. Finance Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on bank overdrafts	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

24. Gain on Sale of Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

25. Gain/Loss on foreign exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	-	-
Total Gain/Loss	-	-

26. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

27. Impairment Loss

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total Impairment Loss	-	-

28. Taxation

Description	2022-2023	2021-2022
	Kshs	Kshs
Current income tax charge	-	-
Tax charged on rental income	-	-
Tax charged on interest income	-	-
Deferred tax: [note 53]	-	-
Original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

29. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	105,231,497.41	3,775,893.00
Savings Account	-	-
On - Call Deposits	2,181,054,794.50	2,894,422,219.15
Fixed Deposits Account	-	-
Staff Car Loan/ Mortgage	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	2,286,286,291.91	2,898,209,112.15

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Co-operative Bank		105,231,497.41	3,775,893.00
Equity Bank, etc.		-	-
Sub- Total		105,231,497.41	3,775,893.00
b) On - Call Deposits			
Co-operative Bank	1150959180000	558,630,136.98	515,928,767.10
Co-operative Bank.	1150959180001	1,622,424,657.52	1,671,967,808.20
Co-operative Bank	1150959180002	-	706,536,643.85
Sub- Total		2,181,054,794.50	2,894,433,219.15
Grand Total		2,286,286,291.91	2,898,209,112.15
c) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Bank B		-	-
Sub- Total		-	-
d) Staff Car Loan/ Mortgage			
Kenya Commercial Bank		-	-
Bank B		-	-
Sub- Total		-	-
e) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Mobile Money Accounts		-	-
Sub- Total		-	-
Grand Total		-	-

30. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Current)

Description	2022-2023	2021-2022
	Kshs	Kshs
Receivables		
Service, Water and Electricity Debtors	-	-
Other Exchange Debtors	163,197,780.55	101,396,533.75
Total Current Receivables	163,197,780.55	101,396,533.75

(b) Receivables from Exchange Transactions (Long-term)

Description	2022-2023	2021-2022
	Kshs	Kshs
Total receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	325,042,974	-
Less: impairment allowance	-	-
Total receivables	325,042,974	-
Current portion transferred to current receivables	-	-
Total non-current receivables	325,042,974	-
Total receivables (a+b)	488,240,754	101,396,534

(c) Ageing analysis for Receivables from exchange transactions

Description	2022-2023		2021-2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	163,197,780.55	33.43	101,396,533.75	100
Between 1- 2 years	325,042,973.61	66.57	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	488,240,754.16	100.00	101,396,533.75	100

(d) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	101,396,533.75	13,400,215.55
Disbursements during the year	512,171,225.50	152,317,404.36

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Recovered during the year	(125,327,005.15)	(64,321,086.16)
Written off during the year	-	87,996,318.20
At the end of the year	488,240,754.10	101,396,493.75

Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

31. Receivables from Non-Exchange Transactions

Description	2022-2023		Comparative FY	% of the total
	Kshs			
Property tax debtors	-	-	-	-
Levies, fines, and penalties	-	-	-	-
Licences, fees and permits	-	-	-	-
Other debtors (non-exchange transactions)	215,187,817.75		12,951,192.20	
Less: impairment allowance	-	-	-	-
Total receivables from non- exchange transactions	215,187,817.75		12,951,192.20	
Ageing Analysis- Receivables from non- exchange transactions	Current FY	% of the total	12,951,192.20	100
Less than 1 year	122,383,374.55	90.43	-	%
Between 1-2 years	12,951,192.20	9.57	12,951,192.20	100

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	12,951,192	12,951,192
Additional provisions during the year	202,236,626	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	215,187,818	12,951,192

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

32. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	-	-

33. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		-
Co-operative Bank	160,050,000.00	-
Bank y	-	-
Sub- total	160,050,000.00	-
c) Equity investments (specify)		-
Equity/ shares in Fund	-	-
Sub- total	-	-
Grand total	160,050,000.00	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

d) Movement of Equity Investments

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	87,996,318.20	13,400,215.55
Purchase of investments in the year	512,160,516.80	152,317,404.36
Sale of investments during the year	(125,327,005.10)	(64,321,086.16)
Gain/(loss) in fair value of investments through surplus or deficit	101,396,493.75	87,996,318.20
At the end of the year	488,230,005.45	101,396,493.75

e) Shareholding in other entities

For investments in equity share listed under note 33 above, list down the equity investments under the following categories:

Name of Fund where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Comparative year
	%	%	%	Kshs	Kshs	Kshs
Fund A	-	-	-	-	-	-
Fund B	-	-	-	-	-	-
Fund C	-	-	-	-	-	-
	-	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

34. Property, Plant and Equipment

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July (Previous FY)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
As at 30th June (comparative FY)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
As at 30th June (Current FY)	-	-	-	-	-	-	-	-
Depreciation And Impairment								
At 1 July (comparative FY)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
As At 30th (Current FY)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-
As at 30th June (Current FY)	-	-	-	-	-	-	-	-
Net Book Values	-	-	-	-	-	-	-	-
As at 30th June (comparative FY)	-	-	-	-	-	-	-	-
As at 30th June (Current FY)	-	-	-	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Valuation

CCARF is anchored in New KPCU Plc and does not have Land and buildings/ Equipment which were valued by professional valuers from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30th June 2020). There were no assets to be revalued by professional valuers. There were no amounts to be adopted by the Board with concurrence from the National Treasury.

34 (b) Property, Plant and Equipment at Cost

There were no freehold land, buildings and other assets to be stated on the historical cost basis and the no amounts would be shown:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant And Machinery	-	-	-
Motor Vehicles, Including Motorcycles	-	-	-
Computers And Related Equipment	-	-	-
Office Equipment, Furniture, And Fittings	-	-	-
Total	-	-	-

There were no Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	-	-
Motor Vehicles including Motorcycles	-	-
Computers and Related Equipment	-	-
Office Equipment, Furniture and Fittings	-	-
Total	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

35. Intangible Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Additions–internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

36. Investment Property

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

37. Trade and Other Payables

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade payables	17,624,537.45		-	
Payments received in advance	-		-	
Employee payables	-		-	
Third-party payments	-		-	
Other payables	-		-	
Total trade and other payables	17,624,537.45		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	17,624,537.45	100.00	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	17,624,537.45	100.00	-	-

38. Refundable Deposits and Prepayments from Customers

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Customer deposits	-		-	
Prepayments	-		-	
Other deposits	-		-	
Total deposits	-		-	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

39. Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	-	-	-
Additional provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Total provisions year end	-	-	-	-	-

40. Finance Lease Obligation

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

Maturity Analysis

Period	Amount (Kshs)
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	-
Total	-

Analysed as:

Description	Amount (Kshs)
Current	-
Non- Current	-
Total	-

The deferred income movement is as follows:

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

41. Deferred Income

Description	2022-2023	2021-2022
	Kshs	Kshs
National Government	-	-
International Funders	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

	National government	International funders	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	-	-	-	-
Additions	-	-	-	-
Transfers To Capital Fund	-	-	-	-
Transfers To Income Statement	-	-	-	-
Other Transfers	-	-	-	-
Balance Carried Forward	-	-	-	-

42. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total Employee Benefits Obligation	-	-	-	-	-

Retirement benefit Asset/ Liability

The CCARF does not operate a defined benefit scheme for all full-time employees from July 1, 2022. There was no scheme administered and there are no custodians of the scheme. The scheme will be established based on 15% percentage of salary of an employee at the time of retirement. An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 will be carried out as at when the scheme will be established and actuarial valuers on this basis will present value of the defined benefit obligation and the related current service cost and past service cost will be measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation will be as follows:

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Description	2022-2023	2021-2022
Discount Rates	5%	5%
Future Salary Increases	35%	35%
Future Pension Increases	10%	10%
Mortality (Pre- Retirement)	1%	1%
Mortality (Post- Retirement)	3%	3%
Withdrawals	5	5
Ill Health	3	3
Retirement	60 years	60 years

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

Description	2022-2023	2021-2022
	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

Description	2022-2023	2021-2022
	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded status (=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
Net asset or liability arising from defined benefit obligation	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

The CCARF also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Fund's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at n/a per employee per month. Other than NSSF the Fund also has a defined contribution scheme operated by n/a Pension Fund. Employees contribute n/a while employers contribute n/a of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

43. Non-Current Provisions

Description	Long service leave	Bonus Provision	Gratuity provision	Other Provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
balance at the beginning of the year	-	-	-	-	-
additional provisions	-	-	-	-	-
provision utilised	-	-	-	-	-
change due to discount and time value for money	-	-	-	-	-
less: current portion	-	-	-	-	-
balance at the end of the year	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

44. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
a) External borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
Balance at end of the period- domestic and External borrowings c = a+b	-	-

The analyses of both external and domestic borrowings are as follows:

	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Total Balance at End Of The Year	-	-

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

45. Service Concession Arrangements

Description	2022-2023	2021-2022
	Kshs	Kshs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

46. Social Benefit Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Disability social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

47. Surplus Remission (for category 3 entities)

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Fund is not subject to the requirements of this note.

The Surplus Remission has been computed as follows:

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the period	-	-
Less: Allowable deductions by NT	-	-
90% Computation (Included in Statement of Financial Performance)	-	-

Surplus Remission Payable

Description	2022-2023	2021-2022
	Kshs	Kshs
Payable at the beginning of the year	-	-
Paid during the year	-	-
Payable at end of the year	-	-

48. Taxation

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 27)	-	-
Under/(over) provision in prior year/s (note 27)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

49. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2022-2023	2021-2022
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability/(asset)	-	-
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

50. Cash Generated from Operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year before tax	135,151,795.10	178,707,958.65
Adjusted for:		
Depreciation		-
Non-cash grants received		-
Contributed assets	(160,050,000.00)	-
Impairment		-
Gains and losses on disposal of assets		-
Contribution to provisions	75,000,000.00	-
Contribution to impairment allowance		-
Finance income	(213,104,015.44)	-
KPCU Restructure	79,853,251.20	-
Finance cost	2,952,220.34	(1,350,326.20)
Working capital adjustments		177,357,632.45
Increase in inventory		-
Increase in receivables	(509,227,594.95)	(87,996,318.20)

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Description	2022-2023	2021-2022
	Kshs	Kshs
Increase in deferred income	-	(199,287,405.81)
Increase in payables	17,624,537.45	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	(571,799,806.30)	(287,283,724.01)

51. Financial Risk Management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The CCARF overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The CCARF does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The CCARF financial risk management objectives and policies are detailed below:

i) Credit risk

The CCARF has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Receivables from exchange transactions	488,240,754.55	488,240,754.55	-	-
Receivables from non-exchange transactions	135,334,566.55	135,334,566.55	-	-
Bank balances	2,286,286,291.91	228,628,629,191	-	-
Total	2,909,861,613.01	2,909,861,613.01	-	-
As at 30 June 2022				
Receivables from exchange transactions	101,396,493.75	101,396,493.75	-	-
Receivables from non-exchange transactions	12,951,192.00	12,951,192.00	-	-
Bank balances	2,898,209,112.15	2,898,209,112.15	-	-
Total	3,012,556,797.90	3,012,556,797.90	-	-

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from xxx. The board of directors sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the CCARF directors, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Trade payables	17,624,537.45	-	-	17,624,537.45
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	17,624,537.45	-	-	17,624,537.45
As at 30th June 2022				
Trade payables				
Current portion of borrowings	6,181,918.35	-	-	6,181,918.35
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	6,181,918.35			6,181,918.35

Financial Risk Management

iii) Market risk

The *CCARF* has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The *CCARF* Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the way it manages and measures the risk.

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

a) Foreign currency risk

The *CCARF* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *CCARF* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of the *Fund's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Current 2023

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30th June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	160,050,000.00	-	160,050,000.00
Debtors	-	-	-
Total Financial Assets	160,050,000.00	-	160,050,000.00
Financial Liabilities	-	-	-
Trade And Other Payables	17,624,537.45	-	17,624,537.45
Borrowings	-	-	-
Total Financial Liabilities	17,624,537.45	-	17,624,537.45
Net Foreign Currency Asset/(Liability)	142,425,462.55	-	142,425,462.55

Foreign currency sensitivity analysis

Current 2023

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30th June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	160,050,000.00	-	160,050,000.00
Debtors	-	-	-
Total Financial Assets	160,050,000.00	-	160,050,000.00
Financial Liabilities	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Trade And Other Payables	17,624,537.45	-	17,624,537.45
Borrowings	-	-	-
Total Financial Liabilities	17,624,537.45	-	17,624,537.45
Net Foreign Currency Asset/(Liability)	142,425,462.55	-	142,425,462.55

Financial Risk Management

The following table demonstrates the effect on the Fund's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2023			
Euro	10%	-	-
USD	10%	-	-
2022			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (Current FY: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (Current FY – Kshs xxx)

Notes to the Financial Statements (Continued)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Fund's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Fund* considers relevant and observable market prices in its valuations where possible.

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Financial Risk Management

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June				
Financial Assets				
Quoted Equity Investments	-			
Non- Financial Assets				
Investment Property	-			
Land And Buildings	-	-		
Total			-	
As at 30th June 2022				-
Financial Assets				-
Quoted Equity Investments				-
Non- Financial Assets				-
Investment Property				-
Land And Buildings			-	-
Total			-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	288,192,554.16	255,105,257.20
Capital Reserve	2,764,094,521.00	2,764,094,521.00
Total Funds	3,052,287,075.16	3,019,199,778.20
Total Borrowings	17,624,537.45	6,181,918.35
Less: Cash and Bank Balances	2,286,286,291.86	2,898,209,112.15
Net Debt/(Excess Cash And Cash Equivalents)	2,268,661,754.41	2,892,027,193.80
Gearing	0.58	0.20

52. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *CCARF* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Fund*, holding 100% of the *Fund's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Fund, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

Description	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to govt agencies	-	-
Rent income from govt. Agencies	-	-
Water sales to govt. Agencies	-	-
Others (specify) e.g. interest and bank charges	2,952,220.35	1,350,326.20
Total	2,952,220.35	1,350,326.20
B) purchases from related parties	-	-
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. Agencies	-	-
Others	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national govt	-	-
Grants from county government	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Description	2022-2023	2021-2022
	Kshs	Kshs
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

53. Segment Information

54. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Contingent Assets		
Insurance Reimbursements	-	-
Assets Arising from Determination of Court Cases	-	-
Reimbursable Indemnities and Guarantees	160,050,000.00	-
Receivables From Other Government Entities	-	-
Others (Specify)	-	-
Total	160,050,000.00	-

Contingent Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Contingent Liabilities		
Court Case xx against the Fund	-	-
Bank Guarantees in Favour of Subsidiary	-	-
Contingent Liabilities arising from Contracts Including PPPs	-	-
Others (Specify)	-	-
Total	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

55. Capital Commitments

Capital Commitments	2022-2023	2021-2022
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

(NB: CCARF will require to be autonomous from the New KPCU PLC as it has been recommended by the Special Fund parliamentary select committee. This therefore will require the Fund to develop Authorised establishment, human resource job descriptions, salary structure and career guidelines).

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

56. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

57. Ultimate and Holding Fund

The CCARF is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of MOC&MSME. Its ultimate parent is the Government of Kenya.

58. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

59. Disclosure Note. – Accumulated Reserve

Accumulated Surplus	Details
	Kshs
Finance income FY 2020-2021	103,860,102.75
Less: 15% withholding tax	15,579,015.41
Net finance income Fin 2020-2021	88,281,087.34
Less: Administration Cost	7,172,696.78
Surplus Fin Year 2020-2021	81,108,390.56
Surplus Fin Year 2021-2022	151,785,619.71
Total	232,894,010.27

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the Financial Statements	The inaccuracies were rectified and financial statement updated.	To be confirmed	2022/2023
2.	Failure to prepare Annual Workplan and Budget for the Fund	There were no funds allocated for operationalization of CCARF and all activities are carried out by NEW KPCU Plc's management and hence no workplans and budget could be implemented.	Resolved	2022/2023
3	Late Submission of the Annual Report and Financial Statements	Measures to address the logistical challenge that led to late submission will be addressed to ensure such anomaly shall not arise again	Resolved	2022/2023
	Irregular Investment of Undisbursed Funds in Call Accounts at Commercial Bank	The management applied for authority from the Cabinet Secretary to place the undisbursed funds in an interest earning call account.	Not Resolved	2022/2023

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


.....
Timothy M. Mirugi
Managing Director

Date: 2/1/2024

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Appendix II: Projects implemented by CCARF

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

Coffee Cherry Advance Revolving Fund (CCARF)

Annual Reports and Financial Statements

for the year ended June 30, 2023.

Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	-

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Appendix V- Inter-Fund Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary Fund]

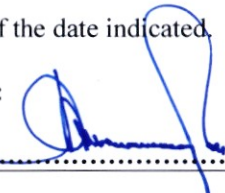
[Insert Address]

The *CCARF* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June (Current FY)							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)				Amount Received by [beneficiary Fund] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Zacchew Abdiraman Sign  Date 8/1/2024

Coffee Cherry Advance Revolving Fund (CCARF)
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments