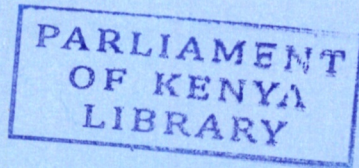


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid
by Majority whip
wednesday
25/1/17
Morning
5:30pm
A...*

REPORT

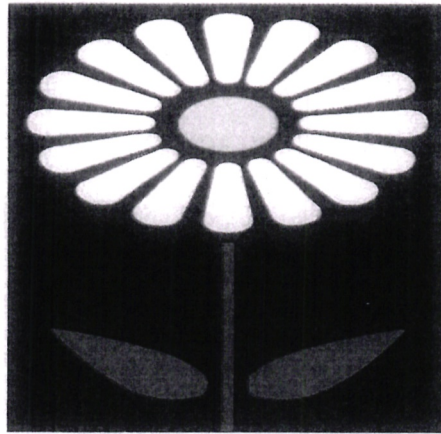
OF

THE AUDITOR-GENERAL

ON

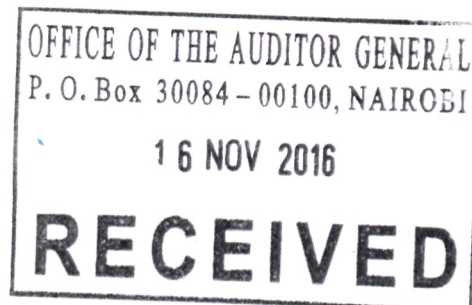
**THE FINANCIAL STATEMENTS OF
PYRETHRUM BOARD OF KENYA**

**FOR THE THIRTEEN MONTHS
PERIOD ENDED 30 JULY 2014**



**PYRETHRUM BOARD OF KENYA
REPORTS AND FINANCIAL STATEMENTS
FOR THIRTEEN MONTHS PERIOD ENDED
JULY 31, 2014**

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



PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

CONTENTS	PAGE
Key Entity Information	3-4
Management Team	5
Statement of Managements' Responsibilities	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Summary of Significant Accounting Policies	11-16
Notes to the Financial Statements	17-24

KEY ENTITY INFORMATION

Background information

Pyrethrum Board of Kenya was established by the Pyrethrum Act CAP 340 of 1064 revised 2012

Principal Activities

The principal activity of Pyrethrum Board of Kenya is to regulate and control the growing, processing and marketing of pyrethrum and conduct scientific and agronomic research for pyrethrum development and connected purposes. The Authority is also subject to the provisions of the State Corporations Act (Cap 446) of the Laws of Kenya.

Registered Office

Pyrethrum Board of Kenya

General Mathenge Road,

Industrial Area,

P.O. Box 420-20100,

NAKURU, KENYA

Corporate Contacts

Telephone: 254 51-211567/72

Fax 25451-214201/210466

E-mail: md@pyrethrum.co.ke

Bankers

1. Kenya Commercial Bank
Menengai Crater Branch
Loncom House, Ground Floor
P.O. Box 15923-20100 Nakuru
Tel: 254-(051) 2216412
www.kcbbankgroup.com

Independent Auditors

The Auditor General

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

RODI, OREGI & CO. ADVOCATES,
MachePlaza,
P.O. BOX 780,
Nakuru, Kenya

MUKITE MUSANGI & CO ADVOCATES,
Seguton building,
P.O. Box 149,
Nakuru, Kenya.

NANCY W. NJOROGE & CO. ADVOCATES,
PlutoBuilding,
P.O. BOX 3653-20100,
Nakuru, Kenya

MURIMI, NDUMIA, MBAGO & MUCHELA ADVOCATES
P.O Box 2779 - 20100
Nakuru, Kenya.

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

MANAGEMENT TEAM

1.	Alfred Busolo Tabu	Managing Director
2.	M/s. Mary Moraa Ontiri	General Manager/Technical Services
3.	Dr. Kefa Sum	Product Development & Marketing Manager
4.	Eng. Joash N. Osiemo	Factory Manager
5.	M/s. Priscilla Karanja	Finance Manager
6.	Mr. George Nyahoro	Human Resources Manager
7.	Mr. Joel A. Nyachiro	Internal Auditor.
8.	Mrs. MaryRose Kingao	Procurement Manager
9.	Mr. Fanuel O. Anyul	Planning Manager
10.	Mr. Kenneth C. Rono	ICT Manager
11.	Lucy Birir Komen	Corporate Communications Manager

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Management is responsible for the preparation and presentation of Pyrethrum Board of Kenya financial statements, which give a true and fair view of the state of affairs of Pyrethrum Board of Kenya for and as at the end of the financial year (period) ended on July 31, 2014. 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 entity; (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 Pyrethrum Board of Kenya ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accept responsibility for Pyrethrum Board of Kenya 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 and the State Corporations Act. The Management are of the opinion that Pyrethrum Board of Kenya financial statements give a true and fair view of the state of *Pyrethrum Board of Kenya* transactions during the financial year ended July 31, 2014, and of *Pyrethrum Board of Kenya* financial position as at that date. The Management further confirm the completeness of the accounting records maintained for *Pyrethrum Board of Kenya*, which have been relied upon in the preparation of *Pyrethrum Board of Kenya* 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 *Pyrethrum Board of Kenya* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Pyrethrum Board of Kenya financial statements were approved by Management on

9/9/ 2016 and signed on its behalf by:


Interim Head, Finance & Administration


Interim Director General

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE PYRETHRUM BOARD OF KENYA FOR THE THIRTEEN MONTHS PERIOD ENDED 31 JULY 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Pyrethrum Board of Kenya set out on pages 7 to 22, which comprise the statement of financial position as at 31 July 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the thirteen months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 14 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

Report of the Auditor-General on Pyrethrum Board of Kenya for the Thirteen Months Period ended 31 July 2014

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Financial Performance

During the year under review, the Board incurred a deficit of Kshs.190,569,000 compared to a deficit of Kshs.25,061,000 in the previous year. This increased its general reserve to a debit balance of Kshs.339,494,000 as at 31 July 2014. In view of the negative reserve balance, the Board is technically insolvent and its continued existence is dependent upon financial support from its creditors and the Government.

2. Property, Plant and Equipment

- (i) As similarly reported in the previous financial year, the property, plant and equipment balance of Kshs.2,893,534,000 as at 31 July 2014 includes balances extracted from a revaluation report dated 12 July 2012 which however, had not been adopted/approved by the Board of Directors as at 30 June 2015.
- (ii) Further, included in property, plant and equipment balance is a sum of Kshs.354,340,000 being cost of 18 parcels of land which are, however, not registered in the name of the Board. The balance further includes two (2) parcels of land situated in Nakuru Municipality (Block 7/138) and Nyandarua County (11322/1/2/3 Oljororok farm) valued at Kshs.7,500,000 and Kshs.45,800,000 respectively. Ownership of the two parcels is disputed. Available information indicates that the land in Nyandarua County was sold to a private developer at Kshs.30,050,000 and the matter has since been taken to court.
- (iii) Also, as reported in the previous year, documents relating to the procurement of plant, machinery and equipment and furniture at a cost of Kshs.477,104.25 have not been presented for verification. Further, out of a total of fifty three (53) motor vehicles and heavy machinery owned by the Board, thirty (30) were grounded and unserviceable at the time of audit.
- (iv) The property, plant and equipment balance reflected in the financial statements includes a brought forward balance of Kshs.455,663,000 relating to capital-work-in progress as explained in Note 8 to the accounts. Information available indicates that the balance relates to a new retraction plant purchased and installed in 2006

but which has however, never been commissioned. Although the management has explained that the machine was purchased in anticipation of an increase in flower deliveries and that the plant will be commissioned in future once the industry is revived, no evidence has been presented for audit showing steps taken to revive the industry. Further, technological, wear and tear and other environmental changes are bound to adversely affect the machinery if left to lie idle for long and could thereby result in the loss of Kshs.455,663,000 of taxpayer funds.

These situations indicate significant impairment on the properties of the Board. Consequently, it has not been possible to confirm whether the aggregate carrying value of Kshs.2,893,534,000 stated in the financial statements reflects the fair value of the Board's property, plant and equipment assets as at 31 July 2014.

3. Intangible Assets

The statement of financial position (as also disclosed under Note 9 to the accounts) reflects an intangible assets balance of Kshs. 825,650,000 relating to expenditure incurred on the cost of registering licences and studies undertaken on impact of pyrethrum on the environment and human life. Although the management has provided a valuation report on how the balance was determined, no explanation has been provided as to why the asset was not subjected to amortization or revaluation over the years to recognize the effects of technological and other changes bound to affect the book value of intangible assets over time.

4. Fixed Interest Investment (Euro Bank Ltd)

The statement of financial position reflects a fixed deposit balance of Kshs.150,000,000 relating to money deposited at Euro Bank in 2001 which was thereafter placed under receivership and eventually dissolved in 2003. Although the management has made full provision for bad and doubtful debts for the deposit, no evidence has been provided for verification showing the steps taken by the management to recover the deposit which has been outstanding for many years.

5. Cash and Cash Equivalents

Included in the cash and cash equivalents balance of Kshs.35,252,000 are balances totaling to Kshs.40,617.68, Kshs.281,310 and Kshs.32,280,000 in respect of Stanbic Bank account number 014/00/300349/01 (Mombasa Branch), KCB Asset Disposal Account No.1153031930 Menengai Crater Branch and EURO Co-Op Bank account number 22120025546201 Njoro Branch. However, bank reconciliation statements relating to the accounts were not provided for audit verification. In addition, the Stanbic Bank (Mombasa Branch) account number 014/00/300349/01 did not have any transactions during the year under audit, and therefore the account is dormant.

Under the circumstance, the accuracy of the cash and cash equivalents balance of Kshs.35,253,000 as at 31 July 2015 could not be confirmed.

6. Trade and Other Payables

(i) Included in the trade and other payables balance of Kshs.693,267,000 are outstanding statutory deductions of Kshs.92,790,517.00 and Kshs.1,002,000.00 relating to Pay As You Earn (PAYE) deductions for employees and Board members respectively but which have not been remitted for an undetermined period of time contrary to the provisions of Section 37(2) of the Income Tax Act Cap 470 of the Laws of Kenya.

(ii) Further, the trade and other payables balance of Kshs.693,267,000 includes a negative balance of Kshs.5,042,778 contrary to paragraph 32 of the International Accounting Standards (IAS) No.1, which provides that assets and liabilities, revenues and expenses shall not be offset unless required or permitted by an International Financial Reporting Standards (IFRS). The management has not explained what the negative balance represents. In addition, trade and other payables include balances of Kshs.97,557,908.00 and Kshs.20,346,368.00 described as trade creditors control and growers cash control respectively but which the management has not explained.

Under the circumstances, it has not been possible to confirm whether trade and other payables balance of Kshs.693,267,000 as at 31 July 2014 is fairly stated.

7. Bank Overdraft

The management has not provided documentary evidence to support the balance of Kshs.2,293,731 included in the bank overdraft balance of Kshs.2,632,000 disclosed under Note 12(b) to the accounts.

Consequently it has not been possible to confirm the accuracy of the balance.

8. Inventories

As similarly reported in the previous year, the statement of financial position for the year ended 31 July 2014 reflects an inventories balance of Kshs.260,002,000 which includes inventories of other pyrethrum products valued at Kshs.104,168,000 but which have remained unprocessed for many years. The quality of the old stock may deteriorate and eventually lose all its value. In addition, the carrying value of inventories has not been supported with documentary evidence to show how it was arrived at.

Consequently it is not possible to confirm that the inventory balance of Kshs.260,002,000 stated in the financial statements reflects the values of inventory as at 31 July 2014.

9. Trade and Other Receivables

- (i) As similarly reported in the previous year, the trade and other receivables balances of Kshs.154,158,000 includes a sum of Kshs.7,180,000 relating to an abortive purchase of a Nairobi International Show stand. However, documentary evidence has been provided to confirm that the balance is a debt receivable from the vendor.
- (ii) The trade and other receivables balance of Kshs.154,158,000 includes trade debtors totaling to Kshs.30,025,000 which are long outstanding and whose recoverability remains doubtful. It also includes balances of Kshs.41,951,000, Kshs.30,375,000 and Kshs.70,706,000 owed by former staff, pyrethrum growers and other debtors respectively which have been outstanding for more than 13 years. A bad and doubtful provision of Kshs.33,030,000 has been made in the books in relation to the doubtful debts totaling Kshs.173,057,000. However, additional provisions in relation to this uncertainty has not been incorporated in these financial statements. As it were, the management has not made sufficient provision for these debts whose recovery remains doubtful.

10. Deferred Pyrethrin Costs

Note 19 to the accounts reflects deferred pyrethrin costs resulting from losses in the pyrethrin content in crude pyrethrin extract (OR) inventories held between 1999 and 2003. Reconciliations made in the financial year 2005/2006 revealed substantial pyrethrin losses totaling 180,859.71 kg valued at Kshs.1,357,922,110. The stock could not be accounted for. According to Section 18 of the Pyrethrum Act Cap 340(now repealed), the losses should have been born by the farmers. The Board of Directors therefore passed a resolution to amortize the losses over a period of 30 years with effect from 2007/2008.

However, the management has not explained the cause of the huge loss or justified how the 30-year amortization period was determined.

11. Variances between the 2012/2013 balances and 2013/2014 opening balances

The following differences were noted between the closing balances as at 30 June 2013 as reflected in the audited 2012/2013 financial statements and opening balances as at 1 July 2013:

Audit Component	30 June 2013	1 July 2013	Variance
	Kshs'000	Kshs'000	Kshs'000
Cost of sales	165,659	181,765	(16,106)
GOK grant	221,963	200,000	21,963
Administration costs	147,342	238,773	(136,431)
Selling & Distribution costs	1,915	18,195	(16,280)

Finance costs	18,902	54,222	(35,320)
Other income	16,133	37,465	(21,332)
Property, plant & equipment	2,999,649	2,995,788	(3,861)
Inventories	220,371	222,407	(2,036)
Trade & other receivables	151,065	208,401	(57,336)
Bank & cash	2,025	10,524	(8,499)
Accumulated capital fund	593,461	328,814	264,647
General reserve	18,386	(150,459)	(168,845)
Revaluation Reserve	2,961,900	3,380,104	(418,204)
Trade & other payables	807,882	661,140	146,742
Accrued interest on GOK loan	-	211,358	(211,358)
Bank overdraft	7,207	21,890	14,683
Deficit for the year	(25,061)	(141,340)	(116,279)

Although the management has explained that the changes were caused by inaccuracies in the 2012/2013 financial statements and requirements of the reporting template prescribed by the National Treasury, the changes did not comply with the provisions of paragraph 22 of the International Accounting Standard (IAS) No.8 which requires an entity to adjust the opening balances of each affected component of equity for the earliest prior period presented and other comparative amounts disclosed for each prior period as if the new accounting policy has always been applied. I am therefore unable to give an opinion on the accuracy of the opening balances and the financial statements for the thirteen months period ended 31 July 2014.

12. Current Assets

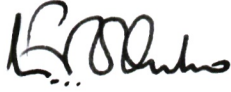
The current assets balance of Kshs.1,490,487,000 includes an amount of Kshs.1,041,074,000 relating to deferred pyrethrin costs disclosed under Note 19 to the accounts. However, the presentation of the balance under current assets contradicts paragraph 66 (c) of the International Accounting Standard (IAS) No 1 which states that an entity shall classify an asset as current when it expects to realise the asset within twelve months after the reporting date. Had the management complied with the Standard, the financial statements would have reflected a negative working capital of Kshs.497,287,000.

13. Provision for Bad and Doubtful debts

Note 11 to the accounts reflects an increase in the provision for bad and doubtful debts amounting to Kshs.29,133,000 (2013-Kshs.3,897,000;2014-Kshs.33,030,000). However, the increase has not been reported in the statements of financial performance under Note 5 (a) to the accounts. As a result, the total operating expenses and the comprehensive loss for the thirteen months period ended 31 July 2014 is understated by Kshs.29,133,000.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 December 2016



PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

STATEMENT OF COMPREHENSIVE INCOME

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
REVENUES			
Sales		224,463	114,149
Cost of sales	2	<u>(257,289)</u>	<u>(181,765)</u>
Gross Surplus/ (deficit)		<u>(32,826)</u>	<u>(67,616)</u>
OPERATING EXPENSES			
Administration Costs	5	(426,763)	(238,773)
Selling and Distribution Costs	6	(11,160)	(18,195)
TOTAL OPERATING EXPENSES		<u>(437,924)</u>	<u>(256,968)</u>
OPERATING PROFIT/(LOSS)		<u>(470,749)</u>	<u>(324,583)</u>
Finance Costs	7	(39,442)	(54,222)
PROFIT/(LOSS) BEFORE TAXATION		<u>(510,192)</u>	<u>(378,805)</u>
Other comprehensive income			
Grants from National Government	3	299,707	200,000
Other Income	4	19,916	37,465
Total comprehensive loss/income		<u><u>(190,569)</u></u>	<u><u>(141,340)</u></u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

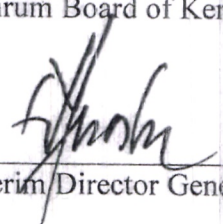
STATEMENT OF FINANCIAL POSITION

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	2,893,534	2,995,788
Intangible assets	9	825,650	825,650
Fixed interest investments (Euro bank Ltd)	17	150,000	150,000
Total Non-Current Assets		3,869,184	3,971,438
Current Assets			
Inventories	10	260,002	222,407
Trade and other receivables	11	154,158	208,401
Deffered pyrethrin costs	19	1,041,074	1,086,338
GOK Grants Receivables		-	-
Cash and Cash Equivalents	12(a)	35,253	10,524
Total Current Assets		1,490,487	1,527,671
TOTAL ASSETS		5,359,671	5,499,109
EQUITY AND LIABILITIES			
Capital and Reserves			
PBK Stock units	20	32,891	32,891
Levy Fund	21	31	3
Accumulated Capital Fund		326,071	328,814
General Reserve		(339,494)	(150,459)
Revaluation reserve		3,380,104	3,380,104
Capital and Reserves		3,399,603	3,591,353
Non-Current Liabilities			
Long term GOK Loan	14	863,368	863,368
Long Term Provision (Investment in Euro Bank Ltd)	17	150,000	150,000
Total Non-Current Liabilities		1,013,368	1,013,368
Current Liabilities			
Trade and other payables	15	693,267	661,140
Accrued Interest on GOK Loan		250,801	211,358
Bank Overdraft	12(b)	2,632	21,890
Total Current Liabilities		946,700	894,388
TOTAL EQUITY AND LIABILITIES		5,359,671	5,499,109

The financial statements were agreed upon by the Management of Pyrethrum Board of Kenya and signed on their behalf by:



Interim Head, Finance & Administration



Interim Director General

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

STATEMENT OF CASH FLOWS

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	16	45,856	(5,059)
Adjustments for:			
INVESTING ACTIVITIES			
Purchase of fixed asset	8	(689)	(1,543)
Net cash generated from/(used in) investing activities		(689)	(1,543)
FINANCING ACTIVITIES			
Levy Fund		28	(22)
Accumulated Capital Fund		(2,743)	(3,757)
Prior year adjustments		1,534	10,180
Net cash generated from/(used in) financing activities		(1,181)	6,399
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		43,986	(202)
CASH AND CASHEQUIVALENTS AT BEGINNING OF YEAR		(11,365)	(11,164)
CASH AND CASHEQUIVALENTS AT END OF THE YEAR		32,621	(11,365)

STATEMENT OF CHANGES IN EQUITY

	PBK Stock	Levy Fund	Accumulated Capital Fund	General Reserve	Revaluation reserve	Total
At July 1, 2012	32,891	3	328,814	(19,299)	3,380,104	3,591,353
Transfer of excess depreciation	-	-	-	-	-	-
Total comprehensive income (deficit)	-	-	-	(141,340)	-	(141,340)
Revaluation Surplus						
Levy Charge for the year						
Prior year adjustment				10,180		78,086
At June 30, 2013	32,891	3	328,814	(150,459)	3,380,104	
At July 1, 2013	32,891	3	328,814	(150,459)	3,380,104	3,591,353
Transfer of excess depreciation	-	-	-	-	-	-
Total comprehensive income (deficit)	-	-	-	(190,569)	-	(190,569)
Revaluation Surplus	-	-	(2,743)	-	-	(2,743)
Levy Charge for the year	-	28	-	-	-	28
Prior year adjustment	-	-	-			
				1,534		1,534
At July 31, 2014	32,891	31	326,071	(339,494)	3,380,104	3,399,602

The principle accounting policies adopted in the preparation of these financial statements are set out below:

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 Pyrethrum Board of Kenya's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Pyrethrum Board 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 State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Pyrethrum Board 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 Pyrethrum Board of Kenya activities, and when specific criteria have been met for each of Pyrethrum Board of Kenya activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which Pyrethrum Board of Kenya delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised as it accrues.
- 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.

II. 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 July 2012 and this has formed the new basis of depreciation of the assets.

The revaluation was done by Sec & M Co. 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.

III. 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:

Long Leasehold properties and Buildings on freehold property	2%
Short Leasehold property	over the unexpired lease period
Plant, machinery, equipment & furniture	12.5 years
Motor vehicles	25%
Computers and related equipment	3 years

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.

IV. Intangible assets

Intangible assets include Licenses, Regulations information, registrations, information software and Data relating to Pyrethrum Board of Kenya.

V. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible 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.

VI. 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.

VII. 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 debts are written off after all efforts at recovery have been exhausted.

VIII. 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.

IX. 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 of 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.

X. 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 Pyrethrum Board of Kenya or not, less any payments made to the suppliers.

XI. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees, as opposed to a defined benefit scheme as required by the Retirement Benefits Authority. This is mainly due to the fact that the Board has a deficit of unremitted deductions with the latest actuarial valuation done in December 2012 stands at 0.8B. This amount needs to be cleared first and an actuarial valuation done to enable a shift from the defined contribution to a defined benefit scheme.

The Authority 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.

XII. 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.

XIII. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which Pyrethrum Board of Kenya operates, Kenya 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 rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

XIV. Comparative figures

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

XV. 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 July 31, 2014.

XVI. Financial risk management

The Authority's activities expose it to a variety of financial risks including credit risk and effects of changes in foreign currency exchange rates. The groups 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 Authority 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 Authority has a number of court awards against it and other cases that are pending in court. To minimise this risk the Authority made a provision in its annual 2013-14 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 Authority 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 risk that are caused by fluctuations in the world prices of its products.

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

NOTES TO THE FINANCIAL STATEMENTS

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
2. COST OF SALES			
Opening inventories		117,049	123,141
Add: Purchase/Manufacturing costs			
Purchase of pyrethrins		106,765	55,033
Processing and refining costs		146,556	91,872
Crop production and flower reception costs		45,264	-
Total		415,634	298,814
Less: Closing inventories		(158,345)	(117,049)
Cost of sales		<u>257,289</u>	<u>181,765</u>
3. GRANTS FROM NATIONAL GOVERNMENT			
Current grants received		299,707	200,000
Capital grants received		-	-
		<u>299,707</u>	<u>200,000</u>
4. OTHER INCOME			
Rent		18,877	14,096
Farms		347	712
Others (Sale of seeds, income from FCC, Drying Charges etc)		691	22,658
		<u>19,916</u>	<u>37,465</u>
5(a) ADMINISTRATION COSTS			
Staff costs (note 5b)		80,924	52,063
Directors' emoluments		-	1,815
Utilities		103	1,331
Maintenance		6,804	4,459
Security		2,202	1,805
Local travel		7,045	4,341
Audit fees		500	500
Restructure/rightsizing		99,903	2,179
Rent, rates and insurance		34,774	11,921
Depreciation		102,943	94,865
Entomology expenses		106	561
Other operating expenses		91,459	62,917
Provision for bad and doubtful debts			
		<u>426,763</u>	<u>238,773</u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
5(b) STAFF COSTS			
Salaries and allowances of permanent employees		41,244	27,676
Wages of unionisable employees		24,399	17,741
Overtime		8,454	5,611
Casuals		6,827	1,035
		<u>80,924</u>	<u>52,063</u>
6 SELLING AND DISTRIBUTION COSTS			
Salaries and wages of sales personnel		4,785	3,075
Shows & exhibitions		2,295	1,732
Local travel		580	366
Sales promotions		381	155
Other selling and distribution costs		419	10,951
Distributions		2,699	1,915
		<u>11,160</u>	<u>18,195</u>
7 FINANCE COSTS			
Interest expense on loans		39,442	54,222
		<u>39,442</u>	<u>54,222</u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

8. PROPERTY, PLANT AND EQUIPMENT

ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	C WIP	MOTOR VEHICLES	FURNITURE	EQUIPMENT	COMPUTERS	TOTAL
COST									
1ST JULY 2012	1,493,940	525,920	537,928	455,663	56,604	5,793	11,490	1,774	3,089,110
Additions	-	-	-	-	-	-	1,143	399	1,543
Disposals	-	-	-	-	-	-	-	-	-
As at 30 TH JUNE 2013	1,493,940	525,920	537,928	455,663	56,604	5,793	12,634	2,173	3,090,654
1ST JULY 2013	1,493,940	525,920	537,928	455,663	56,604	5,793	12,634	2,173	3,090,654
Additions	-	-	-	-	-	28	298	363	689
Disposals	-	-	-	-	-	-	-	-	-
As at 31 ST JULY 2014	1,493,940	525,920	537,928	455,663	56,604	5,821	12,932	2,536	3,091,342
DEPRECIATION									
1ST JULY 2012	-	-	-	-	-	-	-	-	-
Charge for the Year	-	10,518	67,241	-	14,151	724	1,579	652	94,865
Disposal	-	-	-	-	-	-	-	-	-
As at 30 th June 2013	-	10,518	67,241	-	14,151	724	1,579	652	94,865
1ST JULY 2013	-	10,518	67,241	-	14,151	724	1,579	652	94,865
Charge for the Year	-	11,395	72,844	-	15,330	788	1,776	809	102,943
Disposal	-	-	-	-	-	-	-	-	-
As at 31 ST JULY 2014	-	21,913	140,085	-	29,481	1,512	3,355	1,461	197,808
NET BOOK VALUES									
31 ST JULY 2014	1,493,940	504,007	397,842	455,663	27,123	4,309	9,576	1,075	2,893,534
30 TH JUNE 2013	1,493,940	515,402	470,687	455,663	42,453	5,069	11,054	1,521	2,995,788

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

	Note	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
9. INTANGIBLE ASSETS			
COST			
At 1 st July 2013		78,583	78,583
Registrations/licences & studies		747,067	747,067
		<u>825,650</u>	<u>825,650</u>
At July 31 st 2014		<u>825,650</u>	<u>825,650</u>

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 PBK are in America and Europe, hence the need to maintain these market segments through sustained registrations. The benefits from these intangible assets shall be realised over an indefinite period of time and have therefore not been amortised.

10. INVENTORIES

Dry pyrethrin flowers	10,949	4,503
Pyrethrum grist & powder	-	-
Pymarc	709	4
Crude pyrethrum extract (OR)	17,816	438
Pale pyrethrum extract	24,467	7,260
End use products	236	676
Other pyrethrum products	104,168	104,168
Subtotal	<u>158,345</u>	<u>117,049</u>
Engineering spares & accessories	94,194	96,396
Livestock	1,919	1,353
Tea bushes	5,544	7,610
	<u>260,002</u>	<u>222,407</u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

11 TRADE AND OTHER RECEIVABLES

	Note	13 Months July 31 2014	12 Months June 30 2013 Restated
		'000' Kshs	'000' Kshs
Trade receivables		30,025	29,546
Kenya power deposit		2,500	2,500
Nairobi show stand		7,180	7,180
Deposit held by courts		4,454	4,454
Growers debtors		30,373	37,978
Staff debts		41,951	49,826
Other debtors		70,706	80,814
Gross trade and other receivables		<u>187,189</u>	<u>212,298</u>
Provision for bad and doubtful receivables		(33,030)	(3,897)
Net trade and other receivables		<u><u>154,158</u></u>	<u><u>208,401</u></u>

12(a) CASH AND CASH EQUIVALENTS

Float	130	131
Current Bank Accounts	-	-
Growers Bank Account	1,012	12,689
Assets Disposal Bank Account	160	-
Foreign currency bank accounts	-	-
Other Bank Accounts	33,951	65,610
	<u><u>35,253</u></u>	<u><u>78,430</u></u>

(b). BANK OVERDRAFT

	Note	13 Months July 31 2014	12 Months June 30 2013 Restated
		'000' Kshs	'000' Kshs
Current Bank Accounts		(340)	(854)
Growers Bank Account		-	(8,361)
Foreign currency bank accounts		-	(2,320)
Other Bank Accounts		(2,292)	(10,355)
		<u><u>(2,632)</u></u>	<u><u>(21,890)</u></u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

	13 Months July 31 2014 '000' Kshs	12 Months June 30 2013 Restated '000' Kshs
13 REVALUATION RESERVE		
<p>The revaluation reserve relates to the revaluation of certain items of property, plant and equipment which was done in July 2012. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation. Revaluation surpluses are not distributable.</p>		
14 LONG TERM GOK LOAN		
Principal Amount	863,368	863,368
Accumulated Interest Provision	250,800	211,358
	<u>1,114,168</u>	<u>1,074,726</u>
<p>The Government of Republic of Kenya agreed to lend the Formerly Pyrethrum Board of Kenya a total of Kshs.863,368,268.90 to pay the outstanding growers arrears during the F/Y 2007/2008. The loan is repayable within a period of ten years at an interest of 4% on reducing balance.</p>		
15 TRADE AND OTHER PAYABLES		
Trade payables and provisions	672,921	593,103
Amounts due to Growers	20,346	68,037
	<u>693,267</u>	<u>661,140</u>
NOTES TO THE STATEMENT OF CASH FLOWS		
16 Reconciliation of operating profit/(loss) to Cash generated from/(used in) operations		
Operating profit/(loss)	(190,569)	(141,340)
Depreciation	102,943	94,865
Amortisation	45,264	-
Operating profit/(loss) before working capital changes	<u>(42,362)</u>	<u>(46,475)</u>
(Increase)/decrease in inventories	(37,594)	7,681
(Increase)/decrease in trade and other receivables	54,243	(27,091)
Increase/(decrease) in trade and other payables	71,570	60,826
Cash generated from/(used in) operations	<u>45,856</u>	<u>(5,059)</u>

PYRETHRUM BOARD OF KENYA
Reports and Financial Statements
For Thirteen Months Period ended July 31, 2014

17 INVESTMENT IN EURO BANK

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

18 INCOPORATION

The entity is an Authority under State Corporation established by the Pyrethrum Act 22 of Parliament of 2013 and is domiciled in Kenya.

19 Deferred Pyrethrins Costs

These costs relate to un-accounted for pyrethrins received 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 Authority 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 pyrethrins reconciliation was then impossible. It was realised in the year 2005/2006 that quite substantial quantities of pyrethrins 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 Authority 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.

	13 Months July 31 Kshs '000'	12 Months June 30 Kshs Restated '000'
Balance at beginning of the year	1,057,570	1,102,834
Amortization for the year	45,264	45,264
Balance at end of the year	<u>1,041,074</u>	<u>1,057,570</u>

20 PBK stock units issued

In return for levy paid by pyrethrum growers the Authority issues one unit of stock to each licensed grower for every amount of twenty shillings paid to it by way of levy.

21 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 Authority. The levy is held as fund pending issuance of PRA units thereof.

22 Comparative figures

The comparative balances reflected in the financial statements are for 13 months for the year ended 31 July 2014 and 12 months for the year ended 30 June 2013. The change in the financial year end date was due to the operationalization of the AFFA Act effective from 1st August 2014.