



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

PARLIAMENT
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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
PEST CONTROL PRODUCTS BOARD

FOR THE YEAR ENDED
30 JUNE 2014



*Paper laid
By the leader
of majority
Party, Hon. Aken
Oleni on
Monday
28/7/2014
JG*

Vol. 15



PEST CONTROL PRODUCTS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

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I. KEY PEST CONTROL PRODUCTS BOARD INFORMATION AND MANAGEMENT

(a) Background information

The Pest Control Products Board is a Statutory organization of Kenya Government established under an Act of parliament, the Pest Control Products Act, Cap 346, Laws of Kenya of 1982 to regulate the importation and exportation, manufacture, distribution and use of pest control products.

(b) Principal Activities

- Assessing the safety, efficacy, quality and economic value of pest control products with a view of registering them, if found suitable.
- Assessing suitability of premises used for manufacture/formulation, storage and distribution of pest control products for purposes of licensing.
- Processing and issuing import permits to ensure that only correct quantities of registered products are imported and in right quantities.
- Advising the Minister on all matters relating to the Provisions of the Act and Regulations made there under.
- Monitoring and ensuring adherence of quality standards of pest control products from production to use.
- Creating awareness of the general public on all aspects of safety, storage, handling and use of pest control products.
- Investigating and prosecuting offences related to Pest Control Products Act.
- Supervising the disposal of obsolete or undesired pest control products.

Key Management

The Pest Control Products Board's day-to-day management is under the following key organs:

- The office of the chief Executive
- Finance and Planning
- Human resource and administration
- Compliance and enforcement
- Registration and Analysis

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chief Executive	- Peter Opiyo
2	Chief Accountant	- James Mwaura

(d) Fiduciary officer Oversight Arrangements

1) Finance and Administration Committee

Terms of Reference

- Deal with all financial and administration matters
- Disburse payments
- Maintain fully audited account record
- Give service to client's effectively i.e. correspondence, requests etc.

2) Audit Committee

Terms of Reference

- Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- Reviewing audit issues raised by both internal and external auditors.
- Resolving unsettled and unimplemented Public Accounts and Public Investment Committees' (PAC/PIC) recommendations.
- Enhancing communication between management, internal and external audit and fostering an effective internal audit function.

(e) Pest Control Products Board Headquarters

P.O. Box 13794-00800

PCPB Headquarters

Loresho

Nairobi, KENYA

(f) Pest Control Products Board Contacts

Telephone: (254) 020-8021846/7/8

E-mail: md@pcpb.or.ke

Website: www.pcpb.or.ke

(g) Pest Control Products Board Bankers

1. Kenya Commercial Bank Limited

Sarit Centre

P.O Box 14959-00800

Nairobi.

2. Barclays Bank of Kenya Limited

Westlands

P.O Box 14403-00300

Nairobi

(h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE BOARD OF DIRECTORS

	GAZETTE NOTICE	Name And Date of Birth	Pass Port Size Photo	Key Academic/ Professional Qualifications and Work Experience	ORGANIZATION	BOARD STATUS
1.	No.13780 of 25/10/2011 DoA 31/10/2011	Ms. Faith Mutwiri		Msc, MBA, 34 years	Member	Chairperson
2.	No.11623 of 6/9/2011 DoA 25/8/2011	Dr. Lusike Wasilwa		PhD, 28 years	KARI	Rep. Director KARI
3.	No.11623 of 6/9/2011 DoA 25/8/2011	Prof. Charles K. Maitai		PhD 32 Years	Member	Member (resigned in the 1 st quarter)
4.	No.11623 of 6/9/2011 DoA 25/8/2011	Mary Mwambia		Msc, 30 years	MOL&FD	Rep. P/S
5.	No.11623 of 6/9/2011 DoA 25/8/2011	Dr. Esther Ng'ethe		Msc, 25 years	DVS	Rep. DVS DVS

	GAZETTE NOTICE	Name And Date of Birth	Pass Port Size Photo	Key Academic/ Professional Qualifications and Work Experience	ORGANIZATION	BOARD STATUS
6.	No.11623 of 6/9/2011 DoA 25/8/2011	Mr. John Munguti		MBA, 23 years	Min. of Industrialisation	Rep. P/S
7.	"No.11623 of 6/9/2011 DoA 25/8/2011	Agnes C. Yobterik		Msc, 31 years	Min. of Environment & Natural Resources	Rep. P/S
8.	No.11623 of 6/9/2011 DoA 25/8/2011	Kepha M. Ombacho		PhD, 29 years	MOH	Rep. P/S
9.	No.11623 of 6/9/2011 DoA 25/8/2011	I. Waweru Kariuki		Bsc, 31 years	Government Chemist	Government Chemist
10.	No.11623 of 6/9/2011 DoA 25/8/2011	Charles Gachahi		Bsc, 31 years	KEBS	Rep Director

	GAZETTE NOTICE	Name And Date of Birth	Pass Port Size Photo	Key Academic/ Professional Qualifications and Work Experience	ORGANIZATION	BOARD STATUS
11.	No 11623 of 6/9/2011 DoA 25/8/2011	Joseph N. Mburu Rep		Msc, 34 years	CRF	Rep Director
12.	No.11623 of 6/9/2011 DoA 25/8/2011	Christopher Chirchir		Diploma, 35 years	Livestock Farmer Representative	Member
13.	No.11623 of 6/9/2011 DoA 25/8/2011	Susan Mucheru			MOA	Rep. P/S
14	No.11623 of 6/9/2011 DoA 25/8/2011	Kelen W. Mwangi		Bsc, 33 years	Min. of Water & Irrigation	Rep P/S
15.	No 4879 of 7/7/2014 DoA 2/5/2014	Noah K. Omanga		Bsc, 35 years	Crop Farmer Representative	Member
16.	-	Inspector General			Inspector General, State	Chrisologus Makhokha Rep ISC

	GAZETTE NOTICE	Name And Date of Birth	Pass Port Size Photo	Key Academic/ Professional Qualifications and Work Experience	ORGANIZATION	BOARD STATUS
17	Co-opted Special Board of 17/11/2011	P/S		MBA, 10 years	Corporations Ministry of Finance	Cheryl A. Majiwa Rep P/S
18	Co-opted Special Board of 17/11/2011	Kuria Gatonye		Bsc, 24 years	Agrochemical Association of Kenya	Chairman
19	Co-opted Special Board of 17/11/2011	Dr. Stephen Mbithi		PhD 12 years	FPEAK	CEO

III. MANAGEMENT TEAM

Name	Key Professional and Academic qualifications	Passport size Photo	Area of responsibility
1. Peter Opiyo	Msc Analytical chemistry		Chief Executive Officer
2. James Mwaura	MBA (Finance), BBA (Finance and Accounting), CPAK, AKIB (Banking and Financial services)		Head Finance and Planning.
3. Callen Okara	MBA (Human Resource).		Head Human Resource & Administration.
4. Dr. Paul Ngaruiya	PhD in Tropical Plant Sciences.		Head Registration & Analysis
5. Peter Kimwelle	Bsc Agriculture, Honours in crop Science		Head of Enforcement and Compliance.

IV. CHAIRMAN'S STATEMENT

I am elated to present the Annual Report and the Financial Statement for the financial year 2013/2014 on the Pest Control Products Board operations.

The operations were derived and guided by the provisions of the Pest Control Products Act, Cap 346, Laws of Kenya under which the Board is established and based on the Board's Strategic plan of 2011-2015.

The Board realized remarkable achievement in the regulation of pesticides and service delivery to the public in general. The activities undertaken included registration of pesticides, quality control/assurance of pesticides through premises inspection and certification of products therein, investigations and prosecutions of non-compliances and continued public awareness creation on the safe and effective use of pesticides in partnership with pesticide industry and other relevant stakeholders.

To carry out these and other related activities, adequate funding was required and this regard I, on behalf of the Board, wish to recognize the Government funding to the Board which has enhanced its capacity to expand its operations including acquiring of key laboratory equipment that are necessary for effective quality assurance of pesticides. Nevertheless, the performance of the Board continued to be challenged by the institutional status which curtails the Board's ability to enhance its staffing capacity, motivate and or retain qualified staff necessary for efficient delivery of service.

The Board continued to engage with key stakeholders in consultative forums in order to identify partnerships required for improved service delivery. The Board sustained and enhanced collaboration with both private and public institutions and other stakeholders in areas of strategic planning, research, public health, environment, animal health, agriculture, institutions of higher learning and national and international standards setting bodies.

On behalf of the Board management and staff, I wish to reaffirm our commitment for the effective and efficient service delivery in pesticide regulation and trade facilitation for

improved agricultural productivity, safe guarding of human health and environment and the promotion of sustainable development.



Mr. Noan K. Omanga

For Chairperson

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Board is pleased to present the financial results for the year 2013/2014 which represents a last year of the current strategic plan 2010-2014.

The Board during the period underwent a major transformation program that saw the construction of PCPB complex completed and occupied, kick off of the North rift Office opening among other programs. This restructuring process will continue in 2014 and beyond is paramount to altering the Board to a global brand to further enhance its mandate. The Board also realized the first year since becoming ISO 2008: 9001 certified.

On operations, the Board has been instrumental in carrying out its mandate with the compliance and enforcement department inspecting approximately 7,035 premises compared to last year's 6,510, this represents a 8% increase. The Registration and analysis department received 223 applications against 135 in the previous year; 408 permits for trial purposes were issued against 201 received in the previous year. 244 applications were considered by the Board for registration of which 199 were approved against 136 approved in the previous period representing a 31% increase.

The income generated during the year both internal and external sources was approximately Kshs 248.5 million against Ksh 173.5 million the previous year. Which represents a 30% increase. The Board with its limited financial resources has been able to prudently manage and avoid debts without compromising on its mandate.

The Board over the years has been dogged by the challenge of human resource with the year under review having a total staff force of 69 against 61 in the previous period. In the period we also offered four internships and 2 attachments lasting between three and six months. This by all means is below the required human capital entrusted with a broad

mandate for all Kenyans in terms of food security, safety and clean environment. It is our hope will improve to enable us serve the public better and more efficiently.

This being the final rap on the implementation of the Boards strategic plan cycle; it also set stage for drafting of a new one that will take the Board to a new level and claim its role on the nations achievement of its blue print, Vision 2030.

The Board is also in advanced stage of repealing its Act to kowtow with the dynamics of the industry and also comply with new local and international requirements on the standards of pest control products. This will see the board being recognized the world over as a regulator and agro business facilitator, ensuring food security, clean environment and also mitigate against the hazards stemming from use of pesticides.

In summary, the management is focused to improve the outlook of the Board from both within and without to effectively carry out its mandate prudently, professionally and without fear or favour.



Peter Opiyo

CEO/Secretary PCPB

VI. CORPORATE GOVERNANCE STATEMENT

The Board has continued to be committed to high corporate governance standards, values and ethics within the organization to abide by the laws governing in the country.

The Board continued to engage with key stakeholders in consultative forums in order to identify partnerships required for improved service delivery. The Board sustained and enhanced collaboration with both private and public institutions and other stakeholders in areas of strategic planning, research, public health, environment, animal health, agriculture, institutions of higher learning and national and international standards setting bodies.

Board of Directors

The Board consists of 19 directors. The Directors possess qualification and a wide range of expertise and experience to enable them to contribute in their capacities as Directors to the Pest Control Products Board.

Duties

The Board gives direction on the organization's strategy, objectives and values and ensures procedures and practices are in place to implement governance and the effective control over the company's assets and operations

The Board of Management meets quarterly or as required to continually review and monitor the company's progress with respect to strategic direction and operational effectiveness

Board Committees

There are three Board committees, with written terms of reference to facilitate effective assistance to the Board to enable efficient decision making in executing their duties and responsibilities.

Delegation of the authority to the Board committees does not discharge the Board of its duties and responsibilities.

1) Technical and Registration Committee

Duties

- To maintain a register of all pest control products being used in Kenya
- To maintain a register of all testing organizations
- To maintain a register of all licences of premises
- To maintain a register of all licences for import/export of pesticides
- To clarify the pesticides on the basis of toxicology, flash points and corrosiveness to spray gadgets as set out on the Third Schedule of the Act
- To index all pesticides
- Design model labels in accordance with the Act and Regulations
- To establish a data storage system on all pesticides

2) Finance and Administration Committee

Duties

- Deal with all financial and administration matters
- Disburse payments
- Maintain fully audited account record
- Give service to clients effectively i.e. correspondence, requests etc.

3) Audit Committee

Duties

- Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- Reviewing audit issues raised by both internal and external auditors.
- Resolving unsettled and unimplemented Public Accounts and Public Investment Committees' (PAC/PIC) recommendations
- Enhancing communication between management, internal and external audit and fostering an effective internal audit function.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

PCPB has strategically implemented CSR which has enhanced the Company's image thereby creating great public goodwill. CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government". In a nutshell, CSR is about business "giving back to society"

PCPB supports initiatives/projects that provide sustainable solutions to the most pressing social challenges.

PCPB's CSR Objectives are;

To give back to the community by assisting the disadvantaged;

As a Company that has benefited from tax payers money we are obligated to support community initiatives.

To identify with the public and foster goodwill towards the Company;

To support ongoing national advocacy initiatives;

There are numerous national campaigns that need support to have a greater impact e.g. HIV/AIDS, environment and health and sanitation campaigns.

Create awareness about the company and build its public profile;

To build a strong PCPB brand, the Company must be seen to have a human face.

Our projects

In Kenya effects of climate change and other environmental challenges are having an enormous impact not only on human life but also on business. The pressure on natural resources and the environment in general calls for concerted efforts to alleviate the situation. PCPB has actively participated in environmental conservation initiatives aimed at conserving catchment areas and other delicate ecosystems

PCPB staff has over the years participated in various community based initiatives through donating foodstuff, firewood, bedding and toiletries to Getathuru rehabilitation Centre, holding a Christmas party for the children at the center, Carrying out reforestation of the Mt. Kenya Forest that had been razed by fire. PCPB adopted over 2Ha of the forest and planting over 2,000 seedlings in the Ontulili Forest in Nanyuki. Upon occupation of the new PCPB HQ complex, members of staff led by the CEO Mr. Peter Opiyo planted over 200 trees in the HQ compound. Some other homes supported by PCPB over the years include

- Shangilia Mtoto wa Afrika, Kangemi
- Salvation Army Childrens Home
- Mji Wa Huruma Old age Home, Runda

Additionally, the Company sponsors staff to participate in Kenya Freedom from Hunger Walk.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Pest Control Products Board's affairs.

Principal activities

The principal activities of the Pest Control Products Board are;

- Assessing the safety, efficacy, quality and economic value of pest control products with a view of registering them, if found suitable.
- Assessing suitability of premises used for manufacture/formulation, storage and distribution of pest control products for purposes of licensing.
- Processing and issuing import permits to ensure that only correct quantities of registered products are imported and in right quantities.
- Advising the Minister on all matters relating to the Provisions of the Act and Regulations made there under.
- Monitoring and ensuring adherence of quality standards of pest control products from production to use.
- Creating awareness of the general public on all aspects of safety, storage, handling and use of pest control products.

- Investigating and prosecuting offences related to Pest Control Products Act.
- Supervising the disposal of obsolete or undesired pest control products.

Directors

The members of the Board of Directors who served during the year are shown on page (v). In accordance with the provisions of the Pest Control Products Act, Cap 346, Laws of Kenya

Auditors

The Auditor General is responsible for the statutory audit of the Pest Control Products Board in accordance with Section 81(4)a of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(3) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that Pest Control Products Board, which give a true and fair view of the state of affairs of the Pest Control Products Board at the end of the financial year/period and the operating results of the Pest Control Products Board for that year/period. The Directors are also required to ensure that the Pest Control Products Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Pest Control Products Board. The Directors are also responsible for safeguarding the assets of the Pest Control Products Board.

The Directors are responsible for the preparation and presentation of the Pest Control Products Board's financial statements, which give a true and fair view of the state of affairs of the Pest Control Products Board for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting

period: (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Pest Control Products Board: (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 Pest Control Products Board: (v) selecting and applying appropriate accounting policies: and (vi) making accounting estimates that are reasonable in the circumstances

The Directors accept responsibility for the Pest Control Products Board'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 and the State Corporations Act. The Directors are of the opinion that the Pest Control Products Board's financial statements give a true and fair view of the state of Pest Control Products Board's transactions during the financial year ended June 30, 2014, and of the Pest Control Products Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Pest Control Products Board, which have been relied upon in the preparation of the Pest Control Products Board's financial statements as well as the adequacy of the systems of internal financial control.

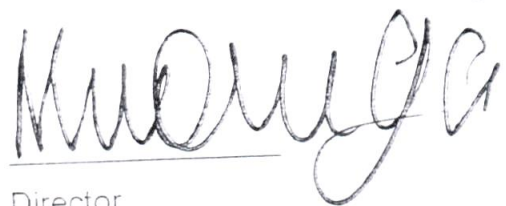
Nothing has come to the attention of the Directors to indicate that the Pest Control Products Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Pest Control Products Board's financial statements were approved by the Board on _30_ June___ 2014 and signed on its behalf by:



Director



Director

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PEST CONTROL PRODUCTS BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Pest Control Products Board set out on pages 18 to 32, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (accrual basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

Statement of Financial Performance
For the year ended 30 June 2014

		2013/2014	2012/2013
	Note	(Kshs)	(Kshs)
Revenue from non-exchange transactions			
License and Permits	12	66,739,765	56,136,154
Government Grant	6	96,437,306	107,406,200
Revenue from exchange transactions			
Other Receipts	12	5,464,785	10,019,846
Total Revenue		168,641,856	173,562,200
Expenses			
Employee costs	14	70,415,090	58,265,709
General expenses	20	44,320,276	44,257,783
Board Expenses	20	7,616,067	6,771,992
Depreciation & Amortization	16	4,193,008	13,303,977
Total Expenditure		126,544,440	122,599,461
Net Surplus for the year		42,097,415	50,962,739

Statement of Financial Position
As at 30 June 2014

	NOTE	2013/2014		2012/2013	
		(Kshs.)	(Kshs.)	(Kshs)	(Kshs)
<u>ASSETS</u>					
Current Assets					
Receivable from exchange transactions	27	3,406,612		5,256,616	
Investments	30	74,670,883		135,936,791	
Bank/Cash Balances	26	(299,020)	77,778,475	464,756	141,658,163
Non-Current Assets					
Property, Plant and Equipment	31	279,458,921		168,465,672	
Work in progress	31			20,329,732	
			279,458,921		188,795,404
Total Assets			357,237,396		330,453,567
<u>EQUITY AND LIABILITIES</u>					
Capital and Reserves					
Capital Reserves		34,942,682		34,942,682	
Revaluation Surplus		11,830,357		1,633,580	
Accumulated Surplus		299,809,759	346,582,798	256,157,061	292,733,323
Current Liabilities					
Trade Payables	34	10,400,854		37,463,804	
Provisions	39	253,744	10,654,598	250,000	37,713,804
Total Equity and Liabilities			357,237,396		330,447,127

The Financial Statements set out on pages 1 to 30 were signed on behalf of the Board by
Secretary/Chief Executive Chairman of the Board



Date: 9th June, 2015

Date:

Statement of Changes in net Assets
For the year ended 30 June 2014

	Capital Reserves	Revaluation Reserves	Accumulated Surplus	Total
	(Shs)	(Shs)	(Shs)	(Shs)
Balance as at 1 July 2012				
As Previously Stated	34,942,682	1,633,580	165,595,971	202,172,233
Prior Year Adjustments (Note 48)	-	-	1,555,283	1,555,283
As Restated	34,942,682	1,633,580	206,749,605	243,325,867
Revaluation Surplus	-	-	-	-
Net surplus/(deficit) for the year (Restated)	-	-	50,962,739	50,962,739
At 30 June 2013	34,942,682	1,633,580	257,712,344	294,288,606
At 1 July 2013	34,942,682	1,633,580	257,712,344	294,288,606
Net surplus/(deficit) for the year	-	11,830,357	42,097,415	42,097,415
At 30 June 2014	34,942,682	11,830,357	299,809,759	336,386,021

Statement of Cash Flows
For the year ended 30 June 2014

	Note	2013/2014 (Shs.)	2012/2013 (Shs.)
Cash flow from operating Activities			
License and Permits	12	66,739,765	56,097,451
Government grant and subsidies	6	96,437,306	107,406,200
Other Incomes, rentals and agency fees	12	6,218,957	10,019,846
		169,396,028	173,523,497
Payments			
Compensation to employees	14	70,415,090	58,265,709
Board expenses	14	7,616,067	6,771,992
Administration expenses	20	44,320,276	44,257,783
		122,351,433	109,295,484.00
Net cash flow from operating activities		47,044,595	64,228,013.00
Cash flow from Investing Activities			
Decrease/Increase in Investment in Government Securities		55,302,185	(110,270,098)
Purchase of Property Plant & Equipment	31	(103,110,556)	(73,060,386)
Net cash used in investing activities		(47,808,371)	(183,330,484)
Financing Activities			
Cashflow from financing activities		-	-
Increase/(Decrease) in cash and cash equivalents		(763,776)	(9,806,987)
Cash and cash equivalents at the start of the year (Re-stated)		464,756	10,271,743
Cash and cash equivalents at the end of the year		(299,020)	464,756

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.

		Original Budget	Adjustments	Final Budget	Actual comparable basis	Performance Difference
Revenue		2013/2014		2013-2014	2013-2014	2013-2014
640	Accumulated funds	85,000,000.00	(5,000,000.00)	80,000,000.00	80,000,000.00	-
	Interest from investment		5,000,000.00	5,000,000.00	5,286,824.63	286,824.63
660	License Fees	55,050,000.00	-	55,050,000.00	66,739,765.00	11,689,765.00
670	Miscellaneous Receipts	30,000.00	-	30,000.00	177,960.00	147,960.00
690	Government Grants	235,166,823.98	(127,507,944.98)	107,658,879.00	96,437,306.00	(11,221,573.00)
	Total Income	375,246,823.98	(127,507,944.98)	247,738,879.00	248,641,855.63	902,976.63
Code	Expenses					
131	Board Expenses	5,723,000.00	2,500,000.00	8,223,000.00	7,616,067.00	(606,933.00)
	Personnel Emoluments	89,694,086.00	(7,077,100.00)	82,616,986.00	70,415,090.00	(12,201,896.00)
	Operational Expenses	106,014,737.00	(34,925,924.00)	71,088,813.00	44,320,276.00	(26,768,537.00)
	Capital Expenditure	181,538,000.00	(87,530,000.00)	94,008,000.00	103,155,952.00	9,147,952.00
	Total	377,246,823.00	(129,533,024.00)	247,713,799.00	225,507,385.00	(22,206,414.00)

Notes to the Financial Statements For the year ended 30 June 2014

Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

1. Summary of significant accounting policies

Revenue recognition

Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

3. Transfers from other governments – gifts and services-in-kind

	2013-2014 Shs	2012-2013 Shs
Unconditional grants		
Operational grant	96 437,306.00	107 406,200.00
Other	-	-
	<u>96,437,306.00</u>	<u>107,406,200.00</u>
Total government grants and subsidies	<u>96,437,306.00</u>	<u>107,406,200.00</u>

12. Other income

	2013-2014 Shs	2012-2013 Shs
License fee income	66,739,765.00	66,156,000.00
Other receipts (Interest on Investments+ Miscellaneous incomes)	5,464,784.63	-
Total other income	<u>72,204,549.63</u>	<u>66,156,000.00</u>

Other receipts for cash flow purpose

Other receipts (Interest on Investments+ Miscellaneous incomes)	5,464,784.63	
	754,172.00	
Advance interest on investments	<u>6,218,956.63</u>	
Total other receipts	<u>6,218,956.63</u>	

14. Employee costs

	2013-2014 Shs	2012-2013 Shs
Employee related costs - salaries and wages	70,415,089.67	58,265,709.00
Employee costs	<u>70,415,089.67</u>	<u>58,265,709.00</u>

16. Depreciation and amortization expense

	2013-2014 Shs	2012-2013 Shs
Property, plant and equipment	4,193,007.59	13,303,977.00
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	17,496,984.59	13,303,977.00

17. Repairs and maintenance

	2013-2014 Shs	2012-2013 Shs
Property	936,585.00	1,428,590.00
Investment property – earning rentals	-	-
Equipment	714,984.00	56,492.00
Vehicles	2,902,320.00	2,647,446.00
Other	-	-
Total repairs and maintenance	4,553,889.00	4,132,528.00

18. Contracted services

	2013-2014 Shs	2012-2013 Shs
Others	2,487,908.00	3,256,636.00
Total contracted services	2,487,908.00	3,256,636.00

19. Grants and subsidies

	2013-2014	2012-2013
	Shs	Shs
Community development	-	-
Education initiatives and programs	-	-
Social development	225,000.00	294,786.00
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	519,786.00	294,786.00

20. General expenses

The following are included in general expenses:

	2013-2014	2012-2013
	Shs	Shs
Advertising and Publicity	1,301,768.00	2,481,541.00
Audit fees	348,000.00	250,000.00
Bank Charges	85,585.00	70,562.00
Board Expenses	-	-
Computer Expenses	1,466,845.00	850,416.00
Contracted Professional Services	2,487,908.00	3,256,636.00
Donations	225,000.00	294,786.00
Exhibitions and Shows	1,297,443.00	1,155,858.00
External Traveling	4,012,397.00	5,001,072.00
Electricity and Water	479,655.00	79,327.00
Insurance	1,780,670.00	2,297,021.00
Library Expenses	87,180.00	216,897.00
Maintenance of Buildings & Stations	936,585.00	1,428,590.00
Maintenance of Plant & Machinery & Equipment	714,984.00	56,492.00
Motor Vehicle Maintenance	2,902,320.00	2,647,446.00
Miscellaneous & Consumerable Stores	1,477,502.00	852,426.00
Laboratory Consumables	214,890.00	107,335.00
Official Entertainment	691,474.00	365,700.00
Postal and Telegram	958,737.00	811,341.00
Printing & Publication	252,400.00	721,398.00

Purchase of Fungicides	299,264.00	177,115.00
Purchase of Staff Uniform	182,050.00	224,744.00
Purchase of Stationary	1,015,122.00	967,790.00
Rent & Rates	3,819,992.00	3,497,336.00
Telephone Expenses	192,332.00	198,448.00
Training Expenses	3,970,007.00	4,260,869.00
Transport Operating Expenses	4,645,351.00	3,639,368.00
Traveling & Accommodation	8,474,815.00	8,316,580.00
Bad debts written off	-	24,250.00
Increase/Decrease in Provisions	-	6,439.00
	44,320,276.00	44,257,783.00

26. Cash and cash equivalents

	2013-2014	2012-2013
	Shs	Shs
Bank	(299,020.00)	464,756.00
Cash-on-hand and in transit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	(299,020.00)	464,756.00

27. Receivables from exchange transactions

	2013-2014	2012-2013
	Shs	Shs
Current receivables		
Insurance general	-	1,518,833.00
Internet	-	4,382.00
Medical Insurance	924,166.33	1,137,244.00
City Council of Nairobi	292,655.00	150,050.00
PS Ministry lands and Housing	150,000.00	146,335.00
Postage and Mail	24,263.00	-
Office Consumables	82,215.00	-
Service, water and electricity debtors	-	-

Other exchange debtors	1,937,187.00	2,299,722.00
Less: impairment allowance	(3,874.00)	(6,439.00)
Total current receivables	3,406,612.33	5,250,127.00

30. Investments

Investments at Face value (Treasury Bills)	2014	2013
	Shs	Shs
Face value Balance as at 31/06/2013	135,936,791	156,715,790
Addition/Reduction during the year	(55,936,791)	(16,715,790)
Add Advance Interest	754,172	4,063,209
Interest income	5,329,117	
Amount invested.	74,670,883	135,936,791
Investment at Face Value 30 June 2014	80,000,000	140,000,000

34. Trade and other payables from exchange transactions

	2014	2013
	Shs	Shs
1 Telephone accrued expenses	-	37,902.00
4 Juanco Donwoods ltd 8th	-	5,178,707.00
5 Certificate Contractors retention	-	23,787,505.00
6	5,373,028.00	
7 Consultants	-	18,446,505.00
8 Interest in Advance	754,172.00	3,284,210.00
9 Customers	2,204,512.00	
10 Suppliers	2,069,142.00	2,467,700.00
Total	10,400,854.00	53,202,529.00

31. Property, plant and equipment

	Land	Buildings	Computer Equipment	Office Equipment	Office Furniture	Motor Vehicle	Lab Equipment	Total
Depreciation Rate	0%	2%	33.30%	12.50%	12.50%	25%	12.50%	
Cost or valuation								
As at 1 July 2013	35,000,000	106,539,824	9,815,460	3,148,806	3,044,219	47,013,066	18,123,080	222,684,455
Additions	-	-	6,999	38,397	-	-	-	45,396
Transfer from work in progress	-	103,110,556	-	-	-	-	-	-
Revaluation Adjustment	-	-	(7,364,959)	(1,327,203)	1,479,281	(16,013,066)	(16,301,580)	(39,527,527)
As at 30 June 2014	35,000,000	209,650,380	2,457,500	1,860,000	4,523,500	31,000,000	1,821,500	286,312,880
Depreciation								
Balance as at 1 July 2013	-	2,660,951	9,179,253	1,360,874	1,362,482	30,450,035	8,959,844	53,973,439
Charge for the Year	-	4,193,008	-	-	-	-	-	4,193,008
Accumulated Depreciation	-	6,853,959	-	-	-	-	-	6,853,959
As at 30 June 2014	-	6,853,959	-	-	-	-	-	6,853,959
Net Book Value								
Valuation at 30 June 2014	35,000,000	202,796,421	2,457,500	1,860,000	4,523,500	31,000,000	1,821,500	279,458,921
As at 30 June 2013	35,000,000	103,633,529	636,207	1,787,932	1,681,737	16,563,031	9,163,236	168,465,672
Valuation Surplus/Deficit			1,821,293	72,068	2,841,763	14,436,969	(7,341,736)	11,830,357

39. Provisions

	2014	2013
	Shs	Shs
KENAO (Audit Provision for Audit 1 fees)	250,000.00	250,000.00
2 Provision for doubtful debts	3,744.00	-
Total	253,744.00	250,000

41. Capital reserves

Capital reserve relates to a capital item (Leasehold Land less valuation costs) provided by government of Kenya sole shareholder of the entity.

42. Accumulated Surplus

This is the retained net earnings that has accumulated over the financial years

43. Revaluation surplus.

This valuation equity account that is adjusted to a higher level, caused by an upward appraisal of capital assets and a resultant increase in the carrying value of such assets.

48. Prior year adjustments

	2014	2013
	Shs	Shs
Creditors b/d Juanco contech	1,331,729.24	-
Understatement of Buildings	1,555,283.00	-
Total	2,887,012.24	

