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THE AUDITOR-GENERAL

ON

**PYRETHRUM PROCESSING COMPANY
OF KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2021**



PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS



**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021.**

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



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KEY ENTITY INFORMATION

Background information

The Pyrethrum Processing Company of Kenya Ltd is a company registered under the Company's Act CAP 486 currently operating Reg Cert No. 5691 and carrying out the Commercial business of the defunct Pyrethrum Board of Kenya in line with the provision of section 3 (i) of the first schedule on transition provision of Agriculture and Food Authority Act of 2013.

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

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

At the Cabinet level the Company is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock, Fisheries and Cooperatives, who is responsible for the general policy and strategic direction of the Company. The institution is also subject to the provisions of the State Corporations Act (Cap 446) Laws of Kenya.

PPCK is domiciled in Kenya with nineteen Pyrethrum growing counties namely Nakuru, Kiambu, Nyandarua, Nyeri, Laikipia, Meru, Embu, Baringo, Elgeyo Marakwet, West Pokot, Trans-Nzoia, Bungoma (Mt. Elgon), Uasin Gishu, Nandi, Kericho, Bomet, Narok, Nyamira and Kisii.

Principal Activities

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



PPCK MARINDAS SEED PROPAGATION CENTRE-MOLO

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PPCK MOLO NURSERY A CENTRE OF EXCELLENCE

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DIRECTORS

The members of the Board of Directors who served the entity during the year under review were as follows:

	NAME	DESIGNATION	DATE OF APPOINTMENT
1	Eng. George Wachira, MBS	Chairman	28 th March 2021
2	Ms. Mary Moraa Ontiri	Ag. Chief Executive Officer	9 th June 2021
3	Mr. Jenaro Guantai Ithinji	Director	28 th March 2021
4	Ms. Stella Wanjiru W.Karanja	Director	28 th March 2021
5	Mr. Simeon K. Chebwai	Director	28 th March 2021
6	Dr. Lawrence Munene Ngari	Director	28 th March 2021
7	Ms. Nasra G. Kochale	Director	28 th March 2021

NB. CPA Joseph Waweru Muigai served as Ag. Chief Executive Officer from 17th October 2019 to 9th June 2021.

REGISTERED OFFICE

Pyrethrum Processing Company of Kenya Ltd. Hqs
Industrial Area Nakuru
Pareto Road
P.O. BOX 420 - 20100
NAKURU, KENYA

CORPORATE HEADQUARTERS

Pyrethrum Processing Company of Kenya
Industrial Area Nakuru
Pareto Road
P.O. BOX 420 - 20100
NAKURU, KENYA.

CORPORATE CONTACTS

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

CORPORATE BANKERS

Kenya Commercial Bank
Menengai Crater Branch




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Harambee Avenue
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NAIROBI, KENYA

THE BOARD OF DIRECTORS

<p>Chairman of the Board</p>  <p>Eng. George Wachira, MBS Date of Birth: 20th May 1948</p>	<p>Eng. George Wachira has over 34 years in Engineering and consultancy in Public and private sector. He holds a BSc. in Chemical Engineering from University of Surrey and a member of Energy Institute of Kenya. He was awarded Moran of Order of Burning Spear (MBS) in the year 2017 and currently the Director of the Petroleum Focus Consultants.</p>
<p>Director</p>  <p>Mr. Jenaro Guantai Ithinji Date of Birth: 12th December 1969</p>	<p>Mr. Jenaro G. Ithinji holds a M.Ed. in Guidance and Counselling from Egerton University, B.Ed. Kenyatta University. He is currently a senior lead consultant-Management, leadership and corporate governance at African Vocational Education, Research & Consultancy (AVERC). He is a full member of Kenya Institute of Management.</p> <p>Mr. Ithinji was appointed to PPCK Board as an independent director and serves as the Chairperson of Finance, HR & General Purposes Committee and also a member of Technical Committee.</p>
<p>Director</p>  <p>Ms. Stella Wanjiru Karanja Date of Birth: 10th September 1972</p>	<p>Ms. Stella Wanjiru has over 21 years of experience as an entrepreneur. She holds BSc Accounting degree from United States International University, Africa (USIU-A) and a Post Graduate Dip.Educ from University of Nairobi.</p> <p>Currently she is a Director and Chief Executive Officer of Mustard Group of Schools and an independent Director to the PPCK Board which she also serves as the chairperson of the Audit Committee.</p>

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<p>Director</p>  <p>Mr. Simeon K. Chebwai Boen. Date of Birth: 17th May 1962</p>	<p>Mr. Simeon K. Chebwai Boen, holds Diploma in Civil Engineering Kenya Polytechnic, Craft Certificate in Building and Construction, RVIST Certificate in Project Management and Governance at Ms-Training for Development and Cooperation Usariver, Arusha, Tanzania. He has over 25 years' experience in civil engineering field in both public and private sector. He was appointed to the PPCK Board as an independent director and serves as the Chairperson of the Technical Committee and a member in the Finance, HR and General Purposes Committee.</p>
<p>Director</p>  <p>Dr. Lawrence Munene Ngari Date of Birth: 7th June 1959</p>	<p>Dr. Lawrence Munene Ngari has over 35years experience in public service and private sector administration holds a Doctorate degree in Entrepreneurship from University of California Central. He holds a Masters of Business Administration (Entrepreneurship) at Central Creek University, Masters of Science degree (MSc. Life Sciences) University of Indore, India, Bachelor of Science Biology, Chemistry University of Jabalpur, India. Currently he is an independent director to the PPCK Board and a member of the Audit Committee.</p>




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<p>Director</p>  <p>Ms. Nasra G. Kochale Date of Birth 4th April 1992.</p>	<p>Ms. Nasra G. Kochale holds BSc in Public Relation and Diplomacy from Mount Kenya University and Bachelor of Business Administration from Kenya Methodist University. She is a professional banker and served in the National steering committee on revival and revitalisation of cotton and pyrethrum value chains.</p> <p>She is an independent director of PPCK Board and a member of Finance, HR & General Purpose and Technical Committees.</p>
<p>Ag. Chief Executive Officer</p>  <p>Ms. Mary Moraa Ontiri Date of Birth 12th December 1970</p>	<p>Ms. Mary M Ontiri holds a Master's degree in Plant Breeding from Egerton University, Bachelor of Science degree in Agriculture and Home Economics Egerton University. She has worked with Pyrethrum industry for the last 29 years. She formerly worked as GM Technical and Advisory services (PBK), Deputy Director in Miraa Pyrethrum and Other Industrial Crops Directorate under AFA with vast experience in Pyrethrum production, processing and marketing.</p> <p>She has undertaken Senior Management Course and Senior Leadership Development Program at Kenya School of Government. She serves as the Secretary to the Board.</p>

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MANAGEMENT TEAM

Ag. Chief Executive Officer	RESPONSIBILITIES
 <p>Mary Moraa Ontiri MSC (Plant Breeding) BSc (Agriculture) Member (PBAK)</p>	<ul style="list-style-type: none"> • Responsible for the day-to day operations of the organization. • Charged with the responsibilities of safeguarding the company resources as the accounting officer. • Prepare annual budgets and establish proper internal controls.
<p>Crop Research and Production Manager</p>  <p>Ms. Caroline Imbwaga MSC (Agronomy & Rural Dev) BSc (Agriculture) Member (KESAP)</p>	<ul style="list-style-type: none"> • Planning Coordinating and supervising crop research and agronomic services that include tissue culture production, seed production & nursery management • Planning coordinating and supervising crop production and extension services
<p>Ag. Finance Manager</p>  <p>CPA Edward. O. Ochele BBA - Finance (On-going), CPA (K) Member (ICPAK)</p>	<ul style="list-style-type: none"> • Management of company finances and budget implementation in accordance with the PFM act of 2012 and regulation 2015. • Overseeing the operation and function of the Finance department.

<p>Human Resource & Admn Manager</p>  <p>Ms. Elizabeth A. Luby BCom (Human Resource Mgt) Dip -Business Mgt Member (IHRM)</p>	<ul style="list-style-type: none"> • In charge of Human resource and administration department charged with Review & Implementation of Human resource manual. • In charge of Payroll, Administration of Transport, Security and Facilities.
<p>Planning & Strategy Manager</p>  <p>Mrs. Rosaline Chepngeno BSc in Science Post Graduate Dip in Procurement & Supplies Member (KISM)</p>	<ul style="list-style-type: none"> • In charge of planning and strategy of the company. • Preparation of the company annual report and performance contracting
<p>Risk & Audit Manager</p>  <p>Mr. Joel Atuti Nyachiro BA In Economics & Statistics Diploma in Production Mgt</p>	<ul style="list-style-type: none"> • Carry out systems audit in all PPCK Functions. • Safeguarding of PPCK Assets. • Follow-up on External auditor’s management letter and ensure that response is done within the set timeline. • Carry out Risk assessment within PPCK functions and then recommend to management the mitigation measures.

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<p>Production Control & Quality Assurance Manager</p>  <p>MR. Vincent Ouma Dip in Applied Chemistry</p>	<ul style="list-style-type: none"> • Manage and supervise flower processing • Manage and supervise laboratory analytical work • Ensure production of quality products
<p>Product Development & Marketing Manager</p>  <p>Mrs. Winfred Waweru MBA (Strategic Mgt) BCom (Marketing Option) Diploma in Business Mgt</p>	<ul style="list-style-type: none"> • Managing and Coordinating product development projects • Development strategy for promotion of new products • Marketing Pyrethrum and Pyrethrum Products
 <p>Mr. Peter Kaumbuthu MSc. (Procurement). BBM(Supplies). Diploma in Procurement and Supplies. Member (KISM).</p>	<ul style="list-style-type: none"> • Managing overall direction, coordination and evaluation of procurement for the organization • Performing all procurement activities including pre-qualification, negotiating supplier agreements, preparation of contracts and tender management • Developing strong relationships with suppliers and strategic supply partners to improve business

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Pyrethrum Processing Company of Kenya (PPCK) I am pleased to present the 2020/21 annual financial statement. It is important to note that Financial Reports forms the backbone for financial planning, analysis, benchmarking and decision making of the Company. Therefore, quality accounting and reporting frameworks are essential in policy making, and in strategic decision making. The overall performance of the Company is in line with our strategic focus.

The Pyrethrum Processing Company of Kenya Ltd is a Company registered under the Company's Act CAP 486 Laws of Kenya carrying out the commercial functions of the defunct Pyrethrum Board of Kenya in line with the provisions of Section 3 (i) of the first schedule on transition clause of Agriculture and Food Authority (AFA) Act 2013.

The Government of Kenya appointed a new Chairman and Board of Directors with effect from 28th March 2021 through gazette notice No. 2753 of 26th March 2021 and a new Ag. Chief Executive Officer with effect from 9th June 2021. The new Board inherited a huge historical financial burden from the defunct Pyrethrum Board of Kenya brought about by financial constraints including and not limited to actuarial deficit from the underfunding of the wound-up entity of Pyrethrum Board of Kenya Staff Superannuation Scheme in the sum of Kshs 2.02B inclusive of interest, unremitted Sacco dues amounting to Kshs 31M, unremitted payee of Kshs 200M, land rates and rent amounting to Kshs 83M, AFA support Kshs. 223M, Sugar Directorate Kshs. 41M, Tea Directorate 16M, among other creditors.


Pyrethrum influences various aspects of the economy by providing employment, contributes to public health sector, crop protection and animal health and supports livelihoods of many citizens. The subsector agricultural reforms have played a key role in revitalization of the Company through a liberalized economy. Farmers are now able to deliver the crop under a competitive environment and hence earn value for money. The crop is adapted to an altitude range of 1700 to 2900m above sea level and is grown in nineteen Counties namely Nakuru, Kiambu, Nyandarua, Nyeri, Laikipia, Meru, Embu, Baringo, Elgeyo Marakwet, West Pokot, Trans Nzoia, Bungoma (Mt. Elgon) Uasin Gishu, Nandi, Kericho, Bomet, Narok Nyamira and Kisii. The Company lays emphasis on the need to develop the crop through increase in flower

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production, delivery of dry flowers to the factory, prompt payment of farmers and recognizing the farmer as key in the revival strategy. Going forward the Board shall look into the possibility of motivation of farmers through reintroduction of annual pyrethrum bonuses to farmers upon full recovery and realization of surpluses. This is intended to reinstate farmers confidence which shall in turn lead to increase in production and ultimate sustenance of farmer's needs. The subsector is a national asset for social economic development and supports various communities who for a long time have continued to depend on the crop for their livelihoods. PPKK strategic plan focuses mainly on pyrethrum research, planning and information management, corporate governance and institutional framework; securing, protection and revamping of infrastructure, community livelihood improvement; and partnership and collaboration for resource mobilization and capacity development. This will inspire social transformation with regard to the Kenya's economy. Key achievements of the Company include the ongoing development of planting materials, verification of seedling distribution leading to increase in pyrethrum production and, rehabilitation of degraded pyrethrum nurseries in the growing areas, among others.

The Board is therefore committed in ensuring prudent utilization of resources towards sustainable business of pyrethrum as a driving factor in the achievement of the Big Four Agenda. I thank the National Government through the Ministry of Agriculture, Livestock, Fisheries & Cooperatives for their continued support in policy matters, Board of Directors for adding value to the organization, the management and staff for implementing organizational strategies on a day-to-day basis in a diligent and prudent manner. I also thank our valuable pyrethrum growers for the support towards revival of the industry as well as all the stakeholders for their good will.

Finally, I wish to assure you that the Board continues to be guided by the principles of good governance. Your Board recognizes its collective responsibility to ensure that you, the growers, achieve above average sustainable returns on your efforts year after year.


ENG. GEORGE WACHIRA
CHAIRMAN OF THE BOARD

DATE 4th July 2022

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Pyrethrum Processing Company of Kenya Ltd (PPCK) is committed in fulfilling its mandate of production, processing, marketing of pyrethrum and other pyrethrum products, conduct scientific and agronomic research, promote and facilitate production of high yielding planting materials and quality certified pyrethrum seeds for the economic benefit of farmers and the country in foreign exchange earnings.

In the FY 2020/21, the Company undertook various initiatives towards revival such as distribution of planting materials to farmers, increase in advance payment from Kshs 100 to Kshs 200 per kilo of dry pyrethrum flowers, collaborative ventures with the various pyrethrum growing Counties in the Country, initiation of a strategic business development plan, cleared all the outstanding growers' arrears and employed alternative dispute resolution mechanism in settlement of matters outside court. This has had an impact in revival strategy of the Company and enhanced confidence from various stakeholders. The Company has also forged close working relationship with the National Government in securing the interests of the institution through provision of the requisite budgetary allocation and other infrastructural support.

PPCK developed and implemented housing policy, ensured equitable distribution of planting materials and verification mechanism for accountability, rehabilitation of degraded pyrethrum nurseries for generation of planting materials and put in place a corresponding monitoring framework aimed at putting checks and balances in the seedling distribution programs.

As the Ag. Chief Executive Officer, I have provided leadership and guidance to ensure that the Company meets its performance targets, employed best business practices in the pyrethrum fraternity by engaging in prudent and tangible deliverables and harness farmers goodwill in protection and safeguarding their interests. I will also ensure inclusivity of all stakeholders in sustainable development programs for employment, wealth creation, engagement of a participatory business approach and jurisprudence in management.

I am pleased to present the financial results of PPCK for the financial period ended on 30th June 2021. The Company received Kshs 132M for recurrent expenditure and Ksh. 65M as development allocation and a further stimulus package of Kshs 200M from the National

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Government. However, the amount received for development is far below the requirement of the Company. In the financial year under review, the Company continued to deliver on its mandate despite the challenges related to inadequate budgetary allocation. The Company hopes to raise enough resources with the support of the Parent Ministry, the National Treasury and other internally generated revenues.

While PCCK grapples with a far-reaching and comprehensive approach to sustainable management of the Company, we are aware that we need to embrace and strengthen the concept of value addition for generation of improved revenue and articulate our understanding of the critical role the industry plays in the economic wellbeing of the farmer. We shall also strive to provide interactive session so as to play part in corporate social responsibility.

In conclusion, I appreciate the support from the Parent Ministry and guidance of the Board during the year under review. I am grateful for the continued confidence of my management team as well as my fellow staff members and hope the same will continue as the Company recovers.

MARY MORAA ONTIRI

Ag. CHIEF EXECUTIVE OFFICER

DATE 4/07/2022

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/21

PPCK has four strategic pillars/themes /issues and objectives within the current Strategic Plan for the FY 2020-FY 2021 These strategic pillars/issues are as follows:

1. Boost agricultural growth and productivity through
2. Manufacturing
3. Revenue generation
4. Implementation of Pyrethrum Industry Recovery project

PPCK develops its annual work plans based on the above four pillars /Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2020/21 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme /Issues	Objective	Key Performance Indicators	Activities	Achievements
Vision 2030 flagship projects	Boost agricultural growth and productivity through	Production and distribution of high-quality pyrethrum materials	Distribution of seedlings and clonal materials	Distribution of 5.3M seedlings against a target of 3.73M in Central and South Rift regions, 436,279 of clonal materials in South Rift region and raised & distributed 300,000 seedlings in Nyanza region
			Production of quality pyrethrum tissue culture plantlets	Production of 426,665pcs of tissue culture plantlets from own and contracted labs against a target of 550,000
			Increase pyrethrum acreage	Established additional 535acres of pyrethrum crop against a target of 200
			Increase seed fields and nurseries	Established 13acres of seed fields against a target of 50 and 18acres of nurseries against a target of 50. Carried out bulking of

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				materials in three (3) sites namely Limuru, Keroka and Molo in preparation for the NTP in line with KEPHIS guidelines
			Production of high-quality seed	Produced 1,202 kg of seed (342kg of processed and 860kg of unprocessed seed) against a target of 300
		Compliance with pyrethrum regulations	Contracting of growers	Contracted 1,038 new growers against a target of 300 attributed to joint pyrethrum campaign between the national government, Counties and other stakeholders
		No of Collaboration activities	Collaboration with National Government, Counties and other stakeholders	Collaboration with ASDSP, AFA, Nakuru, Kericho, Nyamira, Baringo, Laikipia, Kisii and West Pokot in crop promotion and expansion campaign. The Company further initiated collaboration activities and signed MOU with Egerton University
		Compliance with pyrethrum seed standards	Establishment and management of seed fields and nurseries	Establishment and management of two (2) seed fields at Tetu and Ngongongeri. Facilitation of inspection of seed sites by AFA and KEPHIS and payment of plant breeders' rights
			Maintenance of plant breeder's rights	Maintained plant breeder's rights of the twenty-three (23) pyrethrum varieties and paid annual breeder's rights fees to KEPHIS Fully complied with agronomic practices in seed sowing, seed harvesting, nursery management and

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				flower handling in Limuru, Molo, Tetu and Ngongongeri seed fields
Economic Pillar Big 4 Agenda	Manufacturing	Processing of dry flowers to produce pyrethrum products	Increase purchase of dry flowers	<p>Achieved 60.764MT of dry flowers out of which 50.882MT was processed which yielded 1,555kg of crude extract (OR) at 30.89% pyrethrin content. Pale output was 1,052kg at 25.43%. 500kg of OR was allocated for formulation of end use products.</p> <p>This was a notable increase in flower deliveries by 52% when compared to 40MT achieved in FY 2019/20. This is attributed to monthly payment of growers, settling of outstanding growers' arrears, payment of Ksh 200/kg (2020/21) up from 150/kg (2019/20) as advance for flower deliveries and payment of the balance upon analysis of pyrethrin content. These are efforts the Company has put in place to win grower confidence. The processing RUN was of dry flowers with average pys content of 1.289% on 17th May to 16th June, 2021 which yielded 1,555kg of crude extract (OR)</p> <p>Analysed 1,516 growers' samples within 37hours on delivery to labs. And 37 samples from external customers enabling PPCK to generate revenue</p> <p>Achieved 71.61% extraction efficiency</p> <p>Achieved 80.60% refinery efficiency</p>

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Economic Pillar	Revenue generation	Increase revenue from own source of income	Generate revenue from sale of pyrethrum-based products	Achieved Ksh 44.292M as from sale of technical products against a target of Ksh 81M. Compared to Ksh 3.9M achieved in FY 2019/20. This is attributed to investment in value addition.
	Implementation of Pyrethrum Industry Recovery project	Absorption of Allocated Funds	GOK funding	<p>Received Ksh197M against a target of Ksh 262M out of which Ksh 132M was for recurrent expenditure while Ksh 65M was for development. The variance is attributed to the late disbursement. The government further in its commitment to revive the Pyrethrum Processing Company of Kenya allocated an additional Ksh 200M in Quarter 4 as a stimulus to recovery process under the Big 4 Agenda, thus total GOK funds in FY 2020/21 being Ksh 462M for utilization in both recurrent and development. The allocation for purchase of low-capacity extraction plant (5-10MT) awaits for the Board approval before its utilization</p> <p>Implemented Industry Recovery Project that is being funded by the GOK. The implementation level as at 30th June, 2021 is at 20%</p>

CORPORATE GOVERNANCE STATEMENT

The Pyrethrum Processing Company of Kenya Ltd is a company registered under the Company's Act CAP 486 currently operating Reg Cert No. 5691 and carrying out the Commercial business of the defunct Pyrethrum Board of Kenya in line with the provision of section 3 (i) of the first schedule on transition provision of Agriculture and Food Authority Act of 2013.

a) Board Composition

The Company management vests in its Board of Directors as prescribed under Company's Act. The composition of the Board of the Company in the year under review was as follows:

Name	Membership	Profession
Eng. George Wachira	Board Chair	Engineer
Ms. Stella Wanjiru.	Board Member	Finance & Accounting
Mr. Lawrence M. Ngari	Board Member	Entrepreneur
Mr. Bowen Chebwai	Board Member	Civil Engineer
Ms. Nasra G. Kochale	Board Member	Banking
Mr. Janaro G. Ithinji	Board Member	Management Consultant

Members of the Board other than ex-officio members hold office for a period of three (3) years and are eligible for re-appointment for another term.

The Board Members represent an appropriate skill, experience, gender, diversity and geographical mix to facilitate effective execution of the Company mandate.

b) Board Committees

The Board has delegated its mandate to the standing Committees to enable it effectively carry out its mandate. The Committees of the Board have specific Terms of Reference and were constituted as follows:

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Mwongozo Code of Governance for State Corporations pertaining to attendance and absence from meetings have been adhered to.

Name	Designation	Classification	Board	Special	TC	FHG	AC
Eng. George Wachira	Chairman	Membership	Ⓟ		-	-	-
		Attendance	2/2	1/1	-	-	-
Ms. Stella Wanjiru.	Member	Membership	Ⓟ		-	-	Ⓟ
		Attendance	1/2	#	-	-	3/3
Mr. Lawrence M. Ngari	Member	Membership	Ⓟ		-	-	Ⓟ
		Attendance	2/2	1/1	-	-	3/3
Mr. Bowen Chebwai	Member	Membership	Ⓟ		Ⓟ	Ⓟ	-
		Attendance	2/2	1/1	3/3	3/3	-
Ms. Nasra G. Kochale	Member	Membership	Ⓟ		Ⓟ	Ⓟ	
		Attendance	2/2	1/1	3/3	3/3	-
Mr. Jenaro G. Ithinji	Member	Membership	Ⓟ		Ⓟ	Ⓟ	-
		Attendance	2/2	1/1	3/3	3/3	-
Ms. Mary O. Moraa	CEO	Membership	Ⓟ		Ⓟ	Ⓟ	Ⓟ
		Attendance	#	1/1	3/3	3/3	3/3

Key:

Ⓟ - This is a member of respective committee

- No attendance in full

TC - Technical Committee

FHG -Finance Human Resource & General-Purpose committee

AC - Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

PPCK operates two tissue culture laboratories, one in Muguga within the KEPHIS complex and the other in Molo, which also houses two greenhouses within the KARLO complex. The Molo Pyrethrum Nursery is in a 35-acre land Centre of Excellence managed by the PPCK. Within the Head office PPCK operates two Laboratories, an Entomology laboratory, and a Bioassay laboratory. PPCK has been licenced by Kenya Plant Health Inspectorate Service (KEPHIS) as a registered seed merchant. Seed production, processing and sale is as per the acts governing seed production as envisaged in the Seed and Plant Varieties Act CAP 326.

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

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

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

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

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PPCK has eleven registered products namely

No.	PRODUCT	PCPB REG. NO
1	Refined Pyrethrum pale extract 50%	PCPB(CR)0226
2	Refined Pyrethrum pale extract 25%	PCPB(CR)0227
3	Crude Oleo Resin25%	PCPB(CR)0228
4	Superfine pyrethrum powder 1.3%	PCPB(CR)0229
5	Pylarvex	PCPB(CR)0910
6	Pydust	PCPB(CR)0909
7	Pymos	PCPB(CR)0911
8	Pyagro	PCPB(CR)1278
9	Pynet	PCPB(CR)0912
10	Paresol	PCPB(CR)1965
11	Pareto Roach Spray	PCPB(CR)1953

PRODUCT LIST

PUBLIC HEALTH



1. Paresol (aerosol for mosquito control)
2. Pareto roach spray (aerosol for cockroach and bedbugs control)
3. Pymos (concentrate for indoor mosquito spraying)
4. Pylarvex (larvicide)

TECHNICAL PRODUCTS

1. Pale extract 50%
2. Pale extract 25%
3. Oleo Resin OR 25%

AGRICULTURAL

1. Pyagro (for control of biting and sucking insects e.g caterpillars, aphids, red spider mites, whiteflies) in fruits and vegetables
2. Pydust (grain storage)



Manufactured By:
Pyrethrum Processing Company of Kenya Ltd
P.O. Box 420, Nakuru
Tel: 051-2211567/72 | Fax: 051-2214201
Email: marketing@pyrethrum.co.ke

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

PPCK'S 5 YEARS FINANCIAL PERFORMANCE

DESCRIPTION	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Income	"000"	"000"	"000"	"000"	"000"
Pyrethrum Product Sales	44,292	3,950	31,382	43,885	45,295
Cost of Sales	(41,732)	(16,956)	(30,135)	(146,210)	(187,816)
Gross Deficit	2,560	(13,006)	1,247	(102,325)	(142,521)
Rent	17,659	18,628	16,395	15,309	14,860
Farms	2,833	1,434	497	1,011	1,819
Other Income	6,363	507	951	201	1,149
Other Gains/(losses)	(42,943)	(45,447)	-	-	-
Total Income Before Gok Grants	(13,518)	(37,884)	19,090	(85,804)	(124,693)
Government Grants	397,000	162,000	30,000	99,000	244,000
Total Income with GOK Grants	383,472	124,116	49,090	13,196	119,307
Expenditure					
Operating Expenses	(340,597)	(307,217)	(276,191)	(231,309)	(221,493)
Financial Costs	-	-	-	(46,144)	(45,065)
Total Expenses	(340,597)	(307,217)	(276,191)	(277,453)	(266,558)
Net Profit / Loss	42,875	(183,101)	(227,101)	(264,257)	(147,251)

Processing of Dry Pyrethrum Flowers

For the year under review the company carried one process run of 51 Metric tonnes of dry flowers. The company did not meet the set target of processing 100Metric tonnes of dry pyrethrum flowers the shortfall has been due to; -

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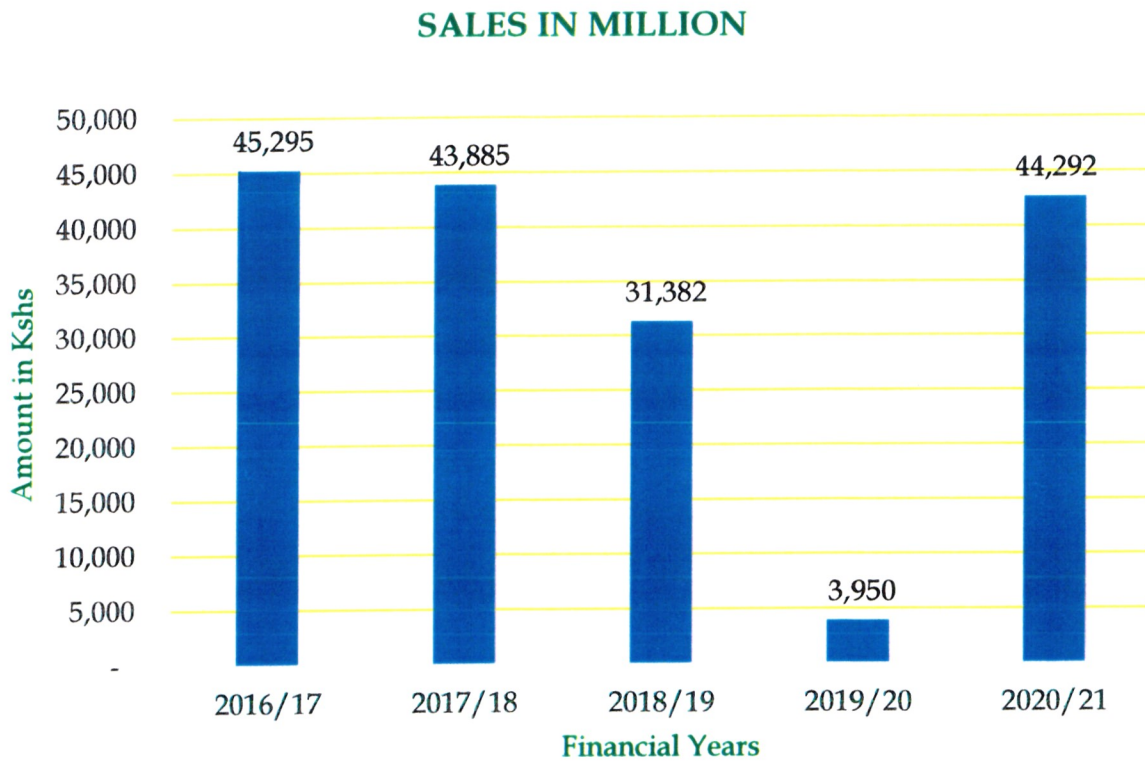
- Attachment & Auctioning of PPCK motor vehicles due to legal cases which affected the general operations of the company in terms of flower collection from the growers.

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

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

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

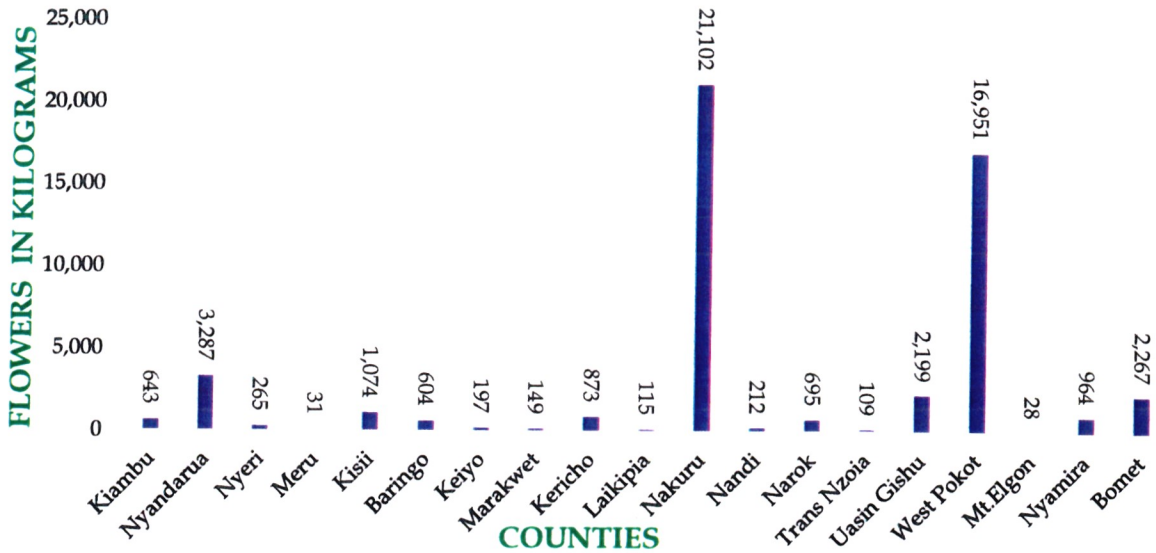
A)



The matrix of flower deliveries to the company from different pyrethrum growing counties. Nakuru County is leading with the highest quantity of flowered delivered to the company and it is followed closely with West Pokot County. From the matrix West Pokot County received more funds in terms of payment distribution because of the high pyrethrin content.

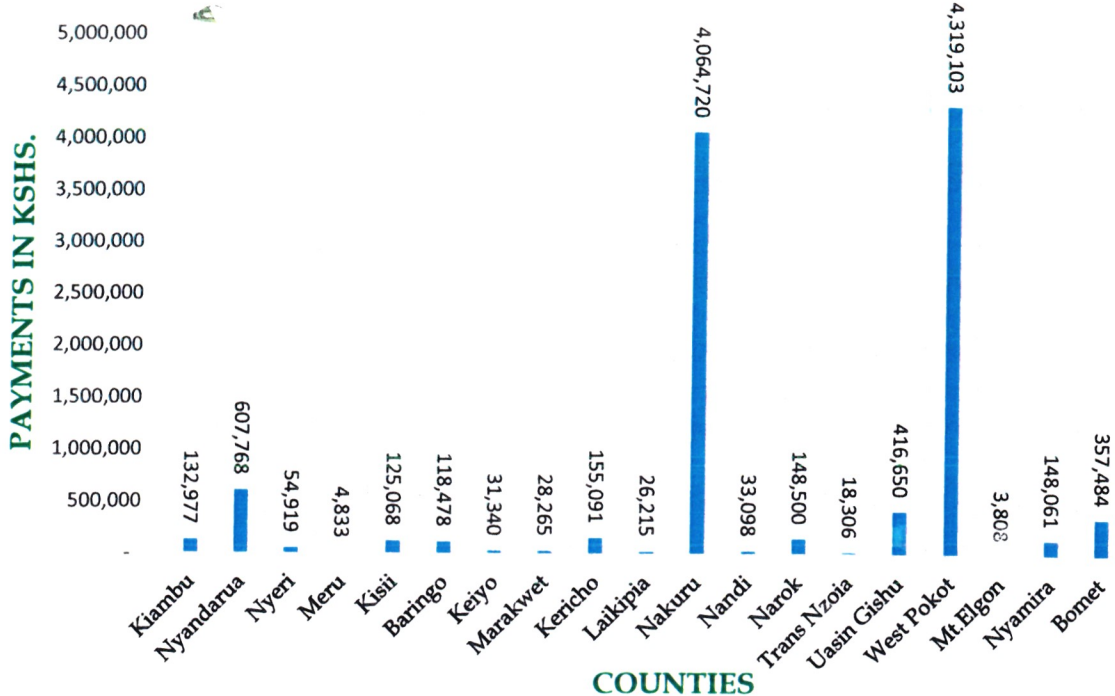
B)

FLOWER DELIVERIES (KGS) PER COUNTY FY 2020/21



C)

GROWERS PAYMENT PER COUNTY IN KSHS. FY 2020/2021



GOING CONCERN CHALLENGE

Without financial injection by the government the above Performance suggests a challenge on the going concern of the company. However, the management anticipates that the government will provide the funds necessary for the revival of the sector and for settling the liabilities of the company. The company has great potential to operate profitably within a short period of time.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

1. SUSTAINABILITY STRATEGY AND PROFILE

i. REVIVAL STRATEGY

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

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

2. ENVIRONMENTAL PERFORMANCE

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

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

3. EMPLOYEE WELFARE

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

Hiring of staff is done through a competitive process taking into account the gender ratio & regional balancing and staff appraisal system is in place.

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

a) Staff engagement

The last time the Company engaged staff through competitive process was in the year 2014 were out of four interviewees, three were male and one female. This indicates that gender ratio is considered highly if the applicants.

b) Training needs assessment

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

c) Performance appraisal

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

4. MARKET PLACE PRACTICES

Responsible competition practice

i) Anti-corruption

There is an environment of integrity in PPCK through use of codes of conduct, which employees are given upon engagement to ensure honest performance. There exists a Corruption Prevention Committee which comprises of Heads of department and an Integrity Assurance Officers (IAOs) committee drawn from across the establishment. They have conducted PPCK risk assessment and put in place a risk mitigation Plan. The organization is in the process of developing operating standards and procedures to ensure customers get consistent products and services.

ii) Fair competition:

Products are subject to demand and supply. Customers have a wide range of products to choose from in the market. Product prices are set by appointed committees comprising of diverse officers along the value chain. This ensures that pricing is objectively done, based on competitive practices on price, quality and customer service.

iii) Respect for competitors

We support some of our competitors in the same business as us by providing the raw material. We then compete on product formulation and selling. This has helped us grow the environment in which our core business of pale production and sale is

needed for us to thrive, attracting more potential customers, and in turn creating more opportunities for all the players in the industry.

iv) Product stewardship

In order to safeguard consumer rights and interests, PPCK ONLY sells registered products. The registration body in Kenya is Pest Control and Products Board which carries out efficacy and toxicological studies on all products before registration. Any product sold internationally has to meet the requisite threshold by the concerned countries regulatory body.

To continuously address any emerging issues on effect of Pyrethrins to humans, animals and environment, PPCK is a member of the Pyrethrin Joint Venture task force in the USA. The taskforce carries out and documents continuous studies on Pyrethrins usage in different spheres. It is the single most comprehensive study bank on Pyrethrins.

(b) Supply chain and supplier relations

PPCK maintains its good business practice as per the (PPADA Regulation 2020 sec44)

- i. Ensuring that all suppliers are prequalified prior to engagement
- ii. Procurements of all goods, works and services are procured through open tendering to ensure the principle of equity, honest and integrity is observed.
- iii. Evaluating, appraising and rating suppliers for the purpose of identifying their competences and capabilities

Honouring Contracts and Payments (PPADA Regulation 2020 sec 39,40,41,42)

- i) Ensuring payment within 30 days from the contract date
- ii) Constituting contract implementation committee to ensure contract implementation and post implementation is effectively managed

Further PPCK create a detailed and upto date supplier database containing contacts, proposals, contracts and capabilities.

(c) Responsible & Ethical Marketing Practices

PPCK is cognizant of the fact that it operates in a society. We strive not to discharge effluent into the societal systems and carry out CSR programmes when cashflow allows.

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

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

(d) Efforts to Safeguard Consumer Rights and Interests

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

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

5. COMMUNITY ENGAGEMENTS

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

Distribution of free planting materials to growers to the listed counties namely; - Nakuru, Narok, Baringo, Kisii, Nyamira, Nyandarua, West Pokot



Planting Material Distribution to Growers in Nakuru Njoro sub-county.

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Planting Materials ready for distribution to Growers



Planting Material Distribution to Growers in Mauche Njoro sub-county

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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, 2021 which show the state of the PPCK.

i. Principal Activities

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

ii. Results

The results of the entity for the year ended June 30,2021 are set out on page 1.

iii. Dividends

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


iv. Directors

The members of the Board of Directors who served during the year are shown on page iv in accordance with PPCK's Articles of Association.

v. Auditors

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

By Order of the Board

Name MARY M. ONTIRI Signature  Date 4/07/2022
Secretary to the Board

STATEMENT OF DIRECTORS' RESPONSIBILITIES.

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2021, and of the Company's financial position as at that date. The Directors further confirm the completeness of the

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

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

Approval of the financial statements.

The Company's financial statements were approved by the Board on 14th / 07 / 2022 and signed on its behalf by:



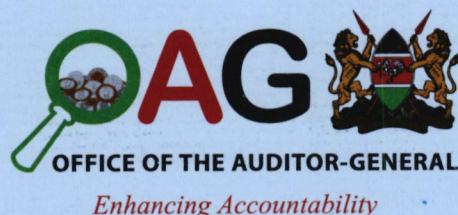
**ENG. GEORGE WACHIRA
CHAIRMAN OF THE BOARD**



**MARY MORAA ONTIRI
Ag. CHIEF EXECUTIVE OFFICER**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON PYRETHRUM PROCESSING COMPANY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Pyrethrum Processing Company of Kenya set out on pages 1 to 29, which comprise of the statement of financial position

as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Pyrethrum Processing Company of Kenya as at 30 June, 2021, 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

Basis for Qualified Opinion

1. Unsupported Bank Balance

As disclosed in Note 16 to the financial statements, the statement of financial position reflects bank and cash balance of Kshs.130,343,000. Included in the balance is an amount of Kshs.33,000 held in CFC Stanbic account. However, the balance was not supported with certificate of bank balance, cash book and bank reconciliation statements.

In the circumstances, the existence, accuracy and completeness of the bank balance of Kshs.33,000 included in cash and cash equivalent could not be confirmed.

2. Property, Plant and Equipment

As disclosed in Note 11 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.5,520,651,000. As previously reported, examination of records revealed the following unsatisfactory matters:

2.1. Land without Legal Ownership Documents

Included in property plant and equipment balance is net book value for land of Kshs.4,535,050,000 which further includes eighteen (18) parcels of land with a net book value of Kshs.354,340,000 which are not registered in the name of the Company. Further, the balance includes Nyandarua/Mawingu farm measuring 35 acres, leased out to Agricultural Food Authority (AFA). However, documents indicating the terms of the lease were not provided for audit verification.

2.2. Idle Extraction Plant

Included in the property, plant and equipment is an extraction plant purchased and installed in the year 2006 at a cost of Kshs.305,872,000 that has never been commissioned. Although the Management has explained that the machine was purchased in anticipation of an increase in flower deliveries to the factory and that the plant will be commissioned in future once the industry is revived, evidence to indicate the steps taken to revive the industry was not provided. Further, technological changes

and wear and tear are bound to adversely affect the idle machines and may result in the loss of funds invested in the asset.

2.3. Dilapidated Buildings

Included in the property, plant and equipment balance of Kshs.5,520,651,000 are rental houses and offices with a net book value of Kshs.640,747,000. However, physical verification revealed that the rental houses and offices were dilapidated.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment, balance of Kshs.5,520,651,000 could not be confirmed.

3. Trade and Other Receivables

As disclosed in Note 15 to the financial statements, the statement of financial position reflects trade and other receivables totalling Kshs.222,905,000. It was however noted that was a material increase of Kshs.4,433,000 in growers' debtors from Kshs.37,710,000 as at 30 June, 2020 to Kshs.42,143,000 as at 30 June, 2021. Although the Management attributed the increase to advances paid to the farmers before delivering their produce, it lacks a documented credit policy to manage the debts. Further, the balance includes other debtors amount of Kshs.118,357,000 which further includes rent arrears of Kshs.29,157,310 that had been outstanding for more than one year. The Management has not explained any effort taken to recover the rent arrears.

In addition, Management made a provision for bad debts of Kshs.56,241,000. However; it is not clear how the provision was arrived at as the Company's policy for provision for bad debts was not disclosed under significant accounting policies.

In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs.222,905,000 could not be confirmed.

4. Long Outstanding Trade Payables and Provisions

The statement of financial position reflects trade and other payables balance of Kshs.1,300,741,000 as disclosed in Note 18 to the financial statements. Included in the balance is trade payables and provisions amount of Kshs.998,162,000 which further includes long outstanding unremitted PAYE deductions of Kshs.155,727,146 and other salary clearances of Kshs.13,262,968. Unremitted PAYE continue attracting interest and penalties in line with the provisions of Section 37 (2) of the Income Tax Act Cap 470 of the Laws of Kenya. The balance also includes other payables to Agriculture and Food Authority of Kshs.223,127,000, Sugar Directorate of Kshs.41,493,000 and Tea Directorate of Kshs.16,030,000. Further, the Company has not made any provision for penalties and interest chargeable as a result of failure to remit the deductions to the relevant authorities on time.

In the circumstances, failure to meet obligations relating to trade and other payables exposes the Company to litigations and increased costs of penalties and interest.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Pyrethrum Processing Company of Kenya

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report for 2019/2020 financial year, several issues were raised and which have remained unresolved. However, contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board template for Public Sector Entities reporting under International Financial Reporting Standards (IFRS) Framework, the Management did not attach an appendix to the financial statements indicating the action taken on the auditor's recommendations.

Other Information

The Directors are responsible for the other information, which comprises the chairman's report, directors' report, the statement of corporate governance, management discussions and analysis, statement of environmental and sustainability reporting, corporate social responsibility statement and the statement of directors' responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with the Law on Ethnic Composition

Review of the Company employees' ethnic composition as at 30 June, 2021 revealed that a single ethnic community had a 38% representation in the staff composition of the Company. This is contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which stipulates that, "No public establishment shall have more than one third of its staff from the same ethnic community."

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Human Resource Policy

Review of records revealed that the Pyrethrum Processing Company of Kenya had not developed new human resource policy but relied on the human resource policy developed in the year 2010 of the defunct Pyrethrum Board of Kenya.

In the circumstances, Management may not be able to prepare and manage its human resource needs in a changing business environment or successfully achieve its core mandate.

2. Lack of Approved ICT Strategic and Disaster Recovery Plans

Review of the Company's information technology systems revealed that it uses an accounting software to manage its accounting functions. However, the operating system and accounting software are outdated and user support from the patent holders of both operating system and accounting software ceased in the years 2002 and 2006

respectively. Further, the Company did not have approved ICT Strategic and Disaster Recovery Plans. Its ICT interventions were therefore not aligned with the Company's strategic needs.

In the circumstances, the Company may be exposed to risk of errors, fraud and the loss of data confidentiality, integrity and availability.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Company's Act, I report based on my audit, that:

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Kenyan's Companies Act and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Company'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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 Company'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 Company 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 September, 2022

PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30TH JUNE 2021.**


	NOTE	JUNE 2021 Kshs '000'	JUNE 2020 Kshs '000'
REVENUES			
Sales	5	44,292	3,950
Cost of Sales	6	<u>(41,732)</u>	<u>(16,956)</u>
GROSS SURPLUS/(DEFICIT)		<u>2,560</u>	<u>(13,006)</u>
Grants from National Government	7	397,000	162,000
Other Income	8	26,855	20,569
Differed Pyrethrin Loss		(45,264)	(45,264)
Other Gains/Losses	14	<u>2,321</u>	<u>(183)</u>
TOTAL REVENUES		<u>383,472</u>	<u>124,116</u>
OPERATING EXPENSES			
Administration Costs	9(a)	(334,775)	(305,132)
Selling & Distribution costs	10	<u>(5,822)</u>	<u>(2,088)</u>
TOTAL OPERATING EXPENSES		<u>(340,597)</u>	<u>(307,220)</u>
OPERATING SURPLUS/ DEFICIT		<u>42,875</u>	<u>(183,104)</u>

PYRETHRUM PROCESSING COMPANY OF KENYA
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STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	NOTE	2021 Kshs '000'	2020 Kshs '000'
ASSETS			
Non-current Assets			
Property, plant and equipment	11	5,520,651	5,608,193
Intangible assets	12	525,000	525,000
Fixed Interest investments (Euro bank Ltd)	20	150,000	150,000
Deferred Pyrethrin costs	22	724,225	769,489
Biological Assets	14	<u>7,474</u>	<u>5,153</u>
Total Non-Current Assets		<u>6,927,350</u>	<u>7,057,835</u>
Current Assets			
Inventories	13	214,221	216,343
Trade and Other receivables	15	222,905	217,714
Bank and Cash balances	16	130,343	3,185
Total Current Assets		<u>567,469</u>	<u>437,243</u>
TOTAL ASSETS		<u>7,494,819</u>	<u>7,495,077</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
PBK Stock units	23	32,891	32,891
Levy fund	24	96	93
Accumulated Capital Fund		318,158	318,158
General Reserve		(71,758)	(114,634)
Revaluation reserve		<u>5,764,691</u>	<u>5,764,691</u>
Capital and Reserves		<u>6,044,078</u>	<u>6,001,199</u>
Capital and Reserves			
Non-current Liabilities			
Long Term Provision (Euro Bank Ltd)	20	<u>150,000</u>	<u>150,000</u>
Total Non-current Liabilities		<u>150,000</u>	<u>150,000</u>
Current Liabilities			
Trade and Other Payables	18	<u>1,300,741</u>	<u>1,343,878</u>
Total Current Liabilities		<u>1,300,741</u>	<u>1,343,878</u>
TOTAL EQUITY AND LIABILITIES		<u>7,494,819</u>	<u>7,495,077</u>

The Financial Statements were Approved by the Board on...../...../2022 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER
MARY MORAA ONTIRI.



FINANCE MANAGER
CPA EDWARD OCHELE
ICPAK M/NO: 16703



CHAIRMAN OF THE BOARD

**PYRETHRUM PROCESSING COMPANY OF KENYA
ANNUAL REPORTS AND FINANCIAL STATEMENTS
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2021

	PBK Stock	Levy Fund	Accumulated Capital Fund	General Reserve	Revaluation reserve	Total
	"000"	"000"	"000"	"000"	"000"	"000"
At June 2019	32,891	87	318,158	444,708	5,764,691	6,560,535
Transfer of excess depreciation	-	-	-	-	-	-
Total comprehensive income (deficit)	-	-	-	(183,104)	-	(183,104)
Accumulated Depreciation w/ off	-	-	-	505	-	505
Levy Charge for the year	-	6	-	-	-	6
Motor Vehicles W/Off	-	-	-	(1,515)	-	(1,515)
Prior year adjustment	-	-	-	(375,228)	-	(375,228)
At June 30, 2020	32,891	93	318,158	(114,634)	5,764,691	6,001,199
At July 1, 2020	32,891	93	318,158	(114,634)	5,764,691	6,001,199
Transfer of excess Depreciation	-	-	-	-	-	-
Total comprehensive income	-	-	-	42,875	-	42,875
Levy Charge for the year	-	3	-	-	-	3
At June 30, 2021	32,891	96	318,158	(71,758)	5,764,691	6,044,078

PYRETHRUM PROCESSING COMPANY OF KENYA
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	NOTE	2021 Kshs '000'	2020 Kshs '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated From Operations	19	129,230	611
Cash flows from investing activities			
Purchase of P.P & E	11	<u>(2,075)</u>	<u>(340)</u>
Net cash flows used in investing activities		(2,075)	(340)
Cash flows from financing activities			
Levy fund		<u>3</u>	<u>6</u>
Net cash flows used in financing activities		3	6
Net increase/(decrease) in cash and cash equivalents		127,159	277
Cash and cash equivalents at beginning of the year		<u>3,185</u>	<u>2,909</u>
Cash and cash equivalents at the end of the year	16	<u>130,343</u>	<u>3,185</u>

**PYRETHRUM PROCESSING COMPANY OF KENYA
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2021.

Description	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance Difference		% Of Utilization
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	
Sale of goods	112,280	112,280	(31,280)	(31,280)	81,000	81,000	44,292	44,292	(36,708)	(36,708)	55%
Transfers from the Government	384,000	384,000	78,000	78,000	462,000	462,000	397,000	397,000	(65,000)	(65,000)	86%
Other income	38,294	38,294	-	-	38,294	38,294	29,176	29,176	(9,118)	(9,118)	76%
Total income	534,574	534,574			581,294	581,294	470,468	470,468	110,826	110,826	
Expenses											
Compensation of employees	162,000	162,000	-	-	162,000	162,000	147,159	147,159	14,841	14,841	91%
Use of goods and services	98,684	98,684	-	-	98,684	98,684	41,732	41,732	56,952	56,952	42%
Other payments	265,823	265,823	50,000	50,000	315,823	315,823	238,702	238,702	77,121	77,121	76%
Total expenditure	526,507	526,507	-	-	576,507	576,507	427,593	427,593	148,914	148,914	
Surplus/Deficit for the period	8,067	8,067	-	-	4,787	4,787	42,875	42,875	(38,088)	(38,088)	

- a). During the financial year under review the targets for raw material was reviewed by the management due to low volume of dry flower deliveries to the factory.
- b). In the period under review the government allocated Kshs.200M to PPCK as stimulus package to aid the Pyrethrum Industry Recovery process.
- c). The movement in other payments expenses was due to reallocation of funds received from the government, (b) above.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of Property, Plant and Equipment. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the PPCK - Pyrethrum Processing Company of Kenya's accounting policies.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an	The amendments are effective for annual periods beginning on or after

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Title	Description	Effective Date
	entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2021.*

Title	Description	Effective Date
IAS 1 – Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 – Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property,	The amendments are effective for annual periods beginning on or after

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Title	Description	Effective Date
	plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	January 1, 2022. Early application is permitted.
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 – Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 – First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 – Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is

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Title	Description	Effective Date
	method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 - Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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 company's financial statements.

iii. Early adoption of standards

The entity did not early - adopt any new or amended standards in year 2020/2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenue recognition

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

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

B Property, Plant and Equipment

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

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

The revaluation was done by Ebony Estates. Ltd. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

C Depreciation and impairment of property, Plant, and equipment

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

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

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

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

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

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

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

D Intangible assets

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

E Amortisation and impairment of Intangible assets

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

F Inventories.

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

G Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

H Cash and cash equivalents

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

I Borrowings

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

J Trade and other payables

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

K Retirement benefit obligations

The former Pyrethrum Board of Kenya was operating a defined contribution scheme for all full-time employees, Pyrethrum Board of Kenya Staff Superannuation scheme which was wound up on 1st December 2016 and a liquidator was appointed. For the current staff the

company has identified a new scheme under ICEA Lion Group of which contributions are being remitted as required by the Retirement Benefits Authority.

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

L. Provision for staff leave pay

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

M. Exchange rate differences

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

N. Budget information

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Pyrethrum Processing Company upon receiving the respective approvals in order to conclude the final budget.

The *Pyrethrum Processing Company* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the

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

O. Comparative figures

In accordance with IAS 8 "*Presentation of Financial Statements*", comparative information in respect of the previous period (i.e., 2019-2020) for all amounts reported in the financial statements has been disclosed.

P. Subsequent events

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

Q. Financial risk management

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

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

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

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

The Company has several court awards against it and other cases that are pending in court. To minimise this risk, the Company made a provision in its annual 2020-21 budget to cater for legal expenses.

Commodity risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020-2021	2019-2020
	Kshs	Kshs
	'000'	'000'
5 REVENUE		
Powder local	-	20
O.R Extracts Local	-	2
Pale Exports 25%	29,036	-
Pale Local 25%	10,500	1,060
Marc Local	2,311	1,630
Product Development General	2,445	1,238
TOTAL	<u>44,292</u>	<u>3,950</u>
<p>The revenue generated for the period under review was from processing of 50metric tonnes of dry pyrethrum flowers.</p>		
6 COSTS OF SALES		
Opening inventories	141,324	107,073
Add: Manufacturing costs		
Purchase of Pyrethrin		14,86
	11,405	5
Processing and refining costs	18,945	17,782
Purchase of Oleoresin (OR)	-	18,560
Total	171,674	158,280
Less: Closing inventories	(129,942)	(141,324)
Cost of sales	<u>41,732</u>	<u>16,956</u>
7. GRANTS FROM NATIONAL GOVERNMENT		
Recurrent grants received	332,000	132,000
Capital grants received	<u>65,000</u>	<u>30,000</u>
	<u>397,000</u>	<u>162,000</u>

PPCK was allocated Ksh130M Capital grants in the FY 2020/21 Budget, for the Period under review the company received 65M and the balance was received in the FY 2021/22

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2020-2021
Kshs
'000'

2019-2020
Kshs
'000'

Analysis of Grant Received during the Year 2020/2021

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total Grant income during the year.	
				2020-2021	2019-2020
				KShs	KShs
Ministry of Agriculture State Department of Crops Development	397,000	-	-	397,000	162,000
Total	397,000	-	-	397,000	162,000

8. OTHER INCOME

Rent	17,659	18,628
Farms	2,833	1,434
Others (Sale of seeds, Drying Charges etc.)	<u>6,363</u>	<u>507</u>
	<u>26,855</u>	<u>20,569</u>

9.(a) ADMINISTRATION COSTS

Staff Costs (Note 8b)	143,027	142,220
Electricity and Water	247	70
Maintenance	7,113	3,421
Security	981	974
Travelling and Subsistence	14,683	7,190
Director's Emoluments	1,032	-
Exgratia	5,817	5,434
Gratuity	9,827	1,766
Auditors' Remuneration	580	580
Rent, Rates	4,883	39,569
Insurance	2,261	-
Depreciation	89,617	89,589
Entomology expenses	84	45
Legal fees & Court Awards	7,142	2,076
Other operating Expenses	<u>47,481</u>	<u>12,198</u>
Total	<u>334,775</u>	<u>305,132</u>

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	2020-2021 Kshs '000'	2019- 2020 Kshs '000'
9(b) STAFF COSTS		
Salaries for Permanent & Pensionable employees	114,336	119,161
Salaries Staff on Contract	25,247	21,561
Overtime Hrs	<u>3,444</u>	<u>1,498</u>
	<u>143,027</u>	<u>142,220</u>
 AVERAGE NUMBER OF EMPLOYEES		
Permanent Employees -Management	51	55
Permanent Employees- Unionisable	105	109
Temporary and Contracted Employees	<u>83</u>	<u>81</u>
	<u>237</u>	<u>245</u>
 10. SELLING AND DISTRIBUTION COSTS		
Shows & Exhibitions	58	928
Sales Promotions	-	289
Other selling and Distribution costs	5,147	871
Distributions	<u>617</u>	-
	<u>5,822</u>	<u>2,088</u>

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11. PROPERTY, PLANT AND EQUIPMENT

ITEM	LAND '000'	BUILDINGS '000'	PLANT AND MACHINERY '000'	C WIP '000'	MOTOR VEHICLES '000'	FURNITURE '000'	EQUIPMENT '000'	COMPUTERS '000'	TOTAL '000'
COST/VALUATION									
1ST JULY 2019	4,535,050	692,700	529,879	-	19,751	3,549	6,730	914	5,788,573
Additions	-	-	-	-	-	28	15	297	340
Disposals	-	-	-	-	-	-	-	-	-
Adjustment MV W/ off	-	-	-	-	(1,515)	-	-	-	(1,515)
As at 30 June 2020	4,535,050	692,700	529,879	-	18,236	3,577	6,745	1,211	5,787,398
1ST JULY 2020	4,535,050	692,700	529,879	-	18,236	3,577	6,745	1,211	5,787,398
Additions	-	-	-	1,961	-	-	-	114	2,075
Disposals	-	-	-	-	-	-	-	-	-
Adjustment MV W/ off	-	-	-	-	-	-	-	-	-
As at 30 June 2021	4,535,050	692,700	529,879	1,961	18,236	3,577	6,745	1,325	5,789,473
DEPRECIATION									
1ST JULY 2019	-	17,318	66,309	-	4,938	442	841	274	90,122
Charge for the Year	-	17,318	66,309	-	4,313	443	842	363	89,588
Disposal	-	-	-	-	-	-	-	-	-
Adjustment MV W/ off	-	-	-	-	(505)	-	-	-	(505)
As at 30th June 2020	-	34,636	132,618	-	8,746	885	1,683	637	179,205
1ST JULY 2020	-	34,636	132,618	-	8,746	885	1,683	637	179,205
Charge for the Year	-	17,318	66,309	-	4,313	445	843	389	89,617
Disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2021	-	51,954	198,927	-	13,059	1,330	2,526	1,026	268,822
NET BOOK VALUES									
30TH JUNE 2021	4,535,050	640,747	330,952	1,961.00	5,177	2,247	4,219	299	5,520,651
30TH JUNE 2020	4,535,050	658,064	397,261	-	9,490	2,692	5,062	574	5,608,193

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12. INTANGIBLE ASSETS

	2020-2021	2019-2020
COST	Kshs"000"	Kshs"000"
At July 1	525,000	525,000
Additions	-	-
Disposals	-	-
At June 30	525,000	525,000
REVALUATION		
At July 1		
Charge for the year		-
Loss on Valuation		-
Impairment loss	-	-
Adjustment	-	-
At June 30	525,000	525,000
NET BOOK VALUE		
As at June 30,2021	525,000	525,000

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

	2020-2021	2019- 2020
13. INVENTORIES	Kshs	Kshs
	"000"	"000"
Dry Pyrethrum flowers	1,979	3
Pyrethrum grist & powder	15	15
Pymarc	3	672
Crude pyrethrum extract (OR)	5,445	8,849
Pale Pyrethrum extract	15,008	23,859
End use products	3,324	3,758
Other pyrethrum products	<u>104,168</u>	<u>104,168</u>
Sub-total	<u>129,942</u>	<u>141,324</u>
Engineering spares & accessories	<u>84,279</u>	<u>75,019</u>
TOTAL	<u>214,221</u>	<u>216,343</u>

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	2020-2021	2019-2020
	Kshs	Kshs
	'000'	'000'
14. BIOLOGICAL ASSETS		
Livestock	634	360
Tea Bushes	<u>6,840</u>	<u>4,793</u>
	<u>7,474</u>	<u>5,153</u>
<p>During the period under review there was a gain in fair value of biological assets amounting to Kshs. 2,321,000 as per the valuation report. The valuation of biological assets was carried out by County Government of Nakuru Ministry of Agriculture Livestock & Fisheries and report issued for the purpose of incorporating in the current year Financial Statements' FY 2020/2021.</p>		
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	61,853	61,853
Kenya power deposit	2,500	2,500
Abortive Nairobi Show	7,180	7,180
Deposit held by courts	4,454	4,454
Growers' debtors	42,143	37,710
Staff debts	42,659	42,652
Other debtors	118,357	117,606
Gross trade and other Receivables	279,146	273,955
Provision for bad and doubtful receivables	<u>(56,241)</u>	<u>(56,241)</u>
Net trade and other receivables	<u>222,905</u>	<u>217,714</u>
16 (a) CASH AND CASH EQUIVALENTS		
Float	59	32
Rent Account	3,626	324
Operation Account	4,450	2,770
Growers Account	122,016	2
Assets Disposal Account	4	9
Foreign Account	110	12
CFC Stanbic Account	33	33
Other Bank Account	45	3
	<u>130,343</u>	<u>3,185</u>

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

Financial Institution		2020-2021	2019-2020
Kenya Commercial bank	Account number	Kshs	Kshs
a) Current account		'000'	'000'
Rent Account	1153031779	3,626	324
Growers Account	1153031493	122,016	2
Asset Disposal Account	1153031930	4	9
USD Account	1153032171	105	4
EUR Account	1153032422	5	8
Operation Account	1153031337	4,450	2,770
Other bank Account		104	35
Other Bank Account			
Cfc Stanbic Bank Account	014/00/300349/01	33	33
Sub- Total		130,343	3,185
Grand Total		130,343	3,185

17. REVALUATION RESERVE

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

18. TRADE AND OTHER PAYABLES

	Kshs	Kshs
	'000'	'000'
Trade Payables and Provisions	998,162	1,041,575
Payable to AFA HQ	223,127	223,127
Payable to Sugar Directorate (AFA)	41,493	41,493
Payables to Tea Directorate (AFA)	16,030	16,030
Amounts due to Growers	<u>21,929</u>	<u>21,653</u>
	<u>1,300,741</u>	<u>1,343,878</u>

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19. NOTES TO THE STATEMENT OF CASH FLOWS	2020-2021	2019-2020
	Kshs	Kshs
	'000'	'000'
Reconciliation of operating profit/(loss) to Cash generated from/ (used in) operations		
Operating profit/ (loss)	42,875	(183,101)
Depreciation	89,617	89,588
Differed Pyrethrin Loss	45,264	45,264
Loss/(Gains) from changes in fair value of biological assets	<u>(2,321)</u>	<u>183</u>
Operating profit/ (loss) before working capital changes	<u>175,435</u>	<u>(48,066)</u>
(Increase)/Decrease in Inventories	2,122	(35,500)
(Increase)/Decrease in trade and Other Receivables	(5,191)	(25,266)
Increase/ (Decrease) in Trade and Other Payable	(43,137)	484,670
Other Liabilities	-	<u>(375,227)</u>
Cash generated from/ (used in) Operations	<u>129,230</u>	<u>611</u>

20. INVESTMENT IN EURO BANK

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

21. INCORPORATION.

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

22. DEFERRED PYRETHRINS COSTS.

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

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

	JUNE 2020-2021	JUNE 2019-2020
	Kshs '000'	Kshs '000'
Balance at beginning of the year	769,489	814,753
Write off for the year	<u>45,264</u>	<u>45,264</u>
Balance at end of the year	<u>724,225</u>	<u>769,489</u>

23. PBK STOCK UNITS ISSUED

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

24. LEVY FUND

Under the provisions of the Pyrethrum Act the Minister of Agriculture imposed a levy on all pyrethrum grown or cultivated in Kenya. The levy is at the rate of 6.6 cents per kilogram of dry pyrethrum flowers delivered to the Company. The levy valued at Kshs 95,940.00 FY 2020/21 is held as fund pending issuance of PPCK units thereof.

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25. PYRETHRUM BOARD OF KENYA STAFF SUPERANNUATION SCHEME.

There was a court process of which appointed the liquidator through the Office of AG Pyrethrum Board of Kenya superannuation scheme was wound up on 1st December 2016 and a liquidator was appointed. Actuarial valuation of the scheme was undertaken which currently stands at Kshs 2.02Billion.

26. RESTATEMENT OF FINANCIAL STATEMENTS

During the financial year 2020-21, the company discovered some errors in the financial statements for the year 2019-20 which warranted adjustment in order to reflect a fair presentation of the financial statements of PPCK. In accordance with IAS 8; "Accounting Policies, Changes in Accounting Estimates and Errors " comparative figures were therefore restated in order to correct material errors and estimates that were identified after the financial statements were authorised for issue. These restated balances relating to prior year adjustments includes; -

a) Administration Costs

The comparative figure of Kshs. (305,129,000) was adjusted to Kshs. (305,132,000) as per the financial statements due to changes in various ledgers that resulted from accrued expenses that had not been captured in the system of Ksh. (3,000).

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Administration costs	305,129	3	305,132

b) Inventories

The comparative figure of Kshs. (216,346,000) was adjusted to Kshs. (216,344,000) as per the financial statements due to changes in various ledgers that resulted from accrued expenses that had not been captured in the ledgers of Ksh. 3,000.

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
Inventories	216,346	3	216,343

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c) General Reserve

The comparative figure of Ksh. 114,631,000 as per the records was adjusted to Kshs. 144,634,000 as per the financial statements due to changes in various ledgers which reduced the general reserve by Kshs (3,000).

Particulars	Certified amount (Kshs. '000')	Adjustment (Kshs. '000')	Restated amount (Kshs. '000')
General Reserve	114,631	3	114,634

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APPENDIX 1: INTER ENTITY TRANSFERS FINANCIAL YEAR 2020-2021

STATE DEPARTMENT OF CROP DEVELOPMENT			
DEVELOPMENT GRANTS			
	BANK STATEMENT DATE	AMOUNT(KSHS)	
		'000'	
	10/09/2020	65,000	
	Sub-Totals	65,000	
RECCURENT GRANTS			
	20/08/2020	11,000	
	10/09/2020	11,000	
	05/10/2020	11,000	
	12/11/2020	33,000	
	09/02/2021	33,000	
	05/05/2021	200,000	
	18/05/2021	33,000	
	Sub-Totals	332,000	
GRAND TOTALS		397,000	

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APPENDIX 2: END YEAR REVIEW CHECKLIST.

Ref.	Ensure the following for the financial statements prepared for the year Ended 30 th June 2021	Comment
1	Financial Statements i. Financials statements are prepared using the applicable reporting framework, IFRS or IPSAS Accrual as prescribed by the PSASB.	Complied
2	Trial Balance i. The trial balance is balancing and has been used to prepare the latest financial statements.	Complied
	ii. All known adjustments effected before running the final trial balance	Complied
3	General Ledgers i. For all general ledgers cut-off procedures have been observed.	Complied
	ii. Financial Statement items should be recognized in the relevant accounting period.	Complied
	iii. Any suspense account should be cleared.	Complied
4	Accounting Policies i. Accounting policies adopted by the entity are in line with the entity's reporting finance manual and comply with the respective adopted reporting framework	Complied
	ii. Only relevant accounting policies should be included in the financial statements	Complied
5	Cash and cash equivalent: Bank balance i. Ensure that bank reconciliations for the whole year have been prepared, reviewed and approved as per the organization's manual.	
	ii. Ensure that the bank reconciliation does not include invalid reconciling items such as stale checks or bank charges that should be recorded as expenses in the general ledger	
	iii. Cash balance	Complied
	iv. Carry out a cash count ensuring that entity personnel independent from the one in charge of cash is present and signs off on the petty cash certificate.	Complied
	v. Ensure that the petty cash reconciliation opening balance agree to the previous cash count and the closing balance agrees to the petty cash certificate at the end of the fiscal period	Complied

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6	Investments: Short term deposits	N/A
	i. Check and ensure that all deposits have certificates and have been recorded in the system	
	ii. Ensure the investments schedule clearly shows the amount of principal, no. of days held, interest earned at the earlier of date of maturity or period end.	
	iii. Ensure that the interest income earned is correctly recorded in the general ledger	
	iv. Ensure that the accrued interest at the end of the year is accurately computed and recorded	
	v. Review the investment schedule and ensure that all computations have been done	
7	Receivables	Complied
	i. Ensure that there is an aged receivables listing that agrees to the general ledger/ trial balance	
	ii. Ensure that all provisions made are appropriately approved and are as per entity's policy	
	iii. Ensure that the evidence of following up on long outstanding balances is available	
	iv. Document credit risk management for the receivables as at the end of closing period.	
8	Inventories	Complied
	i. Ensure that an inventory count is conducted and the results match what is recorded in the general ledger/ trial balance	
	ii. Ensure that all variances arising from the result above are well explained	N/A
	iii. Ensure that any impairments in value are accurately computed and presented in the trial balance	N/A
9	Property plant and equipment & Intangible assets	Complied
	i. Ensure the fixed assets register is up to date and agrees with the fixed asset movement and eventually to the general ledger / trial balance	
	ii. Conduct a verification exercise and ensure that all assets that are impaired are provided for;	N/A
	iii. Ensure all assets that are being held as collateral for the entity borrowing are clearly identified and documented in the fixed asset file	N/A
	iv. Update the list of fully depreciated asset and their condition as at the end of the reporting period	N/A
	v. Any work in progress included under PPE should be detailed and confirmed that indeed it was not complete as at the end of fiscal year	N/A
	vi. Confirm adequacy of insurance for all the assets held	Complied

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	vii. Prepare a fixed asset movement schedule	Complied
	viii. Ensure that the movement schedule agrees to the following;	Complied
	ix. The opening balances on both cost and accumulated depreciation agrees to the prior year signed financial statements	Complied
	x. The depreciation charge for the year agrees to the depreciation in the statement of financial performance	
	xi. The net book value agrees to the amount disclosed in the Statement of Financial Position	
10	Biological assets i. Perform a count at the end of the period	Complied
	ii. Ensure that the fair value is computed accurately and that all assumptions are well documented	
	iii. Ensure that the fair value adjustments have been accurately passed to reflect the change in valuation in the statement of Financial Performance	
11	Accounts payable: Trade payables i. Obtain the aged payable listing and ensure that they agree to the general ledger	Complied
	ii. Review all unpaid invoices and ensure that all expenses relating to the fiscal year are accrued accurately	Complied
	iii. Ensure any long outstanding payables have been written off after appropriate approval has been obtained	In Progress
	Accounts payable: Differed Income i. Ensure that the differed income has been adjusted correctly having recognized income that relate to the current fiscal ear	N/A
	ii. Ensure that there is clear documentation and support for classifying the amount as differed income	
	Accounts payable: Unexpended Grants i. Prepare the unexpended grants movement schedule	N/A
	ii. Ensure that the opening balances agree to the prior year audited financial statements	
	iii. Ensure that the income and expenditure are fully supported and agree to what was received in the current year	

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12	Funds/ Reserves i. Ensure that the amount in the trial balance agrees to the prior year audited financial statements	Complied
	ii. Prepare a movement incorporating any changes in the year and maintain the accuracy of the figure	
13	Revenue i. Ensure that all revenue schedules are prepared disclosing the date the income was received, the source, cheque number, etc.	Complied
	ii. Ensure that the key prices schedules of all goods/ services sold by the entity is available	Complied
	iii. Ensure that all discounts awarded during the year are well supported and relevant approvals are available	Complied
	iv. Ensure that the most revised copy of rental agreements is available	Complied
	v. Ensure that any grants received from donors are well recorded (restricted/ unrestricted) as per the donor agreements	N/A
	vi. Ensure transfer from MDA are correctly classified as recurrent and development and are disclosed appropriately	Complied
	vii. Transfer from MDAs MUST agree with the MDA records as at the end of reporting period	
	viii. Ensure revenue recognition as per the accounting policies and the respective financial reporting framework	
14	Expenditure i. Ensure that all supporting documentation of expenditure are filed in an orderly manner	Complied
	ii. Ensure that all expenses are recorded including accruals made at the end of the year	
	iii. Ensure that expenditure reports sent to donor are also available and that they agree to what is in the trial balance within any difference being explained	N/A
15	Inter-entity balances i. Liaise with the ministry at lease quarterly to reconcile the amounts received from what was dispatched to ensure accuracy of the figures	Complied
	ii. Ensure that the amounts received are clearly differentiated between recurrent and development and that a detailed schedule of when the funds was received and from who	

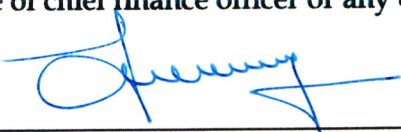
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	iii. Ensure that any funds received in the subsequent month that relate to the year that is coming to an end are accrued for accurately and reported in the year under review	N/A
	iv. Ensure that there is a detailed disclosure for the inter entity balances in the financial statements for ease of reconciliation with amount disclosed by the ministry.	Complied
16	Disclosures	
	i. Ensure that all amounts disclosed in the financial statements are fully supported by notes and that the amounts on the face of the financials agree to the amounts disclosed in the notes	Complied
	ii. Ensure that the inter entity notes clearly indicates funds meant for recurrent expenditure and funds meant for development expenditure with a detailed breakdown of when the funds were received and from which ministry	Complied
	iii. Ensure that all rental agreement is available and support the operating lease disclosure	Complied
	iv. Ensure that all donor agreements are available and prepare the grant movement schedule for restricted grants ensuring that the opening balances agrees to the prior year signed financial statements, income received agrees to the bank statement and receipts issued and the income recognized agrees to the expenditure spent duringg the period under review	N/A
	v. Prepare IFRS7/IPSAS 30 disclosures ensuring that all amounts disclosed agree to the trial balance and the draft financial statements	Complied
	vi. Ensure that any related party balances are disclosed separately with clear descriptions included in the notes to ensure understandability to the users of the financial statements	N/A
	vii. Ensure that subsequent events that may affect the information disclosed in the financial statements are disclosed with clear descriptions and provisions made if necessary.	N/A
	viii. Review any litigation matters that are pending in court and liaise with your legal representative to ensure that all contingent liabilities are disclosed in the financial statements with any provisions being made in the payables	Complied
	ix. Ensure that the notes to cash clearly indicates the banks where the cash is being held for both cash at bank and any short- and long-term deposits	Complied
17	Donor Funded projects	
	i. Ensure all donor funded projects are taken stock of; i.e., determining the projects that started during the year, continuing and closed projects.	

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	ii. Determine based on the donor agreement whether a separate financial statement is required for the project	
	iii. Prepare project financial statements based on the requirements stipulated in the government Grant Agreement	Complied
	iv. Ensure actual receipts and payments are compared with the budget and explanation for variation documented	
	v. Ensure compliance with donor agreement terms and conditions and summarize issues of non- compliance	N/A
	vi. The Projects Financial Statements should be prepared in accordance either IPSAS Cash basis template issued by the PSASB of Kenya as included in the National Treasury Website	
	vii. Where a separate bank account is maintained for the project, ensure a reconciliation for the bank and cash balances as at the end of reporting period	
	viii. Before submission of the projects financial statement to OAG with a copy to COB and national treasury, ensure internal reviews are carried out.	
	ix. Ensure the donor confirms funds transferred and any commitments from them and if there were costs which were paid by the donor on behalf of the entity, they should also be confirmed	
	x. A listing of assets acquired using donor funds but expensed should also be maintained and the status of such assets as at the end of reporting period.	

Name of chief finance officer or any other officer reviewing:

Sign: 

Date of review: 4/7/2022