REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

THE NATIONAL ASSEMBLY
PAPERS LAID

| | | |
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| DATE: | 14 MAR 2023 | DAY. TUESDAY |
| TABLED BY: | DEPUTY MAJORITY PARTY LEADER | |
| CLERK-AT THE-TABLE: | IMZOFU MWALE | |

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# NEW KENYA PLANTERS COOPERATIVE UNION

# FOR THE YEAR ENDED 30 JUNE, 2021

Revised Template 30th June 2021



AMENDED

# *NEW KENYA PLANTERS COOPERATIVE UNION (NKPCU)*

## ANNUAL REPORTS AND FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED
## JUNE 30TH, 2021

**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

The *New Kenya Planters Cooperative Union (KPCU Plc)* was formed on 4th Day of November, 2019 as a Public Company Limited by Shares under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the National Treasury. At cabinet level, the *New KPCU* is represented by the Cabinet Secretary for Agriculture, Livestock, Fisheries, and Cooperatives who is responsible for the general policy and strategic direction of the *New Kenya Planters Cooperative Union Public Limited Company.*
*The Assets of the Kenya Planters Cooperative Union (KPCU) were placed under receivership by the Kenya Commercial Bank (KCB) around 2015 due to non performing debt of kshs 185 million and Other debtors who delivered coffee to KPCU and were not paid of kshs 50.6 million were also claiming on the its assets.*
*The Government in a bid to revive the coffee subsector, settled the debts and appointed the Liquidator to compile, collate and develop scheme of liquidation that would ensure the Asset optimization and revival of New KPCU Plc. The liquidator took over from KCB Receivers and continued to oversee its operation until 30th June 2020 when New KPCU, started operations.*

### (b) Principal Activities

1. The principal activities are; Milling, Handling and Marketing of coffee through participation in Coffee Exchange Auctions locally and internationally.
2. Provision of agency services in Milling, Marketing and Handling at a competitive cost to engage with all coffee growers, pulping factory cooperatives, coffee estate farmers, and other players across the coffee value chain.
3. Plant & Property management for value creation to better the Coffee grower fortunes.

**Vision**
*To be the leading institution in the coffee industry offering innovative products and services.*

**Our Mission**
*To provide farmers with affordable and sustainable services along the coffee value chain to achieve their full potential while restoring confidence and diginity in the coffee sector.*

### (c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Board of Directors/ Cabinet Secretary- Ministry of Agriculture, Livestock, Fisheries & Cooperatives;
- Accounting officer – Principal Secretary, Stae Department for Cooperatives/ Managing Directors.
- New KPCU Plc - Management

(d) **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|---|---|---|
| 1. | Managing Director | **Mr. Timothy Muthondio Mirugi** |
| 2. | Head of Finance & Accounts | **CPA Zaccheus Kagema Ndirangu** |
| 3. | Head of Procurement | **M/S Everline Kimemia** |
| 4. | Head of Human Resourc & Admin | **M/S Angeline Ndambuki** |
| 5. | Human Resource Manager | **Mr. Stephen Mbenda** |
| 6 | Milling Operations Manager | **Mr. Antony Ndungu** |

***(All positions for top management in New KPCU Plc are shown in the table).***

(e) **Fiduciary Oversight Arrangements**

*Key fiduciary oversight arrangements covering (Audit, Finance and Board):*

- ***Audit and finance committee activitie***

  *(The internal Auditor develops annual audit plan and monthly departmental reports which are considered in management meetings. The report and the management responses are forwarded to the board of directors select audit committee.)*

- ***Parliamentary committee activities.***

  *The New KPCU Plc prepares its budget and is agregated together with that of other semi- autonomous government agencies under the State Department for Cooperatives. The budget is forwarded to National Treasury for subsector and sector wide compilation and presentation, then the National Treasury communicates budget ceillings from which the annual budget is developed and presented to the Board of Directors for approval. Through the State Department for Cooperative, Ministry of Agriculture, Livestock, Fisheries and Cooperatives and The National Treasury, the budget is compiled and presented to the National Assembly. The National Assembly select committee on Supplies and Means invite the New KPCU Plc for presentation. The approved budget is factored in the printed estimates for the succeeding year.*

- ***Development partner oversight activities.***

  *The World Bank is implimenting coffee sector revitalization program from which the New KPCU Plc is a beneficiary. Some Warehouses in Meru, Sagana and Dandora are being refurbished. New KPCU Plc headquarters repairs and Maintenance is also covered in the program.*

- ***Other oversight activities.***

  *The Cabinet Secretary ministry of Agriculture, Livestock, Fisheries and Cooperatives oversigt in policy direction and high level strategy.The Principal Secretary oversight operation and management.*

## KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

**Entity Headquarters`**
**P.O. Box 59638 - 00200**
**Wakulima House**
**Haile Selassie Avenue**
**Nairobi, KENYA**

**Entity Contacts**
**Telephone :( 254) 20-2001401**
**E-mail: info@newkpcultd.go.ke**
**Website: www.newkpcultd.co.ke**

**Entity Bankers**
**Co-operative Bank of Kenya**
**Wakulima House, 019**
**Haile Selassie Avenue**
**Nairobi, Kenya**

### (f) Independent Auditors

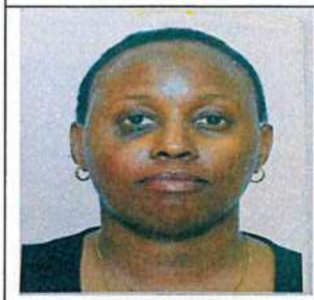
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

### (g) Principal Legal Adviser

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

## II. BOARD OF DIRECTORS

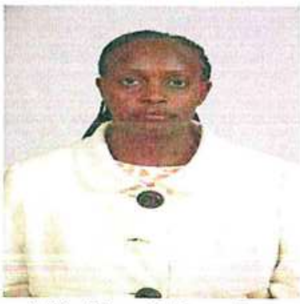
| | |
|---|---|
| **Mr. Henry Kinyua**  **Chairman** | ***Henry Kinyua** is born in 1973; He is the Chairman of New Kenya Planters Cooperative Union Board.* He holds a Master's degree in Organizational Development from United States International University-Nairobi, Post graduate Diploma in Agribusiness Marketing from Galilee Management Institute-Israel and a Bachelor's degree in Agriculture from University of Nairobi. *He has a vast experience in agriculture, development, government delivery systems and institutional establishment in both private and public sectors in Africa.* Prior to his appointment as the Chairman of the Board, He worked as County Executive Council Member (CEC) for Agriculture Livestock and Fisheries for Nyeri County government in Central Kenya. He has worked as Technical Advisor in Agriculture and government relations for Dalberg in Tanzania, Director for Agriculture Market Efficiencies with President Delivery Bureau-at the President's Office-United Republic of Tanzania, agricultural Value chain consultant with Bill and Melinda Gates Foundation, Senior Project Manager with Techno Serve. Henry has successfully led various projects impacting thousands of small scale holder farmers, establishing and supporting hundreds of private and farmer owned businesses and industry associations. |
|  **FCPA Muthoni Director** | **FCPA Muthoni Wangai** holds an MBA from the University of Leicester, UK and a B.Com from the University of Nairobi. She is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). She has vast professional and operational experience in accounting, finance and general management, both in industry and public sector, including among others, agriculture, manufacturing and construction industries. She started her career at Unilever Tea (formerly Brooke Bond Kenya Ltd) which then had interests in tea, coffee and flowers for export, among other businesses. Between 1994 and 2004 she worked as a Finance Director of Gailey & Roberts Ltd and Johnson Diversey East Africa Limited, both subsidiaries of Unilever Plc. She has broad interests in management and founded Cum Program Leader of Country Images Ltd (CI), a business/finance consulting company which publishes '*The Kenyan Spectator* Magazine'. She has served as a Commissioner of the Independent Electoral & Boundaries Commission (IEBC, Commissioner and Vice Chairperson (non -executive) of the Ethics & Anti-Corruption Commission for Co-operative Societies (EACCCS), Chaired the Association of Women Accountants of Kenya (AWAK). |
|  **Michael Mungai Director** | **Michael Mungai** is born in 1958; He is trained in Marketing and Liquoring test (Coffee Expert). In 2016 he attended a TOT course on Sn National Cohesion and National Values and in 1980 Greenfields College 'A' Level. He has worked as a Technical Assistant with Coffee Board of Kenya and Coffee Liquored in1981 and 1988 respectively. |

| | |
|---|---|
| <br>**Sabastian Wambugu**<br>**Director** | **Sabastian Wambugu** is born in 1969; His Professional qualification credentials includes; a Certificate in Sustainable Agriculture (SARD) from Baraka Agricultural College. Diploma in Development Leadership from St. Francis Xavier University (Canada), Diploma in Counselling Psychology from Africana Institute of Professional Counsellors. He has attended on job training workshops and conferences in Kenya and abroad that have sharpened his managerial skills.<br>He oversaw the growth of 'YARD' an organization which supports over 4400 children and has had impact across the Country. YARD receives technical support from John Hopkins University (JPHIEGO) and funding from USAID. He has worked as a project Officer (SACDEP), Agricultural extension Officer (Catholic Diocese of Homa Bay) and Farm Manager (Bishop Mugendi Secondary School). |
| <br>**Rita Mukundi**<br>**Director** | **Rita Mukundi** is Born in 1983; She holds Bachelor of Science, International Business Administration from United States International University. She is an experienced Director who has demonstrated a history of working in food production Industry. Her Professional skill includes; Budgeting, Risk Management, Analytical Skills and Customer Service. She as an Operations Director (Privamnuts EPZ Kenya), Market Dealer and Accounts Assistant (Family Bank of Kenya). |
| <br>**Josephine Kemunto**<br>**Director** | **Josephine Kemunto Omwenga-Arasa** is Born in 1965; She is an LLB graduate with a Diploma from Kenya School of Law. She is a Human Rights Activist where She is currently a board member for East African Women Lawyers, an Organization which protects the intersex persons with a view to gain access to justice and has a right to be heard. She is currently a practicing Advocate and practices in the name and style of Omwenga-Arasa and Company Advocates for 19 Years.<br>She is humbled to be associated as an active member of; - ICJ (Counsel Member), FIDA (K), EAWLA (East African Women Lawyers Association, Child Welfare Society of Kenya and above all a Mediator. |
| <br>**Nzau Musau**<br>**Director** | **Mr. Nzau Musau is born in 1982**; He is a media practitioner, a trained political scientist and a philosopher. He holds BA in Political Science & Philosophy from the University of Nairobi, a Diploma in Journalism & Public Relations from Kenya Polytechnic (now Technical University of Kenya) and is currently undertaking LLB studies at the University of Nairobi's School of Law.<br>He has vast experience in media work, public communication and political messaging. He is a Senior Editor with the Standard Group PLC coordinating and leading news gathering processes for the Group's weekend editions. In 2008, He was among the cadre of journalists who founded the Nairobi Star (The Star) serving in different capacities and covering all key national events & processes until 2014. Between 2004 and 2007, he worked at Kenya Times as a reporter, assistant news editor and a Bureau Chief in charge of Mombasa region. A founder member of Africa Network of Environmental Journalists (ANEJ). He has served in a number of professional and public institutions |

| | |
|---|---|
| | among them the Kenya Parliamentary Journalists Association (KPJA), Kenya Union of Journalists (KUJ) and the Board of Management of his former school, Mamiloki Primary School in Mwala sub-county, Machakos County. He is a member of the Coffee Cherry Advance Revolving Fund & ICT Committee. |
| <br>**Joyce Nkirote**<br>**Director** | **JOYCE NKIROTE KINUU** is Head of the Legal Unit, State Department for Co-operatives. She holds Bachelor of Social and Legal Sciences (BSL) Bachelor of Law (LLB) from University of Pune under. Masters of Law from University of Nairobi and Post Graduate Diploma in Law from the Kenya School of Law. She worked as a State Counsel at Office of the Attorney General and Department of Justice, Department of Advocates Complaints Commission [2011-2018] her duties included providing legal advice on complaints of professional misconduct against advocates; providing research and legal opinions; analyzing and investigating complaints of professional misconduct against advocates; subjecting complaints of professional misconduct against advocates to Alternative Dispute Resolution (ADR) mechanism; prosecution of complaints of professional misconduct against advocates at the Advocates Disciplinary Tribunal; organizing and conducting stakeholders workshops, public sensitization and legal aid clinic programmes in the counties. |
| <br>Simon Thuranira Atheru<br>Director | Simon Thuranira is born in 1972; He is an LLB graduate with a Diploma from the Kenya School of Law. On 12th April, 2001 He was admitted as Advocate of the High Court of Kenya. He is currently a practicing Advocate and practices in the name of Thuranira Atheru Advocates and Company Advocates. He worked with the County Government of Meru as the Chief Legal Officer from November 2013 to August 2017, Kinuthia Arithi and Company Advocates from 30th June, 2001 to 31st October, 2013 and B.G Kariuki Advocates from 12th April, 2001 to 29th June 2001 as an Associate Advocate. |

## III. MANAGEMENT TEAM

<table>
<tr><th>Name of the Staff</th><th>Responsibility</th></tr>
<tr><td><br>Mr. Timothy M. Mirugi</td><td>Managing Director<ul><li>Masters in Business Administration, Strategic Management - Kenyatta University: 2014 to 2019</li><li>Bachelor of International Business Administration - Makerere University Business School: 2003 to 2006</li><li>St. Paul's Mbale College Uganda-Uganda Advanced Certificate of Education: 2001 to 2002</li><li>Customer Service training at Horizons Ltd</li><li>Import Export training course in China</li></ul></td></tr>
<tr><td><br>M/s Angeline W. Ndambuki</td><td>Coffee Business Operations Manager<ul><li>Higher Diploma in Human Resource Management</li><li>Bachelor of Business Administration - Human Resource Management</li><li>Diploma in Computer Studies</li><li>Diploma in Business Administration</li><li>Certificate - Balanced Scorecard Training</li><li>Counselling Certificate</li></ul></td></tr>
<tr><td><br>CPA Zaccheus Kagema Ndirangu</td><td>Head of Finance and Accounts:<ul><li>CPA (K)</li><li>BCOM (Accounting - Option) from University Of Nairobi</li><li>Strategic Leadership Development Program Course &</li><li>Senior Management Course from Kenya School of Government,</li><li>Project Managemen course</li><li>Contract Management course</li><li>IFMIS Financial Reporting</li><li>Cash Management, and</li><li>Corporate Director Course.</li></ul></td></tr>
</table>

| | |
|---|---|
| <br>**Mr. Stephin Mbenda** | **Head of Human Resource**<br>• Higher Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM)<br>• Senior management course (SMC) from Kenya School of Government<br>• Strategic Human Resource Management course from Kenya School of Government. |
| <br>**M/s Gladys N. Mwangi** | **Ag. Head Accounts**<br>• CPA (K).<br>• B.com (Finance Option).<br>• SMC at Kenya School of Government,<br>• Preparation of Financial statements (ESAMI, Uganda),<br>• Financial Management and Good Governance (Denmark)<br>• Harmonized Cash Transfer (HACT), Integrated Financial Management Information System (IFMIS),<br>• Computer Proficiency, which includes computerized accounting packages.<br>• Above all, she has a wealth of experience having worked for over 20 years in the civil service. |
| <br>**Mr. Suleimani Wandati** | **Head of Legal Affairs.**<br>• BAL, LLB<br>• Post Graduate Diploma from the Kenya school of law<br>• Certified Professional Mediation<br>• Certified Public Secretary from Kasneb (Ongoing)<br>• Member of the Kenya Association of Cooperatives |
| <br>**M/s Eva Mingala** | **Managing Director's Personal Assistant**<br>• International Diploma in Business Management/Administration |

The New KPCU Plc is carrying out organization structuring to enable the carrying out of its mandate with the principle activities of Milling and Marketing effectively, with requisite competent and qualified personnel. The organisation is supported by the State Department for Cooperatives' and National Treasury's deployed staff who are hardly adequate to effectively carry out the mandate. To bridge the gap, personnel on temporary contracts and casuals are put in place while the human resource instruments and the authorised staff establishment approvals are developed and addressed. The coffee growing regions are expanse and wide coverage will be required. Extension Officers, Marketing experts, milling specialists and Information Technology experts will be required.

## III. CHAIRMAN'S STATEMENT

New Kenya Planters' Co-operative Union Public Limited Company (New KPCU Plc) is a State Corporation under the State Department for Co-operatives in the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. Incorporated on the 4th of November 2019, its mandate was to intervene on behalf of the government and provide alternative to dissatisfied coffee farmers, who were not receiving their fair compensation for growing this valuable and internationally renowned produce of Kenya rather than abandoning or uprooting the crop.The Chairperson of the Board and the board of directors were appointed on 18th December, 2019 through a Gazette Notices No. 11857 and 11862 respectively and the Acting Managing Director duly appointed. During the financial year under review, the New KPCU Plc milled and marketed coffee worthy kshs 474 millions. The farmers were able to enjoy fair prices across the board for between kshs 55 and kshs 120 per kilogram of coffee cherry delivered which depended on coffee berry quality and management efficiency of the Factory Cooperative Societies. There is need to regulate the management services of the factory cooperatives to ensure the farmer retains ownership and gets the first priority in payment of coffee sale proceeds. It is imperative to keep the farmer well briefed on all costs accumulated along the coffee value chain.

THE MANDATES OF NEW KPCU PLC are to:

**Enhance the coffee business.**

During the cultivation of coffee, New KPCU Plc will assist the farmer in stimulating farm production and productivity by ensuring timely access and use of farm inputs. Offer expert advice as to the planting, growing or production of coffee, treatment, curing and preparation for marketing. At the selling of the coffee stage, New KPCU Plc will engage in the buying, selling and dealing in coffee, carry on business as millers, marketers, curers, warehousemen and store keepers and in particular to buy, sell, treat, manufacture and deal in coffee produce.

In as far as the Kenyan coffee farmer is concerned, be it the coffee tree, the cherry, the green coffee, New KPCU Plc has the mandate to assist these farmers achieve their full potential, restore their livelihood to a dignified level and incentivize them to continue cultivating and delivering coffee through the established marketing system.

**Steer the coffee sub-sector reforms.**

New KPCU Plc has assumed management of the following milling plants and warehouses previously owned by KPCU (In Liquidation):

Nairobi Headquarter

Dandora Milling plant-Nairobi

Sagana milling plant

Meru milling plant

Nakuru godowns

Nanyuki godowns

Bungoma milling plant

Tala mbuni milling plant

All milling plant deports and warehouses are in disrepair and neglect and hence an immediate requirement for Modernisation, Refurbishment, Warehouses restructuring, reroofing and certification, and replacement and renewal of the Milling Plants.

## IV. REPORT OF THE MANAGING DIRECTOR

Kenya is internationally recognized for its comparatively high-quality coffee, which consistently has continued to attract high premium prices globally. Notwithstanding such premium prices, the production of Kenyan coffee and income to smallholder farmers has surprisingly been declining steadily. Such decline is attributable to complex interrelated constraints among many other challenges. The private Millers and Marketers motivation is to maximize their profit which have lead to the situation where we are today where some of the coffee farmers have become disgrantled and either abandoned or uprooted their coffee bushes. It is important to note that government intervention is required to safe the coffee subsector from further decline. New KPCU Plc being a state corporation shall be an alternative miller and marketer of the last resort to the dissatisfied coffee farmers with the private millers and marketers and hence encourage them to return to their coffee farms and enable increase in coffee production.

**Coffee Low Production:**

The low productivity of smallholder coffee is attributable to a host of challenges relating to production, processing and marketing. There is low coffee production in counties and it directly affect the central business. Historical value chain structure that puts the coffee farmer at the periphery of sale proceeds distributions while prioritizing payments of debts, advances, farm inputs, salaries of workers and management costs lead to the detriment of the coffee farmer direct benefit.A way to ensure the coffee farmer is kept abreast for all costs and value creation along the coffee pulping, milling and marketing value chain must found to a rest further decline and turn around the fortunes of the coffee farmers. This would call for changes in regulatory and policy framework which affect the Coffee subsector industry.

**Historical governance and legally commercial challenges inherent from the old KPCU (under liquidation):**

The Kenya Planters Cooperative Union has a long history of enabling decency in coffee farmer's livelihood. Along the way poor governance and mismanagent creeped in and lead to the situation where no significant benefit would accrue to the coffee farmers. This lead to poor operation cashflows and non-productive commercial assets due to historical years of neglect and /or abandonment. Plant and Equipments that would generate income are malfunctional and need to be refurbished, rehabilitated and modernised. New KPCU Plc has a challenge when engaging international coffee buyers because specialty coffee sorting is done manually which takes a lot of manpower and time.Modern impliments and new ways of coffee hasbandry are required.

**Weak cash flows to finance the operations of the company.**

New KPCU Plc need financing to embark on recruitment of key staff and enable the coffee farmer's access affordable credit for farm inputs, harvesting and post harvest management. Failure to do so can prevent the business from growing and hence accelerating a business decline as it has been witnessed previously, financing operations would help the business significantly increase and enable New KPCU Plc become a market leader in its field.

The New KPCU Plc embarked on operations from 1st July, 2020 with the right of use of the KPCU (in liquidation) assets which were under the Liquidator and pending finalization of scheme of distribution and preparation of final accounts. The Financial Statements reports are therefore prepared on the basis of the use of assets only.

**COFFEE FARMER INCENTIVES**

The period for which coffee farmer would wait to realize return on efforts applied in tending and caring for coffee trees will discourage many in the advent of continued price decline and sustained governance challenges through the value chain. The Government through the Coffee revitalization program which started in 2016/2017 financial year, established the Coffee Cherry Advance Revolving Fund (CCARF) as an intervention to long period of waiting for payments after cherry harvest. The regulations and establishment of the Funds took quite sometime to be operationalized.

## V. STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

The financial year ending 30th June, 2021 is the first year of operation for the New KPCU PLC. The Government under the State Department for Cooperatives budgeted and allocated kshs 21 million for management and administrative operations, board of directors and deployed staff expenses. The New KPCU Plc has been able to raise kshs 81 million internally as appropriation in aid (AIA). Coffee Cherry Advance Revolving Fund (CCARF) seed money was set aside and put under the New KPCU

Plc, without operationalisation funding and structures. That not withstanding, the CCARF operations and management commenced immediately after the appointment of the Fund Administrator who have been supported by the New KPCU Plc operations funds since August 2020.

The New KPCU Plc has been able to mill and market coffee worthy kshs 474 millions for the period under review. The coffee farmers have gradually continued to gain confidence on new management and with continued timely payment for coffee sales, the future will only be brighter.

The structuring of New KPCU Plc and Coffee Cherry Advance Revolving Fund organisations has started with the development of human resource instruments wich will ensure the realization of their mandate established.

*New KPCU Plc* has *3* strategic pillars and objectives within the current Strategic Plan for the FY 2020/2021- FY 2024/2025. These strategic pillars are as follows:

1: Enhance the coffee business, Mill and Market Coffee.

3: Effectively manage Property and Plants for value realization to the benefit of the coffee business.

4. Create agencies and collaborations in areas of farm inputs, harvesting and post harvesting coffee hasbandry and marketing.

*New KPCU Plc* develops its annual work plans based on the above *3* pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *New KPCU Plc* achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|---|---|
| Pillar/ theme/ issue 1: | Milling & Marketing Coffee | Weight in Tons | 500 | 575 |
| Pillar/ theme/ issue 1: | Collaboration CCARF disbursement | Amount in million Kshs | 30 | 49 |
| Pillar/ theme/ issue 1: | Effective | Internally | | |

| | | | | |
|---|---|---|---|---|
| | Property Management | generated revenue in million kshs | 82 | 95 |

## VI. CORPORATE GOVERNANCE STATEMENT

*(The New KPCU Plc, operates under the Board of Directors who were appointed in December 2019. They have exercised oversight until December, 2020. During the period the Board of Directors had six full board meeting and ten board committee meetings.*

*The financial year 2020/2021 is the first year of operation and the immediate task is to develop and seek for authorise establishment through the public service, state corporation advisory committee. The management continue to liaise with various government ministries and agencies to work out the establishment of New KPCU Plc State Corporation.*

## VII. MANAGEMENT DISCUSSION AND ANALYSIS

*(For the last one year the management of New KPCU Plc have Undergone enormous challenges in terms of ensuring the Coffee Milling Plants are operational and Coffee Cherry Advance Revolving Fund disburses advance to qualifying beneficiaries. Operationalization of all Milling Plants and Implimentation of CCARF regulations and administration of Cherry fund were rolled out under the New KPCU Plc. The management gives a report on the operational and financial performance of the organisation for the last one year period, the New KPCU Plc have revived and started operations in four main branches namely Meru, Sagana, Dandora and Tala in Machakos County. Major project which has started in all deports is removal and disposal of asbestos in all our warehouses, refurbishment and modernisation of warehouses and headquarters, trenches and drainage clearance, bush clearing, protection of branches premise against encroachment, building of perimenter walls and setting up of security measures and systems where security of coffee will be guaranteed. Development and establishment of trade infrastructures where ware houses will be certified and registered as boarded warehouses, establishment of robust information computer technology and digital communication and services enablement. Programs for farm inputs and advances for picking and transportation of coffee will be developed through creation of agencies and alliances.Funding for recruitment of the requisite qualified staffing and organisation structuring to enable fulfillment of the mandate and functions of the New NKPCU Plc.*

## VIII. ENVIRNOMENTAL AND SUSTAINABILITY REPORTING

*New KPCU Plc exists to transform lives of coffee growers. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the coffee growers/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.*

### *i)* Sustainability strategy and profile -

The Coffee subsector is undergoing through a series of transformative strategy aimed at revitalizing it and making it more robust. There are environmental concern on wet processing of coffee and new ways are emerging which enables natural coffee processing. Also, use of old pulping machines and equipment's lead to high use of electricity and hence high costs of operations. Coffe sector generates quite some political interest and it is sensitive to changes that may arise after the 2022 elections. With required enabling legislative and adminstration instruments the organisartion will wither challenges that would arise from political process. The increased need for foreign currency to clear international debts would require sectors like coffee to be revitalised in order to make effective contributions.

### *ii)* Environmental performance

The New KPCU Plc pledges to support enviromental programs that improves sustainability and care. Planting of traditional forest trees and developing of nurseriees that would enable contnoius enviromental improvement are carried out across all the depots. Growing of high value crops like macadamia and avocados is encouraged to suppliment coffee farmer's fortunes. The New KPCU Plc has engaged consultant in enviromental concern certifications and international standard affiliations. This will ensure setting up of requisite standards for operations.The policy and strategy for enviromental concern and sustainability will continue to be developed and affirmed as the the strategic plan for the New KPCU Plc is developed.

### *iii)* Employee welfare

The New KPCU Plc is a state corporation under the state corporations act and incorporated under the company's act. Recruitments and hiring of personnel adheres to the public ervice commission human resource manual and all allowances guided by the Salaries and Remuneration Commission. In this connection, through the state department for Cooperatives the New KPCU Plc has been developping specific human resource instruments with the help of the public service commission and staff from Salaries and Remuneration Commission.

Milling for coffee is largely seasonal and engagement for casuals and temporary staff has been used to control escalation of costs. Peoples with disability and women are encouraged to apply and considered.

The New KPCU Plc appraisal and reward system follows the state corporation's appraisal guidelines through developed performance contract. Measures will be developed to ensure skills improvement and carrear enrichment that empowers the staff.

The working enviroment shall continously be improved to ensure all working enviroment standards are complied with as per the Occupational Safety and Health Act of 2007, (OSHA)

### *iv)* Market place practices-

The New KPCU Plc upholds all fair pratices in the market place and in consultation with the stake holders form alliances and agency for furtherance of due process and practices. Close collaboration with the Agricultural food association, Coffee Directorate, State Department for Cooperatives and National Treassury are carried out in the process of our operations:

**a) Responsible competition practice.**

The New KPCU Plc just started operations in 1st of July 2020 and it is carrying out the functions and mandate previously handled by KPCU (under liquidation). There are many private coffee milling and marketing companies and the New KPCU Plc place is an intervention by the government to have an extra milling and marketing organisation that will be playing the moderation and balancing on private company's excesses. By participating in Nairobi Coffee Exchange alongside other private companies will ensure responsible competition practices and transparency and traceability of all value and costs accumulated along the value chain enables anti-corruption practices, Coffee business is politically sensitive and engagement with political leaders across all coffee growing regions will enable responsible political involvement, the New KPCU Plc upholds fair competition and respect for competitors

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

The New KPCU Plc always adhere to public procurement oversight authority guide lines in all public procurements. The organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respect payment practices.

c) **Responsible marketing and advertisement**

Coffee farming abhores un ethical behaviour practices and all promotional and brand creation adopts acceptable practices in the industry. Outline efforts to maintain ethical marketing practices.

d) **Product stewardship**

Outline efforts to safeguard consumer rights and interests.

**Corporate Social Responsibility / Community Engagements**

***The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.***

## IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the *New KPCU Plc's* affairs.

### i) Principal activities

The principal activities of the entity continue to be Coffee business for the wellbeing of the coffee growers. This entails ensuring that the coffee grower receives worthy returns for their produce.

### ii) Results

The results of the entity for the year ended June 30, 2021 are set out on page 1 to 56 Below is summary of the profit or loss made during the year.

### iii) Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs.N/A per ordinary share, amounting to Kshs.N/A million, subject to withholding tax where applicable. An interim dividend of Kshs. Nil (2020 – Kshs.N/A) per ordinary share was paid in N/A 2020/2021. The total dividend for the year, therefore, is Kshs. N/A (2020 – Kshs. N/A) per ordinary share. If approved, the dividend will be paid on or about n/a to shareholder registered in the books of the *New KPCU Plc* at the close of business on n/a. The register of members will be closed for one day only on n/a to facilitate the preparation of dividend warrants.

### iv) Directors

The members of the Board of Directors who served during the year are shown on page iii In accordance with Regulation 6 of the *New KPCU Plc's* Articles of Association, The Board of Directors term expired on 31st December, 2020.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *New KPCU Plc* for the year/period ended June 30, 2021, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name SULEIMAN WANDATI Signature Date 6/6/22

Corporate Secretary/Secretary to the Board

## X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *New KPCU Plc'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 (period) ended on June 30, 2021. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the *New KPCU Plc*; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *New KPCU Plc'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 Company's Act, Cooperatives Act and (the State Corporations Act)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)**

The Directors are of the opinion that the *New KPCU Plc's* financial statements give a true and fair view of the state of *company's* transactions during the financial year ended June 30, 2021, and of the *New KPCU Plc's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *New KPCU Plc*, 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.

Nothing has come to the attention of the Directors to indicate that the *New KPCU Plc* 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 *New KPCU Plc's* financial statements were approved by the Board on 30th September, 2021 and signed on its behalf by:

**Signature**

**Name : Henry Kinyua**

**Chairperson of the Board**

**Signature**

**Name: Timothy M. Mirugi**

**Managing Director**

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON NEW KENYA PLANTERS COOPERATIVE UNION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

**Disclaimer of Opinion**

I have audited the accompanying financial statements of New Kenya Planters Cooperative Union set out on pages 2 to 59, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

**1. Inaccuracies in the Financial Statements**

Review of financial statements submitted for audit revealed the following inaccuracies:

i. The statement of profit or loss and other comprehensive income reflects income tax expense of Kshs.8,172,877. However, the corresponding Note 16 to the financial statements reflects an amount of Kshs.8,738,073 resulting to a difference of Kshs.565,196 which was not reconciled.

ii. The statement of profit or loss and other comprehensive income reflects profit before taxation of Kshs.27,242,924 However, reconciliation of cash from operating activities in Note 42 to the financial statements reflects profit before tax amount of Kshs.29,126,910 resulting to a difference of Kshs.1,883,988 which was not explained.

iii. Note 42 to the financial statements reflects analysis of changes in loan receipt during the year of Kshs.4,673,668 while the statement of financial position did not indicate any loan received. The source of this amount could therefore not be confirmed.

iv. The statement of cash flows reflects cash flows from financing activities amounting to Kshs.14,638,047 with a description of proceeds from borrowing. However, the corresponding reference Note 35 was left blank. The same was also not reflected in the statement of financial position.

v. The statement of cash flows indicates cash flows from operating activities amounting to Kshs.19,070,046. However, the corresponding Note 42 reflects cash from operating activities amount of Kshs.33,708,154 resulting to unreconciled difference of Kshs.14,638,108.

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

**2. Misstatement of Cash and Cash Equivalents**

The statement of financial position reflects a balance of Kshs.8,038,249 under bank and cash balances. However, examination of cash and bank records provided for audit revealed the following anomalies:

i. Although the statement of financial position reflects bank and cash balances totalling Kshs.8,038,249, the bank reconciliation statement reflects a cash book balance of Kshs.3,456,966 resulting to a variance of Kshs.4,581,283 which was not explained.

ii. Certificates of bank balances indicated that the Company operates eight (8) bank accounts comprising; four (4) current accounts, three (3) call deposits account and one (1) suspense account. However, details and balances of the call deposits account and suspense accounts were not disclosed in the financial statements.

iii. Out of the eight (8) banks accounts operated by the Company, two (2) accounts namely; farmers' shillings and farmers' dollar accounts bank reconciliation statements were not provided for audit review.

iv. Bank reconciliation statement for one of the operations accounts reflects payment in the bank not in cashbook amounting to Kshs.317,449 and receipts in bank not in cashbook amounting to Kshs.1,926. The Management did not explain the reason for not recording them in the cash books.

v. Cash book maintained for operations account indicated an amount of Kshs.733,961 as a summary of parking fee. However, no supporting schedules were provided for audit.

vi. The statement of profit or loss and other comprehensive income reflects an amount of Kshs.98,750,926 in respect of administration costs and as disclosed in Note 12 to the financial statements which includes Kshs.2,491,950 bank charges and commissions. However, no schedule and supporting documents were provided for the bank charges and commissions.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs.8,038,249 could not be confirmed.

**3. Misstatement of Property, Plant and Equipment**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.25,669,844 in respect of property, plant and equipment which was the cost/valuation instead of the net book value balance of Kshs.23,785,857 resulting in an overstatement of Kshs.1,883,987 which was not reconciled.

Further, no asset register and supporting schedules for these assets were provided for audit review. In addition, depreciation was recognized as an expenditure and accounted for again under current liabilities as provision for depreciation.

In the circumstances, the accuracy, completeness, and disclosure of the property, plant and equipment balance of Kshs.25,669,844 could not be confirmed.

### 4. Misstatement and Unsupported Other Income

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.86,133,891 in respect of other income. However, the corresponding Note 10 to the financial statements reflects an amount of Kshs.104,793,750 resulting to an unexplained variance of Kshs.18,659,859.

Further, no supporting schedules for the other income including rental income schedules, approved list of tenants, schedule of rent paid by each tenant, rent arears statements and miscellaneous receipts schedules were provided for audit.

In the circumstances, the accuracy and completeness of the other income of Kshs.86,133,891 could not be confirmed.

### 5. Unsupported Expenditures and Balances

The financial statements reflects unsupported expenditure and balances for various account items as detailed below:

| Details | Note | Amount (Kshs.) |
|---|---|---|
| Administrative Costs | 12 | 98,750,826 |
| Sales of Goods | 6 | 474,478,189 |
| Cost of Sales (Farmers Payments) | 7 | 455,818,330 |
| Trade and Other Payables | 38 | 4,581,243 |
| Provisions | 40 | 1,883,986 |

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

### 6. Irregularities in Budget Implementation and Reporting

The statement of comparison of budget and actual amounts reflects an approved budget of Kshs.133,500,000 for both revenue and expenditure which differs with the approved amount of Kshs.102,125,925 resulting to a variance of Kshs.31,374,075 which was not explained. Further, the Company prepared and presented a proposed budget estimate amounting to Kshs.289,005,905 and Kshs.642,596,060 for recurrent and development expenditure respectively. However, only the recurrent budget of Kshs.102,125,925 was approved by the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and The National Treasury.

In addition the Management did not provide a clear itemized approved recurrent budget amounting to Kshs.102,125,925 that correlates with the items reported in the financial statements contrary to paragraph 14 of The National Treasury Circular No.22/2019, Section 38(1)(b)(v) of the Public Finance Management Act, 2012 and Regulation 32(4) of the Public Finance Management Regulations (National Government) Regulations, 2015, that require the budget be itemized as per the chart of accounts issued by The National Treasury or by programs or specific item and schedule III of the said circular.

In the circumstances, the accuracy and completeness of the budget information and utilization in the financial statements could not be confirmed.

### 7. Lack of Governance Structures

The New Kenya Planters Cooperative Union does not have an audit committee, approved strategic plan and organizational chart, approved Salaries and Remuneration Commission (SRC) salary structure and approved staff establishment to implement policies and Board's decisions.

The Management was therefore in contravention of Paragraph 11 of the Code of Governance (Mwongozo) for State Corporations, 2015 and Regulation 174(1) of the Public Finance Management (National Government) Regulations, 2015.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

I do not express a conclusion on the Lawfulness and Effectiveness in the Use of Public Resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

I do not express a conclusion on the Effectiveness of Internal Controls, Risk Management and Governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### Responsibilities of Management and the Board of Directors

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 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 financial reporting process, reviewing the effectiveness of how the Company 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**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the New Kenya Planters Cooperative Union 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.

**CPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**22 July, 2022**

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

| | Note | 2020-2021 | 2019-2020 |
|---|---|---|---|
| | | Kshs | Kshs |
| **REVENUES** | | | |
| Revenue | 6 | 474,478,189.33 | 0 |
| Cost of sales | 7 | 455,818,330.13 | (0) |
| Gross profit | | **18,659,859.20** | **0** |
| **Other Income** | | | |
| Grants from the National Government | 8 | 21,200,000.00 | 0 |
| Finance income | 9 | - | 0 |
| Other Income | 10 | 86,133,891.28 | 0 |
| Other gains/(losses) | 11 | - | 0 |
| **Other Income - Total** | | **107,333,891.28** | **0** |
| **TOTAL REVENUES** | | **125,993,750.48** | |
| **OPERATING EXPENSES** | | | |
| Administration Costs | 12 | 98,750,826.95 | 0 |
| Selling and Distribution Costs | 13 | - | 0 |
| Finance Costs | 14 | - | 0 |
| **TOTAL OPERATING EXPENSES** | | **98,750,826.95** | **0** |
| **PROFIT/(LOSS) BEFORE TAXATION** | | **27,242,923.53** | **0** |
| **INCOME TAX EXPENSE/(CREDIT)** | **16** | 8,172,877.05 | **0** |
| **PROFIT/(LOSS) AFTER TAXATION** | | **19,070,046.50** | **0** |
| Earnings per share – basic and diluted | 17 | **N/A** | N/A |
| Dividend per share | 18 | **N/A** | N/A |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Profit/ (Loss) after taxation** | | 19,070,046.50 | 0 |
| Surplus or deficit on revaluation of PPE | | 0 | 0 |
| Remeasurement of net defined benefit liability | | **0** | 0 |
| Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI | | 0 | **0** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **19,070,046.50** | **0** |

## XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|---|---|---|---|
| | | Kshs | Kshs |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 19 | 25,669,844.00 | 0 |
| Intangible assets | 20 | 0 | 0 |
| Investment property | 21 | 0 | 0 |
| Right- of -use assets | 22 | 0 | 0 |
| Fixed interest investments | 23 | 0 | 0 |
| Quoted investments | 24 | 0 | 0 |
| Unquoted investments | 25 | 0 | 0 |
| Long term Receivables | 27 | 0 | 0 |
| **Total Non-Current Assets** | | **25,669,844.00** | 0 |
| | | | |
| **Current Assets** | | | |
| Inventories | 26 | | 0 |
| Trade and other receivables | 27(a) | 0 | 0 |
| Tax recoverable | 28 | 0 | 0 |
| Short-term deposits | 29 | 0 | 0 |
| Bank and cash balances | 30 | 8,038,249.67 | 0 |
| **Total -Current Assets** | | **8,038,249.67** | **0** |
| | | **33,708,073.67** | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Ordinary share capital | 31 | 0 | 0 |
| Revaluation reserve | 32 | 0 | 0 |
| Fair value adjustment reserve | 33 | 0 | 0 |
| Retained earnings | 34 | 19,070,046.00 | 0 |
| Proposed dividends | | 0 | 0 |
| **Capital and Reserves** | | **19,070,046.00** | **0** |
| | | | |
| **Non-Current Liabilities** | | | |
| Borrowings | 35 | 0 | 0 |
| Deferred tax liability | 36 | 0 | 0 |
| Lease liabilities | 37 | 0 | 0 |
| Deferred Income | | 0 | 0 |
| **Total Non-Current Liabilities** | | **0** | **00** |
| | | | |
| **Current Liabilities** | | **0** | |

| | | | |
|---|---|---|---|
| Borrowings | 35 | 0 | 0 |
| Trade and other payables | 38 | 4,581,243.74 | 0 |
| Retirement benefit obligations | 39 | 0 | 0 |
| Provisions | 40 | 1,883,986.88 | 0 |
| Dividends payable | 41 | 0 | 0 |
| Tax payable | | 8,172,817.05 | 0 |
| **Total Current Liabilities** | | **14,638,047.67** | **0** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **33,708,093.67** | **0** |

The financial statements were approved by the Board on 30th September, 2021 and signed on its behalf by:

Managing. Director
**Name: Timothy Mirugi**
**Sign:** -----------------------

Head of Finance
**Name: CPA Zaccheus Ndirangu**
**ICPAK M/NO: 4820**
**Sign:** -----------------------

Chairman of the Board
**Name: Henry Kinyua**
**Sign:** -----------------------

## XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Grants/Fund | Total |
|---|---|---|---|---|---|---|---|---|
| **As at July 1, 2020** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| New capital issued | | 0 | | | | | | 0 |
| Revaluation gain | | - | 0 | - | - | - | - | 0 |
| Transfer of excess depreciation on revaluation | | - | (0) | - | 0 | - | - | - |
| Deferred tax on excess depreciation | | - | 0 | - | - | - | - | 0 |
| Fair value adjustment on quoted investments | | - | - | 0 | - | - | - | 0 |
| Profit for the year | | - | - | - | 19,070,046.00 | - | - | 19,070,046.00 |
| Capital/Development grants received during the year | | - | - | - | - | - | 0 | 0 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | | - | - | - | 0 | - | (0) | - |
| Dividends paid – prior year | | - | - | - | - | (0) | (0) | (0) |
| Interim dividends paid – current year | | - | - | - | | (0) | - | (0) |
| Proposed final dividends | | - | - | - | (0) | 0 | 0 | - |
| **As at June 30, 2021** | | **0** | **0** | **0** | **19,070,046.00** | **0** | **0** | **19,070,046.00** |
| | | | | | | | | |

| | notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Grants/Fund | Total |
|---|---|---|---|---|---|---|---|---|
| **As at July 1, 2021** | | **0** | **0** | **0** | **19,070,046.00** | **0** | **0** | **19,070,046.00** |
| Issue of new share capital | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation gain | | - | 0 | - | - | - | - | 0 |
| Transfer of excess depreciation on revaluation | | - | (0) | - | 0 | - | - | - |
| Deferred tax on excess depreciation | | - | 0 | - | - | - | - | 0 |
| Fair value adjustment on quoted investments | | - | - | 0 | - | - | - | 0 |
| Profit for the year | | - | - | - | 0 | - | - | 0 |
| Capital/Development grants received during the year | | - | - | - | - | - | 0 | 0 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | | - | - | - | 0 | - | (0) | - |
| Dividends paid – prior year | | - | - | - | - | (0) | (0) | (0) |
| Interim dividends paid – current year | | - | - | - | (0) | - | - | (0) |
| Proposed final dividends | | - | - | - | (0) | 0 | 0 | - |
| **At June 30, 2022** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

***Note:***

1. ***For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.***
2. ***The New KPCU Plc started operations in the current year and hence there are no Prior year adjustment. In such instances there are no restatement of the opening balances needs to be done.***

## XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|---|---|---|---|
| | | Kshs | Kshs |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| | | | |
| **CASH GENERATED FROM/(USED IN) OPERATIONS** | 42 | 19,070,046.00 | 0 |
| Interest received | 42(c) | 0 | 0 |
| Interest paid | 42(c) | (0) | 0 |
| Dividends paid | 41 | (0) | 0 |
| Taxation paid | 28 | (0) | 0 |
| **NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES** | | **19,070,046.00** | **0** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 19 | (25,669,844.00) | 0 |
| Proceeds from disposal of property, plant and equipment | | 0 | 0 |
| Purchase of intangible assets | 20 | (0) | 0 |
| Purchase of investment property | 21 | (0) | 0 |
| Purchase of quoted investments | 25 | (0) | 0 |
| Proceeds from disposal of quoted investments | | 0 | 0 |
| **NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES** | | (25,669,844.00) | **0** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issues of new share capital | | 0 | 0 |
| Proceeds from borrowings | 35 | 14,638,047.67 | 0 |
| Repayment of borrowings | 35 | (0) | (0) |
| Dividends paid | 41 | (0) | (0) |
| **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES** | | **0** | **0** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **8,038,249.67** | **0** |
| | | | |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **0** | **0** |
| Effects of foreign exchanges rate fluctuations | | 0 | 0 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | **42** | **8,038,249.67** | **0** |
| | | | |

## XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|---|---|---|---|---|---|---|
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 |
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Sale of goods | 25,000,000.00 | 0 | 25,000,000.00 | 18,659,859.20 | 6,340,140.80 | 25.36 |
| Sale of services | 0 | 0 | 0 | 0 | - | - |
| Transfers from the Government | 21,200,000.00 | 0 | 21,200,000.00 | 21,200,000.00 | - | - |
| Donations in kind | 0 | 0 | 0 | 0 | - | - |
| Finance Income | 0 | 0 | 0 | 0 | - | - |
| Other income | 87,300,000.00 | 0 | 87,300,000.00 | 86,133,891.28 | 1,166,108.72 | 1.34 |
| **Total income** | **133,500,000.00** | | **133,500,000.00** | **125,993,750.48** | **7,506,249.52** | **5.62** |
| Expenses | 0 | | 0 | | - | - |
| Compensation of employees | 27,000,000.00 | 0 | 27,000,000.00 | 25,837,779.80 | 1,162,220.20 | 4.30 |
| Use of goods and services | 75,000,000.00 | 0 | 75,000,000.00 | 70,251,159.15 | 4,748,840.85 | 6.33 |
| Finance cost | 0 | 0 | 0 | 0 | - | - |
| Rent paid | 3,000,000.00 | 0 | 3,000,000.00 | 2,661,988.00 | 338,012.00 | 11.27 |
| Taxation paid | 0 | 0 | 0 | 0 | - | - |
| Other payments | 28,500,000.00 | 0 | 28,500,000.00 | 25,669,844.00 | 2,830,156.00 | 9.93 |
| Grants and subsidies paid | 0 | 0 | 0 | 0 | - | - |
| **Total expenditure** | **133,500,000.00** | **0** | **133,500,000.00** | **124,420,770.95** | **9,079,229.05** | **6.80** |
| **Surplus for the period** | **0** | **0** | **0** | **1,572,979.53** | **(1,572,979.53)** | **-** |

***Note**: The variance appearing as per budgetary item from final budget and actual figures are explained as follows:*

*(a) Sale of goods refers to Milling, Handling & Marketing service charges on Coffee parchments delivered to New KPCU Plc. The coffee farmers have had long history of poor governance and mismanagement of KPCU (In Liquidation).It is taking time for them to join New KPCU Plc because of the history. With heightened awareness of government intervention through New KPCU Plc, the farmers will gain confidence and coffee parchment volumes will go up.*

*(b)Other Income which refers to Rental income, Parking Fees and Coffee Cherry Advance Revolving Fund (3% administrative fees). The target was well within the projections with a 1.34% shortfall.*

*© T he use of goods and services, Rental Expenses and other payments which has variances of 6.33%, 11.27% and 9.93% respectively are as a result of the level of milling performance and staffing capacity which is being addressed by development of human resource instruments.*

# XVII. NOTES TO THE FINANCIAL STATEMENTS

## 1. General Information

The New KPCU Plc is established by and derives its authority and accountability from State Corporation's Act Cap 446 and Company's Act Cap 460. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Milling, Handling and Marketing of Coffee parchment delivered by Factory Cooperative Societies and Coffee Estates.

For the New KPCU Plc, 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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *N/A*

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *New KPCU Plc.*

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act ,*Company's Act* and International Financial Reporting Standards (IFRS). The accounting policies adopted will be consistently applied since it is the first year of New KPCU Plc operation.

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, | The amendments are effective for annual periods beginning on or after |

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

***The New KPCU Plc, 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.***

**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, or 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). | The amendments are effective for annual periods beginning on or after |

| Title | Description | Effective Date |
|---|---|---|
| | Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. | January 1, 2022. Early application is 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 New KPCU Plc, 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 New KPCU Plc did not early – adopt any new or amended standards in year 2020/2021

## NOTES TO THE FINANCIAL STATEMENTS (Continues)

### 4. Summary of Significant Accounting Policies

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

**a) Revenue recognition**

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the *New KPCU Plc* 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 the *New KPCU Plc* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognised as it accrues.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cots of ongoing but incomplete works on buildings 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:

| | |
|---|---|
| Freehold Land | Nil |
| Buildings and civil works | 25 years or the unexpired lease period |
| Plant and machinery | 12.5 years |
| Motor vehicles, including motor cycles | 4 years |
| Computers and related equipment | 3 years |
| Office equipment, furniture and fittings | 12.5 years |

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

#### e) Intangible assets

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

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

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

#### g) Investment property

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

#### h) Right of Use Asset

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

#### i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

#### j) Quoted investments

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Summary of Significant Accounting Policies**

### k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

### l) Inventories

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

### m) 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Summary of Significant Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

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

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

**o) Deferred tax**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Summary of Significant Accounting Policies**

**Deferred Tax**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

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

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. 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.XXX per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Significant Accounting Policies

#### w) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on June, 2020. There has been no subsequent revisions or additional appropriations which were made to the approved budget in accordance with specific approvals from the appropriate authorities. There are no additional appropriations added to the original budget by the New KPCU Plc and no respective approvals in order to conclude the final budget. Accordingly, the entity recorded no additional appropriations of New KPCU Plc on the 2019-2020 budget since the New KPCU Plc started operation in the current financial year.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continues)

**a) Service concession arrangements**

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

**b) Comparative figures**

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

**c) Subsequent events**

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

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

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

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 xxx.

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 (Continues)

### 6. Revenue

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Sales of goods | 474,478,189.33 | 0 |
| Sales of services | 0 | 0 |
| **Total** | **474,478,189.33** | **0** |

*[Being the first year of operation there were no comparative figures for previous operations.]*

### 7. Cost of Sales

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Cost of sales on goods | 455,818,350.13 | 0 |
| Cost of sales on services | 0 | 0 |
| **Total** | **455,818,350.13** | **0** |

*Being the first year of operation there were no comparative figures for previous operations*

### 8. Grants from National Government

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Reccurrent grants received | 21,200,000.00 | 0 |
| Capital grants realized (see note below) | 0 | 0 |
| In Kind contributions/ donations | 0 | 0 |
| **Total** | **21,200,000.00** | **0** |

***(Note: The grant transfer refers to the recurrent grant which is factored in the statement of comprehensive income as revenue sources of the New KPCU Plc and there were no capital grant for capitalisation).***

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

*[Provide a detailed analysis of grants received from the Government in the table below:]*

| Name of the Entity sending the grant | Amount recognized in the Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. KShs | Total grant income during the year KShs | 2020-2021 KShs |
|---|---|---|---|---|---|
| MOALF&Coop/ SD -Coop Ministry | 21,200,000.00 | 0 | 0 | 21,200,000.00 | 0 |
| **Total** | **21,200,000.00** | **0** | **0** | **21,200,000.00** | **0** |

### 9. Finance Income

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|---|---|---|
| Interest income from treasury bonds | 0 | 0 |
| Interest income from treasury bills | 0 | 0 |
| Interest from receivables | 0 | 0 |
| Interest from commercial banks and financial institutions | 0 | 0 |
| Interest on staff loans | 0 | 0 |
| Dividends | 0 | 0 |
| **Total** | **0** | |

*[Provide short appropriate explanations as necessary}*

### 10. Other Income

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|---|---|---|
| Sale of tender documents | 0 | 0 |
| Fines and penalties | 0 | 0 |
| Cash donations | 0 | 0 |
| In kind donations | 0 | 0 |
| Insurance compensation | 0 | 0 |
| Rental income | 62,160,469.31 | 0 |
| Other miscellaneous receipts | 42,633,281.17 | 0 |
| **Total** | **104,793,750.48** | **0** |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11. Other Gains and Losses

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|---|---|---|
| | | |
| Foreign exchange gains / (losses) | 0 | 0 |
| Loss/gain on disposal on sale of investments | 0 | 0 |
| Gain on sale of fixed assets | 0 | 0 |
| Fair value gain or losses on revaluation of investment property | 0 | 0 |
| Revaluation losses on inventory | 0 | 0 |
| Unrealized foreign exchange gains/(losses) | 0 | 0 |
| **Total** | **0** | **0** |

## 12. Administration Costs

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|---|---|---|
| | | |
| Staff costs (note 12b) | 25,837,779.80 | - |
| Directors' emoluments | 11,040,369.50 | - |
| Electricity and water | 4,761,079.00 | - |
| Communication services and supplies | 2,165,415.90 | - |
| Transportation, travelling and subsistence | 16,148,708.00 | - |
| Advertising, printing, stationery and photocopying | 917,379.00 | - |
| Rent expenses | 2,661,988.00 | - |
| Staff training expenses | 3,284,887.00 | - |
| Hospitality supplies and services | 4,377,019.55 | - |
| Insurance costs | 6,748,235.00 | - |
| Bank charges and commissions | 2,491,950.72 | - |
| Office and general supplies and services | 4,851,548.00 | - |
| Auditors' remuneration | - | - |
| Legal fees | - | - |
| Consultancy fees | 7,369,809.60 | - |

| | | |
|---|---|---|
| Licenses and permits | - | - |
| Repairs and maintenance | 3,217,544.00 | - |
| Provision for bad and doubtful debts | - | - |
| Inventory provisions | - | - |
| Depreciation | 1,883,986.88 | - |
| Amortization | - | - |
| Other operating expenses | 993,229.00 | - |
| **Total** | **98,750,928.95** | - |

### 12b Staff Costs

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|---|---|---|
| Salaries and allowances of permanent employees | 21,508,144.80 | 0 |
| Wages of temporary employees | 4,329,635.00 | 0 |
| Medical insurance schemes | 0 | 0 |
| Employer's contributions to national social security schemes | 0 | 0 |
| Employer's contributions to pension scheme | 0 | 0 |
| Leave pay | 0 | 0 |
| Gratuity provisions | 0 | 0 |
| Fringe Benefit tax | 0 | 0 |
| Staff welfare | 0 | 0 |
| **Total** | **25,837,779.80** | **0** |
| | | |
| **The average number of employees at the end of the year was:** | | |
| Permanent employees – Management | 7 | 0 |
| Permanent employees – Unionisable | 0 | 0 |
| Temporary and contracted employees | 19 | 0 |
| **Total** | **26** | **0** |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. Selling and distribution costs

| Description | 2020/2021<br>Kshs | 2019/2020<br>Kshs |
|---|---|---|
| | | |
| Salaries and wages of sales personnel | 0 | 0 |
| Marketing and promotional expenses | 0 | 0 |
| Sales commissions | 0 | 0 |
| Sales discounts and rebates | 0 | 0 |
| Other selling and distribution costs | 0 | 0 |
| **Total** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

### 14. Finance costs

| Description | 2020/2021<br>Kshs | 2019/2020<br>Kshs |
|---|---|---|
| | | |
| Interest expense on loans | 0 | 0 |
| Interest expense on bank overdrafts | 0 | 0 |
| Interest on lease liabilities | 0 | 0 |
| **Total** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 15. Operating profit/ (loss)

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **The operating profit/(loss) is arrived at after charging/(crediting):** | | |
| Staff costs (note 12b) | 25,837,779.80 | 0 |
| Depreciation of property, plant and equipment | 1,883,986.88 | 0 |
| Depreciation of right-of-use asset | 0 | 0 |
| Amortisation of intangible assets | 0 | 0 |
| Provision for bad and doubtful debts | 0 | 0 |
| Directors' emoluments – fees | 11,040,367.50 | 0 |
| - other | 0 | 0 |
| Auditors' remuneration - current year fees | 0 | 0 |
| - prior year under-provision | 0 | 0 |
| Loss on disposal of property, plant and equipment | 0 | 0 |
| Net foreign exchange loss | 0 | 0 |
| Interest receivable | 0 | 0 |
| Interest payable | 0 | 0 |
| Rent receivable | 0 | 0 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16. Income Tax Expense/(Credit)

**(a) Current taxation**

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Current taxation based on the adjusted profit for the year at 30% | 8,738,073.12 | 0 |
| Current tax: prior year under/(over) provision | 0 | 0 |
| Current year deferred tax charge | 0 | 0 |
| Prior year under-provision for deferred tax | 0 | 0 |
| **Total** | **8,738,073.12** | **0** |

**b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Profit before taxation | 27,242,923.53 | 0 |
| | | 0 |
| Tax at the applicable tax rate of 30% | 8,172,877.05 | 0 |
| Current tax | 8,738,073.12 | 00 |
| Prior year under-provision | 0 | 0 |
| Tax effects of expenses not deductible for tax purposes | 1,883,986.88 | 0 |
| Tax effects of income not taxable | 565,196.06 | 0 |
| Tax effects of excess capital allowances over depreciation/amortization | 0 | 0 |
| Deferred tax prior year over-provision | 0 | 0 |
| **Total** | 8,738,073.12 | **0** |

*[This is the first yeaar of operation and it will be the base line for future performamnce and earnings. The major objective is to effiently and effectively mill and market coffee]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.N/A (2019-2020: Kshs.N/A) by the average number of ordinary shares in issue during the year of N/A (2019-2020: N/A. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

### 18. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. N/A (2020: Kshs. N/A) for every ordinary share of par value of Kshs.2/- is to be proposed. An interim dividend of Kshs. NIL (2020: Kshs. NIL) for every ordinary share of par value of Kshs.2/- was declared and paid during the year. This will bring the total dividend for the year to Kshs.NIL (2020: Kshs.NIL).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. Property, Plant and Equipment

| 2021 | Freehold land | Buildings & civil works | Plant and machinery | Motor vehicles, including, motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | | |
| At July 1, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 17,680,591.00 | 5,838,761.00 | | 2,150,492.00 | 0 | 0 | 25,669,844.00 |
| Transfers | - | 0 | - | - | - | - | (0) | - |
| Disposals | (0) | (0) | (0) | (0) | (0) | 0) | 0) | 0) |
| **At June 30, 2021** | **0** | **17,680,591.00** | **5,838,761.00** | **0** | **2,150,492.00** | **0** | **0** | **25,669,844.00** |
| **DEPRECIATION** | | | | | | | | |
| At July 1, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charge for the year | 0 | 707,223.64 | 467,100.88 | 0 | 709,662.36 | 0 | 0 | 1,883,986.88 |
| Impairment loss | | | | | | | | |
| Eliminated on disposal | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| **At June 30, 2021** | **0** | **16,973,367.36** | **5,371,660.12** | **0** | **1,440,829.64** | **0** | **0** | **23,785,857.12** |
| **NET BOOK VALUE At June 30, 2021** | **0** | **16,973,367.36** | **5,371,660.12** | **0** | **1,440,829.64** | **0** | **0** | **23,785,857.12** |

*[The New KPCU Plc had no balances of the Capital Work in Progress]*

TES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Property, Plant and Equipment (Continued)**

| 2020 | Freehold land | Buildings & civil works | Plant and machinery | Motor vehicles, including, motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | | |
| As at 1July 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **As at 30th June 2020** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **DEPRECIATION** | | | | | | | | |
| At July 1, 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charge for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eliminated on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **As at 30th June 2021** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **NET BOOK VALUE** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At June 30, 2020** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Valuation

Land and buildings were under the KPCU (in liquidation) and only the right of use of asset valuer on carrying out mandate and functions. These amounts indicated refers to refurbishment and modernisation of the buildings and property..

### 19 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| | Cost | Accumulated Depreciation | NBV |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| Land | 0 | | |
| Buildings | 17,680,591.00 | 707,223.64 | 16,973,367.36 |
| Plant and machinery | 5,838,761.00 | 467,100.88 | 5,371,660.12 |
| Motor vehicles, including motorcycles | | | |
| Computers and related equipment | 2,150,492.00 | 709,662.36 | 1,440,829.64 |
| Office equipment, furniture, and fittings | | | |
| | **25,669,844.00** | **1,883,986.88** | **23,785,857.12** |

Property plant and Equipment includes the following assets that are fully depreciated:

| | Cost or valuation | Normal annual depreciation charge |
|---|---|---|
| Plant and machinery | 0 | 0 |
| Motor vehicles, including motor cycles | 0 | 0 |
| Computers and related equipment | 0 | 0 |
| Office equipment, furniture and fittings | 0 | 0 |
| **Total** | **0** | **0** |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. Intangible Assets

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **COST** | | |
| **At July 1** | 0 | 0 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| **At June 30** | | |
| | | |
| **AMORTISATION** | **0** | **0** |
| **At July 1** | 0 | 0 |
| Charge for the year | 0 | 0 |
| Disposals | 0 | 0 |
| Impairment loss | 0 | 0 |
| **At June 30** | 0 | 0 |
| | | |
| **NET BOOK VALUE** | | |
| At June 30 | **0** | **0** |

*[Provide short appropriate explanations as necessary in relation to what constitutes the intangible assets]*

### 21. Investment Property

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **Opening valuation** | | |
| **Movements during the year** | | |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Fair value gains/(losses) | 0 | 0 |
| **Closing valuation** | **0** | **0** |
| | | |
| **DEPRECIATION (IF AT COST)** | | |
| **At July 1** | | |
| Charge for the year | 0 | 0 |
| Disposals | 0 | 0 |
| Impairment loss | 0 | 0 |
| **At June 30** | | |
| **NET BOOK VALUE** | | |
| At June 30 | **0** | **0** |

*(Provide details of the property, date last valued, the valuer and method of valuation as per IAS 40. Where investment property is carried at cost, depreciation will be shown, however, no depreciation is provided for when the asset is carried at fair value)*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. Right-of-use assets

| | Buildings | Plant | Equipment | Total |
|---|---|---|---|---|
| | Kshs | Kshs | Kshs | Kshs |
| **Cost** | | | | |
| As at 1 July 2020 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 |
| As at 30 June 2021 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 |
| As at 30 June 2021 | 0 | 0 | 0 | 0 |
| | | | | |
| **Accumulated Depreciation** | | | | |
| As at 1 July 2020 | 0 | 0 | 0 | 0 |
| Charge for the year | 0 | 0 | 0 | 0 |
| As at 30 June 2021 | 0 | 0 | 0 | 0 |
| Charge for the year | 0 | 0 | 0 | 0 |
| As at 30 June 2021 | 0 | 0 | 0 | 0 |
| | | | | |
| **Carrying Amount** | | | | |
| As at 30 June 2021 | 0 | 0 | 0 | 0 |
| As at 30 June 2020 | 0 | 0 | 0 | 0 |

### 23. Fixed Interest Investments (Bonds)

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Central Bank of Kenya 12.5% 15-Year Infrastructure Bond | 0 | 0 |
| AB Corporate Bond (give details) | 0 | 0 |
| CD Corporate Bond (give details) | 0 | 0 |
| **Total** | **0** | **0** |

*[The movement in investment during the year is as follows:]*

| Details | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Balance at 1 July | 0 | 0 |
| Additions during the year | 0 | 0 |
| Interest accrued during the year | 0 | 0 |
| Investment maturities during the year | 0 | 0 |
| Balance at 30 June | 0 | 0 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24. Quoted Investments

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **Opening valuation** | **0** | **0** |
| | | |
| **Movements during the year** | | |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Fair value gains/(losses) | 0 | 0 |
| **Closing valuation** | **0** | **0** |

*[No such quoted investments]*

| Name of entity where investment is held | No of shares | | | Nominal value of shares/purchase price | Fair value of shares | Fair value of shares |
|---|---|---|---|---|---|---|
| | Direct shareholding | Indirect shareholding | Effective shareholding | | Current year | Prior year |
| | **No** | **No** | **No** | **Shs** | **Shs** | **Shs** |
| Entity A | 0 | 0 | 0 | 0 | 0 | 0 |
| Entity B | 0 | 0 | 0 | 0 | 0 | 0 |
| Entity C | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. Unquoted Investments

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **COST** | | |
| **At July 1** | **0** | **0** |
| Additions | 0 | 0 |
| Fair value gains/(losses) | 0 | 0 |
| Disposals | 0 | 0 |
| **At June 30** | | |
| **IMPAIRMENT** | | |
| **At July 1** | **0** | **0** |
| Disposals | 0 | 0 |
| Impairment loss in the year | 0 | 0 |
| **At June 30** | **0** | **0** |
| **NET BOOK VALUE** | **0** | **0** |

***[There were no such investments]***

| Name of entity where investment is held | | No of shares | | Nominal value of shares/ purchase price | Value of shares less impairment | Value of shares less impairment |
|---|---|---|---|---|---|---|
| | Direct shareholding | Indirect shareholding | Effective shareholding | | Current year | Prior year |
| | **No** | **No** | **No** | **Shs** | **Shs** | **Shs** |
| | | | | | | |
| Entity A | 0 | 0 | 0 | 0 | 0 | 0 |
| Entity B | 0 | 0 | 0 | 0 | 0 | 0 |
| Entity C | 0 | 0 | 0 | 0 | 0 | 0 |
| Entity D | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |

## NOTES TO THE FINANCIAL STATEMENTS (Continued

### 26. Inventories

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Engineering stores | 0 | 0 |
| Fuel, oil and lubricants | 0 | 0 |
| Motor vehicle spare parts | 0 | 0 |
| Goods in transit | 0 | 0 |
| Stationery and general stores | 0 | 0 |
| Finished goods | 0 | 0 |
| Work in progress | 0 | 0 |
| Less: Impairment of stocks | 0 | 0 |
| **Total** | **0** | **0** |

***[Provide short appropriate explanations as necessary]***

### 26 a) Reconciliation of Impairment Allowance for Inventories

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| At the beginning of the year | 0 | 0 |
| Additional provisions during the year | 0 | 0 |
| Recovered during the year | 0 | 0 |
| Written off during the year | 0 | 0 |
| At the end of the year | **0** | **0** |

### 27.) Trade and Other Receivables

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Trade receivables (note 27 (a)) | 0 | 0 |
| Deposits and prepayments | 0 | 0 |
| VAT recoverable | 0 | 0 |
| Staff receivables (note 27 (b)) | 0 | 0 |
| Other receivables | 0 | 0 |
| **Gross trade and other receivables** | **0** | **0** |
| Provision for bad and doubtful receivable | 0 | 0 |
| **Net trade and other receivables** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27 (a) Trade Receivables

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Gross trade receivables | 0 | 0 |
| Provision for doubtful receivables | 0 | 0 |
| Net trade receivables | 0 | 0 |
| | | |
| **At June 30, the ageing analysis of the gross trade receivables was as follows:** | | |
| | | |
| Less than 30 days | 0 | 0 |
| Between 30 and 60 days | 0 | 0 |
| Between 61 and 90 days | 0 | 0 |
| Between 91 and 120 days | 0 | 0 |
| Over 120 days | 0 | 0 |
| **Total** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

### 27 (b) Reconciliation of Impairment Allowance for Trade Receivables

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| At the beginning of the year | 0 | 0 |
| Additional provisions during the year | 0 | 0 |
| Recovered during the year | 0 | 0 |
| Written off during the year | 0 | 0 |
| At the end of the year | **0** | **0** |

### 27 (c) Staff Receivables

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Gross staff loans and advances | 0 | 0 |
| Provision for impairment loss | 0 | 0 |
| Net staff loans | **0** | **0** |
| | | |
| Less: Amounts due within one year | 0 | 0 |
| Amounts due after one year | 0 | 0 |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27 (d) Reconciliation of Impairment Allowance for Staff Receivables

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| At the beginning of the year | 0 | 0 |
| Additional provisions during the year | 0 | 0 |
| Recovered during the year | 0 | 0 |
| Written off during the year | 0 | 0 |
| At the end of the year | **0** | **0** |

### 28. Tax Recoverable

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **At beginning of the year** | **0** | **0** |
| Income tax charge for the year (note 16) | 0 | 0 |
| Under/(over) provision in prior year/s (note 16) | 0 | 0 |
| Income tax paid during the year | 0 | 0 |
| At end of the year | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

### 29. Short Term Deposits

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **Other commercial banks** | **0** | **0** |
| Cooperative Bank of Kenya | 0 | 0 |
| Kenya Commercial Bank | 0 | 0 |
| Barclays Bank of Kenya | 0 | 0 |
| | 0 | 0 |

*[Provide short appropriate explanations as necessary]*

*Example: The average effective interest rate on the short term deposits as at June 30, 2021 was xx% (2020: xx %).*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 30. Bank and Cash Balances

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Cash at bank | 8,038,249.67 | 0 |
| Cash in hand | 0 | 0 |
| | **8,038,249.67** | **0** |

*[Provide short appropriate explanations as necessary] Example: The bulk of the cash at bank was held at Barclays Bank of Kenya and Kenya Commercial Bank, the entity's main bankers.*

### Detailed analysis of the cash and cash equivalents

| | | 2020/2021 | 2019/2020 |
|---|---|---|---|
| Financial institution | Account number | KShs | KShs |
| a) **Current account** | | | |
| Cooperative Bank | 02120959180000 | 1,216,701.64 | 0 |
| Cooperative Bank | 01120959180001 | 3,456,966.41 | 0 |
| Cooperative Bank | 01120959180002 | **3,364,581.62** | **0** |
| b) **On - call deposits** | | | |
| Other Commercial banks | | | |
| N/A | | | |
| **Sub- total** | | | |
| c) **Fixed deposits account** | | | |
| Other Commercial banks | | | |
| N/A | | | |
| **Sub- total** | | | |
| d) **Staff car loan/ mortgage** | | | |
| Other Commercial banks | | | |
| N/A | | | |
| **Sub- total** | | | |
| e) **Others(specify)** | | | |
| Cash in transit | | | |
| cash in hand | | | |
| Mobile money account | | | |
| **Sub- total** | | | |
| **Grand total** | | **8,038,249.67** | **0** |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31. Ordinary Share Capital

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **Authorized:** | | |
| 20,000,000,000 ordinary shares of KShs 2 par value each | **40,000,000,000** | **0** |
| **Issued and fully paid:** | | |
| Nil ordinary shares of KShs 2/- par value each | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

### 32. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

### 33. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

### 34. Retained Earnings

The retained earnings represent amounts available for distribution to the *New KPCU Plc* shareholders. Undistributed retained earnings are utilised to finance the *New KPCU Plc's* business activities.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 35. Borrowings

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| **a) External Borrowings** | | |
| Balance at beginning of the year | 0 | 0 |
| External borrowings during the year | 0 | 0 |
| Repayments of during the year | 0 | 0 |
| **Balance at end of the year** | **0** | **0** |
| | | |
| **b) Domestic Borrowings** | | |
| Balance at beginning of the year | 0 | 0 |
| Domestic borrowings during the year | 0 | 0 |
| Repayments during the year | 0 | 0 |
| **Balance at end of the year** | **0** | **0** |
| | | |
| **Balance at end of the period- Domestic and External borrowings c = a+b** | **0** | **0** |

The analyses of both external and domestic borrowings are as follows:

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| **External Borrowings** | | |
| Dollar denominated loan from 'xxx organisation' | 0 | 0 |
| Sterling Pound denominated loan from 'yyy organisation' | 0 | 0 |
| Euro denominated loan from zzz organisation' | 0 | 0 |
| **Domestic Borrowings** | | |
| Kenya Shilling loan from KCB | 0 | 0 |
| Kenya Shilling loan from Barclays Bank | 0 | 0 |
| Kenya Shilling loan from Consolidated Bank | 0 | 0 |
| Total balance at end of the year | **0** | **0** |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| Short term borrowings (current portion) | 0 | 0 |
| Long term borrowings | 0 | 0 |
| Total | **0** | **0** |

*(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

*[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]*

### 36. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| Accelerated capital allowances | 0 | 0 |
| Unrealised exchange gains/(losses) | 0 | 0 |
| Revaluation surplus | 0 | 0 |
| Tax losses carried forward | 0 | 0 |
| Provisions for liabilities and charges | 0 | 0 |
| Net deferred tax liability | 0 | 0 |

The movement on the deferred tax account is as follows:

| | 2020/2021 | 2019/2020 |
|---|---|---|
| | Kshs | Kshs |
| **Balance at beginning of the year** | **0** | **0** |
| Credit to revaluation reserve | 0 | 0 |
| Under provision in prior year | 0 | 0 |
| Income statement charge/(credit) | 8,738,073.12 | 0 |
| **Balance at end of the year** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 37. Lease Liability

| Description | 2020-2021 | 2019-2020 |
|---|---|---|
| | KShs | KShs |
| **At the start of the year** | **0** | **0** |
| Discount interest on lease liability | 0 | 0 |
| Paid during the year | 0 | 0 |
| **At end of the year** | **0** | **0** |

| | 2020-2021 | 2019-2020 |
|---|---|---|
| Maturity analysis | Kshs | Kshs |
| Year 1 | 0 | 0 |
| Year 2 | 0 | 0 |
| Year 3 | 0 | 0 |
| Year 4 | 0 | 0 |
| Year 5 | 0 | 0 |
| On wards | 0 | 0 |
| | | |
| Less: unearned interest | 0 | 0 |
| | | |
| Analysed as: | 0 | 0 |
| Non-Current | 0 | 0 |
| Current | 0 | 0 |

### 38. Trade and Other Payables

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| Trade payables | 4,581,243.74 | 0 |
| Accrued expenses | 0 | 0 |
| Retention/ contract monies | 0 | 0 |
| Deposits | 0 | 0 |
| Employee payables | 0 | 0 |
| Other payables | 0 | 0 |
| **Total** | **0** | **0** |

*[Provide short appropriate explanations as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 39. Retirement Benefit Obligations

| Description | Defined benefit plan | Post-employment medical benefits | Other Benefits | 2020-2021 | 2019-2020 |
|---|---|---|---|---|---|
| | KShs | KShs | KShs | KShs | KShs |
| Current benefit obligation | 0 | 0 | 0 | 0 | 0 |
| Non-current benefit obligation | 0 | 0 | 0 | 0 | 0 |
| **Total employee benefits obligation** | 0 | 0 | 0 | 0 | 0 |

**Retirement benefit Asset/ Liability**

The entity is yet to operate a defined benefit scheme for all full-time employees from July 1, 2021 since the approved establishment and human resource instruments development is not finalised. The scheme is will be administered by retirement benefit authority registered member and will be the custodians of the scheme. The scheme is based on 15 percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at N/A June N/A by N/A actuarial valuers On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| Discount rates | 0% | 0% |
| Future salary increases | 0% | 0% |
| Future pension increases | 0% | 0% |
| Mortality (Pre- retirement) | 0% | 0% |
| Mortality (Post- retirement) | 0% | 0% |
| Withdrawals | 0 | 0 |
| Ill health | 0 | 0 |
| Retirement | 0 years | 0 years |

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

**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income**

| Description | 2020-2021 Kshs | 2019-2020 Kshs |
|---|---|---|
| The return on defined plan assets | **0** | **0** |
| Actuarial gains/ losses arising from changes in demographic assumptions | 0 | **0** |
| Actuarial gains/ losses arising from0020changes in financial assumptions | 0 | 0 |
| Actuarial gains and losses arising from experience adjustments | 0 | 0 |
| Others (Specify) | 0 | 0 |
| Adjustments for restrictions on the defined benefit asset | 0 | 0 |
| **Remeasurement of the net defined benefit liability (asset)** | 0 | 0 |

**b) Amounts recognised in the Statement of Financial Position**

| Description | 2020-2021 Kshs | 2019-2020 Kshs |
|---|---|---|
| Present value of defined benefit obligations(a) | 0 | 0 |
| Fair value of plan assets(b) | 0 | 0 |
| Funded Status(=a-b) | **0** | **0** |
| Restrictions on asset recognized | 0 | 0 |
| Others | 0 | 0 |
| Net Asset or liability arising from defined benefit obligation | **0** | **0** |

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by N/A Pension Fund. Employees contribute 50% while employers contribute 50% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**40. Provisions**

| Description | Long service leave | Bonus Provision | Gratuity provisions | Other Provisions | Total |
|---|---|---|---|---|---|
| | KShs | | KShs | KShs | KShs |
| Balance at the beginning of the year | 0 | 0 | 0 | 0 | 0 |
| Additional Provisions | 0 | 0 | 0 | 0 | 0 |
| Provision utilised | 0 | 0 | 0 | 0 | 0 |
| Change due to discount and time value for money | 0 | 0 | 0 | 0 | 0 |
| Less: Current portion | 0 | 0 | 0 | 0 | 0 |
| Balance at the end of the year | 0 | 0 | 0 | 0 | 0 |

***(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note xx)***

**41. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| | **0** | **0** |
| At the beginning of the year | 0 | 0 |
| Additional declared during the year | 0 | 0 |
| Paid during the year | 0 | 0 |
| Balance at end of the year | 0 | 0 |

*Dividends payable to ordinary shareholders amounts to Ksh.xxx, while dividends payable to preference shareholders amounts to Ksh xxx.*

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

**42. Notes to The Statement of Cash Flows**

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| **(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations** | | |
| Profit or loss before tax | 29,126,910.41 | 0 |
| Depreciation | 1,883,986.88 | 0 |
| Amortisation | 0 | 0 |
| (Gain)/loss on disposal of property, plant and equipment | 0 | 0 |
| Operating profit/(loss) before working capital changes | 27,242,923.53 | 0 |
| | | |
| (Increase)/decrease in inventories | 0 | 0 |
| (Increase)/decrease in trade and other receivables | 0 | 0 |
| Increase/(decrease) in trade and other payables | 4,581,243.74 | 0 |
| Increase/(decrease) in retirement benefit obligations | 0 | 0 |
| Increase/(decrease) in provision for staff leave pay | 0 | 0 |
| | | |
| Cash generated from/(used in) operations | 33,708,154.15 | 0 |
| | | |
| **(b) Analysis of changes in loans** | **0** | **0** |
| | | |
| **Balance at beginning of the year** | **0** | **0** |
| Receipts during the year | 4,673,668.05 | 0 |
| Repayments during the year | 0 | 0 |
| Repayments of previous year's accrued interest | 0 | 0 |
| Foreign exchange (gains)/losses | 0 | 0 |
| Accrued interest | 0 | 0 |
| | | |
| **Balance at end of the year** | **4,673,668.05** | **0** |
| | | |
| **(c) Analysis of cash and cash equivalents** | | |
| | | |
| Short term deposits | | |
| Cash at bank | 8,038,249.67 | 0 |
| Cash in hand | | |
| | | |
| Balance at end of the year | | |

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| **(d) Analysis of interest paid** | | |
| | | |
| Interest on loans | 0 | 0 |
| Interest on bank overdraft | 0 | 0 |
| Interest on lease liabilities | 0 | 0 |
| Interest on loans capitalised | 0 | 0 |
| Balance at beginning of the year | 0 | 0 |
| Balance at end of the year (note 35(b)) | 0 | 0 |
| | | |
| Interest paid | 0 | 0 |
| | | |
| **(e) Analysis of dividend paid** | | |
| | | |
| Balance at beginning of the year | 0 | 0 |
| 2019 dividends paid | 0 | 0 |
| 2020 dividends paid | 0 | 0 |
| 2021 interim dividends paid | 0 | 0 |
| Balance at end of the year | 0 | 0 |
| | | |
| Dividend paid | 0 | 0 |
| | | |

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

## 43. Related Party Disclosures

**Government of Kenya**

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

Other related parties include:

i) The Parent Ministry

ii) County Government of Nairobi

iii) Nairobi Coffee Exchange

iv) AFA, Coffee Directorate

v) Key management

vi) Board of directors

**Transactions with related parties**

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| **a) Sales to related parties** | | |
| Sales of electricity to Govt agencies | 0 | 0 |
| Rent Income from govt. agencies | 0 | 0 |
| Water sales to Govt. agencies | 0 | 0 |
| Interest income from Govt Commercial Banks | 0 | 0 |
| Interest income from Tbills and Bonds | 0 | 0 |
| Others (Specify) | 0 | 0 |
| **Total** | | |
| | | |
| **b) Purchases from related parties** | 0 | 0 |
| Purchases of electricity from KPLC | 0 | 0 |
| Purchase of water from govt service providers | 0 | 0 |
| Rent expenses paid to govt agencies | 0 | 0 |
| Training and conference fees paid to govt. agencies | 0 | 0 |
| Bank charges paid to Govt Commercial banks | 0 | 0 |
| Interest expense to investments by other govt. entities | 0 | 0 |
| Others (specify) | 0 | 0 |
| **Total** | **0** | **0** |
| **b) Grants from the Government** | | |
| Grants from National Govt | 21,200,000.00 | 0 |

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| Grants from County Government | | 0 |
| Donations in kind | | 0 |
| **Total** | **21,200,000.00** | **0** |
| | | |
| **c) Expenses incurred on behalf of related party** | | |
| Payments of salaries and wages for xxx employees | 0 | 0 |
| Payments for goods and services for xxx | 0 | 0 |
| **Total** | **0** | **0** |
| | | |
| **d) Key management compensation** | | |
| Directors' emoluments | 0 | 0 |
| Compensation to key management | 0 | 0 |
| **Total** | 21,200,000.00 | 0 |

## 44. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| Amounts authorised and contracted for | 0 | 0 |
| Amounts authorizes but not contracted for | 0 | 0 |
| Less: Amounts included in Work in progress | 0 | 0 |
| | | |

*[Provide short appropriate explanations as necessary]*

NOTES TO THE FINANCIAL STATEMENTS (Continued

### 45. Contingent Assets and Liabilities

**Contingent Assets**

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| **Contingent assets** | | |
| Insurance reimbursements | 0 | 0 |
| Assets arising from determination of court cases | 0 | 0 |
| Reimbursable indemnities and guarantees | 0 | 0 |
| Receivables from other government entities | 0 | 0 |
| Others (Specify) | 0 | 0 |
| **Total** | **0** | **0** |

*(Give details)*

**Contingent Liabilities**

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| **Contingent liabilities** | | |
| Court case xxx against the entity | 0 | 0 |
| Bank guarantees in favour of subsidiary | 0 | 0 |
| Contingent liabilities arising from contracts including PPPs | 0 | 0 |
| Others (Specify) | 0 | 0 |
| **Total** | **0** | **0** |

*In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.*

### 46. Financial Risk Management

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (i) Credit risk

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

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

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

| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|---|---|---|---|---|
| **At 30 June 2021** | 0 | 0 | 0 | 0 |
| Receivables from exchange transactions | 0 | 0 | 0 | 0 |
| Receivables from non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |
| **At 30 June 2020** | 0 | 0 | 0 | 0 |
| Receivables from exchange transactions | 0 | 0 | 0 | 0 |
| Receivables from non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |

***(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)***

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Credit Risk (Continued)*

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

### ii) Liquidity risk management

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

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

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|---|---|---|---|---|
| | Kshs | Kshs | Kshs | Kshs |
| **At 30 June 2021** | | | | |
| Trade payables | 4,581,243.74 | 0 | 0 | 0 |
| Current portion of borrowings | 8,172,817.05 | 0 | 0 | 0 |
| Provisions | 1,883,986.88 | 0 | 0 | 0 |
| Deferred income | | 0 | 0 | 0 |
| Employee benefit obligation | | 0 | 0 | 0 |
| **Total** | **14,638,047,67** | | | |
| **At 30 June 2020** | | | | |
| Trade payables | 0 | 0 | 0 | 0 |
| Current portion of borrowings | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 |
| Deferred income | 0 | 0 | 0 | 0 |
| Employee benefit obligation | 0 | 0 | 0 | 0 |
| **Total** | **0** | 0 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

#### a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

### (iii) Market risk (Continued)

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

| | Ksh | Other currencies | Total |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| **At 30 June 2021** | | | |
| **Financial assets** | | | |
| Investments | 0 | 0 | 0 |
| Cash | 0 | 0 | 0 |
| Debtors | 0 | 0 | 0 |
| **Financial Liabilities** | | | |
| Trade and other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Net foreign currency asset/(liability) | 0 | 0 | 0 |

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

| | Ksh | Other currencies | Total |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| **At 30 June 2020** | | | |
| **Financial assets** | | | |
| Investments | 0 | 0 | 0 |
| Cash | 0 | 0 | 0 |
| Debtors | 0 | 0 | 0 |
| **Financial Liabilities** | 0 | 0 | 0 |
| Trade and other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Net foreign currency asset/(liability) | 0 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**b) Foreign currency sensitivity analysis**

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

| | Change in currency rate | Effect on Profit before tax | Effect on equity |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| **2021** | | | |
| Euro | 10% | 0 | 0 |
| USD | 10% | 0 | 0 |
| **2020** | | | |
| Euro | 10% | 0 | 0 |
| USD | 10% | 0 | 0 |

**c) Interest rate risk**

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

**i) Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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

**ii) Sensitivity analysis**

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

**iii) Fair value of financial assets and liabilities**

***a) Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- **i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- **ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

| At 30 June 2021 | Level 1 Kshs | Level 2 Kshs | Level 3 Kshs | Total Kshs |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Quoted equity investments | 0 | 0 | 0 | 0 |
| **Non- financial Assets** | | | | |
| Investment property | 0 | 0 | 0 | 0 |
| Land and buildings | 0 | 0 | 0 | 0 |
| | | | | |
| **At 30 June 2020** | | | | |
| **Financial Assets** | | | | |
| Quoted equity investments | 0 | 0 | 0 | 0 |
| **Non- financial Assets** | | | | |
| Investment property | 0 | 0 | 0 | 0 |
| Land and buildings | 0 | 0 | 0 | 0 |
| | | | | |

There were no transfers between levels 1, 2 and 3 during the year.

### *Financial instruments not measured at fair value*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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

**iv) Capital Risk Management**

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

| | 2020-2021 | 2019-2020 |
|---|---|---|
| | Kshs | Kshs |
| Revaluation reserve | 0 | |
| Retained earnings | 19,070,046.00 | |
| Capital reserve | 0 | |
| | | |
| **Total funds** | | |
| Total borrowings | 12,754,060.79 | |
| Less: cash and bank balances | 8,038,249.67 | |
| Net debt/(excess cash and cash equivalents) | 4,715,811.12 | |
| **Gearing** | **58%** | **Nil%** |

**47. Incorporation**

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

**48. Events After The Reporting Period**

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

**49. Currency**

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

## APPENDICES

## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor, and management comments that were provided to the auditor since the New KPCU Plc embarked on operations from 1st July,2020.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|---|---|
| N/A | None | None | N/A | N/A |
| N/A | None | None | N/A | N/A |
| N/A | None | None | N/A | N/A |
| N/A | None | None | N/A | N/A |
| N/A | None | None | N/A | N/A |

*Guidance Notes:*

(i) Use the same reference numbers as contained in the external audit report; N/A

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;N/A

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.N/A

**Ag. Managing Director**

Name: Timothy Muthondio Mirugi

Signature

Date.......................................

## APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

### Projects

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

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |

### Status of Projects completion

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |

## APPENDIX III: INTER-ENTITY TRANSFERS

| | | | | |
|---|---|---|---|---|
| | ENTITY NAME: | | | |
| | Break down of Transfers from the State Department for Cooperatives | | | |
| | FY 2020/21 | | | |
| a. | **Recurrent Grants** | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
| | Recurrent Grant Trandfer | 30th Sept, 25th Dec, 10th mar | 21,200,000.00 | 2020/2021 |
| | Recurrent Grant Transfer | 25th May. | | |
| | | **Total** | **21,200.000.00** | |
| b. | **Development Grants** | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
| | None | N/A | NIL | |
| | | | 0 | |
| | | | 0 | |
| | | | 0 | |
| | | **Total** | **0** | |
| c. | **Direct Payments** | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
| | None | N/A | | |
| | | | 0 | |
| | | | 0 | |
| | | **Total** | **0** | |
| d. | **Donor Receipts** | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the** |

| | | | | |
|---|---|---|---|---|
| | ENTITY NAME: | | | |
| | Break down of Transfers from the State Department for Cooperatives | | | |
| | FY 2020/21 | | | |
| | | | | **amounts relate** |
| | None | N/A | 0 | |
| | | | 0 | |
| | | | 0 | |
| | | **Total** | **0** | |

The above amounts have been communicated to and reconciled with the parent Ministry.

**Finance Manager:**

**New NKPCU Plc**

**Sign** ---------------

**Head of Accounting Unit**

**State Department for Cooperatives MOALF&COOP.**

**Sign**-------------

## APPENDIX IV: RECORDING OF 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 - KES | Where Recorded/recognized | | | | | Total Transfers during the Year |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| Ministry of Planning and Devolution | | Recurrent | | | | | | | |
| Ministry of Planning and Devolution | | Development | | | | | | | |
| USAID | | Donor Fund | | | | | | | |
| Ministry of Planning and Devolution | | Direct Payment | | | | | | | |
| | | | | | | | | | |
| **Total** | | | | | | | | | |