

REPUBLIC OF KENYA



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**REPORT**

*For  
lets discuss  
2/8  
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**OF**

**THE AUDITOR-GENERAL**

**ON**

**PYRETHRUM PROCESSING COMPANY  
OF KENYA LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





OFFICE OF THE AUDITOR GENERAL,  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

28 APR 2023



Nature's Own Insecticide

PYRETHRUM PROCESSING  
COMPANY OF KENYA LTD

HEAD OFFICE

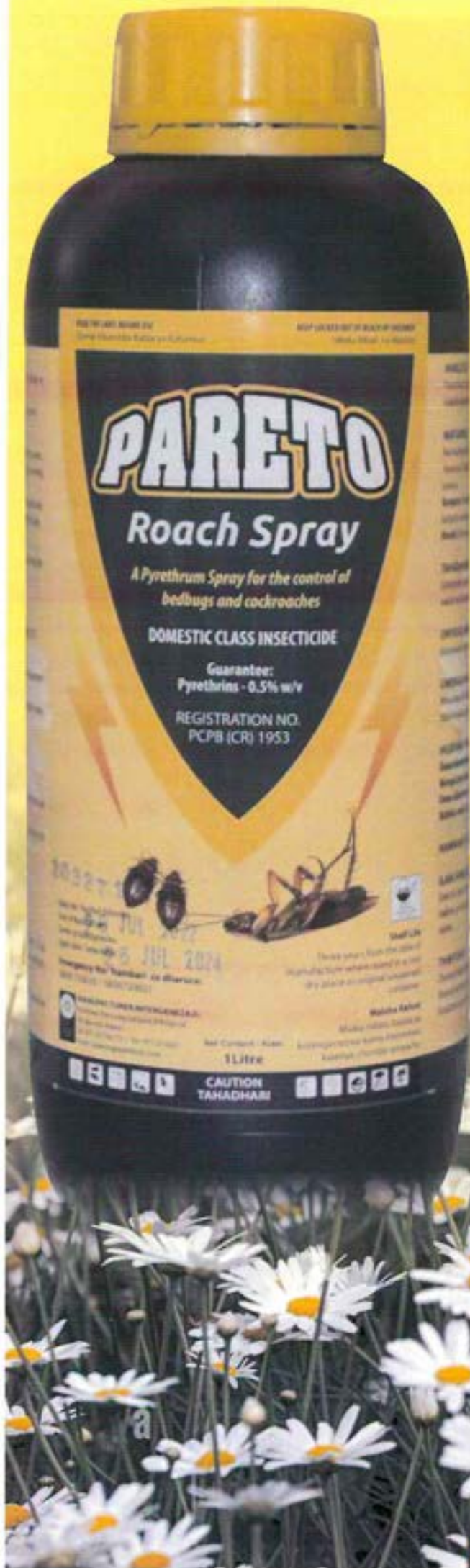
# PYRETHRUM PROCESSING COMPANY OF KENYA LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022.

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





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# I. KEY ENTITY INFORMATION

## (a) Background information

Pyrethrum Processing Company of Kenya Ltd (PPCK) is a company registered under the repealed Company's Act CAP 486 currently operating Registrations Certificate No. 5691 and carrying out the commercial business of the defunct Pyrethrum Board of Kenya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 within Nakuru County and 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.



**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	Mr. Jenaro Guantai Ithinji	Director	28 March 2021
3	Ms. Stella Wanjiru	Director	28 <sup>th</sup> March 2021
4	Mr. Simeon K. Chebwai Boen	Director	28 <sup>th</sup> March 2021
5	Dr. Lawrence M. Ngari	Director	28 <sup>th</sup> March 2021
6	Ms. Nasra G. Kochale	Director	28 <sup>th</sup> March 2021
7	Mr. Justus M. Monda	Director	28 <sup>th</sup> March 2022
8	Mr. John I. Njoroge	Director	28 <sup>th</sup> March 2022
9	Mrs. Serah W. Wataku	Director	28 <sup>th</sup> March 2022
10	Mrs. Mary M. Ontiri - Magati	Ag. Chief Executive Officer	9 <sup>th</sup> March 2021

**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)





**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**



## II. 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**



**Mrs. Mary M. Ontiri - Magati**  
Date of Birth 12<sup>th</sup> December 1970

Mrs Mary M. Ontiri - Magati holds a Master's degree in Plant Breeding from Egerton University, Bachelor of Science degree in Agriculture and Home Economics Egerton University.

She has worked with Pyrethrum industry for the last 29 years. Collaborated with former KARI plant Breeders & developed Pyrethrum varieties. She formerly worked as GM Technical and Advisory services (PBK), Deputy Director in Miraa Pyrethrum and Other Industrial Crops Directorate under AFA with vast experience in Pyrethrum production, processing and marketing.

She has undertaken Senior Management Course, Senior Leadership Development Program and Corporate Governance training at Kenya School

**Ag. Chief Executive Officer**



### III. MANAGEMENT TEAM



**Mrs Mary M. Ontiri - Magati**  
MSC (Plant Breeding)  
BSc (Agriculture)  
Member (PBAK/SOCAA)  
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. Elizabeth A. Lubyia served as acting Human Resource and Administration Manager upto 3rd. May 2022



## IV. CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of The Pyrethrum Processing Company of Kenya Ltd (PPCK), I am pleased to present the 2021/22 annual financial statements. It is important to note that Financial Reports form the backbone for financial planning, analysis, benchmarking and decision making of the Company. Therefore, quality accounting and reporting frameworks are essential in policy making, and in strategic decision making. The overall performance of the Company is in line with our strategic focus.

The Board and the office of Chief Executive Officer has been in operation for the last fifteen months and an additional two Board members were 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.

The current Board inherited huge historical pending bills from the defunct Pyrethrum Board of Kenya (PBK) due to financial constraints facing the company these include Pyrethrum Board Of Kenya Staff Superannuation Scheme as per the actuarial valuation as at 30<sup>th</sup> June 2019 amounting to 2.02B, the unremitted Pareto Sacco dues amounting to Kshs 31M has since been reduced to Kshs 17M, unremitted P.A.Y.E of Kshs 165M, land rates amounting to Kshs 83M, and pending bills owed to other government agencies amounting to Kshs. 380M among other creditors, in an effort to address the pending bills, the board has prepared and forwarded to Parent Ministry (MOALF&C) Cabinet memo & requesting for transfer of non-core assets to settle the historical pending bills.

The Company lays emphasis on the need to develop the crop through increase in development and provision of high-quality pyrethrum seeds and seedlings, increase in dry flower production and delivery to the factory, prompt payment of growers and recognizing the grower as key stake holders in the revival strategy.

The Board is therefore committed in ensuring prudent utilization of resources towards sustainable business as a driving factor in the achievement of the Big Four Agenda.

I thank the National Government through the Ministry of Agriculture, Livestock, Fisheries & Cooperatives for their support in policy matters, Board of Directors for adding value to the organization,





the management and staff for implementing organizational strategies on a day-to-day basis in a diligent and prudent manner. I also thank our valuable pyrethrum growers for the support towards revival of the industry as well as all the stakeholders for their good will.

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



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

DATE 13<sup>th</sup> / 04 /2023



V. REPORT OF THE Ag. CHIEF EXECUTIVE OFFICER



Pyrethrum Processing Company of Kenya Ltd (PPCK) is committed in fulfilling its mandate to: produce and supply high quality pyrethrum planting material, purchase dry flowers from growers, process, market pyrethrum products (Extracts & Value-added) and provide technical & scientific services for the economic benefit of stakeholders and the Country in foreign exchange earnings.

In the FY 2021/22, the Company undertook various initiatives towards revival by up-scaling equitable distribution of planting material to growers (translating to additional 700 acres), rehabilitation of pyrethrum nurseries/seed fields production and put in place a verification mechanism for accountability, enhanced seed and seedling development program, cleared all the outstanding growers' arrears, improved producer price by 37.9%, increased advance

payment to growers between a range of Kshs 200 to Kshs 250 per kilo of dry pyrethrum flowers on weighing and final payment after determination of pyrethrin content, prompt e-payment to growers and further, enhanced collaborative ventures with various pyrethrum growing counties. These efforts have yielded tremendous increase in dry flower delivered from 61MT FY 2020/21 to 173MT for the period under review.

While PCKK grapples with a far-reaching and comprehensive approach to sustainable management of the Company, we are aware of the need to embrace and strengthen the concept of value addition and price reviews for generation of improved revenue and articulate our understanding of the critical role the industry plays in the economic wellbeing of the stakeholders. We also strive to provide interactive sessions so as to play our part in Corporate Social Responsibility.

In order to define our business mandate and be relevant in the liberalised market and be compliant to statutory requirements, PCKK commenced development of Human Resource instruments and corporate Strategic Plan (2021-2026). These will result in realignment of the company's operations to the roadmap and implementation of the succession plan.

In addition, the Company repossessed two land assets Nakuru Municipality Block 7/138 (Little Highridge) and Oljoro-orok farm Block 11322/1/2/3 in Nyandarua county. The farm in Oljoro-orok is currently used for commercial pyrethrum farming and tree planting for future boiler use at our factory. The Company has also





forged close working relationship with the National Government in securing the interests of the institution through provision of the requisite budgetary allocation and other infrastructural support including provision of seven motor vehicles used for distribution of planting materials, flower collection and other logistics.

A total of Kshs.207M was received in the period under review where Kshs.132M was for recurrent expenditure while Ksh.75M was for development allocation from the National Government. However, the amount received is far below the budgetary requirement of the Company.

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

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

Last but not least I am pleased to present the annual report and financial statements of PPCK for the financial year ended 30th June 2022



**Mrs. MARY M. ONTIRI - MAGATI**  
**Ag. CHIEF EXECUTIVE OFFICER**

DATE 13<sup>th</sup> / 04 / 2023



## VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

PPCK has one strategic pillar and four strategic objectives within the current Strategic Plan for the FY 2021-FY 2026 as listed below;

Strategic Pillar: Manufacturing Sector

Strategic Objectives are as follows:

1. Boost agricultural growth and productivity.
2. Enhance market Integration into global value chain
3. Strengthen legal Policy and Regulatory framework to effectively deliver on its mandate
4. Strengthen the Institutional Capacity.

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 Company achieved its performance targets set for the FY 2021/22 period for its four strategic objectives, as indicated in the diagram below:

STRATEGIC PILAR	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENTS
MANUFACTURING	1.Boost agricultural growth and productivity; Theme (A) Crop Production	1.Number of clonal planting material produced 2.Quantity of Pyrethrum seed Produced (Kg) 3. Number of Tissue Culture Plantlets Produced 4.Number of planting material distributed	1.Production of clonal planting material 2.Production of Pyrethrum seed 3.Production of Tissue Culture Plantlets 4.Distribution of Planting Materials	1.Produced 5.89M clonal planting materials against a target of 5.4M 2.Produced 500Kg Pyrethrum seeds against a target of 400Kg 3.Produced 0.85M Tissue culture against a target of 0.55M 4. Distributed 7.068M planting materials.
	Boost agricultural growth and productivity; Theme (B) Processing	Quantity of Dry Flowers Deliveries (MT)	Increased flower deliveries	1.Achieved 173MT of Dry Flowers against 100Mt this is attributed to Reviewed Producer Prices, prompt monthly payment of





				growers, settling of outstanding growers' areas and improvement of flower collection systems
2.Enhance market Integration into global value chain	1.Registration certificates 2.Number of new products developed and registered	1.Product development and registrations	1.Carried out market survey for 3 products namely; Paresol, Pareto Roach and Pymarc 2.Updated market and product registrations in both local and international markets 3.Launch and promotion of value-added products in Nakuru and Nyandarua counties.	
3.Strengthen legal Policy and Regulatory framework to effectively deliver on its mandate	Compliance with statutory requirements	To Ensure compliance with the applicable laws, policies and circulars	Compliance with PFM act,2012, compliance with PPAD act,2015, Compliance with performance contracting guidelines, compliance with National monitoring and evaluation policies.	
4.Strengthen the Institutional Capacity.	Approval and implementation of Strategic plan and Human Resource instruments	Development of Strategic Plan and Human Resource instruments.	Implementation of Strategic plan 2021-2026 and Company's Succession plan	



## VII. 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 & Strategy
Dr. Lawrence M. Ngari	Board Member	Scientist/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	Public Policy & Governance
Mr. John I. Njoroge	Board Member	Economist/Policy Analyst
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:

- (i) Technical, Research and Compliance;
- (ii) Audit Committee;
- (iii) Finance, HR and General-Purpose Committee;





## CORPORATE GOVERNANCE STATEMENT

### 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

The Board undertook induction, training and capacity development for the period under review at the Kenya School of Government as part of the training needs and continuous improvement.

### 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 in the 1st quarter FY2022/23 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.



## CORPORATE GOVERNANCE STATEMENT

### **i) Company Secretary**

The Current Board relatively is new having been appointed in March 2021. Likewise, the Company is undergoing transition to a fully commercial entity. Consequently, 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;

### **l). 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.

### **b) 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.





**BOARD ATTENDANCE**

Name	Designation	Classification	Full Board	Special	TRC	FHG	AC
Mr. George Wachira, MBS	Chairman	Membership	Ⓟ		-	-	-
		Attendance	4/4	4/4	-	-	-
Ms. Stella Wanjiru.	Member	Membership	Ⓟ	-	-	-	Ⓟ
		Attendance	4/4	4/4	-	-	4/4
Dr. Lawrence M. Ngari	Member	Membership	Ⓟ		-	-	Ⓟ
		Attendance	4/4	4/4	-	-	4/4
Mr. Simeon K. Chebwai Boen	Member	Membership	Ⓟ		Ⓟ		-
		Attendance	4/4	4/4	1/1	-	-
Ms. Nasra G. Kochale	Member	Membership	Ⓟ		-	Ⓟ	-
		Attendance	4/4	4/4	-	6/6	-
Mr. Jenaro Guantai Ithinji	Member	Membership	Ⓟ		-	Ⓟ	-
		Attendance	4/4	4/4	-	6/6	-
Mrs. Mary M. Ontiri - Magati	CEO	Membership	Ⓟ	Ⓟ	Ⓟ	Ⓟ	Ⓟ
		Attendance	4/4	4/4	1/1	6/6	2/4
Mr. John I. Njoroge	Member	Membership	Ⓟ		-	Ⓟ	-
		Attendance	1/1		-	1/6	-
Mrs. Serah W. Wataku	Member	Membership	Ⓟ		Ⓟ	-	-
		Attendance	1/1		1/1	-	-
Mr. Justus M. Monda	Member	Membership	Ⓟ		Ⓟ	-	-
		Attendance	1/1		1/1	-	-

**Key:**

Ⓟ - 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.



## VIII. MANAGEMENT DISCUSSION AND ANALYSIS.

PPCK operates two tissue culture laboratories, one in Muguga within the KEPHIS complex and the other in Molo within the KALRO complex. The Molo Pyrethrum Nursery is in a 35-acre land Centre of Excellence managed by the PPCK. Within the Head office PPCK operates two Laboratories, an Entomology laboratory and a Bioassay laboratory. PPCK has been licenced by Kenya Plant Health Inspectorate Service (KEPHIS) as a registered seed merchant. Seed production, processing and sale is as per the acts governing seed production as envisaged in the Seeds 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 which is yet to be commissioned. The current plant is utilized at 12% due to low flower deliveries of less than 200MT annually. 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 & Africa.

It should be noted that with certification from the Kenyan Pest Control and Products Board; it is easier to access other African markets.

In addition to the technical grade products, PPCK has registered 8 value-added products and in the process of registering other additional products.





**PPCK has Eleven Registered Products Namely**

No.	PRODUCT	PCPB REG. NO
1	Refined Pyrethrum pale extract 50%	PCPB(CR)0226
2	Refined Pyrethrum pale extract 25%	PCPB(CR)0227
3	Crude Oleo 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

**PRODUCT LIST**

**PUBLIC HEALTH**



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

**TECHNICAL PRODUCTS**

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

**AGRICULTURAL**

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



**Manufactured By:**  
 Pyrethrum Processing Company of Kenya Ltd  
 P.O. Box 420, Nakuru  
 Tel: 051-2211567/72 | Fax: 051-2214291  
 Email: marketing@pyrethrum.co.ke



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11	Pareto Roach Spray	PCPB(CR)1953

Sales of Value-added products has contributed to the upward trajectory of revenue generated. The sales and Financial Performance for the last 5years & Challenges are as follows:

DESCRIPTION	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
<b>Income</b>	"000"	"000"	"000"	"000"	"000"
Pyrethrum Product Sales	62,741	44,292	3,950	31,382	43,885
Cost of Sales	(53,752)	(41,732)	(16,956)	(30,135)	(146,210)
Gross Deficit/Surplus	8,989	2,560	(13,006)	1,247	(102,325)
Rent	24,368	17,659	18,628	16,395	15,309
Farms	1,731	2,833	1,434	497	1,011
Other Income	4,891	6,363	507	951	201
Other Gains/(losses)	(44,868)	(42,943)	(45,447)	-	-
Total Income Before GOK Grants	(4,889)	(13,528)	(37,884)	19,090	(85,804)
Government Grants	272,000	397,000	162,000	30,000	99,000
<b>Total Income with GOK Grants</b>	<b>266,830</b>	<b>383,472</b>	<b>124,116</b>	<b>49,090</b>	<b>13,196</b>
<b>Expenditure</b>					
Operating Expenses	(391,724)	(340,597)	(307,217)	(276,191)	(231,309)
Financial Costs	-	-	-	-	(46,144)
Total Expenses	(391,724)	(340,597)	(307,217)	(276,191)	(277,453)
<b>Net Surplus/Deficit</b>	<b>(124,613)</b>	<b>42,875</b>	<b>(183,101)</b>	<b>(227,101)</b>	<b>(264,257)</b>





### **Processing of Dry Pyrethrum Flowers**

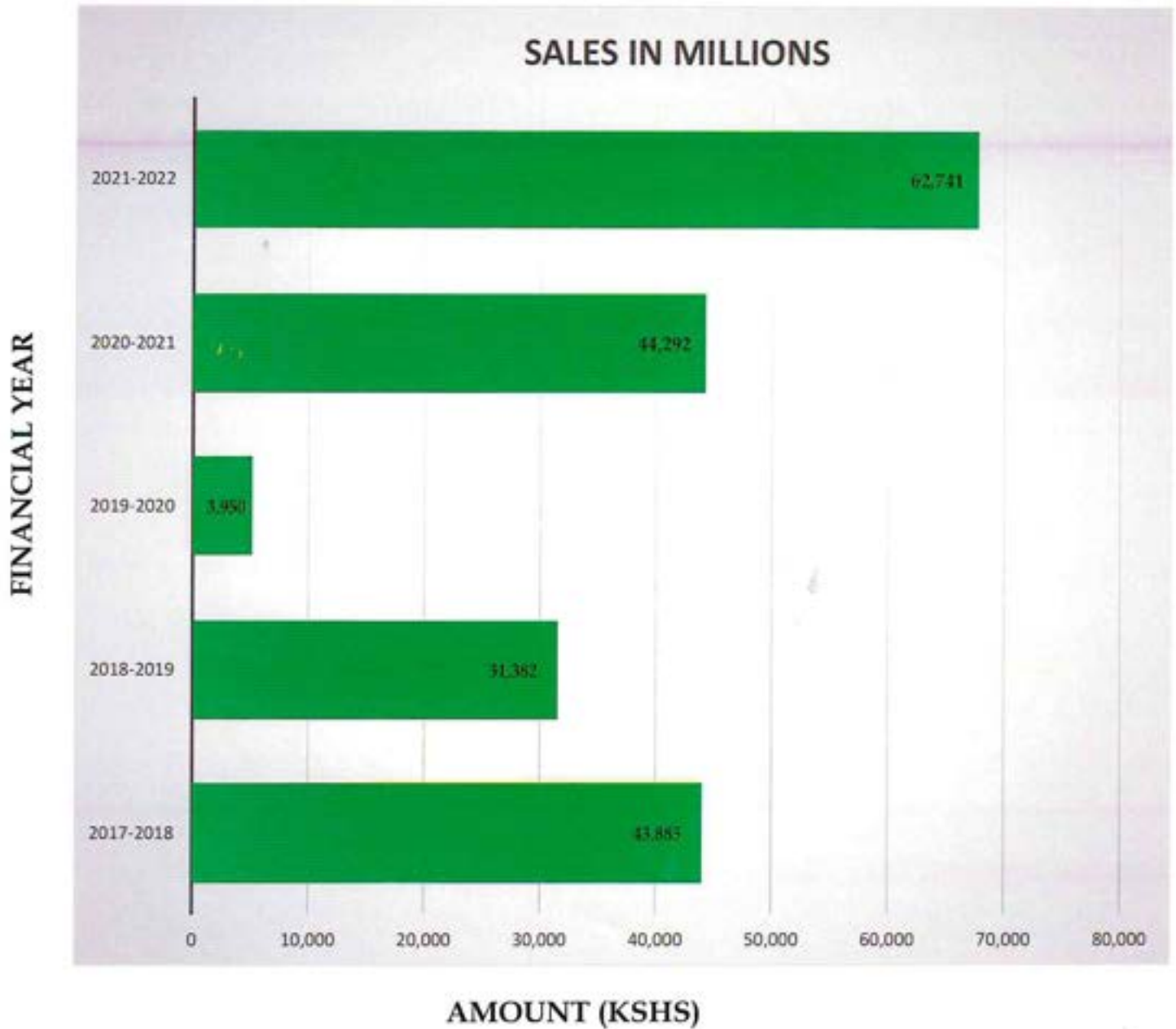
For the year under review the company processed 103.603 Metric tonnes of dry flowers as compared with the Prior year of 51 Metric Tonnes, the increment has been due to the following-

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



The sales matrix for pyrethrum extracts for a period of 5 years is 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.

A)

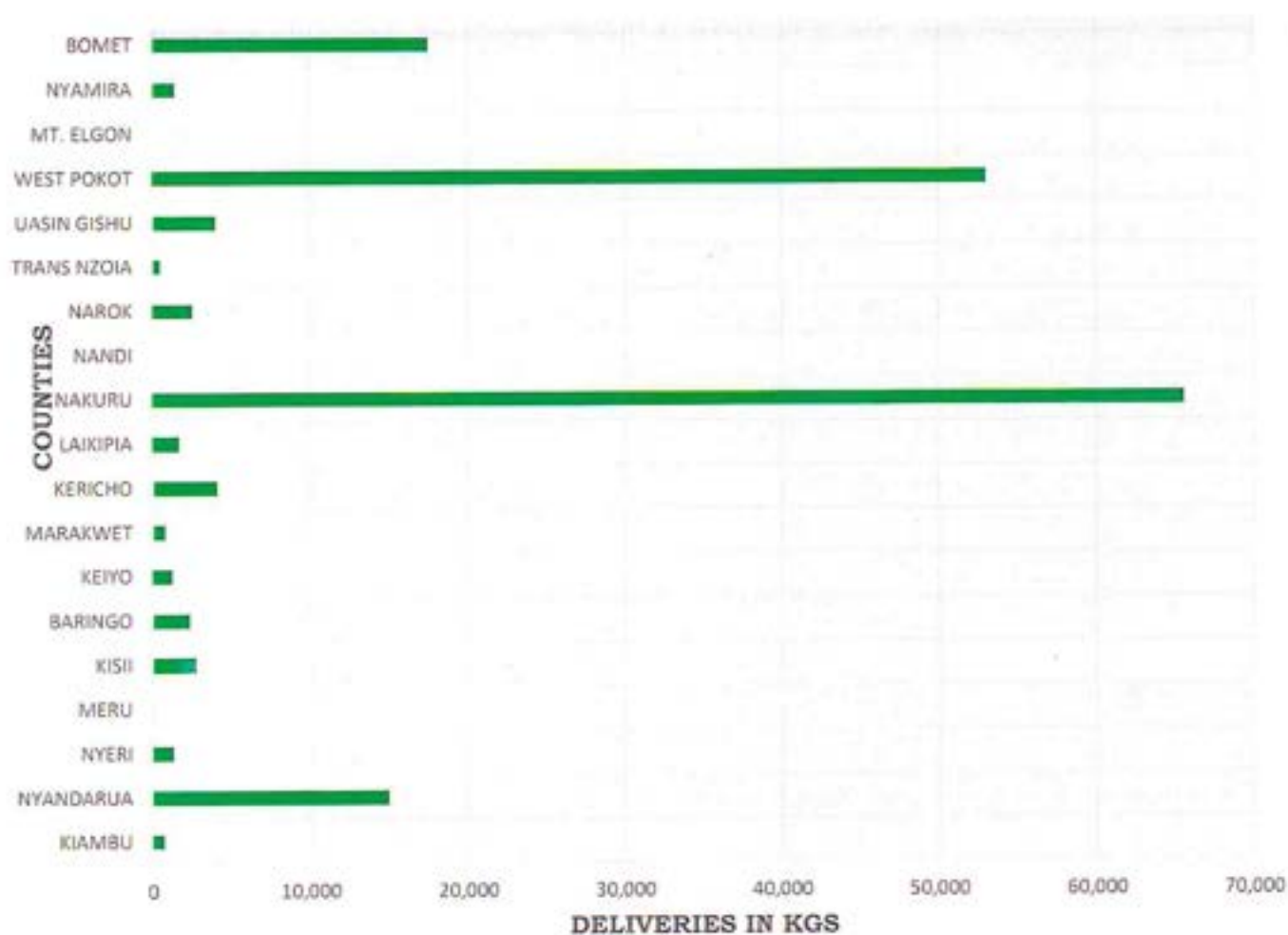


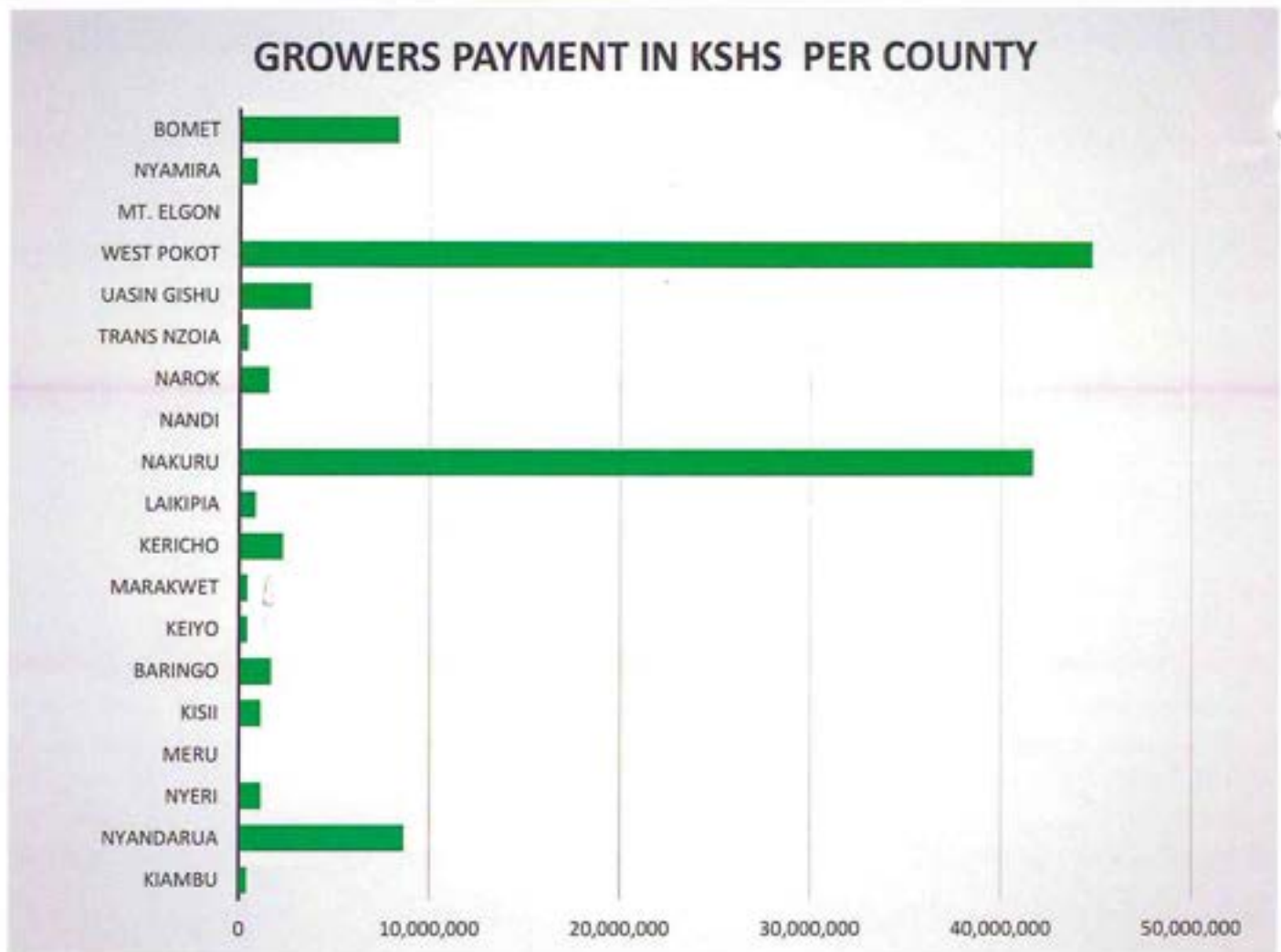


The matrix of flower deliveries to the company from different pyrethrum growing counties. Nakuru County is leading with the highest quantity of flowered delivered to the company and it is followed closely with West Pokot County. From the matrix West Pokot County received more funds in terms of payment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

B)

### FLOWER DELIVERIES (KGS) PER COUNTY FY 2021-22





#### **Pyrethrum Industry Recovery**

Pyrethrum Industry Recovery is a project under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and its implementation is through the Pyrethrum Processing Company of Kenya Ltd. The project threshold is Ksh 3.4B and the start date is 1<sup>st</sup> July, 2014. PPCK activities and operations are undertaken within the Pyrethrum Industry Recovery Project/Framework.

The project is underfunded considering that as at 30<sup>th</sup> June, 2022 the level of funding is only at 22% of the funds released.





## **IX. ENVIRONMENT AND SUSTAINABILITY REPORT**

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



**ii) ENVIRONMENTAL PERFORMANCE**

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

**iii) EMPLOYEE WELFARE**

The company is guided by the HR Policy Manual, Employment act of 2007 & Public service manual. Hiring of staff is done through a competitive process taking into account the gender ratio & regional balancing and staff appraisal system is in place. The company has complied with occupational safety and Health act of 2007 (OSHA) by appointing the environment Health and safety committee to ensure safety and health rules are adhered to and advice management on mitigation measures to be part in place to avoid casers of injury and eminent risks at the work place.

**a) Staff engagement**

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

**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.

**a) 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**

*PPCK practices responsible competition by going beyond the purpose of our businesses. We practice fair competition by not maligning products from competitors, not copying competitor strategies. There is a corruption prevention committee at the work place that analyses corruption risks in all areas of operations and have put in place risk mitigation measures. PPCK practices fair competition and even supports some competitors (formulators) with raw material. PPCK is a member of pyrethrum Processors Association of Kenya, a body by all processors who are competitors. All members respect each other and have mechanisms of addressing issues common to all.*

**(b) Supply chain and supplier relations**

The organization shall maintain working relationship with its suppliers by providing level playground for all bidders and giving them avenue for complaints through PPRA reviews. All procurement procedures and processes are adhered to by advertising in the two widely read media for purpose of creating opportunity for all to participate. The documents used by a procuring entity are clear and bear references to the procurement requirement, provision for dates and signatures of authorizing officers.

Section 70(4) of the ct, the accounting officer of a procuring entity shall prepare the tender document clearly indicating the technical and financial evaluation criteria to be applied which shall be quantifiable, measurable and objective. (5) For greater certainty, the notice for registration of suppliers shall not apply to the youth, women and persons with disabilities as these are already registered by the National Treasury.

For purpose of cohesion Section of 70. (1) of the Act provides an avenue for a close working relationship with suppliers by registering them in categories for purpose of a shared platform for the benefit of the two parties. The procuring entity shall promptly respond to all requests for any clarification relating to the registration document where such requests are received before the deadline for submission. The Act requires that the procuring entity should enter into a long-term contractual relationship with suppliers for the benefit of the two.



**(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 Pyrethrins 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 Pyrethrins 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**

All products made by PPCK are registered with requisite regulatory bodies to ensure they are safe for use and meet required standards the world over. Consumers use our products with full confidence of guaranteed quality and set standards. In Kenya PPCKs products are registered with Pest Control Products Board (PCPB) and with specific countries regulatory bodies and requirements. Our products are offered at competitive prices in addition to enabling other formulators to produce similar products for consumers to have a comparison of prices, quality and availability.

**CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS**

As part of the planned activities during this financial year the Company did an expansion and establishment of Pyrethrum nurseries in Kisiriri in Narok County and Warazo in Nyeri County. This were community land which are set to assist the surrounding growers with quality planting materials. Distribution of free planting materials to growers as per the listed counties namely; - Nakuru, Narok, Baringo, Kisii, Nyamira, Nyandarua, West Pokot







Flagging off of motor vehicles for distribution of planting materials to growers.



Launch of Pyrethrum End use Product (Paresol) by the Cabinet Secretary.



## X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the PPCK.

### i. Principal Activities

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

### ii. Results

The results of the entity for the year ended June 30, 2022 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 vi in accordance with PPCK's Articles of Association.

### v. Auditors

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

By Order of the Board

Name MARY M. ONDIRI Signature [Signature] Date 13<sup>th</sup>/04/23

Secretary to the Board





**XI. 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, 2022. 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, 2022, 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 13<sup>th</sup> / 04 / 2023 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

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

## REPORT OF THE AUDITOR-GENERAL ON PYRETHRUM PROCESSING COMPANY OF KENYA LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Pyrethrum Processing Company of Kenya Limited set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

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*Report of the Auditor-General on Pyrethrum Processing Company of Kenya Limited for the year ended 30 June, 2022*



comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Pyrethrum Processing Company of Kenya as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012

## **Basis for Qualified Opinion**

### **1.0 Inaccuracies in the Financial Statements**

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 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.

Further, the statement of changes in net assets reflects prior year adjustments totaling 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.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

### **2.0 Property, Plant and Equipment**

The statement of financial position and Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.5,437,944,000. Review of the financial records revealed the following anomalies;

- i. Included in the balance are motor vehicles and computers with a net book value of Kshs.1,992,000 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.
- ii. The net book value for land of Kshs.4,535,050,000 includes eighteen (18) parcels of land with a book value of Kshs.354,340,000 which are not registered in the name of the Company.
- iii. As previously reported, the property, plant and equipment include 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 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 the industry was 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.

- 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, physical verification revealed that the rental houses and offices were dilapidated. No reasons were provided for failure to repair the buildings.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.5,437,944,000 could not be confirmed.

### **3.0 Unsupported Trade and Other Receivables**

The statement of financial position and Note 17 to the financial statements reflects trade and other receivables balance of Kshs.205,655,000. Review of the financial records revealed the following anomalies;

- 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.
- ii. The balance includes growers receivables and staff receivables balance of Kshs.49,602,000 and Kshs.30,403,484 respectively, whose details were not provided for audit review.
- 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.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.205,655,000 could not be confirmed.

### **4.0 Unsupported Cash and Bank Balance**

The statement of financial position and Note 18 to the financial statements reflects cash and bank balance of Kshs.191,632,171. 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.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.191,632,171 could not be confirmed.

#### **5.0 Overstatement of Inventories**

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 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.225,824,000 could not be confirmed.

#### **6.0 Long Outstanding and Unsupported Trade and Other Payables**

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;

- 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 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.
- ii. 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 and which Management has explained relate to salaries, legal fees 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.
- 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.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs.1,427,908,000 could not be confirmed.



## **7.0 Going Concern**

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.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report for 2020/2021 financial year, several issues were raised and which have remained unresolved. However, contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board template for Public Sector Entities reporting under International Financial Reporting Standards (IFRS) Framework, the Management did not attach an appendix to the financial statements indicating the action taken on the auditor's recommendations.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Failure to Observe One Third of Basic Salary Payment Rule**

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 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.

The Management was in breach of Section 19(3) of the Employment Act, 2007.

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

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

### Conclusion

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

### Basis for Conclusion

#### Lack of Guiding Procedure Manuals

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.

In the circumstances, the internal control, risk Management mechanism of the Company may not be effective.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;



- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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



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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 May, 2023





**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022**

REVENUES	NOTE	JUNE 2022 Kshs '000'	Restated JUNE 2021 Kshs '000'
Revenue	6	62,741	44,292
Cost of Sales	7	<u>(53,752)</u>	<u>(41,732)</u>
<b>GROSS SURPLUS/(DEFICIT)</b>		<b>8,989</b>	<b>2,560</b>
Grants from National Government	8	272,000	397,000
Other Income	9	30,990	26,855
Other Gains/Losses	10	<u>(44,868)</u>	<u>(42,943)</u>
<b>TOTAL REVENUES</b>		<b><u>267,111</u></b>	<b><u>383,472</u></b>
<b>OPERATING EXPENSES</b>			
Administration Costs	11(a)	(389, 222)	(334,775)
Selling & Distribution costs	12	<u>(2,502)</u>	<u>(5,822)</u>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>(391,724)</u></b>	<b><u>(340,597)</u></b>
<b>OPERATING SURPLUS/DEFICIT</b>		<b><u>(124,613)</u></b>	<b><u>42,875</u></b>




**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022**

	NOTE	2021-2022 Kshs '000'	Restated 2020-2021 Kshs '000'
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13	5,437,944	5,520,651
Intangible assets	14	525,000	525,000
Deferred Pyrethrin costs	26	678,961	724,225
Biological Assets	16	7,870	7,474
<b>Total Non-Current Assets</b>		<b>6,649,775</b>	<b>6,777,350</b>
<b>Current Assets</b>			
Inventories	15	225,824	214,221
Trade and Other Receivables	17	205,655	210,331
Bank and Cash balances	18(a)	191,632	130,343
<b>Total Current Assets</b>		<b>623,112</b>	<b>554,895</b>
<b>TOTAL ASSETS</b>		<b>7,272,886</b>	<b>7,332,245</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
PBK Stock units	27	32,891	32,891
Levy fund	28	107	96
Accumulated Capital Fund		318,158	318,158
General Reserve		(270,479)	(71,758)
Revaluation Reserve	25	5,764,301	5,764,691
<b>Capital and Reserves</b>		<b>5,844,978</b>	<b>6,044,078</b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	1,427,908	1,288,167
<b>Total Current Liabilities</b>		<b>1,427,908</b>	<b>1,288,167</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,272,886</b>	<b>7,332,245</b>

The Financial Statements were Approved by the Board on <sup>13<sup>th</sup></sup>...../.....<sup>04</sup>/2023 and signed on its behalf by:

  
 \_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**  
 MRS.MARY MORAA ONTIRI-MAGATI

  
 \_\_\_\_\_  
**FINANCE MANAGER**  
 CPA EDWARD OCHELE  
 ICPAK M/NO: 16703

  
 \_\_\_\_\_  
**CHAIRMAN OF THE BOARD**  
 MR. GEORGE WACHIRA, MBS





**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

	PBK Stock	Levy Fund	Accumulated Capital Fund	General Reserve	Revaluation reserve	Total
	"000"	"000"	"000"	"000"	"000"	"000"
At June 2020	32,891	93	318,158	(114,634)	5,764,691	6,001,199
Total comprehensive income Surplus/ (deficit)	-	-	-	42,875	-	42,875
Levy Charge for the year	-	3	-	-	-	3
At June 30, 2021	32,891	96	318,158	(71,759)	5,764,691	6,044,077
At July 1, 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 adjustment	-	-	-	(74,106)	(390)	(74,496)
At June 30, 2022	32,891	107	318,158	(270,479)	5,764,301	5,844,978



**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022**

	NOTE	2022 Kshs '000'	Restated 2021 Kshs '000'
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated From Operating activities	21	69,549	129,230
<b>Cash flows from investing activities</b>			
Purchase of P.P & E	13	<u>(8,271)</u>	<u>(2,075)</u>
<b>Net cash flows used in investing activities</b>		<b>(8,271)</b>	<b>(2,075)</b>
<b>Cash flows from financing activities</b>			
Levy fund	27	<u>11</u>	<u>3</u>
<b>Net cash flows used in financing activities</b>		<b>11</b>	<b>3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>61,289</b>	<b>127,159</b>
Cash and cash equivalents at beginning of the year		<u>130,343</u>	<u>3,185</u>
<b>Cash and cash equivalents at the end of the year</b>	18	<u><b>191,632</b></u>	<u><b>130,343</b></u>





XVII STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022.

Description	Original Budget		Adjustments		Final budget		Actual on comparable basis		Performance Difference		% of Utilization
	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	2021-2022	Kshs	
<b>Revenue</b>											
Sale of goods	225,320	000'	(51,880)	000'	173,440	000'	62,741	000'	(110,699)	000'	36%
Transfers from GOK Recurrent	132,000		-		132,000		132,000		-		100%
Transfers from the GOK-Capital	100,000		(25,000)		75,000		140,000		65,000		100%
Other income	42,400		-		42,400		30,990		(11,410)		73%
<b>Total Income</b>	<b>499,720</b>				<b>422,840</b>		<b>365,731</b>		<b>(57,109)</b>		
<b>Expenses</b>											
Compensation of Employees	160,780		-		160,780		166,489		14,240		91%
Use of goods and services	66,273		(11,720)		54,553		53,752		801		99%
Other payments	271,849		(64,805)		207,044		270,104		(83,008)		140%
Grants and subsidies paid	-		-		-		-		-		
<b>Total expenditure</b>	<b>498,902</b>				<b>422,377</b>		<b>490,344</b>		<b>(67,967)</b>		
<b>Surplus/Deficit for the Period</b>	<b>818</b>				<b>463</b>		<b>(124,613)</b>		<b>6,384</b>		

- a). During the financial year under review the targets for raw material was reviewed by the management due to low volume of dry flower deliveries to the factory.
- b). In the period under review the government allocated **Kshs.132M** as recurrent and **Kshs.75M** for development to aid the Pyrethrum Industry Recovery process. Additionally, the company received **Kshs.65M** being budget allocation for the FY 2020/21.
- c). The movement in other payments expenses was due to reallocation of funds received from the government, (b) above.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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





NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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



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

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





**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

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



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





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

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

**iii. Early adoption of standards**

The entity did not early - adopt any new or amended standards in year 2021/2022



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A Revenue recognition

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

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

##### B Property, Plant and Equipment

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

The Assets of the company were last revalued in June 2018 and this has formed the new basis of depreciation of the assets. The revaluation was done by Ebony Estates. Ltd. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.





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

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

### **C Depreciation and impairment of property, Plant, and equipment**

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

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

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

Licenses, Registrations, Patents, Brands, trademarks, and data relating to research studies are held in perpetuity indefinite useful life hence being revalued after a period of time. Licenses, Registrations, Patents, Brands, trademarks, and data relating to research studies are held in perpetuity indefinite useful life hence being revalued after a period of time. Licenses, Registrations, Patents, Brands, trademarks, and data relating to research studies are held in perpetuity indefinite useful life hence being revalued after a period of time. A full year's depreciation charge is recognised in the year of asset purchase and no depreciation charge is recognized in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.



**D Intangible assets**

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

**E Amortisation and impairment of Intangible assets**

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

**F Inventories.**

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

**G Trade and other receivables**

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

**H Cash and cash equivalents**

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





**I Borrowings**

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

**J Trade and other payables**

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

**K Retirement benefit obligations**

The former Pyrethrum Board of Kenya was operating a defined contribution scheme for all full-time employees, Pyrethrum Board of Kenya Staff Superannuation scheme which was wound up on 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 company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**L Provision for staff leave pay**

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



**M. Exchange rate differences**

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

**N. Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the *Pyrethrum Processing Company* upon receiving the respective approvals in order to conclude the final budget. The *Pyrethrum Processing Company* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**O Comparative figures**

In accordance with IAS 8 "*Presentation of Financial Statements*", comparative information in respect of the previous period (i.e., 2020-2021) for all amounts reported in the financial statements has been disclosed.

**P Subsequent events**

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





**5. Significant Judgments and Sources of Estimation Uncertainty**

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

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

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

**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 18.

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. (include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2021-2022	2020-2021
	Kshs	Kshs
	'000'	'000'
<b>6 REVENUES</b>		
Sale Of Goods	<u>62,741</u>	<u>44,292</u>
<b>TOTAL</b>	<u>62,741</u>	<u>44,292</u>

The revenue generated for the period under review was from processing of 100 metric tonnes of dry pyrethrum flowers.

<b>7 COSTS OF SALES</b>		
Opening inventories	129,942	141,324
<b>Add: Manufacturing costs</b>		
Purchase of Pyrethrin	42,093	11,405
Processing and refining costs	20,726	18,945
<b>Sub-Total</b>	<b>192,761</b>	<b>171,674</b>
<b>Less: Closing inventories</b>	<b>(139,009)</b>	<b>(129,942)</b>
 <b>Cost of sales</b>	 <b><u>53,752</u></b>	 <b><u>41,732</u></b>
 <b>8 GRANTS FROM NATIONAL GOVERNMENT</b>		
Recurrent grants received	132,000	332,000
Capital grants received	<u>140,000</u>	<u>65,000</u>
	<b><u>272,000</u></b>	<b><u>397,000</u></b>

PPCK was allocated **Ksh132M** for Recurrent Grants and **Ksh.75** million for development in the FY 2021/22, also during the period the company received **Ksh.65M** being allocation for FY 2020/21 as development funds.





2021-2022  
Kshs  
'000'

Restated  
2020-2021  
Kshs  
'000'

**Analysis of Grant Received during the Year 2021/2022**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total Grant income during the year.	
				2021-2022	2020-2021
	KShs	KShs	KShs	Kshs	KShs
Ministry of Agriculture State Department of Crops Development	272,000	-	-	272,000	397,000
<b>Total</b>	<b>272,000</b>	<b>-</b>	<b>-</b>	<b>272,000</b>	<b>397,000</b>

**9. OTHER INCOME**

Rental Income	24,368	17,659
Farms	1,731	2,833
Other Miscellaneous Receipts	<u>4,891</u>	<u>6,363</u>
	<b><u>30,990</u></b>	<b><u>26,855</u></b>

**10. OTHER GAINS AND LOSSES**

Differed Pyrethrin Loss	(45,264)	(45,264)
Fair value gain or loss on revaluation of biological assets	396	2,321
<b>Total</b>	<b><u>(44,868)</u></b>	<b><u>(42,943)</u></b>

**11. a) ADMINISTRATION COSTS**

Staff Costs (Note 9b)	166,489	158,671
Electricity and Water	3,075	247
Maintenance	8,209	7,113
Security	1,876	981
Travelling and Subsistence	19,018	14,683
Director's Emoluments	11,973	1,032
Auditors' Remuneration	580	580
Rent, Rates	4,093	4,883
Insurance	2,073	2,261
Depreciation	90,589	89,617
Entomology expenses	128	84
Legal fees & Court Awards	789	7,142
Other operating Expenses	<u>80,330</u>	<u>47,481</u>
<b>Total</b>	<b><u>389,222</u></b>	<b><u>334,775</u></b>



	2021-2022 Kshs	Restated 2020- 2021 Kshs
<b>11(b) STAFF COSTS</b>		
Salaries for Permanent & Pensionable employees	114,118	114,336
Salaries Staff on Contract	26,534	25,247
Transfer Allowance	1,391	-
Gratuity Provisions	8,102	5,817
Exgratia	11,847	9,827
Overtime	<u>4,497</u>	<u>3,444</u>
<b>Total</b>	<b><u>166,489</u></b>	<b><u>158,671</u></b>
<b>AVERAGE NUMBER OF EMPLOYEES</b>		
Permanent Employees -Management	44	51
Permanent Employees- Unionisable	97	105
Temporary and Contracted Employees	<u>101</u>	<u>83</u>
	<b><u>242</u></b>	<b><u>237</u></b>
<b>12. SELLING AND DISTRIBUTION COSTS</b>		
Marketing & Promotional expenses	1,599	58
Other selling and Distribution costs	903	5,764
<b>Total</b>	<b><u>2,502</u></b>	<b><u>5,822</u></b>





**13. PROPERTY, PLANT AND EQUIPMENT**

ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	CWIP	MOTOR VEHICLES	FURNITURE	EQUIPMENT	COMPUTERS	TOTAL
	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'
<b>COST/VALUATION</b>									
1ST JULY 2020	4,535,050	692,700	529,879	-	18,236	3,577	6,745	1,211	5,787,398
Additions	-	-	-	1,961	-	-	-	114	2,075
Disposals									
Adjustment MV W/off									
As at 30 June 2021	4,535,050	692,700	529,879	1,961	18,236	3,577	6,745	1,325	5,789,473
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				(1,961.00)			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
<b>DEPRECIATION</b>									
1ST JULY 2020	-	34,636	132,618	-	8,746	885	1,683	637	179,205
Charge for the Year	-	17,318	66,309	-	4,313	445	843	389	89,617
Disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2021	-	51,954	198,927	-	13,059	1,330	2,526	1,026	268,822
1ST JULY 2021	-	51,954	198,927	-	13,059	1,330	2,526	1,026	268,822
Charge for the Year	-	17,318	66,309	-	4,514	478	1,565	404	90,589
Disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2022	-	69,272	265,236	-	17,573	1,808	4,091	1,430	359,410
<b>NET BOOK VALUES</b>									
30TH JUNE 2022	4,535,050	623,429	265,238	-	1,992	2,822	8,634	780	5,437,944
30TH JUNE 2021	4,535,050	640,747	330,952	1,961	5,177	2,247	4,219	299	5,520,651



**14. INTANGIBLE ASSETS**

	2021-2022	2020-2021
<b>COST</b>	<b>Kshs"000"</b>	<b>Kshs"000"</b>
At July 1	525,000	525,000
Additions	-	-
Disposals	-	-
<b>At June 30</b>	<b>525,000</b>	<b>525,000</b>
<b>REVALUATION</b>		
At July 1		
Charge for the year		-
Loss on Valuation		-
Impairment loss	-	-
Adjustment	-	-
<b>At June 30</b>	<b>525,000</b>	<b>525,000</b>
<b>NET BOOK VALUE</b>		
<b>As at June 30,2022</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 PCK 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**

	Kshs '000'	Restated Kshs '000'
	2021-2022	2020-2021
Raw materials	19,826	1,979
Finished goods	10,623	18,350
Work In Progress	4,392	5,445
Other pyrethrum products	104,168	104,168
Less: Impairment of Stocks	-	-
<b>Sub-Total</b>	<b>139,009</b>	<b>129,942</b>

**15 b) Consumables**

**Description**

Engineering stores	80,564	79,362
Fuel, oil and lubricants	1,707	402
Stationery and general stores	4,545	4,515
Less: Impairment of Stocks	-	-
<b>Sub-Total</b>	<b>86,816</b>	<b>84,279</b>
<b>Total</b>	<b>225,824</b>	<b>214,221</b>





	2021-2022	2020-2021
	Kshs	Kshs
	'000'	'000'
<b>16. BIOLOGICAL ASSETS</b>		
Livestock	1,032	634
Tea Bushes	<u>6,838</u>	<u>6,840</u>
	<u>7,870</u>	<u>7,474</u>

During the period under review there was a gain in fair value of biological assets amounting to Kshs. 396,000 as per the valuation report. The valuation of biological assets was carried out by County Government of Nakuru Ministry of Agriculture Livestock & Fisheries and report issued for the purpose of incorporating in the current year Financial Statements' FY 2021/2022.

	Kshs	Restated
	000'	Kshs
		000'
<b>17 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	61,853	61,853
Kenya power deposit	2,500	2,500
Abortive Nairobi Show	7,180	7,180
Deposit held by courts	4,454	4,454
Growers Receivable	49,602	42,143
Staff Receivable	30,402	42,659
Fixed Interest Investments (Euro Bank Ltd)	150,000	150,000
Other Receivables	<u>118,479</u>	<u>118,357</u>
<b>Gross Trade and Other Receivables</b>	<u>424,470</u>	<u>429,146</u>
Specific Provision for doubtful debts	(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>	<u>205,655</u>	<u>210,331</u>

<b>18.(a) BANK AND CASH BALANCES</b>		
Cash at Bank	191,578	130,239
Cash in Hand	54	104
<b>Total</b>	<u>191,632</u>	<u>130,343</u>

Cash at Bank of ksh.191,578,000.00 was held at Kenya Commercial Bank limited and Stanbic bank as shown in note 16 (b). Cash at hand was held in form of petty cash at the end of the financial year.



Detailed analysis of the cash and cash equivalents

Restated

Financial Institution		2021-2022	2020-2021
<b>Kenya Commercial bank</b>	<b>Account number</b>	<b>Kshs</b>	<b>Kshs</b>
<b>a) Current account</b>		<b>'000'</b>	<b>'000'</b>
Rent Account	1153031779	12,410	3,626
Growers Account	1153031493	103,773	122,016
Asset Disposal Account	1153031930	3,019	4
USD Account	1153032171	169	105
EUR Account	1153032422	28,499	5
Operation Account	1153031337	43,675	4,450
Cfc Stanbic Bank Account	014/00/300349/01	33	33
<b>Sub- Total</b>		<b>191,578</b>	<b>130,239</b>
<b>b) Other</b>			
Cash in hand		54	104
<b>Sub- Total</b>		<b>54</b>	<b>104</b>
<b>Grand Total</b>		<b>191,632</b>	<b>130,343</b>

**19. TRADE AND OTHER PAYABLES**

	Kshs	Kshs
	'000'	'000'
Trade Payables	1,023,194	985,588
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	-
Amounts due to Growers	<u>24,064</u>	<u>21,929</u>
	<b><u>1,427,908</u></b>	<b><u>1,288,167</u></b>

**20. PROVISIONS**

DESCRIPTION	Euro	Other	Total
	Bank	Provisions	
	Kshs.	Kshs.	Kshs.
	'000'	'000'	'000'
Balance at the beginning of the year	150,000	12,574	162,574
Additions provisions	-	-	-
Provision utilized	-	-	-
Change due to discount and time value for money	-	-	-
Less: Current portion	-	-	-
<b>Balance at the end of the year</b>	<b><u>150,000</u></b>	<b><u>12,574</u></b>	<b><u>162,574</u></b>

The provisions relate to specific provision for bad debts.





21. NOTES TO THE STATEMENT OF CASH FLOWS	2021-2022	Restated
	Kshs	2020-2021
	'000'	Kshs
		'000'
<b>Reconciliation of operating profit/(loss) to Cash generated from/ (used in) operations</b>		
Operating profit/ (loss)	(124,613)	42,875
Depreciation	90,589	89,617
Differed Pyrethrin Loss	45,264	45,264
Loss/(Gains) from changes in fair value of biological assets	<u>(396)</u>	<u>(2,321)</u>
<b>Operating profit/ (loss) before working capital changes</b>	<b><u>10,844</u></b>	<b><u>175,435</u></b>
(Increase)/Decrease in Inventories	(11,604)	2,122
(Increase)/Decrease in trade and Other Receivables	4,675	(5,191)
Increase/ (Decrease) in Trade and Other Payable	139,740	(43,137)
Other Liabilities	(74, 106)	
<b>Cash generated from/ (used in) Operations</b>	<b><u>69,549</u></b>	<b><u>129,230</u></b>

**22. OTHER LIABILITIES**

The other liabilities of Kshs.74,106,000 in the notes to the statement of cashflow (note 21) above relates to historical gratuities, legal fees and other liabilities which had not been recognised in the books of accounts of which the management recognized them in the Financial Year 2021/22

**23. INVESTMENT IN EURO BANK**

The Company invested Kshs. 150 million in Euro Bank Limited on 17th October 2001. Euro Bank collapsed on 20th February 2003 without significant assets. The Company made a provision in the year 2002/2003 and is awaiting the outcome of the case. For the period under review the PPCK Board made a request for the writteoff Kshs 150m 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 2021-2022	JUNE 2020-2021
	Kshs	Kshs
	'000'	'000'
Balance at beginning of the year	724,225	769,489
Write off for the year	(45,264)	(45,264)
Balance at end of the year	<u>678,961</u>	<u>724,225</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 106,971.21 FY 2021/22

	JUNE 2021-2022	JUNE 2020-2021
	Kshs '000'	Kshs '000'
Balance at the beginning of the year	96	93
Addition for the year	<u>11</u>	<u>3</u>
Balance at end of the year	<u>107</u>	<u>96</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 13 thirteen non-core assets which were valued by the Ministry of lands to address the Pension deficit. A Cabinet memo was prepared and and forwarded to the National Treasury through the Parent Ministry (MOALF) of which 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 *Pyrethrum Processing Company of Kenya*, holding 100% of the *PPCK* 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) The Parent Ministry
- ii) Key management
- iii) Board of directors

**Transactions with related parties**

Description	2021-2022	2020-2021
<b>a) Grants from the government</b>		
Grants from national govt	<u>272,000</u>	<u>397,000</u>
<b>Total</b>	<u>272,000</u>	<u>397,000</u>
<b>b) Key management compensation</b>		
Directors' emoluments	13,440	1,032
Compensation to key management	<u>10,526</u>	<u>12,557</u>
<b>Total</b>	<u>23,966</u>	<u>13,589</u>



31. During Financial Year 2021/22 PPCK had pending litigation in various high courts within the country which their outcome remains uncertain.





## XIX. APPENDICES.

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

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

Reference No. on external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved/Not resolved)	Timeframe: (Expected date for the issue to be resolved)
01	<p><b>UNSUPPORTED BANK BALANCE</b></p> <p>As disclosed in Note 16 to the financial statements, the statement of financial position reflects bank and cash balance of Kshs. 130,343,000. Included in the balance is an amount of Kshs.33,000 held in CFC Stanbic account. However, the balance was not supported with certificate of bank balance, cash book and bank reconciliation statements.</p> <p>In the circumstances, the existence, accuracy and completeness of the bank balance of Kshs.33,000 included in cash and cash equivalent could not be confirmed.</p>	<p>Communication done to the CEO Stanbic bank</p> <p>Vide memo Ref. MD/PPCK/D.23/2457/2022 dated 21/12/2022, requesting of closure of the Account and transfer of the account balance to the current PPCK Account at KCB</p> <p>Follow up with Stanbic Bank and give feedback to the board by 31<sup>st</sup> March, 2023</p>	Not Resolved	30 <sup>th</sup> June 2023
02	<p><b>PROPERTY, PLANT AND EQUIPMENT LAND WITHOUT LEGAL OWNERSHIP DOCUMENTS</b></p> <p>Included in property plant and equipment</p>	<p>The management has done a communication to National Land Communication and advisory was given of which currently management is doing</p>	Not resolved	30 <sup>th</sup> June 2023



<p>balance is net book value for land of Kshs.4,535,050,000 which further includes eighteen (18) parcels of land with a net book value of Kshs.354,340,000 which are not registered in the name of the Company.</p> <p>Further, the balance includes Nyandarua/Mawingu farm measuring 35 acres, leased out to Agricultural Food Authority (AFA). However, documents indicating the terms of the lease were not provided for audit verification.</p>	<p>AFA was allocated the farm through Pyrethrum Industry Recovery Implementation and Oversight Team (PIRIOT) taskforce, which was appointed by the PS, State Department of Agriculture dated 10th February, 2017, on the apportionment of the assets and liabilities of the former PBK and AFA. It is important to note that the report was not approved/signed and therefore it cannot form a firm basis for actual transfer of assets from PPCK to AFA. Management has done a communication to Ag Director General AFA vide letter REF MD/PPCK/B.16(D)/2494/2023 dated 27th February 2023. On utilization of land as a seed bulking site.</p>	<p>Not resolved</p>	<p>30th June 2023</p>
<p><b>IDLE EXTRACTION PLANT</b> Included in the property, plant and equipment is an extraction plant purchased and installed in the year 2006 at a cost of Kshs.305,872,000 that has never been commissioned. Although the Management has explained that the machine was purchased in anticipation of an increase in flower deliveries to the factory and that the</p>	<p>Factory paper 1/23 dated 20th January, 2023 which he advises that the plant is viable subject to commissioning and installation of SCADA system and training of staff Management to follow up with the manufacturer (N.V. De Smet S.A Engineers and contractors from Belgium) on the total cost by 31st March, 2023.</p>	<p>Not resolved</p>	<p>30th June 2023</p>





	<p>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 assets</p>	<p>The management is currently implementing the Task Force Report (The National Steering Committee on Revitalization and Revival of Cotton and Pyrethrum Value Chains) of 2021. Through this the Production of pyrethrum dry flowers has increased from 61Metric Tonnes to 286 Metric Tonnes</p>		
	<p><b>DILAPIDATED BUILDINGS</b>                  Included in the property, plant and equipment balance of Kshs.5,520,651,000 are rental houses and offices with a net book value of Kshs.640,747,000. However, physical verification revealed that the rental houses and offices were dilapidated. In the circumstances, the accuracy, completeness and ownership of property, plant and equipment, balance of Kshs.5,520,651,000 could not be confirmed.</p>	<p>Partial renovation and maintenance ongoing starting with HQ offices                  The Estate properties require renovation/upgrade since some of them are in bad state of which management is sourcing for more funding to facelift the housing units status. In the financial year 2023/24 the management has provided a budgetary provision for the repair of the houses which will be done in Phases subject to the availability of funds.</p>	<p>Not resolved</p>	<p>Renovation is ongoing</p>
<p>03</p>	<p><b>TRADE AND OTHER RECEIVABLES</b>                  As disclosed in Note 15 to the financial statements, the statement of financial position reflects trade and other receivables totaling Kshs.222,905,000.                  It was however noted that was a material increase of Kshs.4,433,000 in growers' debtors from Kshs.37,710,000 as at 30 June, 2020 to Kshs.42,143,000 as at 30 June, 2021. Although the Management attributed the increase to</p>	<p>Finance department has prepared a board paper to be presented to the Finance &amp; Hr subcommittee for the deliberation of the historical accounts for the purpose of cleaning up the books of accounts.</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June 2023</p>



	<p>advances paid to the farmers before delivering their produce, it lacks a documented credit policy to manage the debts.</p> <p>Further, the balance includes other debtors amount of Kshs.118,357,000 which further includes rent arrears of Kshs.29,157,310 that had been outstanding for more than one year. The Management has not explained any effort taken to recover the rent arrears.</p> <p>In addition, Management made a provision for bad debts of Kshs.56,241,000. However; it is not clear how the provision was arrived at as the Company's policy for provision for bad debts was not disclosed under significant accounting policies.</p> <p>In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs.222,905,000 could not be confirmed.</p>	<p>The unrecoverable rent in Shauri Yako 1&amp;2 Estate is Kshs. 2,616,550 and Bondeni 1&amp;2 is 5,508,150 amounting to Kshs. 8,124,700.</p> <p>Currently the management is in the process of preparing various policy documents provision for bad debts is one of them</p>	Not resolved	30 <sup>th</sup> June 2023
04	<p><b>LONG OUTSTANDING TRADE PAYABLES AND PROVISIONS</b></p> <p>The statement of financial position reflects trade and other payables balance of Kshs. 1,300,741,000 as disclosed in Note 18 to the financial statements. Included in the balance is trade payables and provisions amount of Kshs.998,162,000 which further includes long outstanding unremitted PAYE deductions of Kshs.155,727,146 and other salary clearances of Kshs.3,262,968.</p>	<p>The management has presented the long outstanding trade payables to the Board for consideration for a write-off of which a communication has been done to the PS Parent ministry vide letter Ref MD/PPCK/B.16(a)/2495/2023 dated 27<sup>th</sup> February 2023.</p>	Not Resolved	30 <sup>th</sup> June 2023





	<p>Unremitted PAYE continue attracting interest and penalties in line with the provisions of Section 37 (2) of the Income Tax Act Cap 470 of the Laws of Kenya. Further, the Company has not made any provision for penalties and interest chargeable as a result of failure to remit the deductions to the relevant authorities on time.</p> <p>In the circumstances, failure to meet obligations relating to trade and other payables exposes the Company to litigations and increased costs of penalties and interest. The Ksh.223,127,000 balance also includes other payables to Agriculture and Food Authority of sugar Directorate of Kshs.41,493,000 and Tea Directorate of Kshs.16,030,000</p>		
<p><b>05</b></p>	<p><b>UNRESOLVED PRIOR YEAR MATTERS</b></p> <p>In the audit report for 2019/2020 financial year, several issues were raised and which have remained unresolved. However, contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board template for Public Sector Entities reporting under International Financial Reporting Standards (IFRS) Framework, the Management did not attach an appendix to the financial statements indicating the action taken on the auditor's recommendations.</p> <p><b>i. Non-Compliance with the Law on</b></p>	<p>This has been an historical issue that has been affecting the company but currently on engagement the management complies with Section 7(2) of National Cohesion and Integration Act, 2008 which stipulates that, "No public establishment shall have more than one third of its staff from the same ethnic</p>	<p>Resolved</p>



	<p><b>Ethnic Composition</b></p> <p>Review of the Company employees' ethnic composition as at 30 June, 2021 revealed that a single ethnic community had a 38% representation in the staff composition of the Company. This is contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which stipulates that, "No public establishment shall have more than one third of its staff from the same ethnic community. "In the circumstances, Management was in breach of the law.</p> <table border="1" data-bbox="590 1209 1069 1825"> <thead> <tr> <th>Ethnicity</th> <th>Number</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Kalenjin</td> <td>60</td> <td>38.2%</td> </tr> <tr> <td>Kikuyu</td> <td>36</td> <td>22.9%</td> </tr> <tr> <td>Kisii</td> <td>24</td> <td>15.3%</td> </tr> <tr> <td>Luo</td> <td>23</td> <td>14.6%</td> </tr> <tr> <td>Luhya</td> <td>7</td> <td>4.5%</td> </tr> <tr> <td>Kamba</td> <td>2</td> <td>1.3%</td> </tr> <tr> <td>Meru</td> <td>2</td> <td>1.3%</td> </tr> <tr> <td>Borana</td> <td>1</td> <td>0.6%</td> </tr> <tr> <td>Embu</td> <td>1</td> <td>0.6%</td> </tr> <tr> <td>Unspecified</td> <td>1</td> <td>0.6%</td> </tr> <tr> <td><b>Total</b></td> <td><b>157</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Ethnicity	Number	Percentage	Kalenjin	60	38.2%	Kikuyu	36	22.9%	Kisii	24	15.3%	Luo	23	14.6%	Luhya	7	4.5%	Kamba	2	1.3%	Meru	2	1.3%	Borana	1	0.6%	Embu	1	0.6%	Unspecified	1	0.6%	<b>Total</b>	<b>157</b>	<b>100%</b>	community ;		
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<b>Total</b>	<b>157</b>	<b>100%</b>																																						
<p><b>ii. Lack of Human Resource Policy</b></p> <p>Review of records revealed that the Pyrethrum Processing Company of Kenya had not developed new human resource policy but relied on the human resource policy developed in the year 2010 of the</p>		HR instruments were presented and approved by the full board on 20 <sup>th</sup> July, 2022 pending approval from the Public Service Commission	Resolved																																					





	<p>defunct Pyrethrum Board of Kenya. In the circumstances, Management may not be able to prepare and manage its human resource needs in a changing business environment or successfully achieve its core mandate</p>			
	<p><b>iii. Lack of Approved ICT Strategic and Disaster Recovery Plans</b>                  Review of the Company's information technology systems revealed that it uses an accounting software to manage its accounting functions. However, the operating system and accounting software are outdated and user support from the patent holders of both operating system and accounting software ceased in the years 2002 and 2006 respectively. Further, the Company did not have approved ICT Strategic and Disaster Recovery Plans. Its ICT interventions were therefore not aligned with the Company's strategic needs. In the circumstances, the Company may be exposed to risk of errors, fraud and the loss of data confidentiality, integrity and availability</p>	<p>Budget for refurbishment of ICT infrastructure amounting to Kshs. 52Million factored in the financial year 2023/2024 breakdown is as follows:</p>	<p>Not resolved</p>	<p>30<sup>th</sup> September 2023</p>

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

Date: ...../...../.....  
 Date: **13<sup>th</sup> / 04 / 2023**



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

**PROJECTS**

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	GOK	1st July 2014-30th June 2030		NO	YES

**Status of Projects completion**

Project	Total project Cost Million	Total expended to date Million	Completion % to date	Budget Million	Actual Million	Sources of funds
1 PYRETHRUM INDUSTRY RECOVERY.	3,480	760	21.80%	100	75	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 Kshs '000'
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
New Kenya Planters Cooperative Union	04/05/2022	Others	100,000	100,000	-	-	-	-	100,000
<b>Total</b>			<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>



## APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Other	Total Amount Kshs	Statement of Financial Performance	Where Recorded/Recognized		Receivables	Others - must be specific	Total Transfers during the Year
					Capital Fund	Deferred Income			
Ministry of Agriculture Livestock, Fisheries and Cooperatives	05/09/2021	Recurrent	33,000	33,000	-	-	-	-	33,000
	04/11/2021	Recurrent	33,000	33,000	-	-	-	-	33,000
	11/02/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
	25/02/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
	28/03/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
	06/05/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
Ministry of Agriculture Livestock, Fisheries and Cooperatives	11/06/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
	24/06/2022	Recurrent	11,000	11,000	-	-	-	-	11,000
	01/07/2021	Development	65,000	65,000	-	-	-	-	65,000
	23/08/2021	Development	37,500	37,500	-	-	-	-	37,500
	21/04/2022	Development	37,500	37,500	-	-	-	-	37,500
<b>Total</b>			<b>272,000</b>	<b>272,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>272,000</b>





**APPENDIX V: END YEAR REVIEW CHECKLIST.**

Ref.	Ensure the following for the financial statements prepared for the year Ended 30 <sup>th</sup> June 2022	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.	
	ii. Ensure that the bank reconciliation does not include invalid reconciling items such as stale checks or bank charges that should be recorded as expenses in the general ledger	
	iii. Cash balance	Complied
	iv. Carry out a cash count ensuring that entity personnel independent from the one in charge of cash is present and signs off on the petty cash certificate.	Complied
	v. Ensure that the petty cash reconciliation opening balance agree to the previous cash count and the closing balance agrees to the petty cash certificate at the end of the fiscal period	Complied



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





	vi. Confirm adequacy of insurance for all the assets held	Complied
	vii. Prepare a fixed asset movement schedule	Complied
	viii. Ensure that the movement schedule agrees to the following:	Complied
	ix. The opening balances on both cost and accumulated depreciation agrees to the prior year signed financial statements	Complied
	x. The depreciation charge for the year agrees to the depreciation in the statement of financial performance	
	xi. The net book value agrees to the amount disclosed in the Statement of Financial Position	
10	<b>Biological assets</b>	Complied
	i. Perform a count at the end of the period	
	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	Complied
11	<b>Accounts payable: Trade payables</b>	Complied
	i. Obtain the aged payable listing and ensure that they agree to the general ledger	
	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>	N/A
	i. Ensure that the differed income has been adjusted correctly having recognized income that relate to the current fiscal ear	
	ii. Ensure that there is clear documentation and support for classifying the amount as differed income	N/A
	<b>Accounts payable: Unexpended Grants</b>	N/A
	i. Prepare the unexpended grants movement schedule	
	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	N/A



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

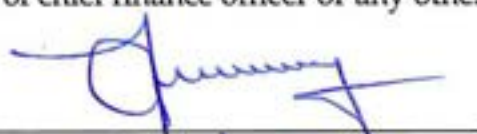


	ix. Ensure that the notes to cash clearly indicates the banks where the cash is being held for both cash at bank and any short- and long-term deposits	Complied
17	<b>Donor Funded projects</b>	
	i. Ensure all donor funded projects are taken stock of; i.e., determining the projects that started during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

Name of chief finance officer or any other officer reviewing:

Sign: \_\_\_\_\_

Date of review: \_\_\_\_\_

  
 13/4/2023

