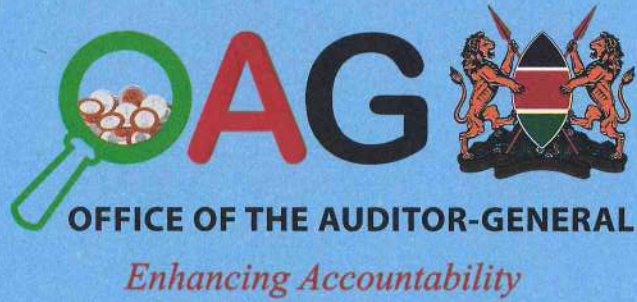


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**PYRETHRUM PROCESSING  
COMPANY OF KENYA**

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



REPUBLIC OF KENYA



# **PYRETHRUM PROCESSING COMPANY OF KENYA LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

Prepared in accordance with International Financial Reporting Standards (IFRS)



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## 1. ACRONYMS AND GLOSSARY OF TERMS

<b>AFA</b>	Agriculture and Food Authority
<b>AGPO</b>	Access to Government Procurement
<b>ASDSP II</b>	Agriculture Sector Development Support Programme
<b>CEO</b>	Chief Executive Officer
<b>EACC</b>	Ethics & Anti-Corruption Commission
<b>IFRS</b>	International Financial Reporting Standards
<b>IAS</b>	International Accounting Standards
<b>KOICA</b>	Korea International Cooperation Agency
<b>NACADA</b>	National Authority for the Campaign Against Alcohol and Drug Abuse
<b>NCPWD</b>	National Council for Persons with Disabilities
<b>NT</b>	The National Treasury
<b>MOA&amp;L</b>	Ministry of Agriculture & Livestock Development
<b>M &amp; E</b>	Monitoring & Evaluation
<b>MT</b>	Metric Tonnes
<b>MTEF</b>	Medium Term Expenditure Framework
<b>PFM</b>	Public Finance Management.
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>PBK</b>	Pyrethrum Board of Kenya
<b>PPCK</b>	Pyrethrum Processing Company of Kenya
<b>PCPB</b>	Pest Control & Products Board
<b>PFM Act</b>	Public Finance Management Act,2012
<b>PPAD</b>	Public Procurement Asset Disposal Act,2015
<b>PC</b>	Performance Contract
<b>SCAC</b>	State Corporations Advisory Committee



## 2. KEY ENTITY INFORMATION

### a) Background information

The Pyrethrum Processing Company of Kenya Ltd (PPCK) is a company registered under the repealed Company's Act CAP 486 currently operating Registrations Certificate No. 5691 and carrying out the commercial business of the defunct Pyrethrum Board of Kenya (PBK) in line with the provision of section 3 (i) of the first schedule on transition provision of Agriculture and Food Authority (AFA) Act of 2013(Revised 2016).

“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 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 (Pyrethrum and Other Industrials Crops 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, while the board 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 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.



## b)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 Pyrethrum seeds.



Pyrethrum Value Chains



**c) Directors**

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

	<b>NAME</b>	<b>DESIGNATION</b>	<b>DATE OF APPOINTMENT</b>
1	Mr. George Wachira, MBS	Chairman	28 <sup>th</sup> March 2021
2	Matilda P. Sakwa, (Ms.) EBS	Ag. Chief Executive Officer	20 <sup>th</sup> April 2023
3	Mr. Jenaro Guantai Ithinji	Director	28 <sup>th</sup> March 2021
4	Ms. Stella Wanjiru	Director	28 <sup>th</sup> March 2021
5	Mr. Simeon K. Chebwai Boen	Director	28 <sup>th</sup> March 2021
6	Dr. Lawrence M. Ngari	Director	28 <sup>th</sup> March 2021
7	Ms. Nasra G. Kochale	Director	28 <sup>th</sup> March 2021
8	Mr. Justus M. Monda	Director	23 <sup>rd</sup> March 2022
9	Mr. John I. Njoroge	Director	23 <sup>rd</sup> March 2022
10	Mrs. Serah W. Wataku	Director	23 <sup>rd</sup> March 2022
11	Mrs. Mary M. Ontiri - Magati	Ag. Chief Executive Officer	Left on 20 <sup>th</sup> April 2023





**d) REGISTERED OFFICE**

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

**e) CORPORATE HEADQUARTERS**

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



**f) CORPORATE CONTACTS**

Telephone: +254 2211567/82  
E-mail: [md@pyrethrum.co.ke](mailto:md@pyrethrum.co.ke)  
Key Entity Information (continued)

**g) CORPORATE BANKERS**

Kenya Commercial Bank  
Menengai Crater Branch  
Loncom House Ground Floor  
P.O. BOX 15923 – 20100  
**NAKURU, KENYA**  
Telephone: +254- (051) 22216412  
[www.kcbbankgroup.com](http://www.kcbbankgroup.com)



**h) INDEPENDENT AUDITORS**

Auditor General  
Office of The Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084 – GPO 00100  
**NAIROBI, KENYA**



**I) PRINCIPAL LEGAL ADVISOR**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O Box 40112, City Square 00200  
**NAIROBI, KENYA**



**OFFICE OF THE ATTORNEY GENERAL  
AND DEPARTMENT OF JUSTICE**



### 3. BOARD OF DIRECTORS



**Mr. George Wachira, MBS**

Date of Birth: 20<sup>th</sup> May 1948

Mr. George Wachira has over 40 years in petroleum sector and was a Director of ExxonMobil affiliates in Kenya. He has also served as CEO Petroleum Institute of East Africa(PIEA) as well as Director of Kenya Pipeline Company, KEPSA, FKE, and National Environmental Council.

He is currently at Petroleum Focus Consultants. In 2020/21 he Chaired the National Steering Committee for revival of cotton and pyrethrum sub-sectors.

He holds a BSc. in Chemical Engineering from University of Surrey(UK) and is a Member of Energy Institute(MEI) of UK. He was awarded Moran of the Order of the Burning Spear (MBS) in the year 2007.

Director



**Mr. Jenaro Guantai Ithinji**

Date of Birth: 12<sup>th</sup> December 1969

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.

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.

Director



**Ms. Stella Wanjiru**

Date of Birth: 10<sup>th</sup> September 1972

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. Education from University of Nairobi. 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.

Director



## BOARD OF DIRECTORS



**Mr. Simeon K. Chebwai Boen.**  
Date of Birth: 17<sup>th</sup> May 1962

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.

Director



**Dr. Lawrence M. Ngari**  
Date of Birth: 7<sup>th</sup> June 1959

Dr. Lawrence Munene Ngari has over 35 years 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.

Director



**Ms. Nasra G. Kochale**  
Date of Birth 4<sup>th</sup> April 1992.

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. She is an independent director of PPCK Board and a member of Finance, HR & General Purpose and Technical Committees.

Director



## BOARD OF DIRECTORS



**Mr. Justus M. Monda**

Date of Birth: 18<sup>th</sup> September 1959

Mr. Justus Mochache Monda, holds Diploma in Corporate Finance and Gender Equality from the Negev Institute of Strategies of Peace & Development - Israel. He also holds certificate in Executive Leadership from African Management Institute and certificate in Gender, Youth, Women and Development studies from Egerton University.

He has over 25 years' experience in pyrethrum farming and banking and financial management with further experience in rendering service in both the public and private sectors.

He was appointed to the PPCK Board as an independent director and serves as the member of the Technical Committee.

Director



**Mrs. Serah W. Wataku**

Date of Birth: 1961

Serah Wanjiku Wataku is a prominent farmer from Nakuru County - Molo Sub-County and has huge experience in pyrethrum farming with a strong background in articulating issues on behalf of pyrethrum growers at County and National levels.

She is passionate in pyrethrum farming both at personal and communal levels.

She was appointed to the PPCK Board as an independent director and serves as the member of the Technical Committee.

Director



**Mr. John I. Njoroge**

Date of Birth: 11<sup>th</sup> April 1968

Mr. John I. Njoroge holds a Master of Art in Economic Policy Management from Makerere university, Bachelor degree in Agricultural Economic from Egerton University.

He has worked at various positions in the Ministry of agriculture, currently serving as a Deputy Director of Agriculture. Previously he has served as an alternate Director for PS/MOA in the Commodities Fund.

He has undertaken Senior Management Course and Senior leadership Development Programme at Kenya School of Government. He also holds a post-graduate diploma in Agribusiness Development and management in Israel.

Director



## BOARD OF DIRECTORS



**Matilda P. Sakwa, (Ms) EBS**

Date of Birth: 15/04/1964

Ms. Sakwa holds a Masters in Development Studies from the International Institute of Social Studies at the Hague, The Netherlands and a Bachelor of Arts from the University of Nairobi. She is an accomplished public servant with over thirty (30) years of diligent Service in the Public Service. She was a key player in setting up project delivery teams in a number of line ministries under the social pillar of the Vision 2030. She was a member of the inaugural team that conceptualized and established structures for the National Aids Control Council in Kenya and a member of the National Steering Committee that developed the National Action Plan on UNSCR 1325 on Women, Peace and Security.

Ag. Chief Executive Officer



## 4. MANAGEMENT TEAM



**Matilda P. Sakwa, (Ms) EBS**  
M.A (Development Studies)  
Ag. Chief Executive Officer



**Ms. Caroline Imbwaga**  
MSC (Agronomy & Rural Dev)  
BSc (Agriculture)  
Member (KESAP)  
Crop Research and  
Production Manager



**Mr. Vincent Ouma**  
Dip in Applied Chemistry  
Factory/Quality Control  
& Assurance Manager



**Mrs. Winfred Waweru**  
MBA (Strategic Mgt)  
BCom (Marketing Option)  
Diploma in Business Mgt  
Product Development  
& Marketing Manager



**CPA Edward. O. Ochele**  
BBA - Finance (On-going),  
CPA (K)  
Member (ICPAK)  
Ag. Finance Manager



**Mr. Peter Kaumbuthu**  
MSc. (Procurement),  
BBM(Supplies),  
Diploma in Procurement and Supplies,  
Member (KISM),  
Procurement Officer



**Ms. Maureen. Dwalo**  
MBA (HR) BBA (HR)  
Dip -IMIS, Member (CHRP)  
Human Resource &  
Administration Manager



**Ms. Rosaline Chepngeno**  
BSc in Science  
Post Graduate Dip in Procurement &  
Supplies Management, Member (MEPAK / KISM)  
Planning & Strategy Manager



**Ms. Sipanto Rikoyian**  
Advocate of the high court  
LLB (Catholic University)  
CPS (Ongoing)  
Legal Officer



## MANAGEMENT TEAM



**Mr. Kenneth C. Ronoh**  
Higher Diploma IDPM  
ICT Manager

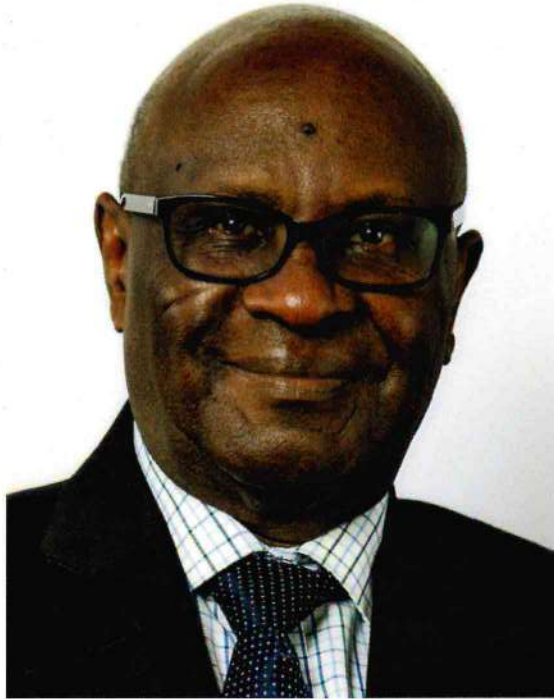


**Mr. Joel Atuti Nyachiro**  
BA In Economics & Statistics  
Diploma in Production Mgt  
Internal Audit Manager

**NB:** Ms. Mary M. Ontiri - Magati served as acting Chief Executive Officer upto 20th . April 2023



## 5. CHAIRMAN'S STATEMENT



Esteemed stakeholders, on behalf of the PPCK Board, it gives me pleasure to present to you the Company's Annual Report and Financial Statements for the FY 2022/2023. This Report gives an account of the Company's initiatives and interventions to revive the pyrethrum crop value chain and for the sustainability of growers across pyrethrum growing regions.

The Board has been in operation for the last 2 years since 13<sup>th</sup> May, 2021 with additional two Board members appointed vide gazette notice no.5536 dated 13<sup>th</sup> May 2022. It is the responsibility of the Board to provide the required policy direction and leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development and to ensure that the Company has a credible Strategic Plan, Risk Management Strategy and Performance Contract that will deliver the desired goals.

Further, the Financial Reports form the basis 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.

In implementing its mandate, the Company acknowledges the support it continues to receive from the Parent Ministry (MOA&L) and the National Treasury. The Company received Kshs. 232 million from the Exchequer to meet both its current and development needs in the period under review.

During the latest Board evaluation by the State Corporation Advisory Corporation Committee (SCACC), the company scored 96%, exemplifying our Board commitment to ensuring adherence to the highest standards of corporate governance.

In addition, the Board approved and implemented new and revised policies during the FY 2022/23, including the HR Instruments and other policy documents. These guiding documents are key in ensuring the Company's internal operations remain efficient and that we continue safeguarding the welfare of our key resource, the members of staff.

The Board would also like to thank the outgoing Ag. CEO, Mrs. Mary Moraa Magati, for her illustrious service to the Company. It is during Mrs. Mary Moraa Magati, tenure that the Company made significant strides in increasing the annual flower production from





61MT to 310MT, and also increased the acreage under seed field. The Board also welcomed the incoming Ag CEO, Mrs. Matilda Sakwa EBS who was appointed on 20<sup>th</sup> April 2023.

Finally, I wish to assure you that the Board continues to be guided by the principles of good governance and recognizes its collective responsibility to ensure that all stakeholders in the Pyrethrum industry achieve above average sustainable returns on their efforts year after year.



**Mr. GEORGE WACHIRA, MBS**  
**CHAIRMAN OF THE BOARD**

DATE 19<sup>th</sup> / 02 / 2024



6. REPORT OF THE Ag. CHIEF EXECUTIVE OFFICER



The Government recognizes pyrethrum as key priority value chain in implementation of the Kenya Kwanza government manifesto - Bottom-up Economic Transformation Agenda 2022-2027 (BETA). The value chain fits well in Medium Term Plan IV for 2023-2027 of Kenya's Vision 2030 through the pillars of agriculture, micro, small and medium enterprise (MSME) economy and environment.

Pyrethrum Processing Company of Kenya Ltd has enhanced its efforts geared towards the revival of the pyrethrum sector in the country. This is in line with its core mandate that includes; To Produce and supply high quality pyrethrum planting material, to purchase dry flower from growers and process and to market (extracts and value-added products) and scientific services.

We are also maximising on the land assets available to support increased supply of dry flowers to the factory.

The company has partnered with local growers to establish 136 acres of pyrethrum at its Ol jororok farm and 30 acres at its Londiani farm. Plans are underway to open up other areas. Expansion of seed fields and nurseries for supply of quality planting materials has resulted to an increase in quality planting material being distributed to growers across the pyrethrum growing counties. Through the initiatives of sensitizing growers on expansion of acreage under pyrethrum, provision of planting materials, prompt payment of delivered flowers; deliveries to the Factory increased from 173MT (2021/2022) to 310MT for the year 2022/2023. This is a great milestone in achieving the revival strategy and supporting the income generation for the rural growers. During the period the company re-possessed the land Nakuru Municipality Block 8/30.

Value addition has been considered to broaden the market segments through provision of the end use products for the local market and supporting the local formulators.

PPCK Ltd will endeavor to prioritize environmental, social, inclusivity and governance considerations to increase the future value of the company.

PPCK will continue to collaborate with the county governments to fully revive the sector. We appreciate and recognize the support from the National Government through the Ministry of Agriculture and Livestock Development.



A total of Kshs. 232 M was received in the period under review where Kshs. 132M was for recurrent expenditure while Kshs. 100 M was for development allocation from the National Government

The amount received was far below the budgetary requirement of the Company.

I have provided leadership to the management, staff and enhanced collaboration with all the stakeholder in the sector. I will strengthen the business model that embraces accountability, efficiency, effectiveness, profitability and sustainability. PPCK is destined for growth and this will be achieved through provision of timely and adequate funds to address the technological needs within the entire chain from crop development to the Factory and value addition.

I am pleased to present the annual report and financial statements of PPCK for the Financial year ended 30<sup>th</sup> June 2023.



**Mrs. Mary M. Ontiri - Magati**  
Ag Chief Executive Officer

DATE 19<sup>th</sup> / 02 / 2024



## 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23

PPCK has one strategic pillar and four strategic objectives within the current Strategic Plan for the FY 2022-2023 as listed below;

Strategic Pillar: Manufacturing Sector

Strategic Objectives are as follows:

1. Boost Pyrethrum production & Productivity.
2. To enhance efficiency and sustainability of operations and systems
3. To comply with the policy, legal and regulatory framework
4. To enhance institutional and staff productivity level for improved performance

PPCK develops its annual work plans based on the above four strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Board achieved its performance targets set for the FY 2022/23 period for its four strategic objectives, as indicated in the table below:

STRATEGIC OBJECTIVE	STRATEGIC PILLAR	KPI	ACTIVITY	ACHIEVEMENTS
MANUFACTURING	To boost pyrethrum production & productivity	No of growers contracted	Undertake Crop Promotion	Contracted 1,539 growers against 1,000 in fourteen (14) Counties namely Nakuru, Laikipia, Nyandarua, Kericho, Baringo, Nandi, Uasin Ngishu, Elkeiyo Marakwet, Baringo, Bomet, Narok, Kisii,
		Quantity of pyrethrum seed produced (Kg)	Production of Pyrethrum Seed	Produced 2,838 Kg pyrethrum seeds against a target of 750 Kgs. The achievement is attributed to increased funding for the production of pyrethrum seed and favorable weather conditions
		Quantity of flowers delivered to the factory for processing	Increase flower deliveries	The Board increased flower deliveries to 310MT against a target of 180MT. This was an increase by 44% when compared to the FY 2021/2022. This is attributed to prompt monthly payment to growers, settling of outstanding growers' arrears, advance payment of Ksh 230/kg (2022/23) up from Ksh 200/kg (2021/22), improved mobility due to pickups received from MoALF&C in 2021/2022, improved and timely facilitation of Filed Officers, engagement of additional field staff, crop promotion campaigns, monthly field officers' meetings and improved producer price
		Analysis of grower's samples		Analyzed 5973 growers' samples within 37 hours to facilitate payment.
		Acreage Expansion	Increase Crop Acreage	Expanded 606 acres of land under pyrethrum against a target of 1,000 acres. 406 acres from seedling distribution and 200 acres in own nurseries and seed fields.
		No of tissue culture plantlets produced	Production of Tissue Culture Plantlets	Produced 1.47934 of tissue culture Pyrethrum plants against a target of 0.9M. The achievement is attributed to increased funding for the production of tissue culture plantlets
		Number of clonal planting materials produced	Production of Pyrethrum Planting Materials	Produced 6.27M of clonal against a target of 5.9M. The achievement is attributed to increased funding for the production of clonal materials.
		Number of pyrethrum seedlings produced	Distribution of pyrethrum seedlings	Distributed 8.764M of Pyrethrum seedlings against a target of 10M. The distribution was undertaken in fourteen (14) Counties namely Nakuru, Laikipia, Nyandarua, Kericho, Baringo, Nandi, Uasin Ngishu, Elkeiyo Marakwet, Baringo, Bomet, Narok, Kisii.



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		Number of new products developed and registered	Product Development	Registered 2 new pyrethrum products against a target of 2. The Launch and promotion of value-added products was done in Nakuru and Nyandarua counties. This is in Compliance to product development and registrations requirements
To enhance efficiency and sustainability of operations and systems		Increase in Extraction Efficiency	Increase Extraction Efficiency of	The decline is due to old machines The Board is putting in place modalities that will facilitate purchase of low-capacity extraction plant (5-10MT) for improved extraction efficiency
		Increase in Refinery Efficiency	Increase Refinery Efficiency	The decline is due to old machines
		Increase in Overall Processing Efficiency	Increase Overall Processing Efficiency	The decline is due to old machines. The Board is putting in place modalities that will ensure annual overhaul/maintenance of old machines
To comply with the policy, legal and regulatory framework	Compliance with GOK Guideline and circulars	Ensure compliance with the Legal, Regulatory and policy	100% Compliance with PFM act,2012, compliance with PPAD act,2015, Compliance with performance contracting guidelines, compliance with National monitoring and evaluation policies and Asset Management framework	
To comply with the policy, legal and regulatory framework	Certification by GOK constitutional agencies	Mainstreaming of Cross Cutting Indicators	100% Compliance with NACADA, NGEC, NAJ, EACC and NCPWD GOK circulars	
To comply with the policy, legal and regulatory framework	Implementation of presidential directives	Presidential Directives	During the period under review, the Company implemented all the presidential directives, circulars and executive orders, which are relevant to the Company's mandate. through recruitment of youths & Persons With disability (Quality Control & Assurance - 1; Human Resource & Admin -2; Crop Production - 1. Target to plant 1500 trees in PPCK own farms, a total 2000 trees were planted, surpassing the target by 500 trees as part of contributing to increase and maintenance of over 10% forest cover.	
To comply with the policy, legal and regulatory framework	No of Youths placed on internship and industrial attachments	Youth internship /industrial attachments	During the period under review, the Company engaged eight interns and fourteen attachment students.	
	Implementation of AGPO circulars	Access to Government Opportunities (AGPO)	During the period under review, the Board prepared and implemented annual procurement plan and disposal plan for FY 2022/23, complied with GOK circulars on preference and reservations through allocation of tenders under AGPO amounting to 81,731,456	
	Procurement of locally produced goods, works and services	Promotion of Local Content in Procurement	During the period under review the Board achieved Ksh 211,655,740 where Ksh 83,667,390.00 was on purchase of pyrethrin while Ksh 127,988,350 was on purchase of goods, works and services. The variance is attributed to increase in flower deliveries from growers.	
To enhance institutional and staff productivity level for improved performance	Performance Contracting and appraisals at all levels	Performance management	Negotiation and signing of annual Performance Contract Annual evaluation, ranking, announcement of results, rewards/sanctions across all levels of operations	
	Approval and implementation of Strategic Plan and Human Resource Instruments	Strengthen the institutional capacity	Implementation of Strategic Plan 2021-2026 and Company's' Implementation of HR Instruments	



## 8. CORPORATE GOVERNANCE STATEMENT

The Pyrethrum Processing Company of Kenya Ltd is a company registered under the repealed 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
Mr. George Wachira, MBS	Board Chair	Engineer
Ms. Stella Wanjiru.	Board Member	Finance & Accounting
Mr. Lawrence M. Ngari	Board Member	Entrepreneur
Mr. Simeon K. Chebwai Boen	Board Member	Civil Engineer
Ms. Nasra G. Kochale	Board Member	Banking
Mr. Jenaro Guantai Ithinji	Board Member	Management Consultant
Mr. Justus M. Monda	Board Member	Policy & Governance
Mr. John I. Njoroge	Board Member	Economist
Mrs. Serah W. Wataku	Board Member	Farmer

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 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:

1. Technical, Research and Compliance;
2. Audit Committee;
3. Finance HR and General-Purpose Committee;

#### **c). Conflict of Interest**

Board Members are required to disclose any conflict of interest in relation to matters that are brought before them for determination. The Secretary to the Board maintains a register of conflicts of interest, which is updated where a conflict is declared.

#### **d). Statement of compliance**

The Board conducted its business affairs in compliance with applicable laws, rules, regulations, relevant executive orders and circulars.

#### **e) Board Oversight**

The Board is responsible for the formulation, implementation and monitoring of the Company Strategic Plan thus providing appropriate strategic direction for the Company. The Company developed a draft Strategic Plan for the period July 2021 to 30<sup>th</sup> June, 2026 for further review, input and direction by the Board. The Board ensures that the Company adheres to proper corporate governance practices and is also responsible for managing the Company risks. The Board recognizes and is committed to delivering its responsibility to all stakeholders.

#### **f). Board Induction and Training**

Each year the Board of Directors prepare a training calendar where specific training needs are identified and scheduled. The trainings focus on leadership, risk management, governance, finance and other relevant areas. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of business operations, performance and strategies.

#### **g) Board Evaluation**

Upon consultation with the State Corporations Advisory Committee (SCAC), the Board has since scheduled in its work plan annual self-evaluation exercise for the period under review and is expected to be conducted on the 1<sup>st</sup> Quarter FY 2023/24 as per schedule from SCAC.

#### **h). Board Remuneration**

The Board is remunerated in accordance with the approved Terms and Conditions of Service prescribed under various Government Circulars.



**i) Corporation Secretary**

The Board is in the process of addressing across the board including and not limited to recruitment and engagement of a Company Secretary.

**j) Separation of Roles**

The role of the Board of Directors is separated from that of the Management; the office of the Chairperson and that of the Chief Executive Officer are held by different persons;

**k). Social Responsibility.**

Being conscious of the Company responsibility to the society, the Board of Directors is committed to operate ethically and promote corporate social responsibility.

**l) Board Attendance**

A record of attendance of Board Meetings and Board Committee Meetings was kept during the period under review. The provisions of the Company's Act, the State Corporations Act and the Mwongozo Code of Governance for State Corporations pertaining to attendance and absence from meetings have been adhered to.





**Schedule Of Board Attendance**

Name	Designation	Classification	Board	Special	TRC	FHG	AC
Mr. George Wachira	Chairman	Membership	P		-	-	-
		Attendance	4/4	2/2	-	-	-
Ms. Stella Wanjiru.	Member	Membership	P	-	-	-	P
		Attendance	4/4	2/2	-	-	4/4
Mr. Lawrence M. Ngari	Member	Membership	P		-	-	P
		Attendance	4/4	2/2	-	-	4/4
Mr. Boen Chebwai	Member	Membership	P		P		-
		Attendance	4/4	2/2	2/2	-	-
Ms. Nasra G. Kochale	Member	Membership	P		-	P	-
		Attendance	4/4	2/2	-	3/3	-
Mr. Jenaro G. Ithinji	Member	Membership	P		-	P	-
		Attendance	4/4	2/2	-	3/3	-
Ms. Matilda P. Sakwa	CEO	Membership	P	P	P	P	
		Attendance	1/1			2/2	
Mr. John N. Irungu	Member	Membership	P		-	P	-
		Attendance	4/4	1/1	-	3/3	-
Ms. Serah Wataku	Member	Membership	P		P	-	-
		Attendance	4/4	1/1	2/2	-	-
Mr. Justus Monda	Member	Membership	P		P	-	-
		Attendance	4/4	1/1	2/2	-	-

**Key:**

P - This is a member of respective committee

# - No attendance in full

TRC - Technical, Research and Compliance;

FHG -Finance Human Resource & General-Purpose committee

AC - Audit Committee.



## 9. MANAGEMENT DISCUSSION AND ANALYSIS

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

The company's current working processing facility has a capacity to process 25MT of dry 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 500MT 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.



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 Ole Resin 25%	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

### Processing of Dry Pyrethrum Flowers

For the year under review the company processed 225 MT of dry flowers as compared with 103.603 MT processed in the prior year. The increment has been due to the following;

- Revamping of the seed fields (Tetu and Ngongongeri) and nurseries (Molo & Marindas) to maximize quality seed production
- Distribution of quality materials from contracted private labs propagators and commercial nursery operators which has been distributed to growers across the 18 pyrethrum growing counties
- Prompt monthly payments to growers for their deliveries this has brought back the confidence of growers in growing the pyrethrum hence increasing the crop acreage in their farms.
- Improved flower collection systems

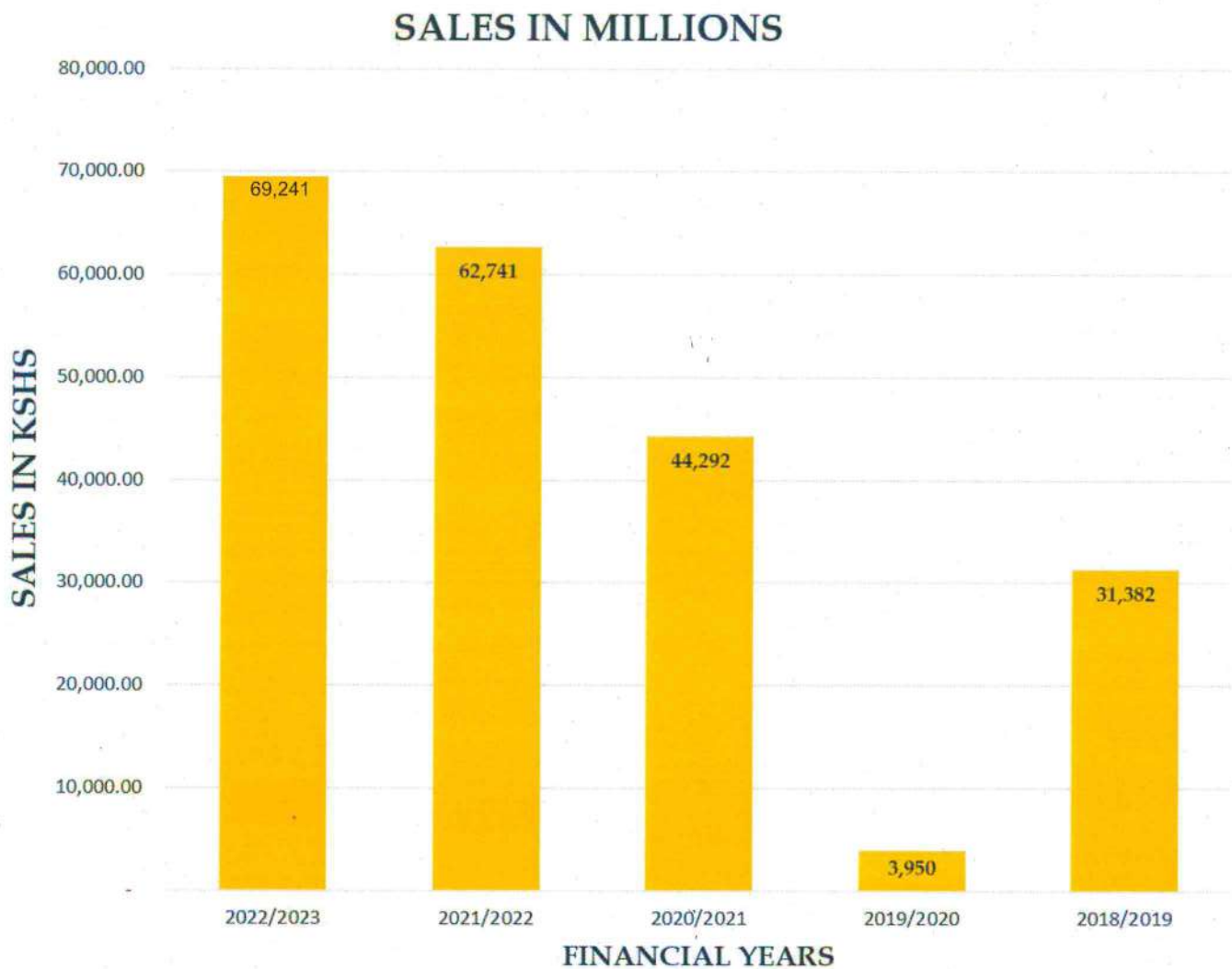


**PPCK financial performance for the last five years.**

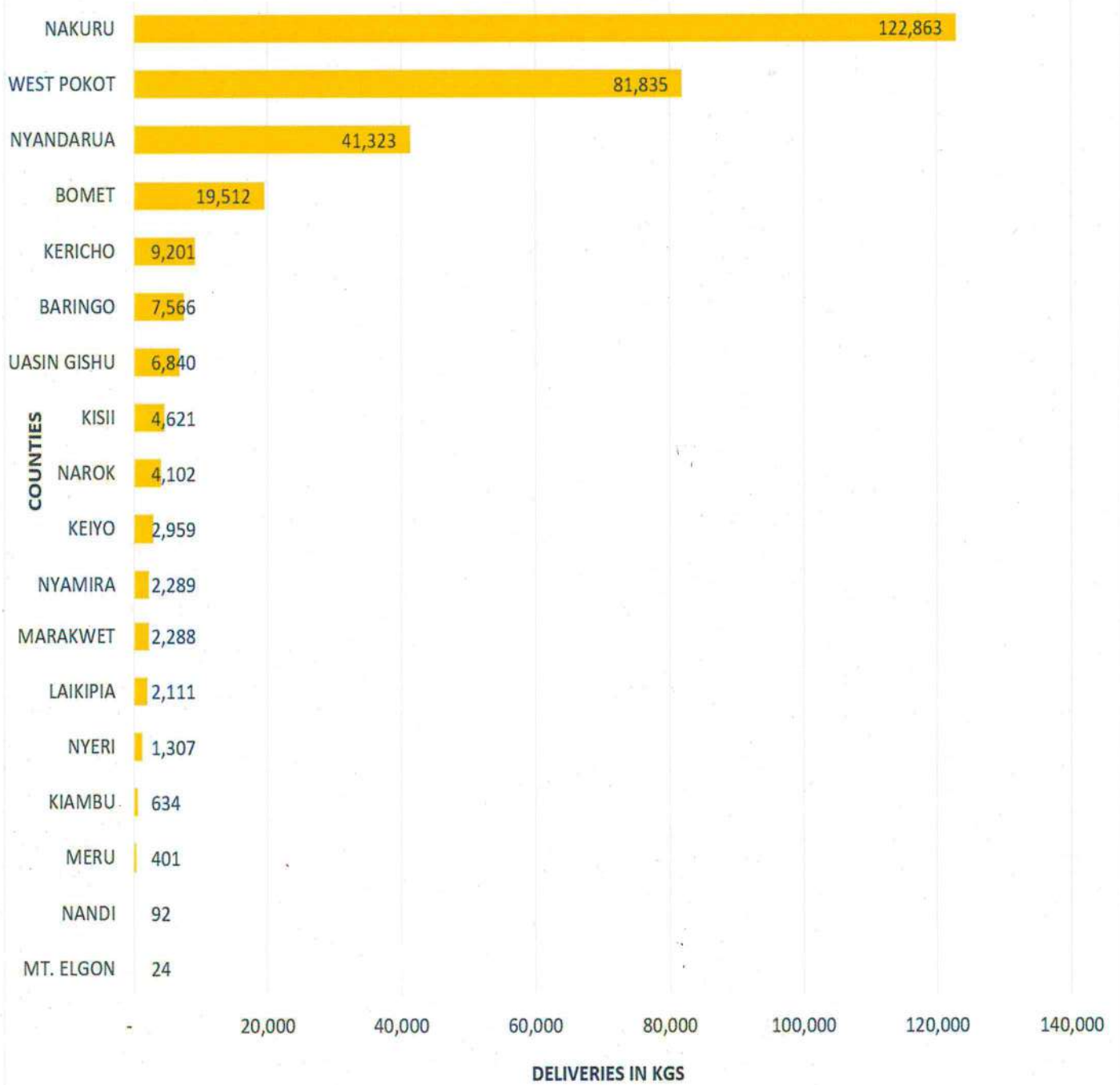
DESCRIPTION	2022/23	2021/2022	2020/2021	2019/2020	2018/2019
<b>Income</b>	<b>"000"</b>	<b>"000"</b>	<b>"000"</b>	<b>"000"</b>	<b>"000"</b>
Pyrethrum Product Sales	69,241	62,741	44,292	3,950	31,382
Cost of Sales	(105,659)	(53,752)	(41,732)	(16,956)	(30,135)
Gross Deficit/Surplus	(36,418)	8,989	2,560	(13,006)	1,247
Rent	24,997	24,368	17,659	18,628	16,395
Farms	2,862	1,731	2,833	1,434	497
Other Income	28,123	4,891	6,363	507	951
Other Gains/(losses)	(43,898)	(44,868)	(42,943)	(45,447)	-
Total Income Before Gok Grants	(24,334)	(4,889)	(13,528)	(37,884)	19,090
Government Grants	232,000	272,000	397,000	162,000	30,000
<b>Total Income with GOK Grants</b>	<b>207,666</b>	<b>267,111</b>	<b>383,472</b>	<b>124,116</b>	<b>49,090</b>
<b>Expenditure</b>					
Operating Expenses	(456,129)	(391,724)	(340,597)	(307,217)	(276,191)
Total Expenses	(456,129)	(391,724)	(340,597)	(307,217)	(276,191)
<b>Net Surplus/Deficit</b>	<b>(248,463)</b>	<b>(124,613)</b>	<b>42,875</b>	<b>(183,101)</b>	<b>(227,101)</b>



The sales matrix for pyrethrum extracts for a period of 5 years which signifies an increase in volume of raw materials (Pyrethrum flowers) delivered to the factory for processing in the last two years due to various revival strategies employed by the company.

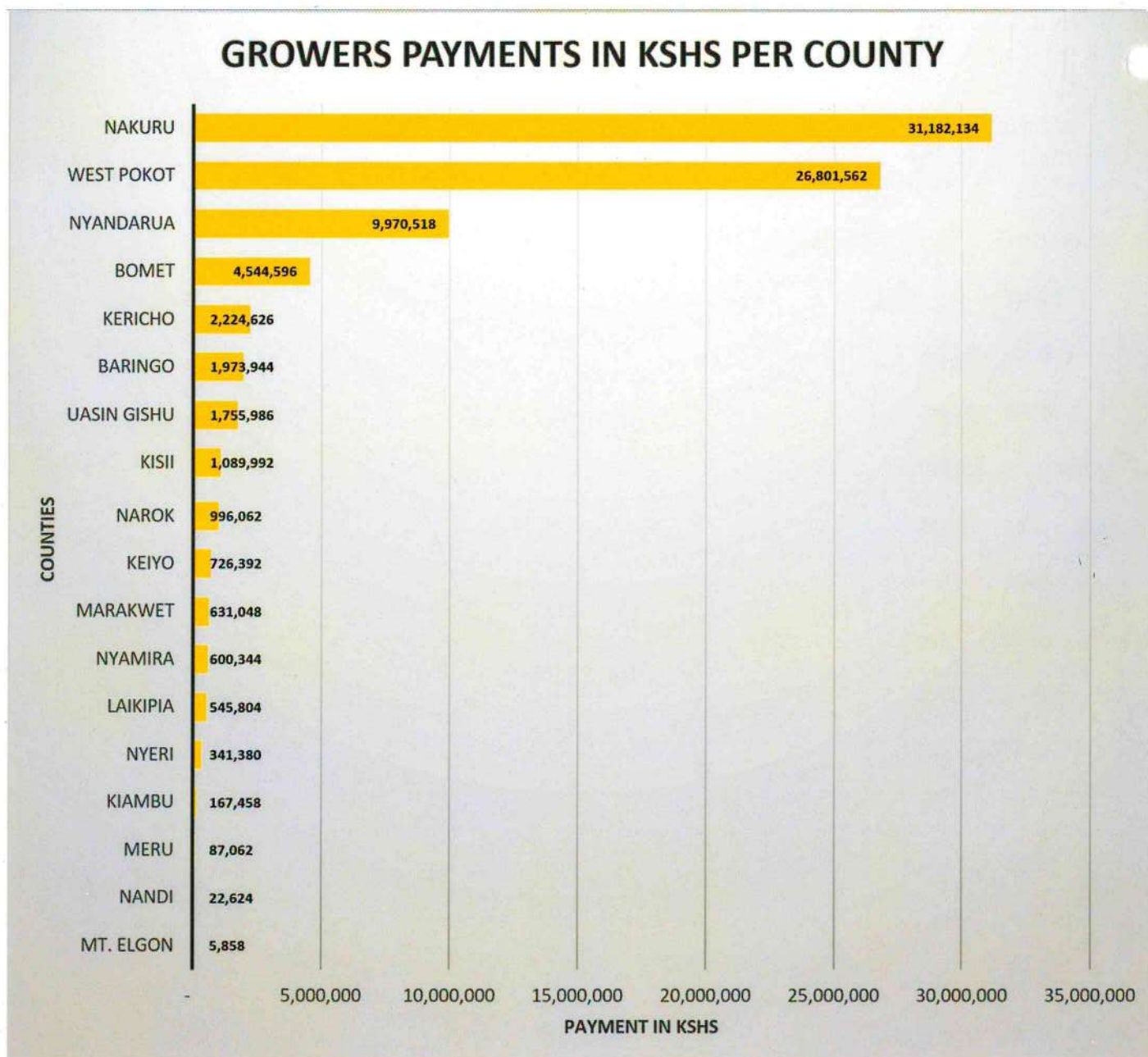


## FLOWER DELIVERIES (KGS) PER COUNTY FOR FY 2022-23



The matrix of flower deliveries to the company from different pyrethrum growing counties. Nakuru county is leading with the highest quantity of dry flowers delivered to the company, followed closely by West Pokot County.





#### PYRETHRUM INDUSTRY RECOVERY

Pyrethrum industry recovery is a project under the Ministry of Agriculture and livestock development and its being implemented by Pyrethrum Processing Company of Kenya Ltd. The project cost is Kshs 3.4B



## 10. ENVIRONMENT AND SUSTAIN ABILITY 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.

### i) Sustainability Strategy and Profile

#### 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 high-quality 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. This will ensure more sustainable seed production in Pyrethrum Sector.
- d) Distribution of quality clonal materials to growers which lead to crop acreage Expansion a cross 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.

### ii) Environmental Performance

#### Compliance with environmental legislation requirements.

This company's addresses conformity with relevant legislations e.g requirements of National Environment Management Authority (NEMA) and Environmental Management and Coordination Act (EMCA) 1999.

#### a) Successes

Systems constructed to trap effluents from products processes, Boiler chimney raised to greater heights to emit flue gases into the atmosphere, High sound levels determined and control measures put in place, Staff awareness and sensitization created and enforced, Packaging materials manufactured according to world standard, Storage of raw materials and finished products done both scientifically and technologically, good housekeeping and state of environment well kept.





**b) Shortcomings**

Financial constraints, Use of old technological systems, Lack of market for some by-products e.g., Sludge, green oil etc. Dependency on external solid garbage disposal arrangements, Shortage of enough manpower to handle practical applications.

**c) Efforts to manage biodiversity**

Control and management of toxic products, Scientific storage of harmful chemical practiced Garbage bins placed strategically, Solvents stored in underground tanks e.g., SST. Hexane etc. Packaging materials are bio degradable, Awareness creation done to employees alongside sensitization, Induction done to newly recruited employees, casuals, interns and students in attachment, Warning signs posted in specific areas to create awareness, materials safety data sheets provided by manufacturers.

**d) Efforts to reduce environmental impact of the organization products**

Use of world standard packaging materials, provide material safety data sheet (MSDS), Manual provided to guide users of the product, Contaminants identified and isolated through laboratory analyses, Right transporting means used to transport the products and raw materials, Trained and experienced staff engaged in manufacturing and packaging areas.

**iii) Employee Welfare**

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

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

The 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.

**iv) Market place practices-**

**a) Responsible competition practice.**

**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 chaired by CEO.

**I. Responsible political involvement**

PPCK provides goods to the public, which are safe and environmentally friendly. This contributes to helping the government achieve food security, a healthy people as pyrethrum is natural and good for control of insects in fruits and vegetables, and the animal health products are safe to livestock and humans.

**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.

**b) Responsible supply chain and supplier relations**

Prequalification of contractors in every category so as to get the most credible and eligible suppliers, entering into a framework contract with potential suppliers for provision of good, works and services as and when required. Involving government agencies for provision of technical support in the provision of consultancy services, engaging competent contract as agent for clearing of goods, at the part in order to avoid unnecessary costs. Inspecting all incoming goods, work and services before they are accepted in order to ensure that what is received complies with our specifications.



**c) Responsible marketing and advertisement**

PPCK is committed to responsible marketing by continuously improving our brands for the better. There is continuous research and testing of existing products. We have put our customers at the center of improving our products to solve their needs with the aim of building strong business relationships.

Our products are beneficial to the society:

- (1) In the agricultural sector which ensures food safety
- (2) Public health sector by providing safe solutions against malaria both from adult mosquitoes and at the larva stage.
- (3) Animal health-PPCK products are made from natural Pyrethrin making them very friendly to the environment. Our marketing is based on honesty, transparency, and promise-keeping. PPCK protects customer data acquired during our relations, privacy, response to customers and practice fair competition. PPCK provides Pyrethrin as a raw material to other formulators, who are essentially our competitors to support reach to consumers of safe insecticides fostering fair competition. In advertisement there is no exaggeration about product performance plus no false claims are made about our products. True representation is made.

**d) 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 counties regulatory body.

To continuously address any emerging issues on effect of Pyrethrin's 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 pyrethrin's usage in different spheres. It is the single most comprehensive study bank on pyrethrin's.

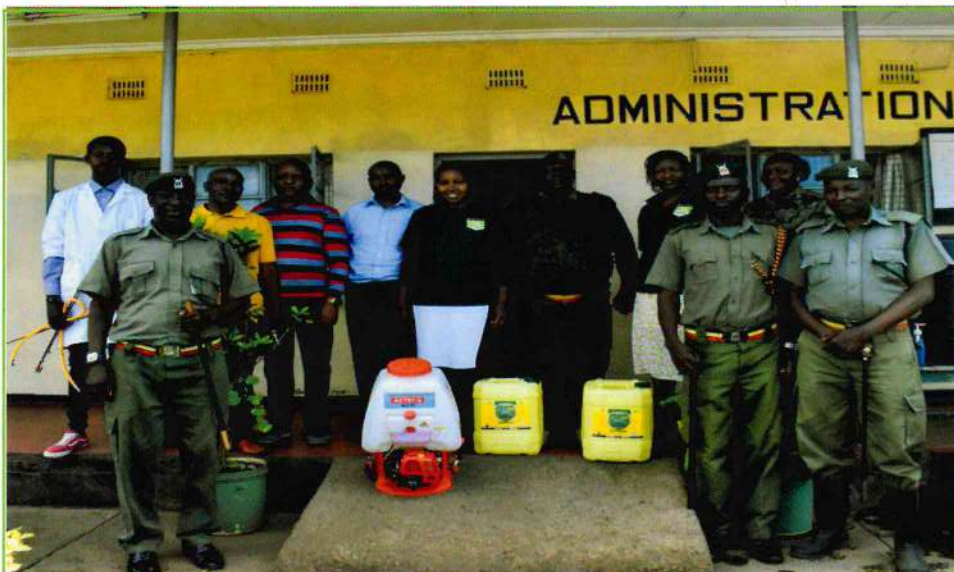
**v) Corporate Social Responsibility/Community Engagements**

PPCK is committed to contributing to the well-being of communities and society, play a positive role to the community by giving value and generating a positive environmental and social impact to the society. By doing so the company in collaboration with ASDSP II, Good People and KOICA trained growers on the best agronomic practices, donated water tank to pyrethrum growers at Ibacho, Nyaribari Masaba Sub- County, Kisii County, to assist the small-scale growers establish nurseries within their locality and increase access to planting materials without experiencing the high cost of transportation, Indoor and outdoor spraying to control mosquitoes, cockroaches, bedbugs, lice and domestic houseflies at the GK Main prison in Nakuru using various PPCK insecticides. PPCK undertook a tree restoration program by planting trees at our Londiani nursery and Ol joro orok farm





Water tank donated to Pyrethrum growers in Kisii county



Indoor & Outdoor Spraying to control Mosquitoes at GK main prison Nakuru



PPCK Board Participating in Tree Restoration Program in Kericho County



## 11. REPORT OF THE DIRECTORS

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

### 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 Pyrethrum seeds.

### ii. Results

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

### iii. Dividends

For more than 15 years 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 v 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 MRS MARY M.O. MAGATI Signature  Date 19<sup>th</sup> / 02 / 2024

### Secretary to the Board



## 12 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the 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 acknowledgment 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 19<sup>th</sup> / 02 /2024 and signed on its behalf by:



Mr. George Wachira, MBS  
CHAIRMAN OF THE BOARD

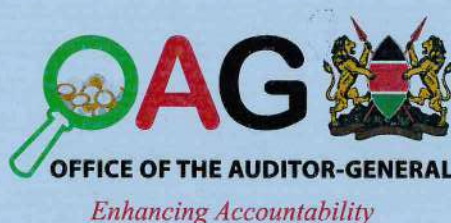


Mrs. Mary M. Ontiri - Magati  
Ag. CHIEF EXECUTIVE OFFICER



# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON PYRETHRUM PROCESSING COMPANY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Pyrethrum Processing Company of Kenya set out on pages 1 to 53, which comprise of the statement of financial position

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Pyrethrum Processing Company of Kenya as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Non-Disclosure of Material Uncertainty in Relation to Sustainability of Services**

The statement of financial position reflects current liabilities balance of Kshs.1,484,558,000 which exceeds the current assets balance of Kshs.557,065,000 resulting to a negative working capital of Kshs.927,493,000. Further, the statement of profit or loss and other comprehensive income reflects a deficit of Kshs.248,463,000 resulting to an increase in accumulated general reserve deficit from Kshs.270,479,000 as at 30 June, 2022 to Kshs.523,646,000 as at 30 June, 2023. The Company is, therefore, technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors. In addition, this material uncertainty has not been disclosed in the financial statements.

In the circumstances, the Corporations' ability to continue to sustain its services could not be confirmed.

#### **2. Unsupported Bank and Cash Balance**

The statements of financial position reflect a bank and cash balance of Kshs.22,274,000 as disclosed in Note 18 to the financial statement. A detailed analysis of the bank and cash balances revealed that the balance includes Kshs.33,000 held at CFC Stanbic bank account. However, the certificate of bank balances as at 30 June, 2023 was not provided for audit confirmation. Further, the account has been dormant and no evidence of the closure was provided for audit.

In the circumstances, the accuracy and completeness of the bank and cash balance of Kshs.22,274,000 could not be confirmed.

#### **3. Property, Plant and Equipment**

The statement of financial position and Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.5,351,923,000. Review of related records revealed the following anomalies;



### 3.1 Land Parcels Without Ownership Documents

Review of the land parcel ownership documents revealed that the Company did not have in possession the title deeds or any other ownership documents for the following listed land properties;

Land Parcel	Ha	Acres
Nakuru Municipality (Factory)	3.5670	8.814
Nakuru Municipality Block 8	0.7990	1.970
Nakuru Municipality (Godown)	0.2376	0.587
Nakuru Municipality (Little Highridge)	0.0295	0.073
OI joro Orok Farm		865.000
Nyaribari/Keumbu/1028-Nyosia Pyrethrum Seed Propagation Centre	Unknown	Unknown
Nakuru Municipality (Shauri Yako Estate II)	0.1430	0.354
Nakuru Municipality (Shauri Yako Estate I)	0.1430	0.354
Nakuru Municipality (Bondeni Estate II)	0.1858	0.459
Nakuru Municipality (Bondeni Estate I)	0.1858	0.459

### 3.2 Land Parcels not Updated in the Asset Register

The assets register provided for audit was not updated and the following Company properties were not disclosed in the assets register; -

- i. Proposed Olorropil Pyrethrum Nursery plot
- ii. Naivasha town plot
- iii. Eldoret town plot
- iv. Plot 895 Ex-Lewa settlement scheme in Meru District-5acres
- v. Olenguruone Township Plot No. 4/6
- vi. Eldama Ravine town plot
- vii. Proposed Olokurtu Trading Centre

### 3.3 Illegal Occupation of Nyandarua/Mawingo Farm by Agriculture and Food Authority (AFA)

The Agriculture and Food Authority (AFA) has occupied 35 acres of land parcel No. Nyandarua/Mawingo Salient/307 farm owned by the Pyrethrum Processing Company of Kenya since September, 2017. The land was illegally allocated to the Authority through the Pyrethrum Industry Recovery, Implementation & Oversight Team (PIRIOT) report. The allocation of the Company's farm by PIRIOT to AFA was not subjected to due process by the PPCK Board, AFA and the Government and is not authentic since the report was not signed. In addition, there was no lease agreement in place. Further, in a meeting held on 25 September, 2023 between PPCK Management and AFA, AFA had claimed transfer and acquisition of the legal ownership of the farm on the basis of improvements they had undertaken on the farm and allocation of the land as indicated on the PIRIOT report. The Managing Director wrote to the Principal Secretary vide letter reference number MD/PPCK/B.16 (a)/2873/2023 dated 26 October, 2023 requesting for a follow-up of the

return of the Mawingo farm to the Company. However, there has been no response from the Principal Secretary.

### **3.4 Land Matters at Oljororok Farm**

Included in the property, plant and equipment balance is a property LR Number: 11322 (Original: 3341/5 – I.R 19606) Oljoro Orok farm whose historical cost is Kshs.360,000,000 for 865 acres. A physical verification of the farm during the year highlighted the following matters;

- i. The farm did not have a fence around it, except for the small area where the corporation's farm offices are situated. As a result, a large part of the farm had been encroached by squatters. It was explained that the squatters had taken up about 400 acres or half of the farm.
- ii. It was also observed that a public road had been recently cut across the property, thus opening up the land to trespassers. This situation further exposes the corporation to the possibility of additional squatters on the land or possible illegal hiving off of sections of the land.
- iii. A pump house on the farm contained a vandalized old model pump, and thus was not in use.
- iv. There was evidence of old tree stumps which had been cut down. However, it could not be confirmed who had cut down the trees and what benefit the corporation gained from the same.

### **3.5 Other Anomalies Noted on Property, Plant and Equipment**

As previously reported; -

- i. Included in the property, plant and equipment balance of Kshs.5,351,923,000 are motor vehicles and computers with a net book value of Kshs.1,414,000 and Kshs.2,146,000 respectively. Review of the assets register revealed that fifty-one (51) vehicles and thirty-one (31) computers have been fully depreciated and have not been revalued yet they are still in use at the company and continue to incur operational costs.
- ii. In addition, the property, plant and equipment balance includes an extraction plant purchased and installed in the year 2006 at a cost of Kshs.305,872,000 and whose net book value is Kshs.147,000,000 that has never been commissioned. Although Management has explained that the machine was purchased in anticipation of an increase in flower deliveries to the factory and that the plant will be commissioned in future once the industry is revived, 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. The Management explained that it intends to dispose of the plant since it's not of economic value at the moment. However, selling plans have not yet commenced.

- iii. Included in the property, plant and equipment balance of Kshs.5,351,923,000 are rental houses and offices with a net book value of Kshs.606,111,000. However, physical verification revealed that the rental houses and offices were dilapidated. No reasons were provided for the failure to repair the buildings.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.5,351,923,000 could not be confirmed.

#### **4. Deferred Pyrethrin Costs**

The statement of financial position indicates a deferred pyrethrin cost of Kshs.633,697,000 as disclosed in Note 26 to the financial statements. This cost relates to unaccounted for pyrethrin received between the years 1999–2003 valued at Kshs.1,357,922,110. The Pyrethrum Act Cap 340 (Now Repealed) Section 18 provides that the total amount realized 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).

It was realized in the year 2005/2006 that quite a substantial quantity of pyrethrin of 180,859.71 Kgs Pys valued at Kshs.1,357,922,100 could not be accounted for. Growers had therefore been overpaid with an element that should have been adjusted to reflect process losses. The Company noted the losses and requested for thorough investigation, the results of which has not been provided for audit. The Company recommended for accommodating the amount of Kshs.1,357,922,110 in the general reserve account which was to be written off over a period of 30 years from the 2007/2008 financial year. For the current year, the loss of Kshs.42,264,000 has been written-off in the statement of comprehensive income.

The Board recommended and initiated the write-off without prior approval from The National Treasury. The Company has not initiated the process of approval for write-off from The National Treasury to date.

In the circumstances, the accuracy, completeness and regularity of the deferred pyrethrin cost balance of Kshs.633,697,000 and the write off of Kshs.42,264,000 during the year could not be confirmed.

#### **5. Long Outstanding and Unsupported Trade Receivables**

The statement of financial position and Note 17 to the financial statements reflects trade and other receivables balance of Kshs.259,126,000, and as previously reported, the following matters were noted; -

- i. Included in the amount is trade debtors balance of Kshs.68,339,028 whose brought forward balance of Kshs.61,852,998 in the financial statement differs with ledger brought forward balance of Kshs.50,739,302 which has remained outstanding for over fifteen years. Further, no breakdown or supporting documents were provided on brought forward balances to enable verification.
- ii. Included in the balance are trade receivables, other receivables, growers' receivables and staff receivables balances of Kshs.68,339,000, Kshs.169,036,000

Kshs.48,157,000 and Kshs.28,275,000 respectively which have been outstanding for more than one year and the details of the receivables were not provided.

- iii. The balance also includes deposit held by courts of Kshs.4,454,000 that has been outstanding for long and which Management did not provide details and progress of the cases. In addition, the balance includes an amount of Kshs.7,179,950 relating to abortive expenses on Nairobi Agricultural Society of Kenya (ASK) Show and which Management explained that Ethics and Anti-Corruption Commission (EACC) was conducting investigations pertaining to the expenditure. However, progress report on the case was not provided.
- iv. Further, the balance was net of provision for bad debts of Kshs.56,241,490 whose basis of computation was not provided.
- v. Review of the property manager's monthly report for June, 2022, revealed rent arrears from nine properties owned by the Company amounted to Kshs.28,873,010. However, the arrears were not disclosed in the trade and other receivables balance for the year.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.259,126,000 could not be confirmed.

#### **6. Rent and Rates Accruing from Properties with Doubtful Ownership**

The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs.450,686,000. As disclosed in Note 11 to the financial statements. The amounts includes rent and rates of Kshs.3,254,000 which includes Kshs.2,416,502 being land rates accruing from land properties that the Pyrethrum Processing Company of Kenya is not a registered or confirmed owner.

In the circumstances, the accuracy and completeness of the rent and rates amount of Kshs.2,416,502 could not be confirmed.

#### **7. Overstatement of Inventories**

The statement of financial position and Note 15 to the financial statements reflects inventories balance of Kshs.275,666,000. Included in the balance, and as previously reported, is an amount of Kshs.104,168,000 in respect of other pyrethrum products which comprises of sludges that are waste products after extraction of pyrethrin and other substances from the flowers. The products were last valued in the year 2007. However, attempts by the company to dispose these products at this cost have not been successful and the products may have deteriorated in value over time.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.104,168,000 could not be confirmed.

#### **8. Long Outstanding and Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.1,484,558,000 and as disclosed in Note 19 to the financial statement. As previously reported, review of the payables revealed the following matters; -

- i. Included in the balance is trade payables and provisions amount to Kshs.1,085,858,000 out of which amounts totaling Kshs.175,301,015 and Kshs.19,968,869 relate to long outstanding unremitted value added and pay as you earn tax deductions and other salaries and wages clearances respectively. The unremitted taxes continue attracting interest and penalties from the Kenya Revenue Authority (KRA). No provision for penalties and interest chargeable as a result of failure to remit the deductions to the relevant authorities on time has been made in the year under review.
- ii. In addition, 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 that have been outstanding for more than one year. No explanation for the failure to settle the outstanding invoices has been provided by Management.
- iii. Included in the balance are amounts due to growers amounting to Kshs.18,050,798 whose details of the identity of the growers and their balances were not provided.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs.1,484,558,000 could not be confirmed.

#### **9. Understated Other Income-Rental Income**

The statement of profit or loss and other comprehensive income reflects other income amount of Kshs.55,982,000. As disclosed in Note 9 to the financial statements, the amount includes rental income of Kshs.24,997,201 which was revenue from leased and rented properties. It was noted that the accounting department recognizes revenue after actual receipt of the cash income. The concept is against the IFRS reporting framework that requires recognition of income once earned. The verified rental income earned by the entity in the financial year 2022-2023 was Kshs.28,641,600 but only Kshs.24,997,201 was disclosed in the financial statements, thereby misstating rent revenue and receivables.

In the circumstances, the accuracy and completeness of rental income amount of Kshs.24,997,201 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Pyrethrum Processing Company of Kenya Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for the failure to resolve them.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the 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**

#### **Retention of Officers in Employment Beyond the Age of Sixty (60) years**

Analysis of the payroll and staff establishment revealed that the Company has retained in service employees who are over sixty (60) years without Authority from the Head of Public Service and the Public service Commission. This has resulted in irregular payment of salaries and allowances amounting to Kshs.4,082,208 for the year under review.

In the circumstances, Management was in breach of the law and has no effective succession plan.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for conclusion on Effectiveness of Internal Control, 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 governance were not effective.

## **Basis for Conclusion**

### **1. Use of Standalone Accounting Software**

The Company uses workmate 2000 System to manage monthly payroll and accounting as its core Finance Management Software. The modules deployed include accounts payable, cashbook, general ledger and reporting. However, it was observed that both the operating system and the accounting software are standalone systems. It was difficult to authenticate the figure provided in the ledger/journal vouchers since the employee details in the payroll did not include the department they work in, their job group, their designation and their category.

In the circumstances, the Company may suffer compromised efficiency due to use of ineffective ICT systems.

### **2. Molo Tissue Culture Laboratory**

The Corporation operates a tissue culture laboratory in Molo. However, a physical audit verification carried out in January, 2024 confirmed the laboratory could not effectively achieve its mandate of bulking or multiplication of mother clones for seed production due to the following challenges:

- i. The station has propagation and storage rooms that require controlled temperatures to properly produce the plantlets. However, the laboratory was not equipped with a generator to avoid power outages to prevent losses of plantlets.
- ii. The greenhouse/glasshouse of the station which is used for acclimatization/hardening of the plants was not working since the structure has broken windows and a broken lever system therefore it could not be used for this stage. Therefore, the plantlets were transported to the laboratory in Muguga for acclimatization during which some plantlets were lost. After hardening the plantlets were brought back to Molo for planting in the field. Therefore, the transportation costs and losses could be avoided with a proper working laboratory.

In the circumstances, the controls and risk management mechanism of the Company may not be effective.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 Management.
- Conclude on the appropriateness of 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 May, 2024

**14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2023.**

Description	Note	JUNE 2023	JUNE 2022
		Kshs	Kshs
<b>Revenues</b>		'000'	'000'
Revenue	6	69,241	62,741
Cost of sales	7	<u>(105,659)</u>	<u>(53,752)</u>
<b>Gross profit</b>		<b><u>(36,418)</u></b>	<b><u>8,989</u></b>
<b>Other income</b>			
Grants from the national government	8	232,000	272,000
Other income	9	55,982	30,990
Other gains/(losses)	10	<u>(43,898)</u>	<u>(44,868)</u>
<b>Total revenues</b>		<b><u>207,666</u></b>	<b><u>267,111</u></b>
<b>Operating expenses</b>			
Administration costs	11(a)	(450,686)	(389,222)
Selling and distribution costs	12	<u>(5,443)</u>	<u>(2,502)</u>
<b>Total operating expenses</b>		<b><u>(456,129)</u></b>	<b><u>(391,724)</u></b>
<b>OPERATING SURPLUS /DEFICIT</b>		<b><u>(248,463)</u></b>	<b><u>(124,613)</u></b>

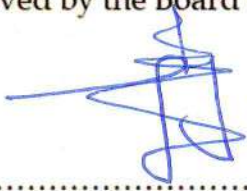



15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Description	Note	JUNE 2023 Kshs '000'	JUNE 2022 Kshs '000'
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant And Equipment	13	5,351,923	5,437,944
Intangible Assets	14	525,000	525,000
Deferred Pyrethrin costs	26	633,697	678,961
Biological Assets	16	8,704	7,870
<b>Total Non-Current Assets</b>		<b><u>6,519,324</u></b>	<b><u>6,649,775</u></b>
<b>Current Assets</b>			
Inventories	15	275,666	225,824
Trade And Other Receivables	17	259,126	205,655
Bank And Cash Balances	18(A)	22,274	191,632
<b>Total Current Assets</b>		<b><u>557,065</u></b>	<b><u>623,112</u></b>
<b>TOTAL ASSETS</b>		<b><u>7,076,390</u></b>	<b><u>7,272,886</u></b>
<b>Equity And Liabilities</b>			
<b>Capital And Reserves</b>			
PBK Stock	27	32,891	32,891
Levy fund	28	128	107
Accumulated Capital Fund		318,158	318,158
General Reserve		(523,646)	(270,479)
Revaluation Reserve	25	5,764,301	5,764,301
<b>Capital And Reserves</b>		<b><u>5,591,832</u></b>	<b><u>5,844,978</u></b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	1,484,558	1,427,908
<b>Total Current Liabilities</b>		<b><u>1,484,558</u></b>	<b><u>1,427,908</u></b>
<b>Total Equity And Liabilities</b>		<b><u>7,076,390</u></b>	<b><u>7,272,886</u></b>

The financial statements were approved by the Board on 19<sup>th</sup> / 02 / 2024 and signed on its behalf by:

  
.....  
Mrs. Mary M. Ontiri - Magati  
Ag. Chief Executive Officer

  
.....  
Edward Ochele  
Finance Manager  
ICPAK M/NO:16703

  
.....  
Mr. George Wachira, MBS  
Chairman of the Board



16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023

	PBK Stock	Levy Fund	Accumulated Capital Fund	General Reserve	Revaluation Reserve	Total
	"000"	"000"	"000"	"000"	"000"	"000"
At June 2021	32,891	96	318,158	(71,759)	5,764,691	6,044,077
Total comprehensive income (deficit)	-	-	-	(124,613)	-	(124,613)
Levy Charge for the year	-	11	-	-	-	11
Prior year adjustments	-	-	-	(74,106)	(390)	(74,496)
At June 2022	32,891	107	318,158	(270,479)	5,764,301	5,844,978
At June 2022	32,891	107	318,158	(270,479)	5,764,301	5,844,978
Total comprehensive income (deficit)	-	-	-	(248,464)	-	(248,464)
Levy Charge for the year	-	21	-	-	-	21
Prior year adjustments	-	-	-	(4,703)	-	(4,703)
At June 2023	32,891	128	318,158	(523,646)	5,764,301	5,591,832



**17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

Description	Note	JUNE 2023 Kshs	JUNE 2022 Kshs
<b>Cash flows from operating activities</b>		<b>'000'</b>	<b>'000'</b>
Cash generated from/(used in) operations	21	(170,249)	69,549
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(6,121)	(8,271)
Proceeds from disposal	13	<u>6,991</u>	-
<b>Net cash generated from/(used in) investing activities</b>		<u>870</u>	<u>8,271</u>
<b>Cash flows from financing activities</b>			
Levy fund	28	<u>21</u>	<u>11</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>21</u>	<u>11</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(169,358)</b>	<b>61,289</b>
Cash and cash equivalents at beginning of year		<u>191,632</u>	<u>130,343</u>
<b>Cash and cash equivalents at end of the year</b>	<b>18</b>	<u><u>22,274</u></u>	<u><u>191,632</u></u>



18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

Description	Original Budget		Adjustments		Final budget		Actual on comparable basis		Performance Difference		% of Utilization
	a	Kshs 000'	b	Kshs 000'	c=a+b	Kshs 000'	d	Kshs 000'	E=c-d	Kshs 000'	
Revenue											
Sale of goods	224,280		(31,600)		192,680		69,241		123,439		36%
Transfers from GoK Recurrent	132,000		-		132,000		132,000		-		100%
Transfers from the GoK-Capital	200,000		(100,000)		100,000		100,000		-		100%
Other income	43,165		18,385		61,550		55,982		5,568		91%
<b>Total income</b>	<b>599,445</b>				<b>486,230</b>		<b>357,223</b>		<b>129,007</b>		
Expenses											
Compensation of employees	172,459		400		172,859		171,049		1,810		99%
Use of goods and services	135,810		(34,265)		170,075		253,106		(142,031)		149%
Other payments	115,236		(13,412)		122,824		181,532		(79,708)		148%
<b>Total expenditure</b>	<b>398,505</b>				<b>465,758</b>		<b>605,687</b>		<b>(219,929)</b>		
<b>Surplus/Deficit for the period</b>	<b>175,940</b>				<b>20,472</b>		<b>(248, 464)</b>		<b>348, 936</b>		

a) During the financial year under review the government allocated PPCK Kshs.132M for recurrent and Kshs.100M for development to aid Pyrethrum Industry Recovery Process. PPCK development grant allocation was revised downward from Kshs.200M to Kshs.100M.

b) The difference between original budget and final budget is due to revision of budget which resulted in reallocation of budget votes.



## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

P.P.C.K 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 produce, process and market Pyrethrum and pyrethrum products, conduct scientific & agronomic research, promote and facilitate production of high yielding planting material & quality Pyrethrum seeds.

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, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions.

It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of PPCK, and all values are rounded off to the nearest Kenya shillings (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.





### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.  (Entity to state the effect of amendments on their financial statements for the year ended.)	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies. (Entity to state whether this has	The amendments are effective for annual periods beginning on or after January 1, 2023.



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

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.



Title	Description	Effective Date
in September 2022)	does not recognise any amount of the gain or loss.	
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

*(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 the financial year.

**4. SUMMARY OF ACCOUNTING POLICIES**

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

**a) Revenue recognition**

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.



- i) **Revenue from the sale of goods and services** is recognized in the year in which the PPCK 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 recognized in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
  - iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
  - iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
  - v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
  - vi) **Other income** is recognized as it accrues.
- b) **In-kind contributions**  
In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.
- c) **Property, plant and equipment**  
All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.  
Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.



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.

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

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

Freehold Land	Nil
Buildings and civil works	2.50% P.A
Plant and machinery	12.50% P.A
Motor vehicles, including motor cycles	25% P.A
Computers and related equipment	30% P.A
Office equipment, furniture and fittings	12.50% P.A

A full year's depreciation charge is recognized in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets of P.P.C.K includes Licenses, Registrations, Patents, Brands, trademarks, and data relating to PPCK- Pyrethrum Processing Company of Kenya.



**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.



**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. These bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) (entity to amend appropriately based on measurement/ classification).

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through profit or loss (FVTPL).

**k) Unquoted investments**

Unquoted investments are measured at fair value through profit or loss (FVTPL). (During the period under review the company did not have unquoted investments).

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost 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.

**n) Taxation**

**i) Current income tax**

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



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

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

**o) Deferred tax**

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

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

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

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





**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) Cash and cash equivalents**

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

**r) 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.

**s) 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 PPCK or not, less any payments made to the suppliers.



**a) 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 1<sup>st</sup> 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 NSSF Act now provides for a monthly contribution equivalent to 12% of an employee's monthly salary. 6% of the said contribution is deducted from the employee's salary while the other 6% is paid by the employee. The new NSSF Rates apply on a graduated scalar..

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which P.P.C.K 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.

**w) Budget information**

The original budget for FY 2022/23 was approved by the National Assembly on 30<sup>th</sup> June 2023. 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 P.P.C.K upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded reduction in appropriations of Kshs.13,215,000 on the **FY 2022/23** budget following P.P.C.K Board approval. P.P.C.K budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the



financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

**a) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**b) Comparative figures**

Where necessary comparative figures for the 2021/22 financial year have been amended or reconfigured to conform to the required changes in presentation in accordance with IAS 8 "Presentation of Financial Statements.

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of P.P.C.K financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.



**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.



**Notes to the Financial Statements (Continues)**

**6. REVENUE**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Sales of Goods	<u>69,241</u>	<u>62,741</u>
<b>Total</b>	<b><u>69,241</u></b>	<b><u>62,741</u></b>

The revenue for the period under review was generated from processing of 225 tonnes of dry pyrethrum flowers. Part of the Pyrethrum finished products processed were still held as stock in trade as at the end of the period under review.

**7. COSTS OF SALES**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Opening inventories	139,009	129,942
Add: Manufacturing costs		
Purchase of Pyrethrin	90,673	42,093
Processing and refining	57,164	20,726
<b>Sub-Total</b>	<b>286,846</b>	<b>192,761</b>
Less: Closing inventories	<u>(181,187)</u>	<u>(139,009)</u>
<b>Cost of sales</b>	<b><u>105,659</u></b>	<b><u>53,752</u></b>

The cost of production increased during the period under review due increased production of dry flowers delivered to PPCK and high cost of processing inputs (solvents).

**8. GRANTS FROM NATIONAL GOVERNMENT**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Recurrent grants received	132,000	132,000
Capital grants realized	<u>100,000</u>	<u>140,000</u>
<b>Total</b>	<b><u>232,000</u></b>	<b><u>272,000</u></b>

During the period under review, PPCK was allocated **Kshs.132** million for recurrent and **Kshs.100** million for development in the Annual Budget FY 2022/23. The development grant of Kshs. 100 million was meant for pyrethrum industry recovery project as per attached Appendix II.



**Analysis of grants received from the Government during year 2022/2023**

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	2022 - 2023	2021-2022
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
Ministry of Agriculture/State Department of Crop Development	191,000	41,000	-	232,000	272,000
<b>Total</b>	<b>191,000</b>	<b>41,000</b>	<b>-</b>	<b>232,000</b>	<b>272,000</b>

**9. OTHER INCOME**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Rental Income	24,997	24,368
Farms	2,862	1,731
Other Miscellaneous Receipts	<u>28,123</u>	<u>4,891</u>
<b>Total</b>	<b><u>55,982</u></b>	<b><u>30,990</u></b>

**10. OTHER GAINS AND LOSSES**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Differed Pyrethrin Loss	(45,264)	(45,264)
Fair value gain or loss on Revaluation of biological assets	<u>1,366</u>	<u>396</u>
<b>Total</b>	<b><u>(43,898)</u></b>	<b><u>(44,868)</u></b>



**11. ADMINISTRATION COSTS**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Staff costs (note (11a))	171,049	166,489
Directors' emoluments	10,273	11,973
Electricity and water	3,190	3,075
Repairs and maintenance	14,245	8,209
Security	719	1,876
Travelling & Subsistence	17,993	19,018
Auditors' remuneration	1,000	580
Rent & Rates	3,254	4,093
Insurance costs	2,525	2,073
Depreciation	85,681	90,589
Entomology expenses	64	128
Legal fees & Court Awards	11,213	789
Other Operating Expenses	<u>129,480</u>	<u>80,330</u>
<b>Total</b>	<b><u>450,686</u></b>	<b><u>389,222</u></b>

**11.(b) STAFF COSTS**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Salaries and allowances of permanent employees	114,920	114,118
Salaries of Staff on contract	38,673	26,534
Transfer Allowance	973	1,391
Gratuity provisions	8,202	8,102
Exgratia	2,897	11,847
Overtime	<u>5,384</u>	<u>4,497</u>
<b>Total</b>	<b><u>171,049</u></b>	<b><u>166,489</u></b>

**The average number of employees at the end of the year was:**

Permanent employees – management	43	44
Permanent employees – unionisable	93	97
Temporary and contracted employees	<u>120</u>	<u>101</u>
<b>Total</b>	<b><u>256</u></b>	<b><u>242</u></b>

**12. SELLING AND DISTRIBUTION COSTS**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Marketing and Promotional expenses	4,522	1,599
Other Selling and Distribution costs	<u>921</u>	<u>903</u>
<b>Total</b>	<b><u>5,443</u></b>	<b><u>2,502</u></b>



**13. PROPERTY, PLANT AND EQUIPMENT**

ITEM	LAND '000'	BUILDINGS '000'	PLANT AND MACHINERY '000'	CWIP '000'	MOTOR VEHICLES '000'	FURNITURE '000'	EQUIPMENT '000'	COMPUTERS '000'	TOTAL '000'
<b>COST/VALUATION</b>									
1st July 2021	4,535,050	692,700	529,879	1,961	18,236	3,577	6,745	1,325	5,789,473
Additions	-	-	-	-	2,314	1,053	4,019	885	8,271
Prior year Adjustments	-	-	595	-	(985)	-	-	-	(390)
Capitalization	-	-	-	(1,961)	-	-	1,961	-	-
As at 30 June 2022	4,535,050	692,700	530,474	-	19,565	4,630	12,725	2,210	5,797,354
1st July 2022	4,535,050	692,700	530,474	-	19,565	4,630	12,725	2,210	5,797,354
Additions	-	-	-	-	-	1,545	2,604	1,971	6,121
Disposal	-	-	(12,920)	-	(2,195)	-	-	-	(15,115)
As at 30 June 2023	4,535,050	692,700	517,554	-	17,370	6,175	15,329	4,181	5,788,360
<b>DEPRECIATION</b>									
1st July 2021	-	51,954	198,927	-	13,059	1,330	2,526	1,026	268,822
Charge for the Year	-	17,318	66,310	-	4,514	478	1,565	404	90,589
As at 30th June 2022	-	69,272	265,237	-	17,573	1,808	4,091	1,430	359,410
1st July 2022	-	69,272	265,237	-	17,573	1,808	4,091	1,430	359,410
Charge for the Year	-	17,318	64,694	-	579	688	1,798	604	85,681
Acc. Dep W/off	-	-	(6,460)	-	(2,195)	-	-	-	(8,655)
As at 30th June 2023	-	86,589	323,471	-	15,956	2,496	5,890	2,035	436,437
<b>NET BOOK VALUES</b>									
30TH JUNE 2023	4,535,050	606,111	194,083	-	1,414	3,679	9,440	2,146	5,351,923
30TH JUNE 2022	4,535,050	623,429	265,238	-	1,992	2,822	8,634	780	5,437,944





## 14. INTANGIBLE ASSETS

Description	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
<b>Cost</b>		
At July 1,2022	525,000	525,000
Additions	-	-
Disposals	-	-
<b>At June 30, 2023</b>	<b>525,000</b>	<b>525,000</b>
<b>Amortisation</b>		
At July 1,2022	-	-
Charge For The Year	-	-
Disposals	-	-
Impairment Loss	-	-
<b>Net Book Value as at June 30,2023</b>	<b>525,000</b>	<b>525,000</b>

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.



**15. INVENTORIES**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Raw materials	37,784	19,826
Finished goods	4,824	10,623
Work in Progress	34,411	4,392
Other Pyrethrum Products	<u>104,168</u>	<u>104,168</u>
<b>Sub-Total</b>	<b><u>181,187</u></b>	<b><u>139,009</u></b>

**15 b) Consumables**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Engineering stores	87,553	80,564
Fuel, oil and lubricants	1,845	1,707
Stationery and general stores	<u>5,081</u>	<u>4,545</u>
<b>Sub-Total</b>	<b><u>94,479</u></b>	<b><u>86,816</u></b>
<b>Total</b>	<b><u>275,666</u></b>	<b><u>225,824</u></b>

**16. BIOLOGICAL ASSETS**

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Livestock	501	1,032
Tea Bushes	<u>8,203</u>	<u>6,838</u>
	<b><u>8,704</u></b>	<b><u>7,870</u></b>

During the period under review there was a gain in fair value of Tea bushes amounting to **Kshs. 1,365,480** as per the valuation report. The fair value of Livestock decreased by **Kshs.531,000** due to disposal which was undertaken in the month of July 2022. 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 2022/2023.



**17. TRADE AND OTHER RECEIVABLES**

Description	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Trade receivables	68,339	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' receivable	48,157	49,602
Staff receivable	28,275	30,402
Fixed Interest Investments (Euro Bank Ltd)	150,000	150,000
Other Receivables	<u>169,036</u>	<u>118,479</u>
<b>Gross Trade and Other Receivables</b>	<b><u>477,941</u></b>	<b><u>424,470</u></b>
Specific Provision for doubtful debts (Note 20)	(162,574)	(162,574)
Provision for Bad And Doubtful debts	<u>(56,241)</u>	<u>(56,241)</u>
<b>Net Trade and Other Receivables</b>	<b><u>259,126</u></b>	<b><u>205,655</u></b>

**18. A) Bank and Cash Balances**

Description	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Cash at bank	22,274	191,578
Cash in hand	-	54
<b>Total</b>	<b><u>22,274</u></b>	<b><u>191,632</u></b>

The cash at bank of Kshs.22,274,000 was held at Kenya Commercial Bank and Stanbic bank as shown in note 18(b). There was no cash in hand as at 30<sup>th</sup> June 2023.



18 (b). Detailed analysis of the cash and cash equivalents

Description		2022-2023	2021-2022
Kenya Commercial Bank Ltd			
a) Current Account			
Rent	1153031779	1,275	12,410
Growers Account	1153031493	267	103,773
Asset Disposal Account	1153031930	14,245	3,019
USD Account	1153032171	118	169
Euro Account	1153032422	6,304	28,499
Operations	1153031337	32	43,675
Cfc Stanbic Bank Account	0100000631293	33	33
<b>Sub- Total</b>		<b>22,274</b>	<b>191,578</b>
b) Other			
Cash in hand		-	54
<b>Sub- Total</b>		<b>-</b>	<b>54</b>
<b>Grand Total</b>		<b>22,274</b>	<b>191,632</b>

19. TRADE AND OTHER PAYABLES

Description	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Trade payables	1,085,858	1,023,194
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
Payables to New Kenya Planters Union	100,000	100,000
Amount due to Growers	18,050	24,064
<b>Total</b>	<b>1,484,558</b>	<b>1,427,908</b>



**20. PROVISIONS**

Description	Euro Bank	Other	Total
	Kshs '000'	Provisions Kshs '000'	Kshs '000'
Balance at the beginning of the year	150,000	12,574	162,574
Additional provisions	-	-	-
Less: current portion	-	-	-
Balance at the end of the year	150,000	12,574	162,574

Provision above relates to specific provisions for bad debts

**21. NOTES TO THE STATEMENT OF CASH FLOWS**

	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
<b>Reconciliation of operating profit/(loss)</b>		
<b>Cash generated from/ (used in) operations</b>		
Operating profit/ (loss)	(248,463)	(124,613)
Depreciation	85,680	90,589
Differed Pyrethrin Loss	45,264	45,264
(Gains)/Loss from changes in fair value of biological assets	<u>(1,365)</u>	<u>(396)</u>
<b>Operating profit/ (loss) before working capital changes</b>	<b><u>(118,884)</u></b>	<b><u>10,844</u></b>
(Increase)/Decrease in Inventories	(49,841)	(11,604)
(Increase)/Decrease in trade and Other Receivables	(53,470)	4,675
Increase/ (Decrease) in Trade and Other Payable	56,650	139,740
Other Liabilities	<u>(4,704)</u>	<u>(74,106)</u>
<b>Cash generated from/ (used in) Operations</b>	<b><u>170,249</u></b>	<b><u>69,549</u></b>

**22. OTHER LIABILITIES**

The other liabilities of Kshs. 4,704,000.00 in the notes to statement of cashflow (note 21) above relates to historical pending bills accrued.



**23. INVESTMENT IN EURO BANK**

The Company invested Kshs.150 million in Euro Bank Limited on 17<sup>th</sup> October 2001. Euro Bank collapsed on 20<sup>th</sup> February 2003 without significant assets. The Company made a provision in the year 2002/2003 and is awaiting the outcome of the case. During the period under review PPCK Board made a request for the write off of Kshs.150 million to the National Treasury through the parent ministry (MOALF&C).

**24. 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.

**25. REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment which was done in June 2018 valued at **Kshs. 5,764,301**. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation. Revaluation surpluses are not distributable.

**26. 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 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 2022-2023 Kshs '000'	JUNE 2021-2022 Kshs '000'
Balance at beginning of the year	678,961	724,225
Write off for the year	<u>45,264</u>	<u>45,264</u>
Balance at end of the year	<u>633,697</u>	<u>678,961</u>



**27. 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**.

**28. 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 128,453.76 FY 2022/23** is held as fund pending issuance of PPCK units thereof.

	JUNE 2022-2023 Kshs '000'	JUNE 2021-2022 Kshs '000'
Balance at beginning of the year	107	96
Write off for the year	21	11
Balance at end of the year	<u>128</u>	<u>107</u>

**29. 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 1<sup>st</sup> December 2016 and a liquidator was appointed. Actuarial valuation of the scheme was undertaken which currently stands at **Kshs 2.02 billion**. For the period under review the Board had taken initiative of identifying thirteen non-core assets which were valued by the Ministry of Lands to address the pension deficit. A Cabinet memo was prepared and forwarded to TNT through the Parent Ministry (MOALF) of which it was received and an advisory given to await a Cabinet approval.

**30. RELATED PARTY DISCLOSURES**

**Government of Kenya**

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Ministry of Agriculture, State Department of Crop Development
- ii) Key management
- iii) Board of directors



**Transaction with related parties**

<b>a) Grants from the government</b>	<b>2022-2023</b>	<b>2021-2022</b>
	Kshs.'000'	Kshs.'000'
Grants from national govt	232,000	272,000
<b>Total</b>	<b>232,000</b>	<b>272,000</b>

<b>b) Key management compensation</b>	<b>2022-2023</b>	<b>2021-2022</b>
	Kshs.'000'	Kshs.'000'
Directors' emoluments	10,273	13,440
Compensation to Key management	12,536	10,526
<b>Total</b>	<b>22,809</b>	<b>23,966</b>

31. During the Financial year under review, PPCK had pending litigation in various high courts within the country which their outcome remains uncertain





20. APPENDICES

**APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR -GENERAL PRIOR YEAR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor.

Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
1.0	<b>Inaccuracies in the Financial Statements</b> The statement of financial position reflects comparative trade and other receivables balance of Kshs. 210,331,000 and trade payables balance of Kshs.1,288,167,000 which are	Restatement was done for financial year 2021/2022 and all documents availed for audit.	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>at variance with the previous year's audited balances of Kshs.222,905,000 and Kshs.1,300,741,000 respectively both resulting to variances of Kshs.12,574,000 each.</p> <p>Further, the statement of changes in net assets reflects prior year adjustments totalling Kshs.74,106,000. Management explained that the adjustments relate to gratuity and legal fees incurred in previous years but were omitted from the books. However, documents to support the adjustments were not provided for audit.</p>			



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
2.0	<p>In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.</p> <p><b>PROPERTY, PLANT AND EQUIPMENT</b></p> <p>The statement of financial position and Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.5,437,944,000. Review of the financial records revealed the following anomalies;</p> <p>i. Included in the balance are motor vehicles and computers with a net book value of Kshs.1,992,000</p>	<p><b>PROPERTY, PLANT AND EQUIPMENT</b></p> <p>i. For the Period Under Review the company had only seven (7) motor vehicle and Fifteen 15 Motor cycles which are operational and running. The Management has planned for revaluation of the company assets in the financial year 2023/24 of which a budgetary provision for asset revaluation has been factored.</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>and Kshs.780,000 respectively. Review of the assets register revealed that fifty-one (51) vehicles and thirty-one (31) computers were fully depreciated and have not been revalued. Management has explained that seven (7) motor vehicles and fifteen (15) motor cycles were functional.</p>			
ii.	<p>The net book value for land of Kshs.4,535,050,000 includes eighteen (18) parcels of land with a book value</p>	<p><b>ii. Land Parcels without ownership documents.</b> The management has communicated with the National land Commission on the issue of unregistered parcels vide letter</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>of Kshs.354,340,000 which are not registered in the name of the Company.</p>	<p>ref.MD/PPCK/D.5/695/2020 dated 3<sup>rd</sup> April 2020 and Response on advisory received vide Letter Ref.6095/11/ (36) dated 15<sup>th</sup> June 2021.</p> <p>The management Further engaged with the Ethics and anti-Corruption Commission on recovery of grabbed PPCK land parcel Nakuru municipality Block No...8/30... has been recovered vide court judgement ELC NO.53B OF 2021 dated 9<sup>th</sup> march 2023 (hereby attached). Nakuru Municipality Block 9/32 whose 99-year lease has expired now management has communicated to the National Land Commission vide letter Ref <b>MD/PPCK/D.5/2517/2023</b> dated 1<sup>st</sup> February 2023 requesting for renewal of lease.</p>		



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>Further management has communicated to EACC on recovery of irregularly acquired PPCK land parcels vide memo Ref: MD/PPCK/B.16(a)(i)2547/2023 dated 10<sup>th</sup> march 2023.</p> <p>Further the company is implementing the advisory from National Land Commission by requesting for Provision of survey Works from the Department of land, Housing and physical planning- Nakuru County Vide Memo MD/PPCK/D.5/2552/2023 dated 24<sup>th</sup> march 2023.</p>		
iii. As previously reported, the property, plant and equipment include an extraction plant purchased and installed in the	<p><b>iii. The Extraction Plant.</b> The management has been undertaking some efforts on the commissioning of the new extraction plant in the past. But the major challenge has been attaining the threshold requirement of 50MT of dry</p>		Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>year 2006 at a cost of Kshs.305,872,000 and whose net book value is Kshs.147,000,000 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. However, no evidence to indicate the steps taken to revive</p>	<p>pyrethrum flowers per day translating to 350MT per week and 1,500MT per month so that the plant is commissioned as per the advisory of engineer George Khasiani of Chimma Enterprise Engineering and project Management Consultant (report attached).</p> <p><b>Steps Taken to Revive the Industry</b>                      Through the parent ministry there have been various strategies that have been put in place for the revival of the industry, currently the PPCK Board and Management are implementing the task force report <b>(report attached)</b> recommendations for the revival of the industry and the turnaround of the company.                      The company has also developed a 5-year</p>		



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>the industry was provided. Further, technological changes and wear and tear are bound adversely affect the idle machines and may result in the loss of funds invested in the asset.</p>	<p>strategic plan which has been approved by the Board and sent to the parent ministry for validation and implementation.</p>		
<p>iv. Included in the property, plant and equipment balance of Kshs.5,437,944,000 are rental houses and offices with a net book value of Kshs.623,430,000. However,</p>	<p><b>iv. PPCK HOUSING</b> The company has been having cash flow challenges for the last 10years and operating on losses and the effect of budgetary rationalization has also crippled the company on its implementation of its projects which include the housing units. The management has already embarked on partial repairs starting with head</p>	<p><b>iv. PPCK HOUSING</b> The company has been having cash flow challenges for the last 10years and operating on losses and the effect of budgetary rationalization has also crippled the company on its implementation of its projects which include the housing units. The management has already embarked on partial repairs starting with head</p>	<p>Not Resolved</p>	<p>30<sup>th</sup> June, 2024</p>





Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>physical verification revealed that the rental houses and offices were dilapidated. No reasons were provided for failure to repair the buildings.</p> <p>In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.5,437,944,000 could not be confirmed.</p>	<p>office.</p> <p>Ministry of public works had already prepared a BQ for the repair of the head office and the Estates which was estimated at Kshs 10 million but due to cashflow challenges the management has not yet fully implemented it. But currently the management is undertaking partial repairs starting with the Head office.</p>		
3.0	<p><b>UNSUPPORTED TRADE AND OTHER RECEIVABLES</b></p> <p>The statement of financial position and Note 17 to the financial statements reflects trade and other receivables</p>	<p><b>UNSUPPORTED TRADE AND OTHER RECEIVABLES</b></p> <p><b>i. Trade and other receivables</b></p> <p>This are historical debtors and the ageing analysis have been provided for the Audit review.</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>balance of Kshs.205,655,000.</p> <p>Review of the financial records revealed the following anomalies;</p> <p>i. Included in the balance are trade receivables and other receivables of Kshs.61,852,998 and Kshs.118,479,000 respectively which have been outstanding for more than one year and the details of the receivables were not provided.</p>	<p>As part of the Pyrethrum revival strategy the management usually pays growers an advance amount once the flowers are weighed at the flower collection centers across the 18 pyrethrum growing counties. Once the analysis is done to determine the pyrethrin content and payment rate the amount advanced to the grower is fully recovered.</p> <p>The long outstanding trade receivables which are historical which have been presented and discussed at the Finance and Hr Committee for their adoption for a write-off</p>	Not Resolved	30 <sup>th</sup> June, 2024
	<p>ii. The balance includes growers receivables and staff receivables balance of</p>	<p><b>ii. Growers' debtors.</b></p> <p>This are historical accounts relating to growers that since have remained doubtful, the</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
	Kshs.49,602,000 and Kshs. 30,403,484 respectively, whose details were not provided for audit review.	management has presented them to the FHR Committee for a consideration for a write-off.		
	iii. The balance also includes deposit held by courts of Kshs.4,454,000 that has been outstanding for long and which Management did not provide details and progress of the cases. In addition, the balance includes an amount of Kshs.7,179,950 relating to abortive expenses on Nairobi Agricultural Society of Kenya (ASK) Show and	<p><b>iii. Deposit held by courts/Nairobi ASK.</b></p> <p>The company has got various court cases resulting from various litigations mostly HR related issues. The listing for the status of outstanding legal issues has been provided for the review.</p> <p>The abortive purchase of the Nairobi ASK show stand the matter was taken up by EACC and the management had provided a provision on the same.</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>which Management explained that Ethics and Anti-Corruption Commission (EACC) was conducting investigations pertaining to the expenditure. However, progress report on the case was not provided.</p>			
	<p>iv. Further, the balance was net of provision for bad debts of Kshs.56,241,490 whose basis of computation was not provided.</p>	<p><b>iv. Provisions.</b> This has been an historical provision, currently the management is developing bad debt policy document. The management will present these historical accounts to the board for a consideration for a write-off.</p>	Not Resolved	30 <sup>th</sup> June, 2024
	<p>v. Review of the property manager's monthly report</p>	<p><b>v. Rental Income</b> These are historical rent arrears which</p>	Resolved	-



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>for June, 2022, revealed rent arrears from nine properties owned by the Company amounted to Kshs.28,873,010. However, the arrears were not disclosed in the trade and other receivables balance. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.205,655,000 could not be confirmed.</p>	<p>management has already recognized in the books of account. Attached ledger for the rent facilities</p>		
4.0	<p><b>UNSUPPORTED CASH AND BANK BALANCE.</b> The statement of financial position and Note 18 to the financial statements reflects cash and bank balance of Kshs.191,632,171.</p>	<p><b>STANBIC BANK ACCOUNT NO. 0100000631293</b> The management has made an effort by writing to the bank vide letter Ref: MD/PPCK/D.23/2457/2022 dated 21<sup>st</sup> Dec 2022 for the current status and the closure of the above account.</p>	Not Resolved	31 <sup>st</sup> December, 2023



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>Included in the balance is Kshs.33,442 held at Stanbic bank which has been dormant and whose certificate of bank balance was not provided.</p> <p>In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs. 191,632,171 could not be confirmed.</p>	<p>The matter was further presented to the special Board of Directors meeting held on 26/04/2023 regarding change of signatories and which was adopted hence now the matter is being pursued with the bank for the closure.</p>		
5.0	<p><b>OVERSTATEMENT OF INVENTORIES</b></p> <p>The statement of financial position and Note 15 to the financial statements reflects inventories balance of Kshs.225,824,000. Included in the balance is an of</p>	<p><b>OVERSTATEMENT OF INVENTORIES</b></p> <p>The sludges and green oil in store analysed between 3% and 10% according to records in our possession the listed residues were processed between 17<sup>th</sup> July 2007 and 18<sup>th</sup> October 2007 and a total of 1595Kgs of pale extract of varying concentration between 23% and 40% was</p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
6.0	<p>Kshs.104,168,000 in respect of other pyrethrum products which comprises of sludges that are waste products after extraction of pyrethrin and other substances from the flowers. The products were last valued in the year 2007. However, attempts by the company to dispose these products at this cost have not been successful and the products may have deteriorated in value over time.</p> <p>In the circumstances, the accuracy and completeness of inventories balance of Kshs.225,824,000 could not be confirmed.</p> <p><b>LONG OUTSTANDING AND</b></p>	<p>produced and sold. The residues now in stock below 3% cannot be economically processed in our factory as they are at the cut-off limits at which we normally discharge residues from our refinery process. The management has communicated to (NEMA) vide letter <b>MD/PPCK/B.24/2546/2023</b> dated <b>21<sup>st</sup> March 2023</b> to advice on the revaluation and disposal of the byproducts and other obsolete chemicals.</p> <p><b>LONG OUTSTANDING AND UNSUPPORTED</b></p>	Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p><b>UNSUPPORTED TRADE AND OTHER PAYABLES.</b></p> <p>The statement of financial position and Note 19 to the financial statements reflects trade and other payables balance of Kshs.1,427,908,000. Review of the payables revealed the following matters;</p> <p>i. Included in the balance are trade payables and provisions amounting to Kshs.1,023,194,000 out of which amounts totalling to Kshs.175,301,015 and Kshs.19,968,869 relate to long outstanding</p>	<p><b>TRADE AND OTHER PAYABLES.</b></p> <p><b>1. Provisions for penalties</b></p> <p>The management has noted the observation and will engage with Kenya revenue Authority on the current status of penalties and interest and so as to make an informed position of providing for the provision in the books of accounts. The management also has been engaging with KRA through the parent ministry on way of waiving of the interest and penalties vide letter Ref MD/PPCK/B.16(a)2495/2023 dated 27<sup>th</sup> February 2023.</p>		





Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
	<p>unremitted Value Added Taxes (VAT) and Pay As You Earn (PAYE) tax deductions respectively. The unremitted taxes continue attracting interest and penalties from the Kenya Revenue Authority (KRA). No provision for penalties and interest chargeable as a result of failure to remit the deductions to the relevant authorities on time has been made in the year under review.</p>			
	<p>ii. The balance also includes other payables to</p>	<p><b>2. Agriculture and Food Authority</b></p>	<p>Not Resolved</p>	<p>30<sup>th</sup> June, 2024</p>



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)									
	<p>Agriculture and Food Authority of Kshs.223,127,000, Sugar Directorate of Kshs.41,493,000 and Tea Directorate of Kshs.16,030,000 and which Management has explained relate to salaries, legal fees and statutory deduction and statutory deduction paid on behalf of the Company by Agriculture and Food Authority and which has been outstanding since 2018. Further the breakdown of the amount was not provided.</p>	<p>The amount owed to AFA relates to funds disbursed to the company for the payment of salaries, legal fees and statutory deductions when the company was still under AFA under Pyrethrum and Other Industrial Crops directorate as the budget was consolidated as AFA and its directorates including PPCK.</p> <table border="1" data-bbox="813 593 1244 1310"> <thead> <tr> <th>Item</th> <th>Amount (Kshs.)</th> <th>Purpose</th> </tr> </thead> <tbody> <tr> <td>1 Payables to AFA HQ</td> <td>223,127,000.00</td> <td>Payment of staff salaries, settlement of court cases, valuation of PPCK assets for year 2018.</td> </tr> <tr> <td>2 Payable to Sugar Director</td> <td>41,493,000.00</td> <td>Payment of salaries and statutory deductions i.e.</td> </tr> </tbody> </table>	Item	Amount (Kshs.)	Purpose	1 Payables to AFA HQ	223,127,000.00	Payment of staff salaries, settlement of court cases, valuation of PPCK assets for year 2018.	2 Payable to Sugar Director	41,493,000.00	Payment of salaries and statutory deductions i.e.		
Item	Amount (Kshs.)	Purpose											
1 Payables to AFA HQ	223,127,000.00	Payment of staff salaries, settlement of court cases, valuation of PPCK assets for year 2018.											
2 Payable to Sugar Director	41,493,000.00	Payment of salaries and statutory deductions i.e.											



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments			Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		ate (AFA)		NHIF & NSSF		
		Payables to Tea Director ate (AFA)	16,030,000.00	Payment of salaries and statutory deductions i.e. NHIF & NSSF		
		<b>TOTAL</b>	<b>280,650,000.00</b>			
	<p>iii. Included in the balance are amounts due to growers amounting to Kshs.24,064,000 whose details of the growers and their respective balances were not provided.</p> <p>In the circumstances, the</p>	<p>PPCK Board &amp; Management are engaging with the parent ministry on a way forward on settling of the amount owed to Agriculture &amp; Food Authority vide Memo Ref MD /PPCK B.16(a)/2495/2023 dated 27<sup>th</sup> Feb 2023.</p> <p><b>3. Growers' debts.</b> This are historical Un-reconciled accounts that management has done a Board paper for presentation to the board for a consideration of writing them off from books of accounts.</p>			Not Resolved	30 <sup>th</sup> June, 2024



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
	accuracy and completeness of the trade payables balance of Kshs.1,427,908,000 could not be confirmed.			
7.0	<p><b>GOING CONCERN</b> The statement of financial position reflects current liabilities balance of Kshs.1,427,908,000 which exceeds the current assets balance of Kshs.623,112,000 resulting to a negative working capital of Kshs.804,796,000. Further, the statement of financial performance reflects a deficit of Kshs.124,613,000 resulting to an accumulated general reserve deficit of Kshs.270,479,000 as at 30 June, 2022. The company therefore, is technically insolvent and its continued sustainability of services is dependent upon support from the National Government and its creditors.</p>	<p><b>GOING CONCERN</b> The Pyrethrum industry for the last 10years has been on decline and this is mainly attributed to non-payment of farmers, unmatched supply and demand forces in the international market and use of synthetic Pyrethroids instead of natural Pyrethrin. This led to declining financial performance of the Company (Formerly Pyrethrum Board of Kenya). The management through the support of Government has put in place a turnaround strategy which is currently under implementation and is expected to bring back the Company to a sustainable status. Among the key strategies include disposal of non-core assets to settle liabilities, purchase of a smaller and efficient extraction plant, availing and distributing planting materials to farmers, sustainable monthly payments to farmers, utilization of idle farms to boost production to generate additional revenue.</p>	Not Resolved	30 <sup>th</sup> June, 2027



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
<b>KEY AUDIT MATTERS</b>				
<b>UNRESOLVED PRIOR YEAR MATTERS</b>				
	<p><b>FAILURE TO OBSERVE ONE THIRD OF BASIC SALARY PAYMENT RULE</b></p> <p>Audit review of the Company's payroll revealed that thirty-three (33) officers of the Company earned salaries which were less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of all deductions which under the provisions of Section (1), may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or</p>	<p><b>NON-COMPLIANCE WITH A THIRD RULE</b></p> <p>The Main reason why these employees did not comply with the one third rule was due to salary advances taken due to medical reasons either by the employee or for their family members but this problem will be addressed in the Financial year 2023/24 as the Company has budgeted to procure a medical cover for all its employees.</p>	Resolved	-



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
	<p>other amount as maybe prescribed by the Minister either generally or in relation to a specified employer or employee of class of employers or employees or any trade or industry.</p> <p>The Management was in breach of Section 19(3) of the Employment Act, 2007.</p>			
	<p><b>LACK OF GUIDING PROCEDURE MANUALS</b></p> <p>Review of the internal control environment revealed that the Company did not have documented operational procedure manuals and disaster recovery and business continuity plans to guide operations in cases of disrupted services.</p> <p>In the circumstances, the internal control, risk Management mechanism of the</p>	<p><b>GUIDING PROCEDURE MANUALS</b></p> <p>The management has developed various departmental Operational procedure manuals and now being implemented.</p>	Resolved	



Reference No. On the External Audit	Issue/Observation from the Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue yo be resolved)
	Company may not be effective.			

*MM*

Mrs. Mary M. Ontiri - Magati  
**Ag. Chief Executive Officer**

Date: 19<sup>th</sup> Oct / ..... / 24



**APPENDIX II: PROJECTS IMPLEMENTED BY PYRETHRUM PROCESSING COMPANY OF KENYA**

**PROJECTS**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Pyrethrum Industry Recovery	1165103500	The GOK	1 <sup>st</sup> July 2014 to 30 <sup>th</sup> June 2030	No	No	Yes

**Status of Projects completion**

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
	Billion	Kshs. Million		Kshs. Million	Kshs. Million	
1 Pyrethrum Industry Recovery	3.480	860	25%	100	100	GOK





APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount Kshs '000	Statement of Financial Performance Kshs. '000'	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund Kshs. '000'	Deferred Income	Receivables	Others - must be specific	
MOA&L	04/08/2022	Recurrent	11,000	11,000					11,000
	27/09/2022	Recurrent	11,000	11,000					11,000
	28/09/2022	Recurrent	11,000	11,000					11,000
	14/11/2022	Recurrent	11,000	11,000					11,000
	07/12/2022	Recurrent	11,000	11,000					11,000
	13/01/2023	Recurrent	11,000	11,000					11,000
	13/02/2023	Recurrent	11,000	11,000					11,000
	08/03/2023	Recurrent	11,000	11,000					11,000
	14/04/2023	Recurrent	11,000	11,000					11,000
	06/06/2023	Recurrent	11,000	11,000					11,000
	09/06/2023	Recurrent	11,000	11,000					11,000
03/07/2023	Recurrent	-	11,000			11,000		11,000	
MOA&L	19/10/2022	Development	50,000	50,000					50,000
	19/04/2023	Development	20,000	20,000					20,000
	03/07/2023	Development	-	30,000			30,000		30,000
<b>Total</b>			191,000	232,000	-	41,000	-	-	232,000



**Appendix IV: End Year Quality Review Checklist for State Corporations (SCs) and Semi-Autonomous Government Agencies (SAGAs) and Funds.**

Ref.	Ensure the following for the financial statements prepared for the year Ended 30 <sup>th</sup> June 2023	Comment
1	<b>Financial Statements</b> i. Financials statements are prepared using the applicable reporting framework, IFRS or IPSAS Accrual as prescribed by the PSASB.	Complied
2	<b>Trial Balance</b> 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	<b>General Ledgers</b> 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	<b>Accounting Policies</b> 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	<b>Cash and cash equivalent: Bank balance</b> i. Ensure that bank reconciliations for the whole year have been prepared, reviewed and approved as per the organization's manual.	Complied
	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	
	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
6	<b>Investments: Short term deposits</b>	N/A



	<p>i. Check and ensure that all deposits have certificates and have been recorded in the system</p> <p>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.</p> <p>iii. Ensure that the interest income earned is correctly recorded in the general ledger</p> <p>iv. Ensure that the accrued interest at the end of the year is accurately computed and recorded</p> <p>v. Review the investment schedule and ensure that all computations have been done</p>	
7	<p><b>Receivables</b></p> <p>i. Ensure that there is an aged receivables listing that agrees to the general ledger/ trial balance</p> <p>ii. Ensure that all provisions made are appropriately approved and are as per entity's policy</p> <p>iii. Ensure that the evidence of following up on long outstanding balances is available</p> <p>iv. Document credit risk management for the receivables as at the end of closing period.</p>	Complied
8	<p><b>Inventories</b></p> <p>i. Ensure that an inventory count is conducted and the results match what is recorded in the general ledger/ trial balance</p> <p>ii. Ensure that all variances arising from the result above are well explained</p> <p>iii. Ensure that any impairments in value are accurately computed and presented in the trial balance</p>	Complied  N/A N/A
9	<p><b>Property plant and equipment &amp; Intangible assets</b></p> <p>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</p> <p>ii. Conduct a verification exercise and ensure that all assets that are impaired are provided for;</p> <p>iii. Ensure all assets that are being held as collateral for the entity borrowing are clearly identified and documented in the fixed asset file</p> <p>iv. Update the list of fully depreciated asset and their condition as at the end of the reporting period</p> <p>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</p> <p>vi. Confirm adequacy of insurance for all the assets held</p> <p>vii. Prepare a fixed asset movement schedule</p>	Complied N/A N/A N/A 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	<b>Biological assets</b> 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	<b>Accounts payable: Trade payables</b> 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
	<b>Accounts payable: Differed Income</b> 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	
	<b>Accounts payable: Unexpended Grants</b> 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	
12	<b>Funds/ Reserves</b> 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	<b>Revenue</b>	
	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	<b>Expenditure</b>	
	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	<b>Inter-entity balances</b>	
	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	
	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	<b>Disclosures</b>	
	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	<b>Donor Funded projects</b>	
	i. Ensure all donor funded projects are taken stock of; i.e., determining the projects that started during the year, continuing and closed projects.	
	ii. Determine based on the donor agreement whether a separate financial statement is required for the project	N/A
	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	Complied
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: 19/2/2024

