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REPORT

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THE AUDITOR-GENERAL

ON

**MAKUENI COUNTY FRUIT DEVELOPMENT
AND MARKETING AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023**

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MAKUENI COUNTY FRUIT DEVELOPMENT AND MARKETING AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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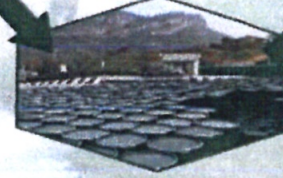
Farmers receive training on best practices during production



Farmers deliver fruits according to set standards



Production at the Kalamba factory



Packaging according to internationally - accepted standards



Delivery of finished products

Prepared in accordance with the International Financial Reporting Standards (IFRS)

*Makueni County Fruit Development And Marketing Authority
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VISION

Transformed livelihoods
of fruit farmers in
Makueni County



ACRONYMS AND GLOSSARY OF TERMS

Rtd	Retired
AIDS	Acquired Immunodeficiency Syndrome
Ag.	Acting
MSc	Master of Science
COVID	Coronavirus Disease
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
USA	United States of America
ECD	Early Childhood Development
JKUAT	Jomo Kenyatta University of Agriculture and Technology
FIEK	Fellow of Institute of Engineers of Kenya
FY	Financial Year
HR	Human Resource
GPO	General Post Office
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
SACCO	Savings and Credit Cooperative
PAC	Pan Africa University
BCom	Bachelor of Commerce
MFPP	Makueni Fruit Processing Plant
MCFDMA	Makueni County Fruit Development and Marketing Authority
RTD	Ready to Drink
CEO	Chief Executive Officer
Ksh	Kenya Shilling
USAID	United States
KIMS	Kenya Investments Mechanism
HACCP	Hazard Analysis and Critical Control Point
MBS	Moran of Burning Spear
MIEK	Member of Institute of Engineers of Kenya
GMP	Good Manufacturing Practices
IFRS	International Financial Reporting Standards
PFM	Public Finance Management Act

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KEY ENTITY INFORMATION

Background information

Makueni County Fruit Development and Marketing Authority is established by and derives its authority and accountability from the Makueni County Fruit Development and Marketing Authority (Amendment) Act 2017. The Authority is wholly owned by the County Government of Makueni and is domiciled in Kenya.

Principal Activities

The broad mandates of MCFDMA are to manage the affairs of Makueni Fruit Processing Plant and to develop the fruit value chain. The Makueni Fruit Processing Plant is an investment by the Government of Makueni County whose core mandate is to reduce post-harvest losses of fruits, provide an alternative market for fruit farmers and stabilize farm gate prices for fruits.

Directors

The Directors who served the entity during the year/period were as follows:

Ref	Name	Designation	Date of appointment/Exit
1.	Col (rtd) Eng Hilary Kioko	Chairman	Retired on 31st December 2022
2.	Dr Martin Mboloi	Chief Officer–Department of Agriculture, Irrigation, Livestock and Fisheries Development	
3.	Ms Diana Muli	Chief Officer-Department of Trade	
4.	Mr Justus Suka	Chief Officer-Department of Finance	
5.	Dr Davis Muthini	Member-Private Sector Representative	
6.	Ms Caroline Musango	Member-Private Sector Representative	
7.	Ms Phylis Nduva	Member-Farmer Representative	
8.	Mr Aaron Kakomo	Member-Farmer Representative	
9.	Mr Julius Maithya	Secretary/Chief Executive Officer	
10	Paul Nguku Muthama	Chairperson	1 st August 2023
11	Philip Kyalo Mauyu	Member-Farmer Representative	1 st August 2023
12	Rose Mulu Ndungwa	Member-Farmer Representative	1 st August 2023

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Ref	Name	Designation	Date of appointment/Exit
13	Felix Mualuko Daniel	Member-Private Sector Representative	1 st August 2023
14	Mr Justus Liku	Member-Private Sector Representative	1 st April, 2023
15	Ag. Agnes Kitili	Ag. Chief Executive Officer	1 st November 2022
16	John Nguni	Chief Officer-Department of Finance	1 st January, 2023
17	Daniel Mutuku Ndolo	Chief Officer-Department of Agriculture, Irrigation, Livestock and Fisheries Development	22 nd December 2022
18	Dr. Jossylyn Nzilani Mutua	Chief Officer-Department of Trade	December 2022

Registered Office

Makueni County Fruit Development and Marketing Authority
P.O. Box 78-90300
Makueni, KENYA
Off -Ukia Emali Road,

Corporate Headquarters

Makueni County Fruit Development and Marketing Authority
P.O. Box 78-90300
Makueni, KENYA
Off -Ukia Emali Road,

Corporate Contacts

Telephone: (254) 705 739739
E-mail: info@mcfdma.co.ke
Website: www.mcfdma.co.ke

Corporate Bankers

KCB Bank Limited
Wote Branch, Makueni

Independent Auditors

Auditor General
Office of the Auditor General

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Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal Legal Advisers

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

THE BOARD OF DIRECTORS



Mr. Paul N. Muthama
Chairman

Mr Muthama was born in 1970. He holds Master of Science degree in Statistics and Bachelor of Science in Mathematics from Kenyatta University. He has over 23 years working experience in public service in training institutions as a trainer, lecturer, researcher, and administrator. He was appointed on 1st August 2023.



Dr. Josselyn Nzilani Mutua
Chief Officer-Trade, Tourism and
Cooperative Development

Dr. Josselyn Nzilani Mutua holds A BCom degree in Business Administration and Marketing (double Major), a master's degree in business administration (marketing option) both from Daystar University and a PhD in organizational Leadership (Business and Entrepreneurship concentration) from Pan African Christian University (PAC).

She has over 15 years' experience in the public service having previously worked as a Chief Business Development Officer in Rural Electrification and Renewal Energy Corporation (REREC), Kenya Power as well as a Director of Stima SACCO. She is a seasoned marketer and an all-round transformational leader, having done a lot of research work on transformational style of leadership. She was appointed on 22nd December 2022.



Daniel Mutuku Ndolo
Chief Officer-Agriculture, Irrigation,
Livestock and Fisheries Development

Mr Ndolo was born on 19 June 1968. He holds BSc degree in Agriculture with 22 years of experience in the private sector. He was appointed on 22nd December 2022



CPA John Nguni
Chief Officer-Financial Services

Mr. Nguni joined the board on 1st January 2023. He holds an MBA and Bachelor of Commerce from the University of Nairobi. He is A certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) He has over 25 years' international experience and in both Private and public sector.



Mr Justus Liku
Board member (Independent)

Mr Justus Liku was born on 23rd March 1966. He holds M.Sc. in Regional Development planning and Management and BA in Economics. He has over 20 years in business development advisory services in agricultural value chains, and 9 years an Economist in Government of Kenya. Mr. Liku joined the board on 1st April 2023 He chairs Finance, HR, and Marketing Committee



Dr. Felix Mwaluko Daniel
Board Member

Dr Mwaluko was born in 1986. He holds a PhD in Governance and Leadership from JKUAT and a Master of Arts in Governance and Ethics from Mount Kenya University. Dr Mwaluko is a full-time Priest, in the Anglican Church of Kenya and a Part-time Lecturer, at the East African University. September 2015



Mrs Rose Mulu Ndungwa
Board member

Mrs Ndungwa was born in 1955. He holds a **Master of Arts degree in Counseling** from Washington International University (USA)



Philip Kyalo Mauyu
Board member

Mr Mauyu was born in 1947. He is a career teacher and an experienced farmer. With more than 5 decades in farming.



Miss. Agnes Kitili
Ag. Chief Executive officer

Miss Kitili was born in 1986. She holds a BCom degree in Marketing and a master's in project planning and management. She has over 12 years of experience in Sales and Marketing both in the Private and Public sector. She was appointed on 1st November 2022

DIRECTORS WHO RETIRED DURING THE YEAR



Col(rtd) Eng Hilary Kilingi Kioko,
MBS, OGW, 'ndc'(K), FKIM, MIEK
Chairman
(01/01/2018 to 31/12/2022)



Dr Martin Mboloi
17th February 2020-31st December 2022



Justus Suka,
Chief Officer-Financial Services
1st January 2018 to 31st December 2022



Diana Muli
**Chief Officer-Trade, Tourism and
Cooperative Development**
1st January 2018 to 31st December 2022



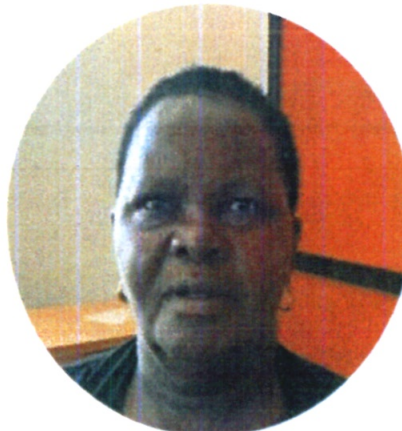
Ms Caroline Musango
Board Member-(Independent)
10th August 2020 to 31st December 2022



Dr Davis Muthini
Board Member (Independent)
1st January 2018 to 31st December 2022



**Mr Aron Kakomo
Board Member (Independent)**



**Ms Phylis Katuku
Board Member (Independent)
1st January 2018 to 31st December 2022**



**Mr. Julius Maithya
Secretary/Chief Executive Officer
14th August 2018 to 31st December 2022**

MANAGEMENT TEAM



Miss. Agnes Kitili
Master's in Project Planning and Management
Ag. Chief Executive Officer



CPA Sylvia Kingwaa
BCom –Finance, CPA(K).
**Finance and Administration
Manager**



Mr Joseph Kariokoo
BSc Food Science and Technology
Quality Assurance Manager



Gregory Kioko
BSc Mechanical Engineering
Ag. Operations manager

CHAIRMAN'S STATEMENT



The operation of Makueni Fruit Processing Plant (MFPP) is the actualization of the flagship project for the Government of Makueni County, the realization of the Business Plan by Jomo Kenyatta University of Agriculture and Technology and rolling out of the Makueni County Fruit Development and Marketing Authority Strategic Plan. The Makueni County Fruit Development and Marketing Authority (MCFDMA) Board was appointed in January 2018 pursuant to the Makueni County Fruit Development and Marketing Authority (Amendment) Act, 2017. The Act

which was initially promulgated in July 2017 was revised and amended in December 2017 to remove regulatory functions which were overlapping with the functions of the Department of Agriculture and gave the Authority the mandate to direct the affairs of the MFPP.

The Plant has already been in production for 7 years and with the installation of the ready to drink line (RTD), the planned diversification to process other fruits, and the entry into the water bottling market should see the plant achieving its capacity, sustainability, and profitability. The ultimate plan for MFPP and all other fruit preservation and processing infrastructure that is to be developed in the implementation of the functions of MCFDMA is essentially to achieve value addition principally targeted at benefitting the Farmer. At the outset the Board found out that it was not possible to trade in one product (puree) and without meeting world standards, hence the continued effort towards diversification, obtaining the licences required by the Government and certifications expected by buyers, and in addition the need to acquire a fully-fledged food quality laboratory. I take this opportunity to sincerely thank H E the Governor of Makueni County, The County Executive Committee Member for Agriculture, Irrigation, Livestock and Fisheries Development, the MCFDMA Board, the CEO and Management, and all Stakeholders especially farmers who contributed to the success of the Authority in diverse ways.

A handwritten signature in blue ink that reads "Paul Nguku Muthama". The signature is written in a cursive style and is positioned above the printed name.

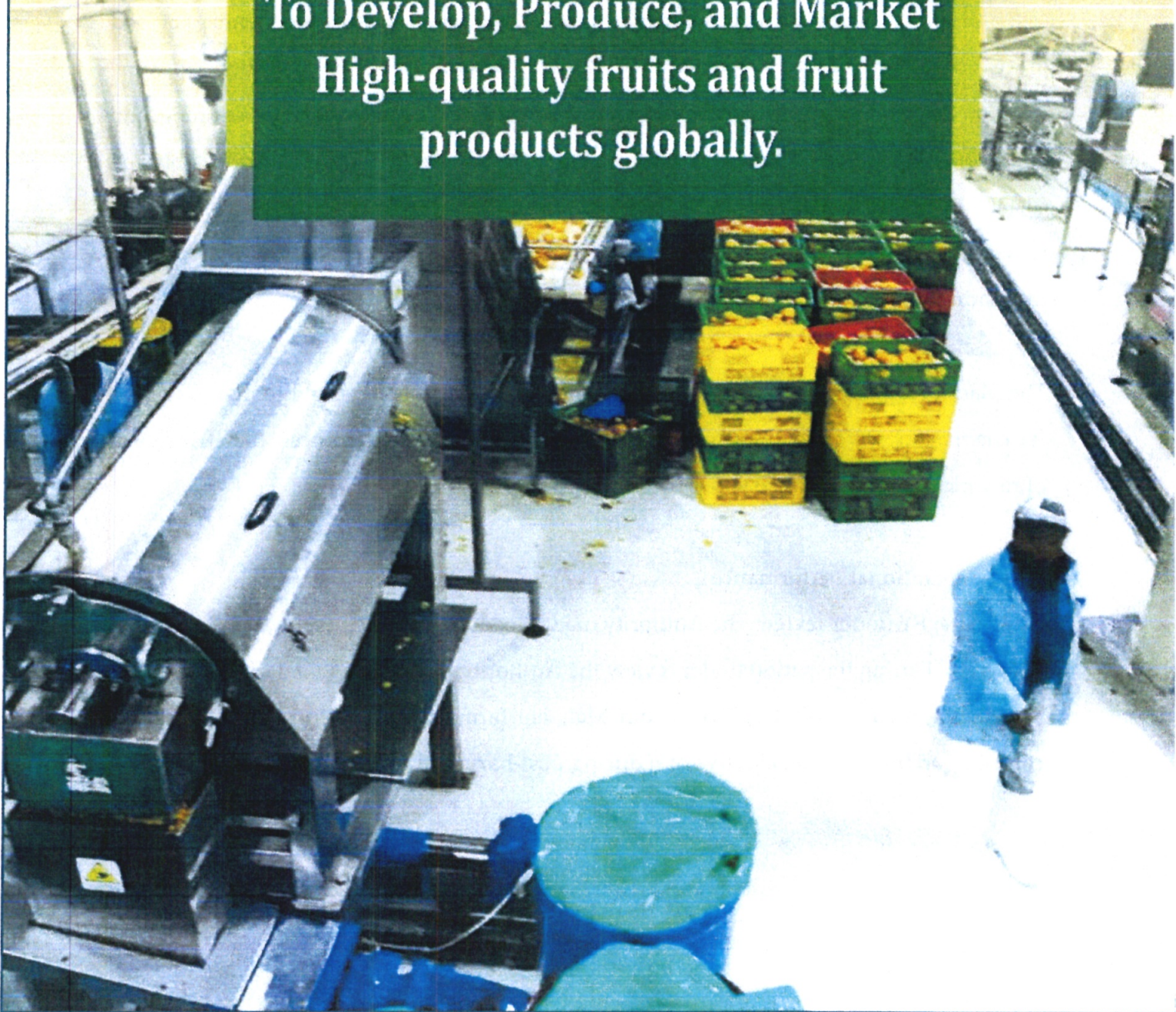
Mr. Paul Nguku Muthama

CHAIRMAN OF THE BOARD



MISSION

To Develop, Produce, and Market
High-quality fruits and fruit
products globally.



REPORT OF THE CHIEF EXECUTIVE OFFICER



The Makueni Fruit Processing Plant (MFPP) was established in line with Government of Makueni County Vision 2025 Strategic Approaches to Economic Transformation Strategic Interventions No. 4 and No 6. The focus for strategic intervention No. 4 is on the management of post-harvest losses by way of promoting value addition to increase product shelf life as well as development of food processing infrastructure. Strategic intervention No. 6 focuses on promotion of value addition and marketing through providing support to the construction, commissioning, and operationalization of the Makueni Fruit Processing Plant. To operate the plant profitably and sustainably the Makueni County Fruit Development and Marketing Authority (MCFDMA) was established through the Makueni County Fruit Development and Marketing Authority (Amendment) Act, 2017.

The plant processes mangoes into 100% natural puree which is then sold to manufacturers for conversion into ready to drink juice. The Plant has a capacity to process 5 metric tonnes of raw mangoes producing 3,000 liters of mango puree per hour.

1. Operational Performance

During the FY under review, the Authority made steady steps towards the attainment of its objectives. During the period under review the Authority purchased a total of 997,520 kgs of Mangoes valued at Ksh 17,955,360 from Makueni farmers. This in turn made a positive contribution towards the objective of reducing post-harvest fruit losses at the farm level.

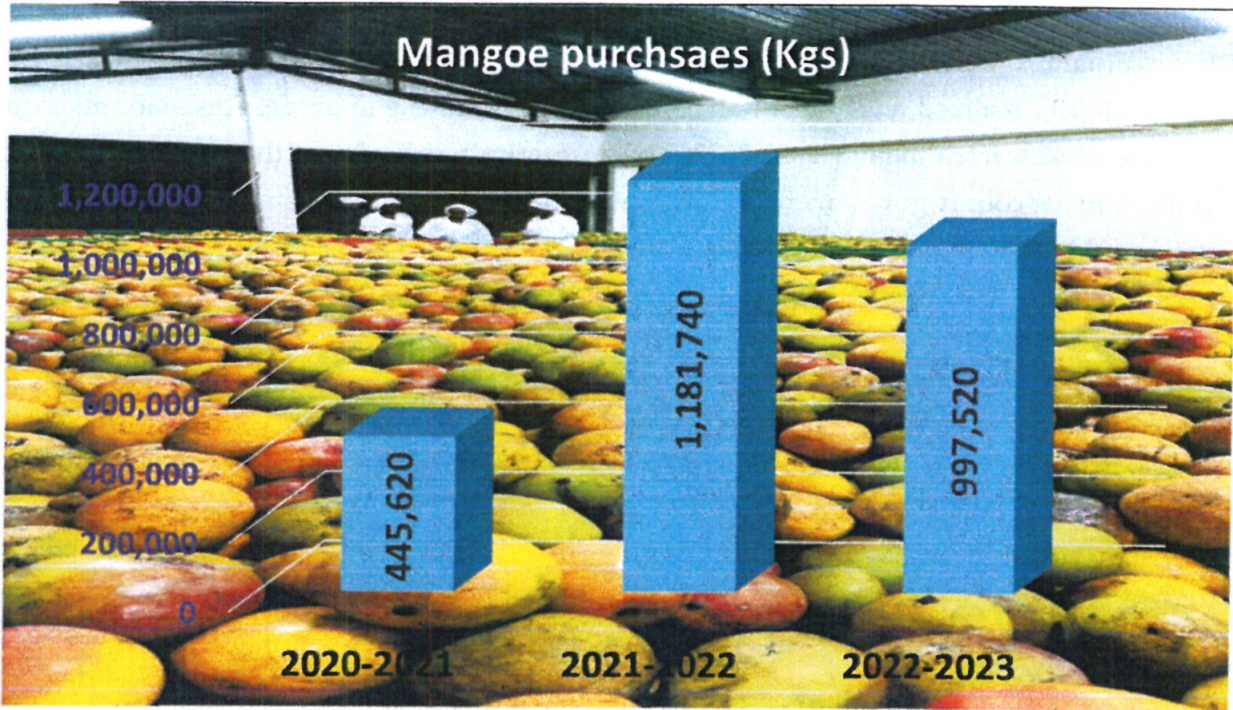


Figure 1: Mangoes purchased from farmers for the last three years.

In terms of pulp production, the Authority processed a total of 2,629 drums m of puree equivalent to 538,945 Kilogrammes. Figure 2 below shows the initial stages in the puree production process.



Figure 2: The start of puree production at the plant

2. Financial Performance

The Authority realized revenue of Ksh 55,180,114 from the sale of puree. This amounts to an increase of 42% from the F/Y 2021-2022. The Authority received a further Kshs 141,879,949 grant from the county government and the European Union. Grant income increased by 123% compared to the previous financial year.

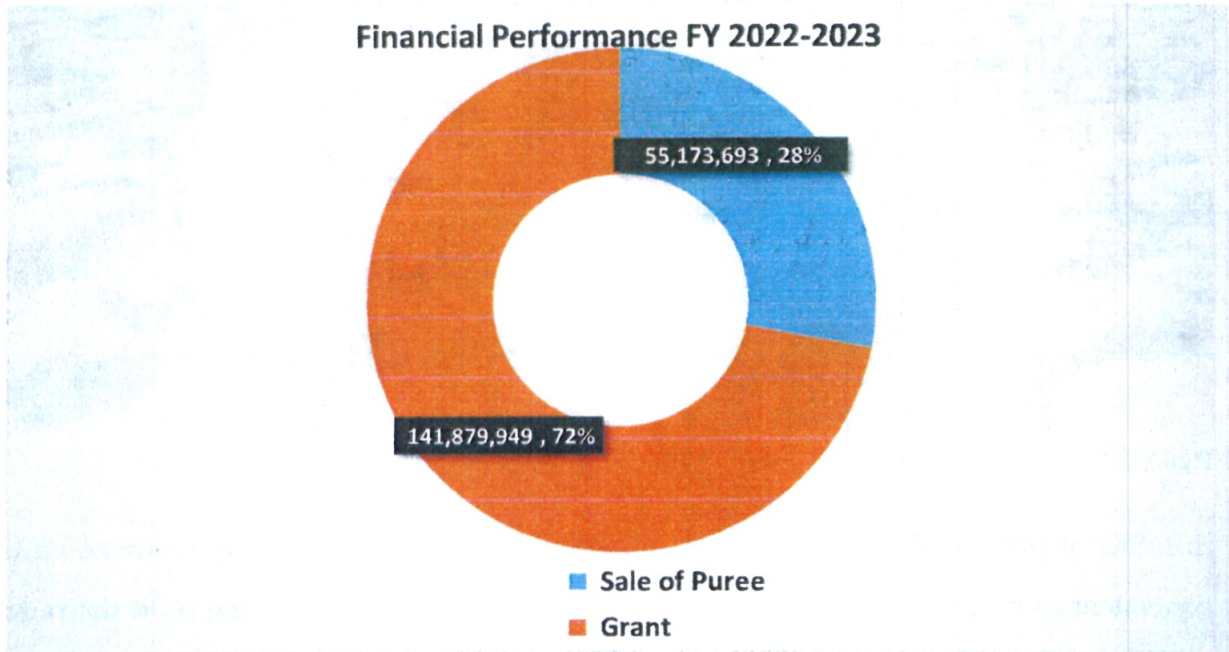


Figure 3: Total income for FY 2022-2023

The revenue from the sale of the puree has been growing steadily for the last three years owing to the Authority's increased marketing efforts as shown in Figure 4 below.

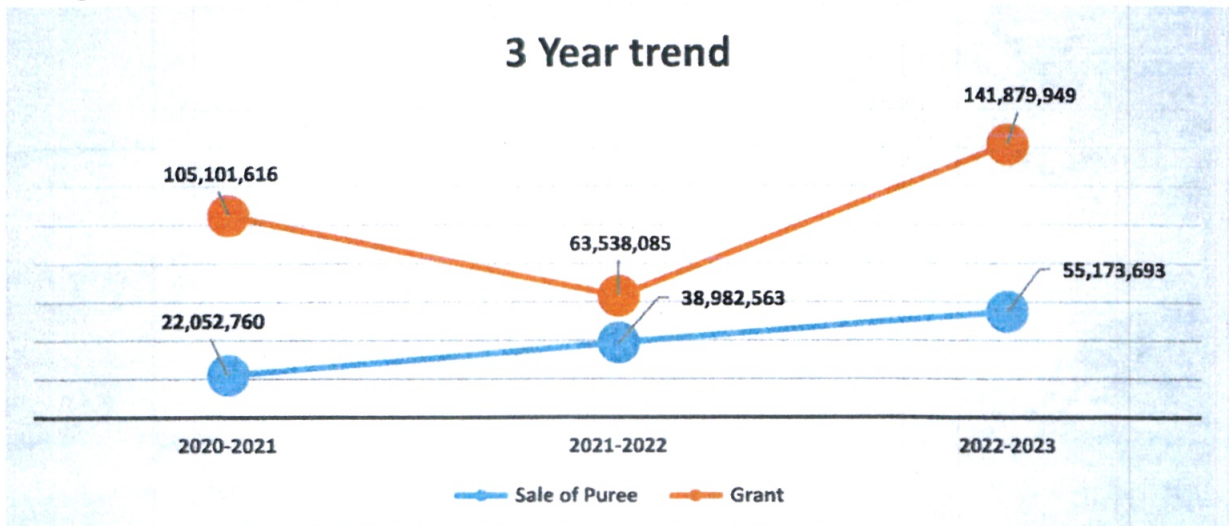


Figure 4: Revenue trends

3. Impact to the community

The implementation of MCFDMA activities impacted the community positively in more ways than one. The plant provided increased job opportunities for both directly at the factory level and at the farm level. At the factory level, the plant employs between 60 and 100 casuals per day during the peak period. Additional labour between 30 and 50 casuals are hired on daily basis for picking, grading, and loading. In addition, the Authority has been able to stabilize the prices for mango fruits at Ksh 18 per kg up from Ksh. 15 per kg at the farm level thereby economically empowering the farmers. Figure 5 below shows the amount paid to farmers over the last three years.



Figure 5: Funds paid to farmers over the three-year period.

4. Future Outlook

The Board and management are committed to ensuring that the plant attains profitability position and remains sustainable to continue serving the community. Some of the initiatives include establishment of processing contracts as well as bringing a strategic investor on board to optimise the production capacity of the plant, market diversification as well as enhance operational efficiency.

During the year, the Government of Makueni County partnered with USAID-Kenya Investment Mechanisms (KIMs) to develop possible business models for Makueni

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Fruit Processing Plant. The report proposed various business models/options was presented to the County Executive Committee for adoption. An appropriate model that is aligned to the Authority's mandate and objectives will be selected for implementation after appropriate stakeholder engagements. The future remains bright for our farmers, staff partners and all other stakeholders.


Agnes M. Kitili

AG. CHIEF EXECUTIVE OFFICER

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

MCFDMA was operationalized in 2017 with the mandate of managing the affairs of Makueni Fruit Processing Plant and developing the fruit value chain in the county. The Authority is aimed at achieving the following three objectives:

- i. To reduce post-harvest losses.
- ii. To stabilize farm gate prices for fruits and
- iii. To provide an alternative market for fruit farmers.

The main result areas for Makueni County Fruit Development and Marketing Authority as per the Strategic plan for 2019-2024 are:

- 1. Return on investment.
- 2. Diversification.
- 3. Partnerships.
- 4. Divestiture
- 5. Corporate governance.

MCFDMA has been implementing activities towards meeting the Strategic Objectives as indicated in Table 1:

Table 1: Progress Towards Achieving MCFDMA's Strategic Objectives

KEY RESULT AREAS	STRATEGIC OBJECTIVES	PROGRESS
1. Return on Investment & Profitability of MFPP	To operate MFPP at Optimal Capacity	To optimize on the capacity of the plant, The Authority has installed and tested a Ready-to-Drink Juice line which can package both bottled water and juice. The line has a capacity of 8,000 bottles per hour
	To enhance the quality of MFPP products	The Authority has implemented food safety management system (Hazard Analysis and Critical Control Points) to enhance the quality of food products as well as an environmental management system
	To improve the efficiency of production	The Authority developed and implemented a maintenance manual for all the equipment and machines to ensure they are in good conditions.

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KEY RESULT AREAS	STRATEGIC OBJECTIVES	PROGRESS
2. Diversification	To diversify the range of MakueniFruit Processing Plant (MFPP) products	The Authority received a juice line through the European Union funded IDEAS project. Once the line is fully operationalized, it will be able to produce both bottled drinking water and ready-to-drink Juice
3. Partnerships with the cottage industries	To establish and maintain strategic business partnerships	The Authority has supported the cooperative movement by procuring 2 cooperatives as suppliers who in turn supplied 50% of the total mangoes to the factory. The plan for FY 2023/2024 is to procure mangoes purely from cooperatives
4. Corporate capacity	To attract, develop and retain competent Human Capital	To attract and retain competent staff, MCFDMA is in the process of developing a Human Resource Manual.
	To manage financial resources prudently	MCFDMA board has put in place an Audit committee as well as a finance/HR committee which will provide oversight and advise on operations. Further, the Authority is in the process of developing a Finance Manual

CORPORATE GOVERNANCE STATEMENT

The Makueni County Fruit Development and Marketing Authority is governed by a Board of Directors. The board has put in place a board charter and a strategic plan to guide its operations. Further, the oversight function of the board is guided by the "Mwongozo" code of governance for state corporations. The board has nine members (excluding the CEO) and three committees. The committees are: 1) Audit; 2) Technical and Operations; and 3) Finance, Administration and Marketing.

a) Board Composition

The membership of the board, as provided for under section 6 (1) in the MCFDMA Act 2017 are as follows:

- i) A non-executive chairman appointed competitively by the Governor.
- ii) Two members elected by fruit farmers through cooperatives.
- iii) Three members appointed by the County Executive Committee Member responsible for the department of Agriculture.
- iv) Three Chief Officers responsible for the departments of Agriculture, Trade and Finance respectively

The board members usually declare conflict of interest in case a subject matter of discussion directly or indirectly affects them.

b) Board remuneration

Board members are paid sitting allowance of Ksh 10,000 with the chairman's remuneration pegged at Ksh 15,000. Further, transport reimbursement for mileage is paid in line with government regulations and county transport policy.

c) Board Work Plan and Meetings

During the FY under review, a total of 6 board meetings and 4 committee meetings took place.

Table 1 below shows the details of board attendance during the year.

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Table 1: Board meeting attendance

SN	Name	15-Jul-22	02-Aug-22	16-Sep-22	16-Dec-22	01-Jul-22	02-Sep-22	12-Dec-22
1.	Col (rtd) Eng Hilary Kioko	√	√	√	√	√	√	√
2.	Dr Martin Mboloi							
3.	Ms Diana Muli							
4.	Mr Justus Suka							
5.	Dr Davis Muthini	x	√	√	√	√	√	√
6.	Ms Caroline Musango							
7.	Ms Phylis Nduva	x	√	√	√	x	x	x
8.	Mr Aaron Kakomo	√	√	√	√	√	√	√
9.	Mr Julius Maithya							
10.	Paul Nguku Muthama							
11.	Philip Kyalo Mauyu							
12.	Rose Mulu Ndungwa							
13.	Felix Mualuko Daniel							
14.	Mr Justus Liku	x	x	x	√	x	x	√
15.	Ag. Agnes Kitili							
16.	John Nguni							
17.	Daniel Mutuku Ndolo							
18.	Dr. Jossylyn Nzilani Mutua							

d) Ethical Standards

A code of conduct is in place to regulate conduct of business and prescribe acceptable behaviour in line with the National Values, organization culture and our Core values. The Authority adheres to the Public Officer Ethics Act as well as Leadership and Integrity Act as outlined in Chapter six of the Constitution.

Mr. Paul N. Muthama
CHAIRMAN OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

1. Introduction

This section provides the users of these financial statements with a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in Chief Executive Officer's report on pages xvii to xxi

2. Production Process

Fruit production and marketing is a major economic activity for over 70% of the 244 thousand households in Makueni County. Production is undertaken by the Makueni Fruit Processing Plant (MFPP). The plant has three production lines.

- 1) **Puree line** with a capacity to process 5000kg of mangoes per hour translating to 2500kgs of puree. This line was installed in 2017 and has been operational for 4 years;
- 2) **Juice reconstitution line** with a capacity to produce 8000 bottles of juice per hour. The line was installed, tested, and launched in August 2022; and,
- 3) **Packaging line** with a capacity of 8000 bottles of juice/water per hour. The line was installed, tested, and commissioned in August 2022.

The mango fruits are sourced from within Makueni County and also from other Counties making up the South-eastern Mango Belt in Kenya, i.e. Kilifi, Tana River and Kwale Counties. Figure 6 below indicates the mangoes purchased from farmers for the last three years.



Figure 6: Mangoes purchases

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The production process involves puree extraction from mango fruits, sterilizing, and aseptic packing the puree using no artificial colorant or taste enhancer. This is done in compliance with Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) standards, from receipt of raw materials, cleaning and disinfection, pureeing, refining, sterilization, aseptic filling, and storage at room temperature.



3. Financial Highlights

The financial highlights are presented below.

3.1 Overview of the financial statements

The financial statements comprise of Statement of profit or loss and other comprehensive income, Statement of financial position, statement of changes in equity, statement of cash flow, statement of comparison of budget and actual amounts, accounting policies and notes.

Statement of profit or loss and other comprehensive income shows the Authority's performance during the year indicating the revenue generated from sale of goods, grants received as well as the expenditure incurred.

Statement of financial position presents the net assets position of the Authority as at 30th June 2023. The net assets for the Authority at the end of the financial year amounted to KSh. 476,449,483

3.2 Revenue and funding

Revenue comprises of income from sale of puree as well as grants from the county government. Revenue for the year amounted to Ksh 55,173,693 while grants from the county government and European Union amounted to Ksh 141,879,949 as indicated in Figure 7 below.

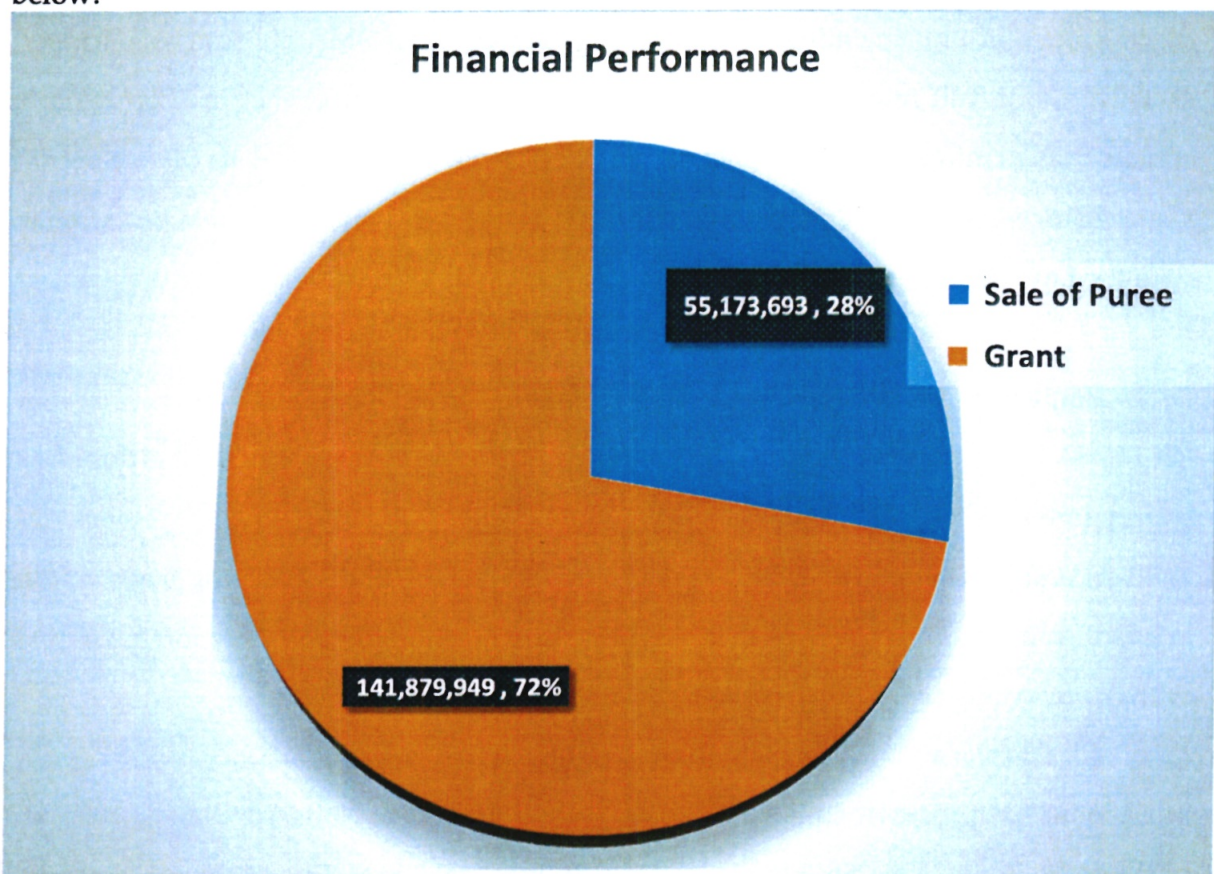


Figure 7: Revenue and grunts

All the revenue from the sale of puree is remitted to the county Government in accordance with the enabling legislation.

3.3 Expenditure

Expenditure comprises production costs and operating expenses and is fully financed from the grant by the county government.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

MCFDMA has put in place plans to operate the plant sustainably and profitably. This entails among other measures to adopt and implement a model which brings on board a strategic partner's from the private sector.

2. Environmental Performance

In the course of implementing the proposed activities, MCFDMA encouraged farmers to establish more fruit nurseries and plant more fruit tree as part of their conservation and climate change mitigation efforts. Further, MCFDMA has been recycling its Mango seeds by using them as a source of energy. MCFDMA conducts environmental Audits in compliance with the Environmental Management and Conservation Act (EMCA, 1999).

3. Employee Welfare

MCFDMA is committed to improved employee welfare. Although recruitment is done by the county public service board, the management of MCFDMA conducts a competence needs analysis and endeavors to bridge the identified gaps by way of allowing staff to attend relevant training. Employee appraisals is conducted annually, and the report is discussed with the relevant employee.

4. Marketplace practices

The production process involves puree extraction from mango fruits, sterilizing, and aseptic packing the puree using no artificial colorant or taste enhancer. This is done in compliance with Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) standards, from receipt of raw materials, cleaning and disinfection, pureeing, refining, sterilization, aseptic filling, and storage at room temperature.

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Thermal treatment guarantees a product's safety, keeping its organoleptic and nutritional characteristics intact. All operations are carried out under high quality standards, in compliance with current legislation.



Figure 8: Cleaning of mangoes before processing

5. Corporate Social Responsibility/Community Engagement

MCFDMA is committed towards supporting the community and farmers to produce quality fruits. Further, the Authority will conduct sensitization events on topical issues of the day such as climate change, environmental management as well as HIV/AIDs awareness.



EQUITY



SUSTAINABILITY



INTEGRITY



CORE
VALUES

RELIABILITY



INCLUSIVITY



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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Authority's affairs.

i) Principal activities

The principal activities of the entity are to manage the affairs of Makueni Fruit Processing Plant and to develop the fruit value chain.

ii) Results

The results of the entity for the year ended June 30, 2023, are set out on page 1

iii) Dividends

The directors do not recommend payment of dividend.

iv) Directors

The members of the Board of Directors who served during the year are shown on page viii to xiii.

v) Auditors

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

By Order of the Board


Agnes Kitili

Secretary to the Board

Date 02/01/2024

*Makueni County Fruit Development And Marketing Authority
Annual Report and Financial Statements
For the year ended June 30, 2023*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors responsibility for the Authority'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

The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority 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 Authority's financial statements were approved by the Board on 06/12/2023 2023 and signed on its behalf by:



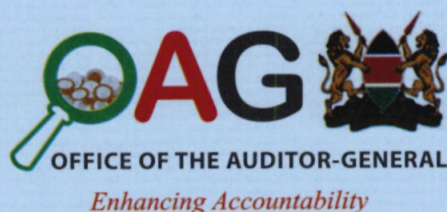
Mr. Paul N. Muthama
Chairman



Agnes M. Kitili
Ag. Chief Executive Officer

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY FRUIT DEVELOPMENT AND MARKETING AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Makueni County Fruit Development and Marketing Authority set out on pages 1 to 31, which comprise of the

Report of the Auditor-General on Makueni County Fruit Development and Marketing Authority for the year ended 30 June, 2023

statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County Fruit Development and Marketing Authority as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and Makueni County Fruit Development and Marketing Authority Act, 2017.

Basis for Qualified Opinion

1. Valuation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book value balance of Kshs.424,350,398 which includes motor vehicles, computers and related equipment costing Kshs.30,629,951 which are fully depreciated. In addition, the Authority has not performed annual review of the useful life, depreciation method and residual values or revalued its assets to take cognizance of the drastic change in value of its assets contrary to the requirements of International Accounting Standard No.16 which requires the property, plant and equipment to be revalued after every five years.

In the circumstances, the fair statement of the property, plant and equipment net book value balance of Kshs.424,350,398 as at 30 June, 2023 could not be confirmed.

2. Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.14,962,846 as disclosed in Note 16 to the financial statements. Included in the balance is Kshs.8,431,404 for which review of supporting schedules revealed that an amount of Kshs.2,387,961 had been outstanding for more than one year and its recoverability is doubtful. In addition, Management had not set a specific provision for the long outstanding debts.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.14,962,846 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County Fruit Development and Marketing Authority Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness on Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Operational Autonomy

Review of available records and systems revealed that the Authority lacks operational autonomy as it does not operate as a separate entity from County Government of Makueni. The Authority irregularly swept Kshs.51,207,000 to County Revenue Fund (CRF) which was accounted for as own generated revenue by the County Government Instead of paying dividends from surplus. Further, the assets recognized and disclosed in the financial statements by the Authority have not been transferred from the County Government.

In the circumstances, the Authority lacks independence and autonomy in its operations as envisaged by the enabling Act.

2. Non-Compliance with Human Resource Regulations

Review of human resource records revealed that the County Public Service Board appointed Chief Executive Officer in acting capacity with effect from 1 November, 2022.

The Officer served in acting capacity for a period of over six (6) months, without formal extension of the appointment, contrary to the requirements of Section D 1.14 of the Human Resource Policies and Procedures Manual for the Makueni County Public Service, 2017 which states that an officer can only act for a period of not more than six months, otherwise an extension should be approved by the Board.

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

3. Failure to Comply with the Financial Statements Reporting Template

Review of the financial statements revealed the following anomalies:

- i. The corporate governance statement excludes information on roles and functions of the Board, induction and training, board and member performance and succession plan.
- ii. Marketplace practices section under Environmental and Sustainability Reporting excludes a summary of the Authority's effort to: responsible competition practice, responsible supply chain and supplier relations, responsible marketing and advertisement and product stewardship.
- iii. The result section under report of the directors erroneously excludes summary of the profit or loss made during the year.
- iv. The statement of directors' responsibilities excludes information on the applicable legislation that regulates the Authority.

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

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform

the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concerned, disclosing as applicable, matters related to going concerned and using the applicable basis of accounting unless the County Government is aware of the intention to terminate the Authority or 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.

Those charged with governance are responsible for overseeing the Authority financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate. As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 March, 2024

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For the year ended June 30, 2023*

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2022-2023 Kshs	2021-2022 Kshs Restated
REVENUE			
Revenue	6	55,173,693	38,982,563
Cost of Sales	7	(95,074,090)	(90,928,855)
Gross Profit		(39,900,397)	(51,946,292)
Recurrent Grants	8	132,434,950	63,538,085
Other Income	9	611,717	-
Total Revenues		93,146,270	11,591,793
OPERATING EXPENSES			
Administration expenses	10	(41,013,372)	(63,067,136)
Selling and Distribution expenses	11	(7,469,299)	(4,590,528)
Total operating expenses		(48,482,671)	(67,657,664)
Profit/(Loss) before county transfers	12	44,663,599	(56,065,871)
Transfer to County Revenue Fund	13	(51,207,000)	(36,173,335)
Total comprehensive income /(loss)for the year		(6,543,401)	(92,239,206)


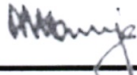
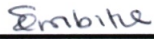
*Makueni County Fruit Development And Marketing Authority
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For the year ended June 30, 2023*

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	<u>424,350,398</u>	<u>462,172,009</u>
Current Assets			
Inventories	15	36,102,545	42,517,490
Trade and other receivables	16	14,962,846	10,092,474
Bank and cash balances	17	<u>27,452,108</u>	<u>819</u>
Total Current Assets		<u>78,517,499</u>	<u>52,610,783</u>
Total Assets		<u>502,867,896</u>	<u>514,782,793</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained earnings	18	14,682,415	21,225,816
Capital fund	18	<u>462,273,943</u>	<u>453,028,944</u>
Capital and Reserves		<u>476,956,358</u>	<u>474,254,760</u>
Current Liabilities			
Trade and other payables	19	<u>25,911,538</u>	<u>40,528,033</u>
Total equity and Liabilities		<u>502,867,896</u>	<u>514,782,793</u>

The financial statements were approved by the Board on 06/12/2023 and signed on its behalf by:

		
_____ Paul N. Muthama Chairman	_____ Miss Agnes M. Kitili Ag. Chief Executive Officer	_____ Sylvia Kingwaa Finance Manager ICPAK Number: <u>17846</u>

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Capital fund	Retained Earnings	Total
	Kshs	Kshs	Kshs
Year ended June 30 2022(Restated)			
At 1st July 2021	453,028,944	179,597,619	632,626,563
Prior year adjustment	-	(66,132,597)	(66,132,597)
Loss for the Year	-	(92,239,206)	(92,239,206)
At June 30 2022	<u>453,028,944</u>	<u>21,225,816</u>	<u>474,254,760</u>
Year ended June 30 2023			
At 1st July 2022	453,028,944	21,225,816	474,254,760
Grants received	8 9,244,999	-	9,245,007
Loss for the Year	-	(6,543,401)	(6,543,401)
At June 30 2023	<u>462,273,943</u>	<u>14,682,415</u>	<u>476,956,366</u>

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs Restated
Net cash from operating activities	20	<u>72,312,518</u>	<u>52,512,919</u>
Cash flows from investing activities			
Purchases of property plant and equipment	14	<u>(2,899,228)</u>	<u>(17,679,902)</u>
Net cash used in investing activities		<u>(2,899,228)</u>	<u>(17,679,902)</u>
Cash flows from financing activities			
Capital Grant received	8	9,244,999	-
Transfer to county Government	13	<u>(51,207,000)</u>	<u>(36,173,335)</u>
Net cash used in financing activities		<u>(41,962,001)</u>	<u>(36,173,335)</u>
Net increase (decrease) in cash and cash equivalents		27,451,289	(1,340,318)
Cash and cash equivalents at start of year	17	<u>819</u>	<u>1,341,194</u>
Cash and cash equivalents at end of year	17	<u>27,452,108</u>	<u>819</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performanc e difference	% perform ance
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Sales	55,000,000	-	55,000,000	55,173,693	(173,693)	100%
Grants	140,000,000	-	140,000,000	141,679,949	(1,679,949)	101%
Other Income	-	-	-	611,717	(611,717)	0%
Total income	195,000,000	-	195,000,000	197,465,359	(1,853,642)	
Expenses						
Raw materials and production costs	91,000,000	-	91,000,000	95,074,090	(4,074,090)	-4%
Puurchase of Assets	3,000,000	-	3,000,000	2,899,228	100,772	3%
Operating expenses	50,000,000	-	50,000,000	48,482,671	1,517,329	3%
County Transfers	51,000,000	-	51,000,000	51,207,000	(207,000)	0%
Total expenditure	195,000,000	-	195,000,000	197,662,989	(2,662,989)	-1%
Profit/(Loss)for the year	-	-	-	(197,630)	809,347	0%

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Makueni County Fruit Development and Marketing Authority is established by and derives its authority and accountability from the Makueni County Fruit Development and Marketing Authority (Amendment) Act 2017. The Authority is wholly owned by the County Government of Makueni and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

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

NOTES TO THE FINANCIAL STATEMENTS

3. Application of New and Revised International Financial Reporting Standards (IFRS)

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

Title	Description	Effective Date	Impact on the Authority
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.	No impact
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.	No impact
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.	No impact

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Title	Description	Effective Date	Impact on the Authority
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.	No impact

Application of New and Revised International Financial Reporting Standards (IFRS)

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

Title	Description	Effective Date	Impact on the Authority
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.	No Impact

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Title	Description	Effective Date	Impact on the Authority
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.	No Impact
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.	No Impact

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Authority's financial statements.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2022-2023

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the Authority expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties such as Value Added Tax (VAT). The Authority recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the Authority delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from County Government** are recognized in the year in which the Authority actually 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) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. 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 recognized in profit or loss in the income statement.

d) 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 cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized 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:

Freehold Land	Nil
Buildings and civil works	25 years
Plant and machinery	8 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years

A full year's depreciation charge is recognized both in the year of asset purchase and 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) Trade and other receivables

Trade and other receivables are recognized 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.

i) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates

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and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of

changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) 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 entity or not, less any payments made to the suppliers.

l) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue at the employees. At 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 entity 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 recognized in profit or loss.

n) Budget information

The original budget for FY 2020-2021 was approved by the County Assembly on xxxx. 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 entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates

could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6. Revenue

	2022-2023 Shs	2021-2022 Shs Restated
Sale of Goods	55,173,693	38,982,563

7. Cost of Sales

Opening Stock of finished goods and work In Progress	39,364,510	52,975,895
Cost of raw and packing materials consumed (7.1)	29,541,826	36,512,228
Production cost (7.2)	53,456,366	40,805,242
Closing stock of finished goods and work-in-progress	(27,288,612)	(39,364,510)
Total Cost of Sales	95,074,090	90,928,855

7.1 Cost of raw and packing materials consumed

Opening stock	3,152,980	6,239,788
Purchases	35,202,779	33,425,420
Closing stock	(8,813,933)	(3,152,980)
Total Cost of raw and packing materials consumed	29,541,826	36,512,228

7.2 Production Cost

Salaries and Wages	3,444,979	5,739,567
Electricity and water	2,890,000	1,149,999
Processing chemicals	4,716,800	1,395,468
Fuel and Oil Expenses	5,711,826	800,000
Personal Protective Equipment	299,100	-
Consumables	4,375,573	2,245,168
Licence and certifications	144,150	415,000
Plant repairs and maintenance	2,470,219	-
Depreciation for plant and machinery	29,403,719	29,060,040
Total Production Cost	53,456,366	40,805,242

8. Grants from County Government and Development partners

Makueni County Government (8.1)	132,434,950	63,538,085
European Union	9,244,999	-
Total Grant	141,679,949	63,538,085
Recurrent	132,434,950	63,538,085
Capital	9,244,999	-
	141,679,949	63,538,085

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	2022-2023	2021-2022
	Shs	Shs
		Restated
8.1 Grants from County Government		
Transfer from county Government	118,172,230	49,275,365
Expenses paid on behalf of the Authority	14,262,720	14,262,720
Total Grant from county Government	132,434,950	63,538,085
9. Other Income		
Foreign Exchange gain	611,717	-
10. Administration expenses		
Employment costs		
Salaries and wages	14,262,720	14,262,720
Other Staff costs	3,174,035	2,508,544
	17,436,755	16,771,264
Other Administrative expenses		
Bank charges and commissions	88,235	65,643
Consultancy fees	-	3,788,000
Directors' emoluments	1,232,780	4,092,736
Staff training expenses	493,581	2,539,096
Legal and Professional fees	1,679,500	955,900
Cleaning and sanitation	316,305	716,558
Repairs and Maintenance	4,307,371	3,039,934
Other administrative expenses	686,039	2,838,573
Travelling and subsistence	-	4,180,247
Value Added Tax	-	3,662,899
Hospitality costs	772,450	1,831,987
Communication services and supplies	721,229	1,242,622
Printing and Stationery	149,000	512,760
Motor Vehicle running expenses	1,813,005	5,221,542
Depreciation of Property Plant and Equipment	11,317,122	11,607,375
Total other administration expenses	23,576,617	46,295,872
Total administration expenses	41,013,372	63,067,136
11. Selling and distribution costs		
Marketing and promotional expenses	5,438,719	4,590,528
Carriage Outwards	2,030,580	-
Total Selling and distribution expenses	7,469,299	4,590,528

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12. Operating profit/ (loss)

The operating profit/(loss) is arrived at after charging/(crediting):

Staff costs (note 9b)	17,436,755	16,771,264
Depreciation of property, plant and equipment	40,720,840	40,667,415
- other	1,232,780	4,092,736
	<u>17,436,755</u>	<u>16,771,264</u>

13. County Transfers

Transfer to County Revenue Fund	<u>51,207,000</u>	<u>36,173,335</u>
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14. Property, Plant and Equipment

	Freehold land Kshs	Buildings and Civil Works Kshs	Computer Assessories Kshs	Furniture and fittings Kshs	Plant and Machinery Kshs	Motor Vehicles Kshs	Total Kshs
Cost:							
At July 1, 2022	4,269,998	264,058,741	8,128,347	3,616,112	363,250,503	22,351,804	665,675,504
Additions	-	-	149,800	-	2,749,428	-	2,899,228
At June 30, 2023	<u>4,269,998</u>	<u>264,058,741</u>	<u>8,278,147</u>	<u>3,616,112</u>	<u>365,999,931</u>	<u>22,351,804</u>	<u>668,574,732</u>
Depreciation	-						
At July 1, 2022	-						
As previously stated	-	51,181,878	7,297,248	1,217,229	121,455,336	22,351,804	203,503,495
Charge for the year	-	10,562,350	465,483	289,289	29,403,719	-	40,720,840
At June 30, 2023	<u>-</u>	<u>61,744,228</u>	<u>7,762,731</u>	<u>1,506,518</u>	<u>150,859,055</u>	<u>22,351,804</u>	<u>244,224,335</u>
Net book value at June 30, 2023	<u>4,269,998</u>	<u>202,314,513</u>	<u>515,416</u>	<u>2,109,594</u>	<u>215,140,876</u>	<u>-</u>	<u>424,350,398</u>

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Year ended June 30 2022

	Freehold land Kshs	Buildings and Civil Works Kshs	Computer Assessories Kshs	Furniture and fittings Kshs	Plant and Machinery Kshs	Motor Vehicles Kshs	Total Kshs
Cost:							
At July 1, 2021	4,269,998	263,761,849	6,881,698	3,296,113	347,434,141	22,351,804	647,995,602
Additions	-	296,892	1,246,649	319,999	15,816,362	-	17,679,902
At June 30, 2022	4,269,998	264,058,741	8,128,347	3,616,112	363,250,503	22,351,804	665,675,504
Depreciation	-						
At July 1, 2021							
As previously stated	-	39,464,182	5,640,144	850,388	34,683,411	16,065,357	96,703,482
Prior year adjustment		1,155,346	901,367	77,552	57,711,885	6,286,447	66,132,597
As restated		40,619,528	6,541,511	927,940	92,395,296	22,351,804	162,836,079
Charge for the year	-	10,562,350	755,736	289,289	29,060,040	-	40,667,415
At June 30, 2022	-	51,181,878	7,297,248	1,217,229	121,455,336	22,351,804	203,503,495
Net book value at June 30, 2022	4,269,998	212,876,863	831,099	2,398,883	241,795,167	-	462,172,009

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	2022-2023	2021-2022
	Shs	Shs
		Restated
15. Inventories		
Finished goods (Puree)	27,288,612	39,364,510
Consumables and packaging materials	8,813,933	3,152,980
Total inventories	<u>36,102,545</u>	<u>42,517,490</u>
16. Trade and Other Receivables		
Trade receivables	8,431,404	9,492,474
Security Bond	600,000	600,000
Grants Receivable	5,228,999	-
Other receivables	702,443	-
Total trade and other receivables	<u>14,962,846</u>	<u>10,092,474</u>

The aged analysis of receivables is as follows:

16 (a) Trade receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Trade Receivables	8,431,404	9,492,474
Provision for Doubtful Receivables	-	-
Net Trade Receivables	<u>8,431,404</u>	<u>9,492,474</u>
Ageing analysis of gross Trade Receivables		
Less than 30 Days	1,807,280	2,308,100
Between 30 and 60 Days	445,182	581,391
Between 61 and 90 Days	2,409,088	1,950,863
Over 120 Days	3,769,753	4,652,120
Total	<u>8,431,303</u>	<u>9,492,474</u>

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	2022-2023	2021-2022
	Shs	Shs
		Restated
17. Bank and Cash Balances		
For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits		
Cash at bank	27,452,108	819
Detailed analysis of the cash and cash equivalents		
Current accounts (KCB)	27,452,108	819
KCB Bank Operations Acc No 1282641352	24,201,145	819
KCB Bank Revenue Acc No 1282640194	2,966,052	-
KCB Bank Dollar - Acc No 1289137811	284,911	-
	27,452,108	819

18. Nature and Purpose of reserves

- (i) Capital funds relate to cumulative capital grants received from the county government and development partners for purchase of non-current assets. The balance represents the Authority's Investment in in the assets of the fruit processing plant as 30 June 2023.
- (ii) **The retained earnings** represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the Authority's business activities.

19. Trade and Other Payables

Trade Payables	23,642,303	35,848,950
Accrued expenses	2,180,532	4,679,083
Other payables	88,704	-
Total Trade and other payables	25,911,538	40,528,033

The Aging Analysis for Trade and other Payables is shown below.

	2022-2023	% of the total	2021-2022	% of the total
Under one year	19,642,486	76%	34,347,685	85%
1-2 years	6,180,348	24%	6,180,348	15%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	25,822,834	100%	40,528,033	100%

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20. Notes to The Statement of Cash Flows

	Note	2022-2023 Kshs	2021-2022 Kshs
Cash flows from operating activities			
Profit for the year before transfer to County Government		44,663,599	(56,065,871)
Adjustments for:			
Depreciation of property, plant and equipment	14	40,720,840	40,667,415
Changes in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(4,870,372)	66,617,742
Decrease/(increase) in inventories		6,414,945	16,698,193
Increase/(decrease) in trade payables		<u>(14,616,494)</u>	<u>(15,404,561)</u>
Cash generated from operations		<u><u>72,312,518</u></u>	<u><u>52,512,919</u></u>

21. Related Party Disclosures

The **County Government of Makueni** is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest.

Other related parties include:

- i) The Parent Ministry
- ii) Government of Kenya
- iii) Key management
- iv) Board of directors

a) Grants from the government

Grants from county government	<u>118,172,230</u>	<u>49,275,365</u>
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b) Expenses incurred on behalf of related party

Payments of salaries and wages for Mcfdma employees	<u>14,262,720</u>	<u>14,262,720</u>
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c) Key management compensation

Directors' emoluments	<u>1,232,780</u>	<u>4,092,736</u>
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22. Capital Commitments

All capital commitments contracted for / authorized at the reporting period have been recognized in the financial statements.

23. Financial Risk Management

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

The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

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	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Trade receivables	9,492,474	9,492,474	-	-
Security Bond	600,000	600,000	-	-
Bank balances	819	819	-	-
Total	10,093,293	10,093,293	-	-
At 30 June 2023				
Trade receivables	8,431,404	6,653,669	1,777,735	-
Security Bond	600,000	600,000	-	-
Grants Receivable	5,228,999	5,228,999	-	-
Other Receivables	702,443	702,443	-	-
Bank balances	27,452,108	27,452,108	-	-
Total	42,414,954	40,637,219	1,777,735	-

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk (Continued)

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

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	14,175,540	21,225,816
Capital reserve	462,273,943	453,028,944
Total Funds	-	-
Total Borrowings	-	-
Less: Cash and Bank balances	(27,452,108)	(819)
Net Debt/(Excess Cash and Cash Equivalents)	-	-
Gearing	0%	0%

24. Incorporation

Makueni County Fruit Development and Marketing Authority is established by and derives its authority and accountability from the Makueni County Fruit Development and Marketing Authority (Amendment) Act 2017. The Authority is wholly owned by the County Government of Makueni and is domiciled in Kenya.

25. Events After the Reporting Period

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

26. Currency

The financial statements are presented in Kenya Shillings (Kshs).

27. PRIOR YEAR ADJUSTMENTS

A prior period adjustment really applies to the correction of an error in the financial statements of a prior period

Description	Balance b/f FY	Adjustments	FY 2021-2022
	2022-2023		
	Kshs	Kshs	Kshs
Administration Expenses	63,067,136	10,344,024	52,723,112
Cost of sales	90,928,855	(157,223)	90,771,632
Property, Plant and Equipment	462,172,009	(105,108,485)	567,280,494
Recurrent grants	63,538,085	14,262,720	49,275,365
Bank Balance	819	9	810
Retained Earnings	21,225,816	(219,731,632)	240,957,448

Explanation

Recurrent Grant and administration expenses was adjusted to include Kshs.14,262,720 which was omitted from prior year Financial statement

The correct bank balances as per the bank statement was Kshs.819

Property Plant and Equipment was adjusted to include the correct balance after reconciling asset register and financial statement since establishment of the authority

Cost of sales was adjusted to include the correct balance after reconciling the supporting schedules and financial statement

Retained earnings was adjusted to include reconciled depreciation initially omitted from prior year financial statements, understatement of Administration expenses, grants from County government.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Audit Observation	Management Comments	Status	Time Frame
A. REPORT ON THE FINANCIAL STATEMENTS			
1. Inaccuracies in the Financial Statements.	These errors which were corrected in the draft audit response and the financial statements revised to reflect the correct amounts and balances.	Resolved	June 30 2023
2.Unsupported Property, Plant and Equipment Balance.	The asset register was kept in excel spread sheet however the register will be transferred in the new accounting software procured in the current year.	Resolved	June 30 2023
REPORT ON UNLAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES			
1.Long Outstanding account payable Balance.	The long outstanding payables were caused by delay in funding. However, these payables were cleared in the current financial year.	Resolved.	June 30 2023
3.Lack of operational autonomy.	The authority has not been granted full autonomy.	Pending	TBA
3.Disclosure of Bank and Cash Bank Balances.	This was corrected in the amended financial statements which were subsequently submitted to the OAG	Resolved	N/A
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.			
1.Lack of Financial Reporting System.	The authority procured an accounting software.	Resolved	June 30 2023

APPENDIX III: INTER-ENTITY TRANSFERS

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Capital	Total Amount - Kshs	Where recorded
				Capital Fund Deferred Income Receivables Grant from County
Recurrent Grants				
Government of Makueni County	07/07/2022	Recurrent	10,724,635	Profit and loss account
Government of Makueni County	21/12/2022	Recurrent	17,167,000	Profit and loss account
Government of Makueni County	21/12/2022	Recurrent	8,200,000	Profit and loss account
Government of Makueni County	18/10/2022	Recurrent	1,450,000	Profit and loss account
Government of Makueni County	02/10/2023	Recurrent	34,633,000	Profit and loss account
Government of Makueni County	14/03/2023	Recurrent	21,284,386	Profit and loss account
Government of Makueni County	15/6/2023	Recurrent	24,713,209	Profit and loss account
Subtotal			118,172,230	Profit and loss account
Capital Grants				
European Union	04/05/2023	Capital	9,244,999	Statement of changes in Equity
Direct Payments				
Department of Agriculture	Various	Recurrent	14,262,720	Profit and loss account
Total			141,679,949	