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REPORT

OF

THE AUDITOR-GENERAL

ON

**PYRETHRUM PROCESSING COMPANY
OF KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2020**

11/10/01



OFFICE OF THE AUDITOR GENERAL
P.O. Box 30981, 00100, NAIROBI
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PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS



FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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KEY ENTITY INFORMATION

Background information

The Pyrethrum Processing Company of Kenya Ltd is a company registered under the company Act Cap 486 / Reg No. 5691 and carrying out the Commercial business of the former/ defunct of the pyrethrum board of Kenya in line with the provision of section 3 (i) of the first schedule of transition provision of Agriculture and Food Authority Act of 2013.

“Every former institution which immediately before the commencement of this Act carried out any commercial activity with the objective of making profit shall within twelve months of the appointed day, and in accordance with the relevant procedures and practice applicable, transform into a company and be registered as a company under the Companies Act (Cap. 486) so as to enable the former institution carry on the commercial activity”

This means Pyrethrum Board of Kenya was to transform into a company registered under the Companies Act Cap 486 within twelve months of the commencement of the AFA Act 2013. However, AFA operated the former institution as its directorate from 2014 to 2016 when the adopted the existing company, PPCK to be the successor company for the PBK.

At the Cabinet level the company is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock, Fisheries and Cooperatives, who is responsible for the general policy and strategic direction of the Company. PPCK is domiciled in Kenya and has four regional offices that cover her activities in the eighteen pyrethrum growing counties in the Republic of Kenya. The Company is also subject to the provisions of the State Corporations Act (Cap 446) Laws of Kenya.

Principal Activities

The principal activities of PPCK are to process and market Pyrethrum and pyrethrum products, conduct scientific & agronomic research, promote, and facilitate production of high yielding planting material & quality certified Pyrethrum seeds.

Registered office

Pyrethrum Processing Company of Kenya Ltd. House
Industrial Area Nakuru
Pareto Road
P.O. BOX 420 – 20 100
NAKURU, KENYA

Corporate Headquarters

Pyrethrum Processing Company of Kenya
Industrial Area Nakuru
Pareto Road
P.O. BOX 420 – 20 100
NAKURU, KENYA

Corporate Contacts

Telephone: +254 2211567/82
E-mail: md@pyrethrum.co.ke

Corporate Bankers

Kenya Commercial Bank
Menengai Crater Branch
Loncom House Ground Floor
P.O. BOX 15923 – 20 100
NAKURU, KENYA
Telephone: +254- (051) 22216412
www.kcbbankgroup.com

Independent Auditors

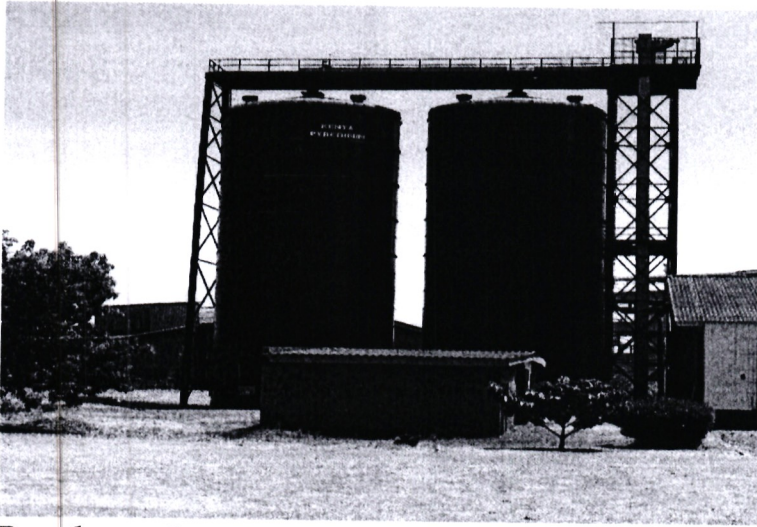
Auditor General
Office of The Auditor General
Anniversary towers, University Way

P.O. Box 30084 – GPO 00100
Nairobi, Kenya

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Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112, City Square 00200
Nairobi, Kenya




Pyrethrum Storage Silos






Pyrethrum Nuclear Farm in Olenguruone

MANAGEMENT TEAM

Managing Director	RESPONSIBILITIES
 <p>CPA. Joseph W. Muigai MBA Finance B. Com (Accounting) CPA (K) Certified Professional Mediator</p>	<ul style="list-style-type: none"> • In charge of the overall supervision & Operation of the Company • Charged with the responsibilities of safeguarding the company resources as the Accounting officer. • Creating Planning Implementing and integrating the strategic direction of the company.
<p>Product Development & Marketing Manager</p>  <p>Mrs. Lucy Birir. Komen MBA Strategic Mgt BBA (Marketing) Member (MSK)</p>	<ul style="list-style-type: none"> • Managing and Coordinating product development projects • Development strategy for promotion of new products • Marketing Pyrethrum and Pyrethrum Products
<p>Ag. Finance Manager</p>  <p>CPA Edward. O. Ochele BBA - Finance (On-going), CPA (K) Dip in Project Mgt</p>	<ul style="list-style-type: none"> • Management of company finances and budget implementation in accordance with the PFM act of 2012 • Overseeing the operation and function of the Finance department.

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<p>Ag. Human Resource & Admn Manager</p>  <p>Ms. Elizabeth A. Luby BCom (Human Resource Mgt) Dip -Business Mgt Member institute of HRM</p>	<ul style="list-style-type: none"> • In charge of Human resource and administration department charged with Review & Implementation of Human resource manual. • In charge of Payroll, Administration of Transport, Security and Facilities.
<p>Crop Research and Production Manager</p>  <p>Ms. Caroline Imbwaga MSC (Agronomy & Rural Dev) BSc (Agriculture) Member (KESAP)</p>	<ul style="list-style-type: none"> • Planning Coordinating and supervising crop research and agronomic services that include tissue culture production, seed production & nursery management • Planning coordinating and supervising crop production and extension services
<p>Procurement, Planning & Strategy Manager</p>  <p>Mrs. Rosaline Chepngeno BSc in Science Post Graduate Dip in Procurement & Supplies Member Kenya Institute of Supplies Mgt</p>	<ul style="list-style-type: none"> • Preparation and implementation of company's annual procurement & disposal plan, management of procurement processes for goods, works and services in conformity with PPADA, 2015 and regulations, preparation and submission of mandatory reports to PPRA, coordinate preparation of corporate annual PC & work plan and performance progress reports.

Risk & Audit Manager



Mr. Joel Atuti Nyachiro

BA In Economics & Statistics
Diploma in Production Mgt

- Carry out systems audit in all PPCK Functions.
- Safeguarding of PPCK Assets.
- Follow-up on External auditor's management letter and ensure that response is done within the set timeline.
- Carry out Risk assessment within PPCK functions and then recommend to management the mitigation measures.

**Production Control &
Quality Assurance
Manager**



MR. Vincent Ouma

Dip in Applied Chemistry

- Manage and supervise flower processing
- Manage and supervise laboratory analytical work
- Ensure production of quality products

CHAIRMAN'S STATEMENT

The Company did not have a board of Directors and therefore will not provide a Chairman's Statement in this report.

REPORT OF THE MANAGING DIRECTOR /CHIEF EXECUTIVE OFFICER

In light of the provisions of Sec. 3(1) of the First Schedule on Transition Provisions of the Agriculture and Food Authority (AFA) Act 2013, PPCK is the successor company of the former Pyrethrum Board of Kenya which immediately before the commencement of the AFA Act 2013 and the Crop Act 2013 carried out commercial functions for profit. Even though the entity continued having separate books of accounts from those of AFA, from 2014 to 2016 AFA considered it as a partial directorate of the Authority. In 2016, AFA adopted the Pyrethrum Processing Company as the successor company for PBK. As disclosed in the background information section of this report PPCK was registered under the Companies Act 1963 by PBK with 100% ownership of the company.

For a long time, the company has operated on losses and has accumulated liabilities dating back to early 2000s. On account of these liabilities, the company has a myriad of court cases most of which have been ruled against the company with a significant number still pending in courts. Due to the adverse financial situation the company has not been able to settle decretal amounts arising from the court cases, consequently having to lose some of its assets in public auction. The loss of the assets, mostly vehicles has significantly reduced the company's operational capacity leading to a further deepened financial weakness.

PPCK is a strategic institution in the pyrethrum industry. It co-owns with KALRO the 23 varieties of the pyrethrum in Kenya for which it is the maintainer and only source of seed as per the Seed and Plant Varieties Act Cap 326 Rev. 2012. The Pyrethrum sector provided valuable economic and social benefits to more than 200,000 small scale farmers in Kenya until the late nineties. Kenya has potential to produce and process upwards of 20,000 MT of dry pyrethrum flowers annually.

Assuming an average of 1.5 pyrethrin content at the current price of KES 217.5/Kg, this would earn farmers KES 4.35 billion per year besides the foreign exchange to be earned on sale of Pyrethrum Extract. Much more income would be generated to the economy from sale of pyrethrum based formulated products.

The pyrethrum sub-sector can provide a livelihood to more than three million people with direct or indirect linkage to PPCK. PPCK alone can employ at least 500 workers if utilized at its full capacity. In the Kenya Vision 2030, Pyrethrum is identified as one of the sub sectors expected to significantly contribute to economic growth. The value chain also connects well with all the aspects of the government's Big 4 Agenda.

It is worth noting that Pyrethrum is a crop which can be converted into a myriad of value-added products. Every single product derived from pyrethrum becomes a raw material for other products. The crop is adapted to an altitude range of 1700 to 2900m above sea level. It is grown in 19 counties namely Nakuru, Kiambu, Nyandarua, Nyeri, Laikipia, Meru, Embu, Baringo, Elgeyo Marakwet, West Pokot, TransNzoia, Bungoma (Mt. Elgon), Uasin Gishu, Nandi, Kericho, Bomet, Narok, Nyamira and Kisii.

In the year under review, there was a change in the management of PPCK after the former MI was removed on allegations of corruption and mismanagement. The new management has set in motion activities aimed at reviving the company and the industry in general. In this regard, the management has revived the Molo, Marindas, Limuru and Kabichbich pyrethrum nurseries. The company has also revived the seed fields in Subukia and Njoro. The company is gearing for significant expansion of the nurseries and seed fields going forward to the end that by the end of the Financial year 2023/2024 the company will have eliminated shortage of pyrethrum planting materials. By the same time, it is projected that the company will be self-sustaining.

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REVIEW OF PPCK'S PERFORMANCE FOR FY 2019/2020

Strategic Pillar	Objective	Activities	Key Performance Indicator	Achievements
Social Pillar	Strengthening PPCK's institutional framework to effectively deliver on its mandate	Absorption of Allocated Funds	GOK funding	100% utilization of GOK funds on planned activities/programs i.e., 132M on Recurrent expenditure (Purely for Salaries) and Ksh 30M on development
		Income generation from own source of revenue	Sales proceeds from technical products and other sources of income	Achieved Ksh 3.951 M this was due delay in Processing of dry flowers as a result of the impact of Covid-19 pandemic
		Implementation of service delivery charter	Approval and implementation of PPCK service charter	Review of service charter Sensitization of top management on commitment to the service charter
		Resolution of public complaints	No of complaints resolved	Resolution of Growers complaints
			Appointment of complaints committee	Achieved 80%
		Policy compliance	100% compliance with	Compliance with the applicable law Presidential directives, policies and governing regulations
Asset Management	Maintenance of PPCK assets	Safe custody of ownership documents Repair and maintenance of motor vehicles, plants, facilities, and buildings in line with PPADA, 2015		
Big 4 Agenda (Food Security)	Boost agricultural growth and productivity	Compliance with the reviewed grower manual	Sensitization of stakeholders	Fully complied with agronomic practices in seed sowing, seed harvesting, nursery management and flower handling in Limuru, Molo, Tetu and Ngongongeri seed fields
				Collaboration with AFA in sensitization of five (5) County Extension staff in seven (7) Counties namely Nakuru, Bungoma, Narok, Nandi, Baringo, Kisii, Nyandarua

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		Compliance with Pyrethrum seed standards	Establishment and maintenance of seed production and bulking sites	Fully complied with the developed pyrethrum seed standards through establishment and management of three (3) PPCK bulking sites in Molo, Kabichbich and Marindas
		Development and enforcing of standard grower contracting agreements		In collaboration KEPHIS and County Governments held two (6) consultative forums in Nakuru and Kapenguria to sensitize the nursery operators, seed dealers and growers on compliance with pyrethrum seed standards
Big 4 Agenda (Food Security)	Boost agricultural growth and productivity	Contracting of growers	No of growers contracted	Fully enforced the standard grower contracting agreements by contracting 237 pyrethrum growers and updated grower register to indicate status grower contacts and acreage for contracted growers
		Increase Pyrethrum acreage		Collaboration with five (5) pyrethrum growing Counties and increase acreage under pyrethrum by 122ac in order to increase agriculture output and foreign exchange earned from export of its technical grade product and its end-use products
Big 4 Agenda Food security Manufacturing	Boost agricultural growth and productivity	Increase flower deliveries	Flower deliveries to factory for processing	Achieved 40MT
		Production of quality pyrethrum plantlets	Bulking and distribution of quality pyrethrum plantlets	Produced 268, 299 quality pyrethrum plantlets from tissue culture. Establishment and maintenance of seed fields
		Distribution of quality pyrethrum clonal planting materials	No of distributed clonal materials	Distribution of 719,110 clonal materials distributed to Growers, Seed fields and PPCK own nurseries
		Production of certified pyrethrum seed	Quantity of seed produced	Produced 56kg of pyrethrum seed

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		Procurement of crude OR for processing	Quantity of OR	Procurement of 21.4467kg of OR Compliance with PPADA, 2015 Utilization of idle capacity/facilities
Economic Pillar	Enhancing market access and integration into global value chains	Value addition	Product registration No of end use products registered	Maintenance and update of product registration in Europe and Africa Registration of two (2) new value-added products

CORPORATE GOVERNANCE STATEMENT

The company does not have a board of Directors for the period under review. The appointment was supposed to be guided by Memorandum and Articles of Association and the Company's Act in consultation with the Ministry of Agriculture.

MANAGEMENT DISCUSSION AND ANALYSIS

PPCK operates two tissue culture laboratories, one in Muguga within the KEPHIS complex and the other in Molo, which also houses two greenhouses within the KARLO complex. The Molo Pyrethrum Nursery is in a 26-acre land Centre of Excellence managed by the PPCK. Within the Head office PPCK operates two Laboratories, an Entomology laboratory, and a Bioassay laboratory. PPCK has been licenced by Kenya Plant Health Inspectorate Service (KEPHIS) as a registered seed merchant. Seed production, processing and sale is as per the acts governing seed production as envisaged in the Seed and Plant Varieties Act CAP 326.

The company's current working processing facility has a capacity to process 25MT of dry flower per day. It also has a plant with processing capacity of 50MT of dry flowers per day but has not been commissioned yet. Due to low flower deliveries of less than 200MT annually the capacity is idle as it is being utilized for only 12% of its capacity. To ensure that flower deliveries retain their pyrethrin content and that processing continues albeit the low availability of pyrethrum dry flowers, the institution budgeted to purchase a smaller extraction plant, which will process between 5-10MT/day. This machine has however not been purchased.

PPCK, as the successor of the former PBK has inherited its market intellectual property rights in the various market segments. PPCK continues to develop both the technical and end-use market for the Kenya Pyrethrum Brand, to which it has registered and maintains the brand. PPCK inherited registration in the major market segments from the defunct Pyrethrum Board of Kenya (PBK). These include the European Market- EU-Listing, America, Asia & Africa

Meanwhile, PPCK has registrations in various African markets. It should be noted that with certification from the Kenyan Pest Control and Products Board; it is easier to access other African markets.

In addition to the technical grade products, PPCK has registered 8 value-added products and in the process registering an additional 1 product. The department has also embarked on an ambitious program to extend the labels of the already registered products and secure daughter registrations.

Product Portfolio

Technical Grade:

- Pyrethrum Course Marc
- Pyrethrum Extract Crude Oleo-Resin 25%w/w PBK
- Pyrethrum Extract Pale 25%w/w PBK
- Pyrethrum Extract Pale 50%w/w PBK
- Vegetable Waxy Resins (V.W.R)

End-Use Products:

- Paresol Aerosol - Mosquito spray (Pyrethrins 0.5%w/v)
- Pareto Roach Spray (Pyrethrins 0.5%w/v)
- Pyagro 4EC - Crop Protection Product
- Pydust 1% - Grain storage Product
- Pymos 0.6EC - Adult Mosquito Product
- Pylarvex 0.5EC - Larvae stage mosquito product
- Pynet 5 EC - Mosquito Net treatment product
- Pytix 4% - Tick Control product

Products Pending registrations:

- Pyrethrum Grease 1.5% - Grease for tick & tsetse fly control

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Sample of PPCK Products



Figure 1: Public Health Products



Figure 2: Agriculture Products

Sales in PPCK have been on a downward trajectory. This is mainly attributed to low flow production in the country. The company has been able to sell all pyrethrum extract products since 2001. The sales and Financial Performance for the last 5 years & Challenges are as follows:

PPCK'S 5 YEARS FINANCIAL PERFORMANCE

DESCRIPTION	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Income	"000"	"000"	"000"	"000"	"000"
Pyrethrum Product Sales	3,950	31,382	43,885	45,295	122,882
Cost of Sales	(16,956)	(30,135)	(146,210)	(187,816)	(224,923)
Gross Deficit	(13,006)	1,247	(102,325)	(142,521)	(102,041)
Rent	18,628	16,395	15,309	14,860	14,052
Farms	1,434	497	1,011	1,819	1,909
Other Income	507	951	201	1,149	3,402
Other Gains/(losses)	(45,447)	-	-	-	-
Total Income Before Gok Grants	(37,884)	19,090	(85,804)	(124,693)	(82,678)
Government Grants	162,000	30,000	99,000	244,000	169,069
Total Income with GOK Grants	124,116	49,090	13,196	119,307	86,391
Expenditure					
Operating Expenses	(307,217)	(276,191)	(231,309)	(221,493)	(317,085)
Financial Costs		-	(46,144)	(45,065)	(44,003)
Total Expenses	(307,217)	(276,191)	(277,453)	(266,558)	(361,088)
Net Profit / Loss	(183,101)	(227,101)	(264,257)	(147,251)	(274,697)

Processing of Dry Pyrethrum Flowers

For the year under review the company carried one process run of 40Metric tonnes of dry flowers and refining of crude oleoresin from High Chem Agriculture Ltd. The company did not meet the set target of processing 100Metric tonnes of dry pyrethrum flowers the shortfall has been due to; -

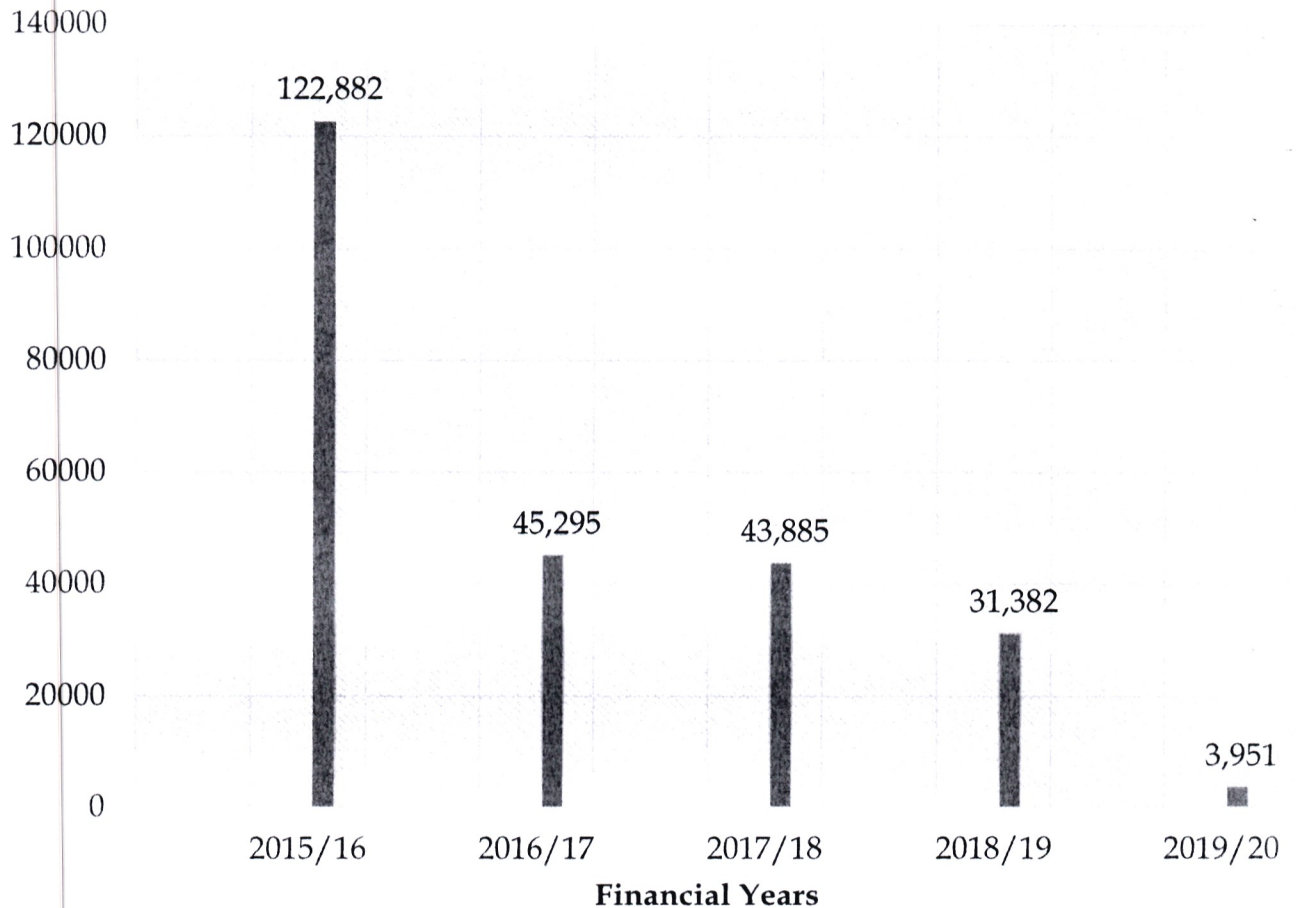
- Underfunding that has affected investment in purchase of dry flowers for processing expansion of seed fields and production of tissue culture plantlets.
- Attachment & Auctioning of PPCK motor vehicles due to legal cases which affected the general operations of the company in terms of flower collection from the growers.

For the company to improve on the pyrethrum Production the following measures are being addressed; -

- Revamping of the seed fields (Marindas, Tetu and Limuru) and nurseries (Molo, Kabichbich to maximise on seed production which will lead to increase in acreage under pyrethrum.
- Prompt regular monthly payments to growers for their flowers deliveries to motivate the growers to increase their production of the raw material.
- The company has embarked on growers contracting and engaging the private labs in the multiplication of tissue culture laboratory plantlets materials to be distributed to growers for more expansion.

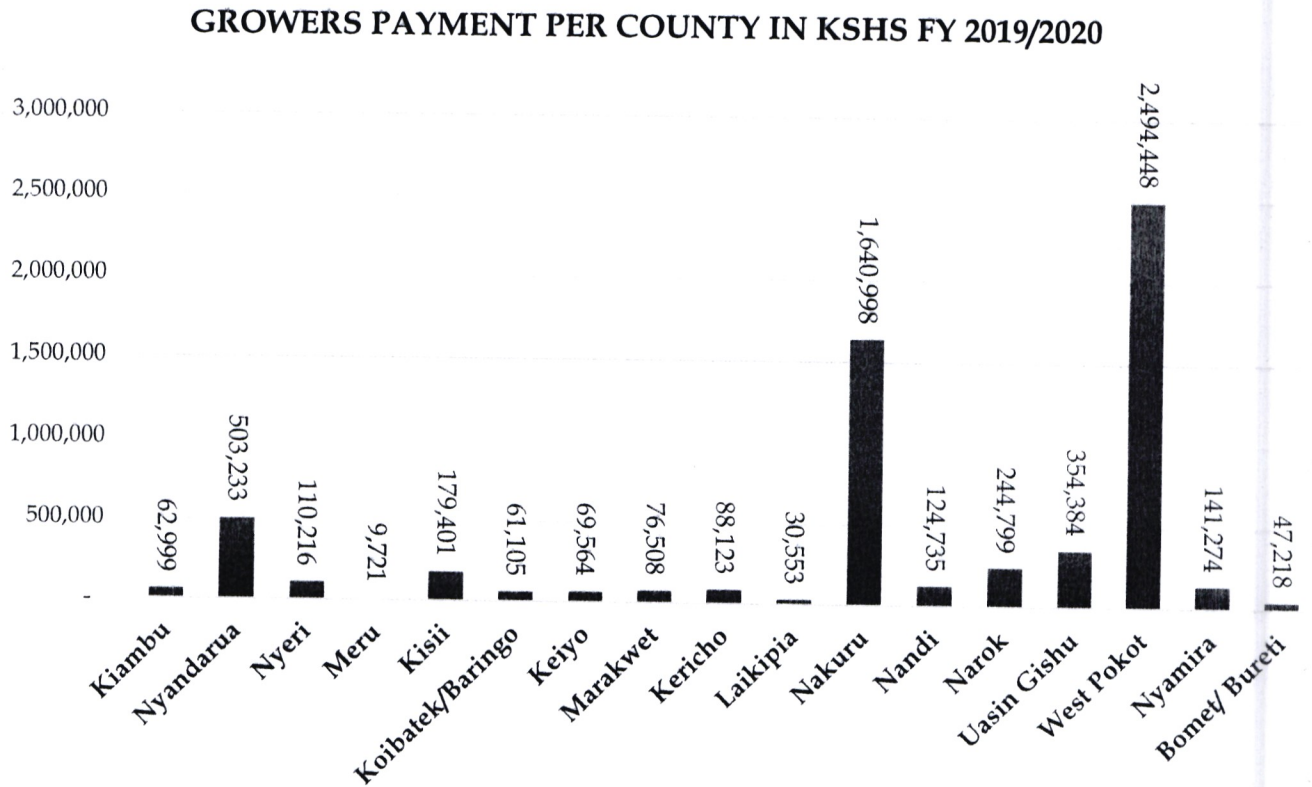
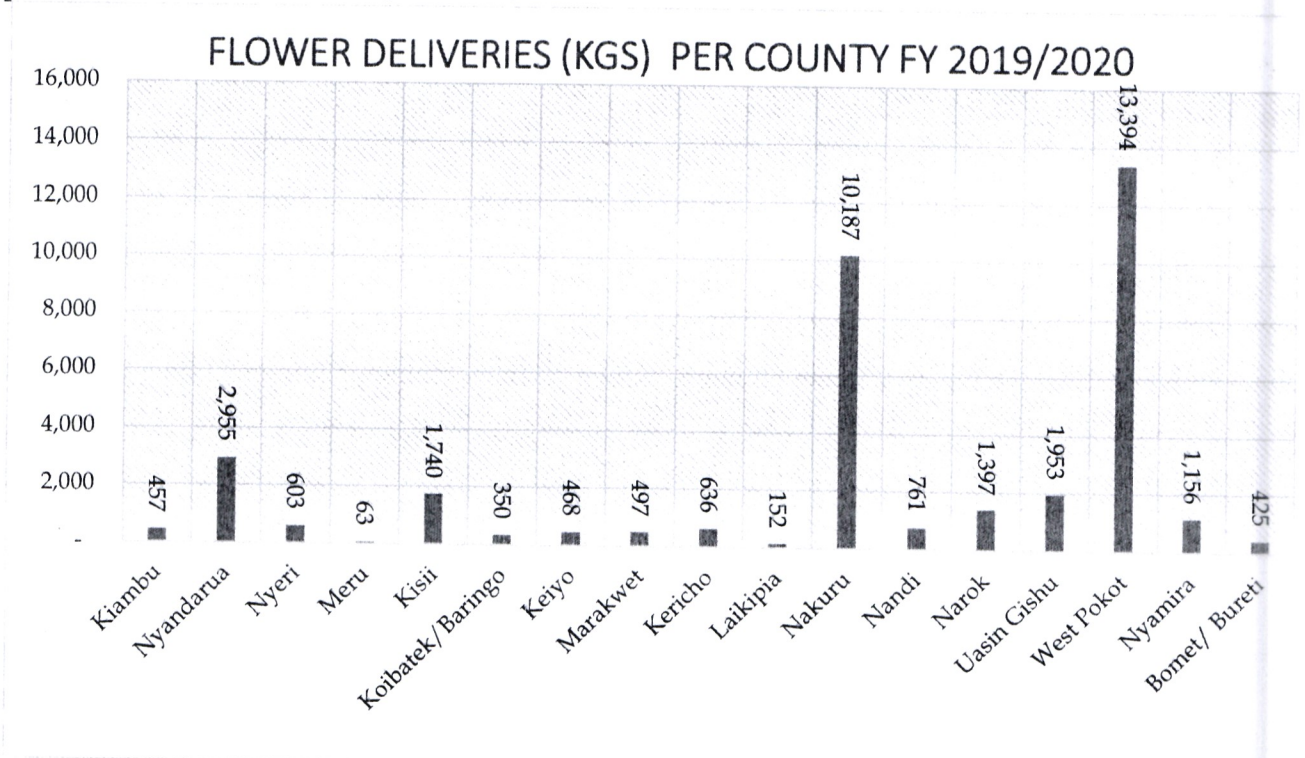
The sales matrix for pyrethrum extracts for a period of 5 years this is an indicator of low volume of raw materials (Pyrethrum Flowers) delivered to the factory for processing.

SALES IN MILLION



The matrix of flower deliveries to the company from different pyrethrum growing counties. West Pokot county has been leading with the highest quantity of flowered delivered to the company. From the matrix still west Pokot county received more funds in terms of payment distribution.

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GOING CONCERN CHALLENGE

Arising from the company's performance as depicted in the financial report for the 2019-20 financial year, the management has identified the following areas as posing material uncertainty to the going concern.

1. Poor flower deliveries resulting from low acreage under pyrethrum. This has led to persistent low revenue generation leading to consistent operating losses over the years.
2. Contingent liabilities arising from pending court cases.
3. Unfinanced historical pending bills/liabilities.
4. Liquidated Staff superannuation retirement scheme wound up on 1st December 2016 for which the company is the sponsor.

However, the management has prepared the financial report for 2019-20 financial year on going concern basis with the understanding that the government is going to finance the company considering that a national steering committee has been formed to revive the sector. Further the government has enhanced development funds allocated to the company in the year 2020-21. With the anticipated help the company has potential to turn around and operate profitably within a short period of time.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Pyrethrum Processing Company of Kenya exist to transform lives. This is our purpose and the driving force behind everything the company undertake. It's what guides us to deliver our strategy, is founded on economic Social, Political and the Big 4 agenda. Putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. SUSTAINABILITY STRATEGY AND PROFILE

i. REVIVAL STRATEGY

The current management has put in place various strategies for the sustainability of the company.

- a) Prompt payment to growers on a monthly basis for their deliveries which motivate farmers for the value of their crop
- b) Availing of planting materials through multiplication of tissue culture plantlet which gives assurance of high-quality planting materials to growers.
- c) Maintenance & expansion of nurseries and seed fields in Molo, Marindas, Tetu & Limuru. Further 50 acres for seed production is scheduled to be established in Bahat. This will ensure more sustainable seed production in Pyrethrum Sector.
- d) Distribution of quality clonal materials to growers which lead to crop acreage expansion across the 19 pyrethrum growing counties
- e) Market linkage and maintenance & update of all market and product registrations in both local & international markets.
- f) Processing and sale of environmentally friendly products (technical and value added) for sale both local and international market.
- g) Establishing and maintaining close relationship with Ministry of Agriculture, Livestock Fisheries & Co-operatives (MOAL&F), The National Treasury, regulators, Counties, and other stakeholders for sustainable development.

2. ENVIRONMENTAL PERFORMANCE

The company through its rent collection agent (bonkam Ventures Agencies Ltd) has engaged a waste collection company by the name Shabab Mavuno cleaning services ltd collect and dispose off litter from the company's estate.

Currently the company does not have in place an environmental policy but the manager is in the process of developing one.

3. EMPLOYEE WELFARE

The company is guided by the HR Policy Manual, Employment act of 2007 & Public service manual.

Hiring of staff is done through a competitive process taking into account the gender ratio & regional balancing.

The staff appraisal system is in place and staff are being appraised on yearly basis.

The company has complied with occupational safety and Health act of 2007 (OSHA) by appointing the environment Health and safety committee to ensure safety and health rules are adhered to and advice management on mitigation measures to be put in place to avoid casers of injury and eminent risks at the work place

a) Staff engagement

The last time the Company engaged staff through competitive process was in the year 2017 where out of four interviewees, three were male and one female. This indicates that gender ratio is considered highly if the applicants are from both Sex.

b) Training needs assessment

The Company encourages staff to fill the Training Needs Assessment (TNA) forms at the beginning of every year, where analysis is done on the trainings requested and a budget is done. This helps in training staff in their specialized areas of work. The training improves the skills of staff and motivates them more when performing their duties.

c) Performance appraisal

This is a tool that is used to reward performers or sanction staff who are non-performers. This is done on yearly basis where staff complete performance contract at the beginning of every year. They are then appraised on half yearly basis on what they committed to deliver at the end of the year. Analysis is done for all staff on the overall performance.

The Company has not been able to reward those staff who have performed satisfactorily due to financial constraints. This has discouraged staff who have sometimes given up on being appraised. They feel demotivated.

When the company stabilizes, all these challenges shall be dealt with and staff will be compensated/rewarded accordingly.

4. MARKET PLACE PRACTICES

(a) Responsible competition practices

(i) Anti-corruption

PPCK has in place a Corruption Prevention Committee complete with Integrity Assurance Officers. Corruption matters are addressed before they occur and any cases of corruption are reported in the laid down procedures for action. There is a corruption assessment risk done for the organization which identifies probable corruption prone risk areas and mitigations put in place. Periodically staff are sensitized on corruption prevention and reporting if it occurs.

(ii) Fair competition

PPCK is a supplier of raw material for formulation of insecticides as well as a formulator among others in the market. The pricing of our products is determined by demand and supply therefore there is no unfair competition with our competitors. The organization has NEVER at any one-time slandered competitors or their products.

(iii) Respect for competitors

PPCK has assisted competitors in the spirit of responsible marketing to ascertain quality of their products by offering services like analysis in our labs which are more advanced than the competitors and recognized all over the world, and issuing them with certificate of analysis for their products without interfering with their markets.

In as much as we supply our competitors the raw material, we do not hold or hoard in order to suffocate their markets. When available we supply to all formulators. It is through concerted effort that the Kenyan pyrethrum would get to be known. We acknowledge that our competitors can also make the Kenyan Pyrethrum known to their markets which may not be necessarily our markets. Infact, the organization has attended joint marketing forums e.g. ASK shows with the regulator AFA as the host. Other joint forums attended are those housed by county government to promote the pyrethrum industry.

(b) Supply chain and supplier relations

All suppliers are sourced in line with the Public Procurement Act. All suppliers are paid through the same system and are prioritised according to the existing payment system in place. Further customer relationship management is maintained throughout the process and any delays are explained.

(C) Responsible & Ethical Marketing Practices

PPCK is cognizant of the fact that it operates in a society. We strive not to discharge effluent into the societal systems and carry out CSR programmes when cashflow allows. The organization has participated in Lake Nakuru clean up exercise spearheaded by the

county Government of Nakuru. It has also donated football kits to the societal football team.

The PPCK products are environmentally friendly and so are the by-products. Most farmers within the county, due to their proximity to the factory benefit from the by-products which are a cheap way for control of insect pests especially for their dairy cattle and control of maize worms.

All operations are guided by code of conduct therefore ethical marketing practices are adhered to. Marketing officers are members of Marketing Society of Kenya which oversees the marketing profession.

(d) Efforts to Safeguard Consumer Rights and Interests

All consumers deserve products that meet their needs and solve problems for their woes. PPCK sells products that are registered locally by the PCPB and well researched. PPCK guarantees product performance and money worth. In addition, pyrethrum is a natural product which offers safe products for agricultural purposes, public health, and animal health solutions. There is a research Laboratory which looks into development of new products for any emerging issue and tests carried out in collaboration with other institutions to come up with safe and effective products.

Product stewardship - through CSPA in the USA of which PPCK is a member, consumer complaints and interests are always looked into. In conjunction with Pyrethrum Joint Venture (PJV) several studies have been undertaken to verify toxicological profile of Pyrethrin and ensure that consumer products are always safe. PPCK has invested heavily to the tune of several millions of shillings towards consumer protection in the USA and Europe. We have an agency in Europe which follows up issues on consumer rights.

5. COMMUNITY ENGAGEMENTS

As part of the planned activities during this financial year the Company did an expansion and establishment of Pyrethrum nurseries in Kisiriri in Narok County and Kabichbich in West Pokot County. This were community land which are set to assist the surrounding farmers with quality planting materials

Distribution of free planting materials to growers to the listed counties namely; -

- Nakuru county
- Narok County
- Baringo County
- Kisii County
- Nyamira County
- Laikipia County
- Nyandarua County
- West Pokot

REPORT OF THE DIRECTORS

The Company did not have a board of Directors and therefore will not provide Directors report in this annual report.

Principal Activities

The principal activities of PPCK are to process and market Pyrethrum and pyrethrum products, conduct scientific & agronomic research, promote, and facilitate production of high yielding planting material & quality certified seeds of Pyrethrum.

Results

The results of the entity for the year ended June 30,2020 are set out on page 30.

Dividends

For more than 15years the company has been operating in losses and incurring huge liabilities and therefore no dividends were paid out to The National Treasury.

Directors

The company was formerly owned by PBK Ministry of Agriculture Livestock Fisheries & Cooperatives (MOLAF) is in the process of streamlining its details in register of companies to which will eventually guide in the appointment of the directors.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and in accordance with section 35 of the Public Audit Act 2015 and section 68(2)(k) of the Public Finance Management Act,2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES.

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2020. 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 Company; (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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2020, and of the Company's financial position as at that date. The Directors further confirm the completeness of the


PYRETHRUM PROCESSING COMPANY OF KENYA
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FOR THE YEAR ENDED JUNE 30, 2020.

accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

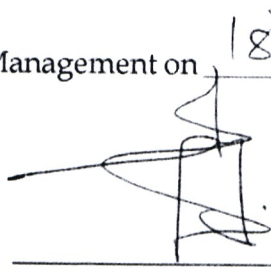
While the debt burden of the company may appear to suggest otherwise, in acknowledgement of the potential inherent in the company and the industry, and the anticipated financial assistance from the government, nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Company's financial statements were approved by the Management on 18th JAN 2021 and signed on its behalf by:



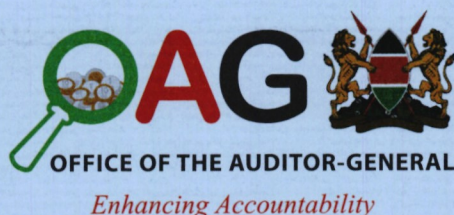
MANAGING DIRECTOR
CPA JOSEPH. W. MUIGAI



FINANCE MANAGER
CPA EDWARD. O. OCHELE

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 PYRETHRUM PROCESSING COMPANY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Pyrethrum Processing Company of Kenya set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inaccuracy in Bank and Cash Balances

As disclosed under Note 15(a) to the financial statements, the statement of financial position reflects bank and cash balances totalling to Kshs.3,185,000. Examination of bank reconciliation statements and cashbook indicated that two bank accounts with bank balances of Kshs.15,976 and Kshs.154, respectively all totalling to Kshs.16,130 have been dormant.

Consequently, the accuracy, completeness and validity of bank and cash balances totalling to Kshs.16,130 as at 30 June, 2020 cannot be confirmed.

2. Property, Plant and Equipment

As disclosed under Note 10 to the financial statements, the statement of financial position reflects property, plant and equipment balance totalling to Kshs.5,608,193,000. Examination of records revealed the following unsatisfactory matters: -

- (i) Included in the balance are eighteen (18) parcels of land with a sum of Kshs.354,340,000 which are not registered in the name of the Company. Also, the balance includes two parcels of land situated in Nakuru Municipality and Nyandarua County Oljororok Farm valued at Kshs.7,500,000 and Kshs.45,800,000 respectively, whose ownership is in dispute. Available information indicated that the land in Nyandarua was sold to a private developer at a cost of Kshs.30,050,000 and the matter has since been taken to court.

- (ii) Further, the balance includes Nyandarua/Mawingu Farm measuring 35 Acres, leased out to Agricultural Food Authority (AFA). However, documents showing the terms of the lease were not provided.
- (iii) Included in the balance are buildings with a net book value of Kshs.658,064,000. However, physical verification revealed rental houses and offices were dilapidated.
- (iv) Included in the balance is an extraction plant purchased and installed in 2006 at an amount of Kshs.305,872,000 that has never been commissioned. Although Management has explained that the machine was purchased in anticipation of an increase in flower deliveries to the factory and that the plant will be commissioned in future once the industry is revived, no evidence was presented to show the steps taken to revive the industry. Further, technological changes and wear and tear are bound to adversely affect the idle machines and may result in the loss of funds invested in the asset.

Consequently, the accuracy, completeness, validity and ownership of property, plant and equipment balance totalling to Kshs.5,608,193,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

3. Irrecoverable Fixed Deposit

As reported previously, as disclosed in Note 15 to the financial statements, the statement of financial position reflects long-term provision (Euro Bank) relating to a fixed deposit of Kshs.150,000,000 banked in Euro Bank in 2001. The bank was subsequently placed under receivership and dissolved in 2003. Although the Management has made full provision for bad and doubtful debts for this deposit, no evidence was presented to show steps taken by the Company to write off the balance from the books of account.

Consequently, the accuracy, completeness and validity of fixed deposit totalling to Kshs.150,000,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

4. Unsupported Trade and Other Payables

As disclosed in Note 17 to the financial statements, the statement of financial position reflects trade and other payables totalling to Kshs.1,343,878,000. The balance includes long outstanding trade payables and provisions - Kshs.1,041,575,000, payables to AFA HQ - Kshs.223,127,000, payables to Sugar Directorate - Kshs.41,493,000 - payables to Tea Directorate - Kshs.16,030,000 and payables to growers - Kshs.21,653,000.

Further, included in the payables are long outstanding statutory deductions of Kshs.149,970,352 and Kshs.1,002,000 relating to Pay As You Earn (PAYE) for employees and Board Members respectively that have remained unpaid, and continue attracting interest and penalties in line with the provisions of Section 37(2) of the Income Tax Act Cap 470 of the Laws of Kenya.

During the year, Kenya Revenue Authority issued demand note for outstanding statutory deductions, interest and penalties amounting to Kshs.375,227,460. No measures seem to have been taken to pay the outstanding debts.

Consequently, the accuracy, completeness and validity of trade and other payables totalling to Kshs.1,343,878,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

5. Unsupported Long Outstanding Inventories

As disclosed under Note 12 to the financial statements, the statement of financial position reflects inventories totalling to Kshs.216,346,000. However, the balance was not supported by records and the method under which the stock was valued.

Further, the balance includes other pyrethrum products valued at Kshs.104,168,000 brought forward from previous years and relates to sludge, green oil and carbon dust that is claimed to contain less than 0.3% of pyrethrin. It was indicated that it has been difficult to sell the inventories because of value and environmental concerns due to its hazardous nature.

Consequently, the existence, accuracy, completeness and validity of the inventories totalling to Kshs.216,346,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

6. Unsupported Trade and Other Receivables

As disclosed in Note 14 to the financial statements, the statement of financial position reflects trade and other receivables totalling to Kshs.217,714,000. Examination of records revealed the following unsatisfactory matters:

- (i) As reported in the previous year, the balance includes unsupported sum of Kshs.7,180,000 relating to purchase of a stand at the Nairobi International Show Grounds.
- (ii) The balance also includes unsupported trade debtors amount of Kshs.61,853,000 which have been outstanding for long and whose accuracy and recoverability remain doubtful.
- (iii) Included in the staff debtors balance totalling to Kshs.42,652,000 are unanalyzed debts owed by former staff members which have been outstanding for more than fifteen (15) years. The Management has not supported the increase from a total of Kshs.41,951,000 in 2013/2014 to a total of Kshs.42,652,000 in 2019/2020. Further, provisions for bad and doubtful debts in relation to these uncertain debts have not been incorporated in the financial statements.
- (iv) The balances relating to other debtors - Kshs.117,606,000, growers' debtors - Kshs.37,709,000 and deposits held by courts - Kshs.4,454,000, respectively have not been supported.
- (v) The balance is net of provision for bad debts for the year of Kshs.56,241,000. Although the Management has been making a general provision for bad debts of Kshs.56,241,000 per year over the last four years, no policy on provision for doubtful debts was provided.

Under the circumstances, the completeness, accuracy and validity of the trade and other receivables balance of Kshs.217,714,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

7. Unconfirmed Legal Status

The Company uses three different names in its operations including; Pyrethrum Processing Company of Kenya in the financial statements, Pyrethrum Regulatory Authority in bank statements and Pyrethrum & Other Industrial Crops Company in the payment vouchers.

According to paragraph 3 of the transition provisions of the Agriculture and Food Authority Act, 2013 (revised) under the first schedule:

- (i) The regulatory part of the defunct Pyrethrum Regulatory Authority would be Pyrethrum and Other Industrial Crops Directorate under Agriculture and Food Authority and;
- (ii) the commercial function transforms into a company to be registered under the Companies Act.

It is not clear how the Management chose to operate under the name Pyrethrum Processing Company of Kenya which was registered in August, 1963 instead of registering the company under the Companies Act, 2015 as required under the new legislative framework.

8. Lack of Board of Directors

The Company has been operating without a substantive Board of Directors as a result of which the budget for the year 2019/2020 was not approved and the basis for collecting revenue and incurring expenditure could not be authenticated. This is contrary to Section 6(1) of the State Corporations Act.

Consequently, the Company was in breach of the law.

9. Outdated Accounting Information System

The management of PPCK uses AccPac & Peresoft Cashbook Accounting System, Workmate 2000 Payroll Management System and Pareto Growers Processing System to process data for accounts payable, receivables, inventory control and cash book, staff payroll and growers' payments processing, respectively.

The software used for the information systems is outdated and not integrated to the various units of the Company. Further, the old unsupported software does not guarantee data integrity and downtimes can paralyze activities or result in loss of information.

Consequently, use of outdated system necessitates manual update of the financial system from other modules and therefore compromises accuracy of information generated from the system.

Emphasis of Matter

Material Uncertainty Related to Going Concern

I wish to draw attention to Note 26 to the financial statements on going concern. The statement of profit or loss and other comprehensive income reflects a loss of Kshs.183,101,000 (2019: a loss of Kshs.227,101,000). In addition, the statement of financial position reflects total current assets totalling to Kshs.437,245,000 against total current liabilities totalling to Kshs.1,343,878,000 resulting in a negative working capital totalling to Kshs.906,633,000. The Company is, therefore, technically insolvent and its

continued existence is dependent upon the financial support of the Government and its creditors.

The above material uncertainty casts doubt on the Company's ability to continue as a going concern. However, the Management has disclosed under Note 26 that the financial statements for 2019/2020 financial year have been prepared on a going concern basis on the understanding that the government is going to finance the company and to revive the pyrethrum sector.

My opinion is not qualified in respect of this matter.

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.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.377,000,000 and Kshs.186,519,000 respectively, resulting to an underfunding amounting to Kshs190,480,000 or 51% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.374,580,000 and Kshs.369,621,000 respectively, resulting to an underperformance amounting to Kshs.4,959,000 or 2% of the budget.

The underfunding affected the planned activities and may have impacted negatively on profitability of the company.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records;
- (iii) The Company's financial statements are in agreement with those records; and returns.

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 Financial Reporting Standards 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company 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 financial reporting process, reviewing the effectiveness of how the Company 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and overall governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and overall governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Pyrethrum Processing Company of Kenya 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30TH JUNE 2020.**


	NOTE	2019-2020	2018-2019
			Restated
REVENUES		Kshs	Kshs
		"000"	"000"
Sales	4	3,950	31,382
Cost of Sales	5	<u>(16,956)</u>	<u>(30,135)</u>
GROSS SURPLUS/(DEFICIT)		(13,006)	1,247
Grants from National Government	6	162,000	30,000
Other Income	7	20,569	17,843
Differed Pyrethrin Loss	21	(45,264)	-
Other Gains/(losses)	13	(183)	-
TOTAL REVENUES		<u>124,116</u>	<u>49,090</u>
OPERATING EXPENSES			
Administration Costs	8(a)	(305,129)	(273,036)
Selling & Distribution costs	9	<u>(2,088)</u>	<u>(3,155)</u>
TOTAL OPERATING EXPENSES		<u>(307,217)</u>	<u>(276,191)</u>
OPERATING LOSS		(183,101)	(227,101)
LOSS BEFORE TAXATION		<u>(183,101)</u>	<u>(227,101)</u>

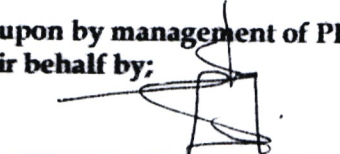
PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTE	June 2020	June 2019 Restated
		Kshs "000'	Kshs "000'
ASSETS			
Non-current Assets			
Property, Plant, and equipment	10	5,608,193	5,698,451
Intangible Assets	11	525,000	525,000
Fixed Interest investments (Euro bank Ltd)	19	150,000	150,000
Deferred Pyrethrin costs	21	769,489	814,753
Biological Assets	13	<u>5,153</u>	<u>5,336</u>
Total Non-Current Assets		7,057,835	7,193,540
Current Assets			
Inventories	12	216,346	180,846
Trade and Other receivables	14	217,714	192,448
Bank and Cash balances	15(a)	3,185	2,909
Total Current Assets		<u>437,245</u>	<u>376,203</u>
TOTAL ASSETS		<u>7,495,080</u>	<u>7,569,743</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
PBK Stock units	22	32,891	32,891
Levy fund	23	93	87
Accumulated Capital Fund		318,158	318,158
General Reserve		(114,631)	444,708
Revaluation reserve	16	<u>5,764,691</u>	<u>5,764,691</u>
Capital and Reserves		6,001,202	6,560,535
Capital and Reserves			
Non-current Liabilities			
Long Term Provision (Euro Bank Ltd)	19	<u>150,000</u>	<u>150,000</u>
Total Non-current Liabilities		150,000	150,000
Current Liabilities			
Trade and Other Payables	17	<u>1,343,878</u>	<u>859,208</u>
Total Current Liabilities		1,343,879	859,208
TOTAL EQUITY AND LIABILITIES		<u>7,495,080</u>	<u>7,569,743</u>

The financial statements were agreed upon by management of PPCK - Pyrethrum Processing Company of Kenya and signed on their behalf by:


MANAGING DIRECTOR
CPA JOSEPH W. MUIGAI


FINANCE MANAGER
CPA EDWARD OCHELE

16703
ICPAK M/NO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Pbk Stock	Levy Fund	Accumulated Capital Fund	General Reserve	Revaluation Reserve	Total
	"000"	"000"	"000"	"000"	"000"	"000"
At June 2018	32,891	85	318,158	(1,126,621)	3,380,104	2,604,617
Transfer of excess depreciation	-	-	-	-	-	-
Total comprehensive income (deficit)	-	-	-	(227,101)	-	(227,101)
Amortisation of Deferred Pyrethrine Cost				(45,264)		(45,264)
Loss on value of tea Bushes				(2,192)		(2,192)
Revaluation Surplus			-	557,871	2,384,587	2,942,458
Accumulated Depreciation W/off						
Levy Charge for the year		2				2
Prior year adjustment						-
Gok Loan & Interest W/ off				1,288,015		1,288,015
At June 30, 2019	32,891	87	318,158	444,708	5,764,691	6,560,535
At July 1, 2019	32,891	87	318,158	444,708	5,764,691	6,560,535
Transfer of excess Depreciation	-	-	-	-	-	-
Total comprehensive income (deficit)	-	-	-	(183,101)	-	(183,101)
Accumulated depreciation W/off				505		505
Levy Charge for the year		6				6
Motor Vehicles W/Off				(1,515)		(1,515)
Prior year adjustment				(375,228)		(375,228)
At June 30, 2020	32,891	93	318,158	(114,631)	5,764,691	6,001,202

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		JUNE	JUNE
		2020	2019
		KShs	KShs
	NOTES	000	000
CASH FLOWS FROM OPERATING ACTIVITIES			Restated
Cash generated From Operations	18	611	(8,015)
Cash flows from investing activities			
Purchase of P.P & E	10	(340)	(15)
Net cash flows used in investing activities		<u>(340)</u>	<u>(15)</u>
Cash flows from financing activities			
Levy fund		6	2
Accumulated Capital Fund		-	-
Net cash flows used in financing activities		<u>6</u>	<u>2</u>
Net increase/(decrease) in cash and cash equivalents		277	(8,028)
Cash and cash equivalents at 1st July 2019		<u>2,909</u>	<u>10,937</u>
Cash and cash equivalents at 30 June 2020	15	<u>3,185</u>	<u>2,909</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020.

Description	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance Difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
	000'	000'	000'	000'	000'
Sale of goods	180,000	-	180,000	3,950	(176,050)
Sale of services	-	-	-	-	-
Transfers from the Government	162,000	-	162,000	162,000	-
Donations in kind	-	-	-	-	-
Finance Income	-	-	-	-	-
Other income	35,000	-	35,000	20,569	(14,431)
Total income	377,000	-	377,000	186,519	(190,482)
Expenses					
Compensation of employees	144,000	-	144,000	142,220	1,780
Use of goods and services	-	-	-	-	-
Taxation paid	-	-	-	-	-
Other payments	230,580	-	230,580	227,400	3,180
Grants and subsidies Paid	-	-	-	-	-
Total expenditure	374,580		374,580	369,621	4,960
Surplus/Deficit for the period	2,420	-	2,420	(183,101)	(185,521)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pyrethrum Processing Company of Kenya Ltd entity is established by and derives its authority and accountability from Crop Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to Process and market Pyrethrum and Products, conduct scientific & Agronomic research, Promote, and facilitate production of high yielding planting material & quality certified seeds of Pyrethrum.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the PPCK - Pyrethrum Processing Company of Kenya's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the PPCK - Pyrethrum Processing Company of Kenya and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the Statutory Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the PPCK - Pyrethrum Processing Company of Kenya and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of PPCK - Pyrethrum Processing Company of Kenya activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the PPCK - Pyrethrum Processing Company of Kenya activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the PPCK - Pyrethrum Processing Company of Kenya delivers products to the customer and the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which Pyrethrum Processing Company of Kenya receives such Grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- iv) **Other income** is recognised as it accrues.

B Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

The Assets of the company were last revalued in June 2018 and this has formed the new basis of depreciation of the assets.

The revaluation was done by Ebony Estates. Ltd. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date

of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

C Depreciation and impairment of property, Plant, and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works the new extraction plant and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2.50% p.a
Plant, & Machinery	12.50% p.a
Motor vehicles including motor cycles	25% p.a
Computers and related equipment	30% p.a
Office Equipment, furniture & Fittings	12.50% p.a

A full year's depreciation charge is recognised in the year of asset purchase and no depreciation charge is recognized in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

D Intangible assets

Intangible assets include Licenses, Registrations, Patents, Brands, trademarks, and data relating to PPCK- Pyrethrum Processing Company of Kenya.

E Amortisation and impairment of intangible assets

Licenses, Registrations, Patents, Brands, trademarks, and research data relating to research studies are held in perpetuity indefinite useful life hence being revalued after a period of time.

F Inventories.

Inventories are stated at the lower of cost and net realisable value. Cost of dry pyrethrum flowers, grist, extracts and end use products comprise direct materials cost and, where applicable, direct labour costs and those overheads and other costs that have been incurred in bringing the inventories to their present location and condition. Cost of engineering spares and accessories are calculated using weighted average method. Net realizable value represents the estimated selling price less all estimated costs of disposal.

G Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These 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. Bad debt are written off after all efforts at recovery have been exhausted.

H 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 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 which were not surrendered or accounted for at the end of the financial year.

I Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

J Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the PPCK - Pyrethrum Processing Company of Kenya or not, less any payments made to the suppliers.

K Retirement benefit obligations

The former Pyrethrum Board of Kenya was operating a defined contribution scheme for all full-time employees, Pyrethrum Board of Kenya Staff Superannuation scheme which was wound up on 1st December 2016 and a liquidator was appointed. For the current staff the company has identified a new scheme under ICEA Lion Group of which contributions are being remitted as required by the Retirement Benefits Authority.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

L Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

M. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the *PPCK - Pyrethrum Processing Company of Kenya* operates, Kenyan Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

N. Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. 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 Pyrethrum Processing Company upon receiving the respective approvals in order to conclude the final budget.

The Pyrethrum Processing Company 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.

O. Comparative figures

In accordance with IAS 8 "*Presentation of Financial Statements*", comparative information in respect of the previous period (i.e. 2018-2019) for all amounts reported in the financial statements has been disclosed.

P. Subsequent events

Pyrethrum Processing Company of Kenya undertook valuation of its assets which has significant impact on financial year ended June 30, 2019.

Q. Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk and effects of changes in foreign currency exchange rates. The Company overall risk management programme focuses on the unpredictability of future rates and prices and seeks to minimise potential adverse effects on its financial performance.

Foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed.

The Company therefore has foreign currency accounts i.e. Euro and Dollar accounts which are the main currencies used in transactions. This enables holding of the currency until the exchange rates are favourable.

Legal risk is the risk of loss to an institution which is primarily caused by: - (a) a defective transaction; or (b) a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability for the institution or other loss (for example, as a result of the termination of a contract) or; (c) failing to take appropriate

measures to protect assets (for example, intellectual property) owned by the institution; or
(d) change in law.

The Company has several court awards against it and other cases that are pending in court
To minimise this risk, the Company made a provision in its annual 2019-20 budget to cater
for legal expenses.

Commodity risk

Refers to the uncertainties of future market values and of the size of the future income, caused
by the fluctuation in the prices of commodities i.e. Risk arising out of adverse movements in
the world prices, exchange rates, basis between local and world prices.

The Company is focusing on the diversification of products and production of end use
products that are to be sold in the local market. This would help reduce risks that are caused
by fluctuations in the world prices of its products.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2019-2020	2018-2019
	Kshs	Kshs
	'000'	'000'
4 REVENUE		
Powder local	20	7
O.R Extracts Local	2	33
Pale Exports 50%	-	13,952
Pale Local 25%	1,060	14,918
Marc Local	1,630	1,540
Product Development General	<u>1,238</u>	<u>932</u>
Total	<u>3,950</u>	<u>31,382</u>
<p>There is a drop in revenue generated from sales of Pyrethrum Extract as compared to the last Financial year this was highly attributed to Covid 19 Pandemic which delayed the processing of dry pyrethrum flowers and grist which was set to begin in March 2020. As a result of the delay, primary processing began on 23rd June 2020 and the Final products were projected to be ready in the month of July & August 2020.</p>		
5 COST OF SALES		
Opening inventories	107,073	117,084
Add: <u>Manufacturing costs</u>		
Purchase of Pyrethrin	14,865	4,852
Processing and refining costs	17,782	15,272
Purchase of Oleoresin (OR)	<u>18,560</u>	-
Total	<u>158,281</u>	<u>137,208</u>
Less: Closing inventories	<u>(141,324)</u>	<u>(107,073)</u>
Cost of sales	<u>16,956</u>	<u>30,135</u>
6. GRANTS FROM NATIONAL GOVERNMENT		
Recurrent grants received	132,000	-
Capital grants received	<u>30,000</u>	<u>30,000</u>
	<u>162,000</u>	<u>30,000</u>

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2019-2020
Kshs
'000'

2018-2019
Kshs
'000'

Analysis of Grant Received during the Year 2019/2020

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total Grant income during the year.	
				2019-2020	2018-2019
				KShs	KShs
				KShs	KShs
Ministry of Agriculture State Department of Crops Development	162,000	-	-	162,000	30,000
Total	162,000	-	-	162,000	30,000

7. OTHER INCOME

Rent	18,628	16,395
Farms	1,434	497
Others (Sale of seeds, Drying Charges etc.)	507	951
	<u>20,569</u>	<u>17,843</u>

8.(a) ADMINISTRATION COSTS

Staff Costs (Note 8b)	142,220	133,548
Utilities	70	9
Maintenance	3,421	3,648
Security	974	12
Local travel	7,190	15,184
Exgratia	5,434	-
Gratuity	1,766	-
Audit fees	580	1,080
Rent, Rates & Insurance	39,569	1,095
Depreciation	89,589	90,122
Entomology expenses	44	55
Legal fees & Court Awards	2,076	13,346
Other operating Expenses	12,196	14,937
	<u>305,129</u>	<u>273,036</u>

8(b) STAFF COSTS

Salaries for Permanent & Pensionable employees	119,161	115,532
Salaries Staff on Contract	21,561	15,112
Overtime Hrs	1,498	2,904
	<u>142,220</u>	<u>133,548</u>

	2019-2020 Kshs '000'	2018- 2019 Kshs "000"
AVERAGE NUMBER OF EMPLOYEES		
Permanent Employees -Management	55	56
Permanent Employees-Unionisable	109	114
Temporary and Contracted Employees	<u>81</u>	<u>107</u>
	<u>245</u>	<u>277</u>
 9. SELLING AND DISTRIBUTION COSTS		
Shows & exhibitions	928	2,204
Local travel	-	374
Sales promotions	289	332
Other selling and distribution costs	871	233
Distributions	<u>-</u>	<u>12</u>
	<u>2,088</u>	<u>3,155</u>

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10. PROPERTY PLANT AND EQUIPMENT

ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	C WIP	MOTOR VEHICLES	FURNITURE	LABORATORY & OFFICE EQUIPMENT	COMPUTERS & OTHER RELATED EQUIPMENT	TOTAL
	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'
COST/VALUATION									
At July 1, 2018	1,493,940	525,920	537,928	455,663	66,728	6,042	13,332	3,768	3,103,321
Additions	-	-	-	-	-	15	-	-	15
Disposals	-	-	-	-	-	-	-	-	-
Adjustment on Revaluation	3,041,110	166,780	(313,922)	-	(46,977)	(2,493)	(6,602)	(2,854)	2,835,042
Adjustment capitalization	-	-	305,872	-	-	-	-	-	305,872
As at 30 June 2019	4,535,050	692,700	529,879	-	19,751	3,549	6,730	914	5,788,573
July 1, 2019	4,535,050	692,700	529,879	-	19,751	3,549	6,730	914	5,788,573
Additions	-	-	-	-	-	28	15	297	340
Disposals	-	-	-	-	-	-	-	-	-
Adjustment MV W/off	-	-	-	-	(1,515)	-	-	-	(1,515)
As at 30 June 2020	4,535,050	692,700	529,879	-	18,236	3,577	6,745	1,211	5,787,398
DEPRECIATION									
As at July 1, 2018	-	70,999	403,811	-	65,899	4,407	9,928	2,811	557,871
Charge for the Year	-	17,318	66,309	-	4,938	442	841	274	90,122
Disposal	-	-	-	-	-	-	-	-	-
Adjustment on Revaluation	-	(70,999)	(403,811)	-	(65,899)	(4,407)	(9,928)	(2,811)	(557,871)
As June 30, 2019	-	17,318	66,309	-	4,938	442	841	274	90,122
A July 1, 2019	-	17,318	66,309	-	4,938	442	841	274	90,122
Charge for the Year	-	17,318	66,309	-	4,313	443	363	842	89,588
Disposal	-	-	-	-	-	-	-	-	-
Adjustment MV W/off	-	-	-	-	(505)	-	-	-	(505)
At June 30, 2020	-	34,636	132,618	-	8,746	885	1,204	1,116	179,710
NET BOOK VALUES									
JUNE 30, 2020	4,535,050	658,064	397,261	-	9,490	2,692	5,541	95	5,608,193
JUNE 30, 2019	4,535,050	675,382	463,570	-	14,813	3,107	5,889	640	5,698,451

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The new extraction plant which has not been commissioned for use has been capitalised in plant and equipment and depreciated in conformity with IAS 16 (Property Plant and Equipment)

11. INTANGIBLE ASSETS

	2019-2020	2018-2019
COST	"000'	"000"
At July 1	525,000	825,650
Additions	-	-
Disposals	-	-
At June 30	525,000	825,650
REVALUATION		
At July 1		
Charge for the year		-
Loss on Valuation		-
Impairment loss	-	-
Adjustment	-	(300,650)
At June 30	-	(300,650)
NET BOOK VALUE		
AS at June 30,2020	525,000	525,000

These are costs relating to Registrations/Licenses and studies undertaken on impact of pyrethrum on the environment and humans. The registrations/licenses and studies are mandatory as they form the basis for pyrethrum trade in the international markets. The major markets for PPCK are in America and Europe, hence the need to maintain these market segment through sustained registrations. The benefits from these intangible assets shall be realised over an indefinite period and have therefore not been amortised.

12. INVENTORIES

Dry Pyrethrum flowers	3	696
Pyrethrum grist & powder	15	40
Pymarc	672	46
Crude pyrethrum extract (OR)	8,849	173
Pale Pyrethrum extract	23,859	1,304
End use products	3,758	646
Other pyrethrum products	104,168	104,168
Sub-total	141,324	107,073
Engineering spares & accessories	75,022	73,773
	216,346	180,846

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	2019-2020 KSHS '000'	2018-2019 KSHS '000'
13. BIOLOGICAL ASSETS		
Livestock	360	521
Tea Bushes	<u>4,793</u>	<u>4,816</u>
	<u>5,153</u>	<u>5,336</u>

During the period under review there was a loss in fair value of biological assets amounting to **Kshs.183,460** as per the valuation report. The valuation of biological assets was carried out by County Government of Nakuru Ministry of Agriculture Livestock & Fisheries and report issued for the purpose of incorporating in the current year Financial Statements' FY 2019/2020.

14. TRADE AND OTHER RECEIVABLES

Trade receivables	61,853	61,853
Kenya power deposit	2,500	2,500
Abortive Nairobi show	7,180	7,180
Deposit held by courts	4,454	4,454
Growers debtors	37,710	40,038
Staff debts	42,652	42,066
Other debtors	117,606	90,598
Gross trade and other receivables	<u>273,955</u>	<u>248,525</u>
Provision for bad and doubtful receivables	(56,241)	(56,241)
Net trade and other receivables	<u>217,714</u>	<u>192,448</u>

15 (a) CASH AND CASH EQUIVALENTS

Float	32	14
Rent Account	324	486
Operation Account	2,770	1,055
Growers Account	2	13
Assets Disposal Account	9	16
Foreign Account	12	1,276
CFC Stanbic Account	33	33
Other Bank Account	3	16
	<u>3,185</u>	<u>2,909</u>

15 (b) Detailed analysis of the Cash & Cash Equivalents

		2019-2020	2018-2019
Financial Institution	Account number	Kshs	Kshs
Kenya Commercial bank		'000'	'000'
a) Current account			
Rent Account	1153031779	324	486
Growers Account	1153031493	2	13
Asset Disposal Account	1153031930	9	16
USD Account	1153032171	4	117
EUR Account	1153032422	8	1,159
Operation Account	1153031337	2,770	1,055
Other bank Account		35	30
Other Bank Account			
Cfc Stanbic Bank Account	014/00/300349/01	33	33
Sub- Total		3,185	2,909
Grand Total		3,185	2,909

16. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment which was done in June 2018 value at **Kshs.5,764,691**. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation. Revaluation surpluses are not distributable.

17. TRADE AND OTHER PAYABLES

Trade payables and provisions	1,041,575	677,627
Payable to AFA HQ	223,127	165,610
Payable to Sugar Directorate (AFA)	41,493	-
Payables to Tea Directorate (AFA)	16,030	-
Amounts due to Growers	21,653	15,971
	<u>1,343,878</u>	<u>859,208</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS	2019-2020	2018-2019
	Kshs	Kshs
	'000'	'000'
Reconciliation of operating profit/(loss) to Cash generated from/ (used in) operations		
Operating profit/ (loss)	(183,101)	(227,101)
Depreciation	89,588	90,122
Differed Pyrethrin Loss	45,264	-
Loss/ (Gains) from changes in fair value of Biological assets	183	-
Operating profit/ (loss) before working capital changes	(48,066)	(136,979)
(Increase)/Decrease in Inventories	(35,500)	15,888
(Increase)/Decrease in trade and Other Receivables	(25,266)	(9,266)
Increase/ (Decrease) in Trade and Other Payable	484,670	122,342
Other liabilities	(375,227)	-
Cash generated from/ (used in) Operations	611	(8,015)

19. INVESTMENT IN EURO BANK

The Company invested Kshs.150 million in Euro Bank Limited on 17th October 2001. Euro Bank collapsed on 20th February 2003 without significant assets. The Company made provision in the year 2002/2003 and is awaiting the outcome of the case.

20. INCORPORATION.

The entity is a Company under State Corporation Agriculture and Food Authority (AFA) formed under the AFA Act, 2013 and is domiciled in Kenya.

21. DEFERRED PYRETHRINS COSTS

These costs relate to unaccounted for Pyrethrin's received in between 1999-2003 valued at Kshs. 1,357,922,110/=. The Pyrethrum Act Cap 340 (now repealed) Section 18 provides that the total amount realised from the operations of the Company ought to be paid based on performance and surplus or losses passed to the growers. Between the years 1999-2003

trade stocks were held mainly in Crude Pyrethrum Extract (OR). The Pyrethrin reconciliation was then impossible. It was realised in the year 2005/2006 that quite substantial quantities of Pyrethrin's of 180,859.71 kg Pys valued at Kshs. 1,357,922,110/= could not be accounted for. Growers had therefore been paid an element that should have been adjusted to reflect the process losses. The necessary adjustment for the prior period error was therefore made in the financial statements to reflect a fair view of the financial statements. The Company noted the losses requested for a thorough investigation. They recommended for the adjustment of the prior period error to reflect the correct status in the books of account thereby accommodating the amount of Kshs. 1,357,922,110/= in the general reserve account which will be amortised over a period of 30 years starting financial year 2007/2008. For the current year of reporting the loss has been treated in the statement of comprehensive incomes.

	JUNE 2019-2020 Kshs '000'	JUNE 2018-2019 Kshs '000'
Balance at beginning of the year	814,753	860,017
Write off for the year	<u>45,264</u>	<u>45,264</u>
Balance at end of the year	<u>769,489</u>	<u>814,753</u>

22. PBK STOCK UNITS ISSUED

In return for levy paid by pyrethrum growers the Company issues one unit of stock to each licensed grower for every amount of twenty shillings paid to it by way of levy, for this Financial Year the stock units amount to **Kshs 32,891,260.00**

23. LEVY FUND

Under the provisions of the Pyrethrum Act the Minister of Agriculture imposed a levy on all pyrethrum grown or cultivated in Kenya. The levy is at the rate of 6.6 cents per kilogram of dry pyrethrum flowers delivered to the Company. The levy valued at **Kshs 92,529.00** for 2019/20 is held as fund pending issuance of PPCK units thereof.

24. PYRETHRUM BOARD OF KENYA STAFF SUPERANNUATION SCHEME

There was a court process of which appointed the liquidator through the Office of AC Pyrethrum Board of Kenya superannuation scheme was wound up on 1st December 2019 and a liquidator was appointed. Actuarial valuation of the scheme was undertaken which currently stands at **Kshs 2.02Billion**.

25. RESTATEMENT OF FINANCIAL STATEMENTS

During the financial year 2019-20, the company discovered some errors in the financial statements for the year 2018-19 which warranted adjustment in order to reflect a fair presentation of the financial statements of PPCK. In accordance with IAS 8; “**Accounting Policies, Changes in Accounting Estimates and Errors**” comparative figures were therefore restated in order to correct material errors and estimates that were identified after the financial statements were authorised for issue. These restated balances relating to prior year adjustments includes; -

a) Administration Costs

The comparative figure of Kshs. (271,950,000) was adjusted to Kshs. (273,036,000) as per the financial statements due to changes in various ledgers that resulted from accrued expenses that had not been captured in the system of Ksh. (1,086,000).

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Administration costs	271,950	1,086	273,036

b) Selling and Distribution Costs

The comparative figure of Kshs. (3,062,000) was adjusted to Kshs. (3,155,000) as per the financial statements due to changes in various ledgers that resulted from accrued expense that had not been captured in the ledgers of Ksh. (93,000).

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Selling & Distribution Costs	3,062	93	3,155

c) Trade & Other Receivable

The comparative figure of Kshs.192,284,000 was adjusted to kshs.192,448,000 due to changes in various ledgers of Kshs.164,000.

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Trade & Other Receivable	192,284	164	192,448

d) General Reserve

The comparative figure of Ksh.446,367,000 as per the records was adjusted to Kshs.444,708,000 as per the financial statements due to changes in various ledgers which reduced the general reserve by Kshs (1,659,000).

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
General Reserve	446,367	1,659	444,708

e) Trade & Other Payables

The comparative figure of Kshs.857,385,000 was adjusted to Kshs. (859,208,000) due to changes in various ledgers of Kshs. (1,823,000)

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Trade & Other Payables	857,385	1,823	859,208

26. GOING CONCERN

Arising from the company's performance as depicted in the financial report for the 2019-20 financial year, the management has identified the following areas as posing material uncertainty to the going concern.

1. Poor flower deliveries resulting from low acreage under pyrethrum. This has led to persistent low revenue generation leading to consistent operating losses over the years.
2. Contingent liabilities arising from pending court cases.
3. Unfinanced historical pending bills/liabilities.
4. Liquidated Staff superannuation retirement scheme wound up on 1st December 2016 for which the company is the sponsor.

However, the management has prepared the financial report for 2019-20 financial year on going concern basis with the understanding that the government is going to finance the company considering that a national steering committee has been formed to revive the sector. Further the government has enhanced development funds allocated to the company in the year 2020-21. With the anticipated help the company has potential to turn around and operate profitably within a short period of time.

APPENDIX 1: INTER ENTITY TRANSFERS FINANCIAL YEAR 2019-2020

STATE DEPARTMENT OF CROP DEVELOPMENT			
DEVELOPMENT GRANTS			
	BANK STATEMENT DATE	AMOUNT	
		KSHS '000'	
	18/11/2019	15,000	
	20/02/2020	15,000	
	Sub-Totals	30,000	
RECCURENT GRANTS			
	10/07/2019	11,000	
	10/07/2019	11,000	
	11/08/2019	11,000	
	19/08/2019	11,000	
	12/11/2019	11,000	
	31/12/2019	11,000	
	04/03/2020	11,000	
	06/04/2020	11,000	
	15/05/2020	11,000	
	29/06/2020	11,000	
	02/07/2020	22,000	
	Sub-Totals	132,000	
GRAND TOTALS		162,000	