

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY	
DATE: 12 APR 2022	TIME: TUE
BY: L.S.M	
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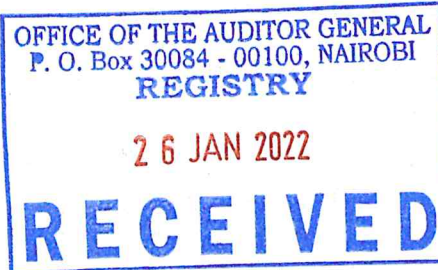
OF

THE AUDITOR-GENERAL

ON

**COFFEE CHERRY ADVANCE
REVOLVING FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



Revised Template 30th June 2020



**International Financial Reporting Standards (IFRS)
Annual Financial Reporting Template for
Commercial Government Owned Entities**

**COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
UNDER NEW KPCU PLC.**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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1. KEY ENTITY INFORMATION

Background information

Coffee Cherry Revolving Fund (CCARF) is a National Government Fund created under Public Finance Management Act (CCARF Regulation, 2020) and placed under the New Kenya Planters' Cooperative Union Public Limited Company (New KPCU Plc) The CCARF is a Fund established by the National Treasury as per Public Finance Management Act and placed under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. At cabinet level, the *Coffee Cherry Advance Revolving Fund* is represented by the Cabinet Secretary for Agriculture, Livestock, Fisheries, and Cooperatives who is responsible for the general policy and strategic direction of the *Fund*.

Principal Activities

The principal activity of the *entity* is to ...

1. Disbursement of Coffee Cherry Advance Revolving Fund and
2. Coffee Cherry Advance Recovery administration and management.

The Directors who served the entity during the year/period were as follows:

1. Henry Kinyua	- Chairman	- Appointed on 19 th Nov,2019
2. Angeline Ndambuki	- Chief Executive	- Appointed on 18 th Dec, 2019
3. Simon Thurania Atheru	-Member	- Appointed on 18 th Dec, 2019
4. Josephine Kimunto Omwenga	-Member	- Alternate to 18 th Dec, 2019
5. Rita Mukundi	-Member	- Appointed on 18 th Dec, 2019
6. Sebastian Wambugu	-Member	- Appointed on 18 th Dec, 2019
7. Nzao Musau	-Member	- Appointed on 18 th Dec, 2019
8. Joice Nkerote	-Member	- Appointed on 18 th Dec, 2019
9. Michael Mungai	-Member	- Appointed on 18 th Dec, 2019
10. FCPA Muthoni Wangai	-Member	- Appointed on 18 th Dec, 2019

Corporate Secretary

Mr. Suleimani Wandati
P.O. Box 59638-00200
Nairobi

Registered Officer

P.O. Box 59638 - 00200
Wakulima House
Haile Selassie Avenue
Nairobi, KENYA

Corporate Headquarters

Telephone :(254) 20-2001401
E-mail: info@newkpcultd.go.ke

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Website: www.newkpeulld.co.ke
Nairobi, KENYA

Corporate Bankers

Co-operative Bank of Kenya
Wakulima House, 019
Haile Selasie Avenue
Nairobi, Kenya

Independent Auditors

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

Principal Legal Advisers

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

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2. THE BOARD OF DIRECTORS

<p>Mr. Henry Kinyua</p>  <p>Chairman</p>	<p><i>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.</i></p>
 <p>FCPA Muthoni Director</p>	<p>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 Gailley & 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).</p>
 <p>Michael Mungai Director</p>	<p>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 in 1981 and 1988 respectively.</p>

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 <p style="text-align: center;">Sabastian Wambugu Director</p>	<p>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.</p> <p>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).</p>
 <p style="text-align: center;">Rita Mukundi Director</p>	<p>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).</p>
 <p style="text-align: center;">Josephine Kemunto Director</p>	<p>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.</p> <p>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.</p>
 <p style="text-align: center;">Nzau Musau Director</p>	<p>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. 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.</p>

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 Joyce Nkirote Director	<p>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 researched 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.</p>
 Simon Thurania Atheru Director	<p>Simon Thurania 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 Thurania 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.</p>

3. MANAGEMENT TEAM

Name of the Staff	Responsibility
M/s Angeline Ndambuki Wambui	Ag Chief Executive & Fund Administrator
CPA, Zaccheus Ndirangu	Head of Finance and Accounts
John Jogo	Head of Human Resource
M/s Gladys N Mwangi	Ag. Head of Supply Chain
Suleiman Wandati	Head of Legal Affairs
<p><i>Note: The CEO and the Company Secretary will feature both under the 'Board' and 'Management'.</i></p>	

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4. CHAIRMAN'S STATEMENT

Coffee Cherry Revolving Fund (CCARF) is a National Government Fund created under Public Finance Management Act (CCARF Regulation, 2020) and placed under the New Kenya Planters' Co-operative Union Public Limited Company (New KPCU Plc), is a Fund in the State Department of Co-operatives which falls under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. Established on the March, 2020, its mandate was to intervene on behalf of the government, to come to the aid of dissatisfied coffee farmers, who were not receiving their fair compensation for growing this valuable and internationally renowned produce of Kenya and provide affordable advance at administrative and management cost of three percent.

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.

THE MANDATES OF CCARF BOARD.

Administer the Coffee Cherry Advance Revolving Fund.

To help the coffee farmers, CCARF Board was charged with administering and managing the Coffee Cherry Advance Revolving Fund. The object and purpose of the Fund is to provide affordable, sustainable and accessible coffee advance to smallholder coffee growers.

Enhance the coffee business.

During the cultivation of coffee, CCARF will assist the farmer in stimulating farm production and productivity by ensuring timely access to advance in order to provide for farm inputs and coffee picking.

In as far as the Kenyan coffee farmer is concerned, be it the coffee tree, the cherry, the green coffee, CCARF 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.

Henry Kinyua

Chairman.

(Coffee Cherry Advance Revolving Fund)

Signature



Date.....

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Kenya is internationally recognized for its comparatively high-quality coffee, which has consistently continued to attract high premium prices globally. Premium prices have not helped 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.

Coffee Low Production

The low productivity of smallholder coffee farmer is attributable to a host of challenges relating to low farm gate prices, low production, costly processing and marketing. There is low coffee production in counties that directly affect the central business. The provision of affordable and sustainable cherry advance will boost farm production and address the long period of waiting for coffee sales proceeds after sales. The cherry advance becomes the first payment for coffee cherry and parchment delivered to factory cooperative societies and marketing agents respectively.

Legally commercial challenges inherent from the old KPCU (under liquidation). Years of governance and management challenges has precipitated inherent legal issues that continue to bog down the effective progress in coffee value chain.

Non-productive commercial assets due to historical years of neglect and /or abandonment requires refurbishment and modernisation to effectively assist the farmers. A colour sorter that would generate income is malfunctional and requires to be replaced with a new one

Weak cash flows to finance the operations of the company.

CCARF need financing of management and administrative operations to embark on recruitment of key staff who will manage the Fund. Failure to do so can prevent the business from growing, and has the effect of slow uptake of the Coffee Cherry Advance Revolving Fund. The funding of the CCARF administration and management can help the advance uptake and increase the coffee production significantly.

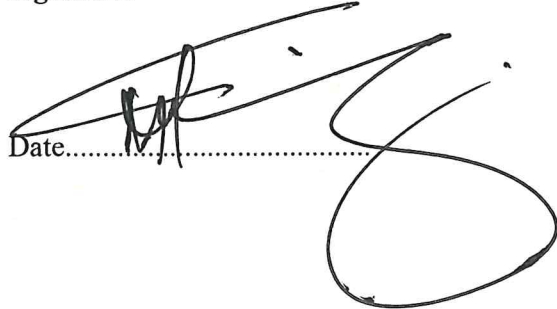
Though Coffee Cherry Advance Revolving Fund received funds in February 2020, it was not until August 2020, when a substantive Fund administrator was appointed that the fund activities would start.

Timothy M Mirugi

Managing Director

(Coffee Cherry Advance Revolving Fund)

Signature

Date.....

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6. REVIEW OF XX CORPORATION 'S PERFORMANCE FOR FY 2019/2020

Two-to-three pages

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Coffee Cherry Advance Revolving Fund has two strategic pillars and objectives within its Strategic Plan for the FY 2019/2020- 2022/2023. These strategic pillars are as follows:

Pillar 1: Disbursement of coffee cherry advance

Pillar 2: Recovery of disbursed fund.

Coffee Cherry Advance Revolving Fund (CCARF) develops its annual work plans based on the above 2 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *CCARF* achieved its performance targets set for the FY 2019/2020 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Funds Disbursements	Amount of Funds Disbursed and list of beneficiaries	Applicant management	0
Pillar 2:	Funds Recovery.	Amount of Funds recovered	Monitoring and instituting recovery	0

The Establishment of the Coffee Cherry Advance Revolving Fund (CCARF) was on the background of the Old Kenya Planters Cooperative Union (Under Liquidation) followed by the establishment of the New Kenya Planters Cooperative Union (New KPCU PLC). The CCARF continue to be firm in establishment oversighted by the New KPCU Plc board of directors with inadequate funds for operationalisations. CCARF also continue to suffer due to operationalisation funding and staffing challenges.

7. CORPORATE GOVERNANCE STATEMENT

(The CCARF organisational structure and establishment tools are being developed in abid to put the right satff with requisite competences and qualification in place to enable the rollout of its programs. The CSR activities will be budgeted for in the year and the impacting to the society shall be confirmed there after. (CCARF shall engage in conserving the environment, promoting education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

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8. MANAGEMENT DISCUSSION AND ANALYSIS

The directors have steered the Coffee Cherry Revolving Fund establishment and structure where Funds were set aside for provision of affordable advances to coffee farmers. The directors have oversighted the CCARF during the inception period where the measure to ensure advance disbursements and recovery were put in place. During the period, a lot of work was put into development of enabling document instruments in form of policies and regulations. The CCARF budget for operationalisation of the Fund was not funded due the emergencies of Covid 19 where government revenues declined tremendously. Though the administrator was appointed in August 2020, there was no operating budget to enable operational and administrative activities. The New KPCU Plc supported some activities that enabled settingup of the office. Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the CCARF's affairs.

Principal activities

The principal activities of the entity are (administering and managing the Coffee Cherry Advance Revolving Fund. The object and purpose of the Fund is to provide affordable, sustainable and accessible coffee advance to smallholder scale coffee growers)

Results

The results of the entity for the year ended June 30, 2019 are set out on page twelve to fifty four. Below is summary of the profit or loss made during the year.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

CCARF exists to transform the livelihood of the small scale coffee farmers. For a long time the farmers have not been receiving their deserved premium return to their produce. The government has developed deliberate policy to revive the coffee subsector and as an intervention to structural challenges, the New CCARF was established as a move to reduce the long period between harvesting, marketing and payment for coffee proceeds. The government established Coffee Cherry Advance Revolving Fund (CCARF) to help small scale coffee farmers access Cherry Advance, immediately they deliver coffee cherry as the first payment and the second and final payment upon marketing and selling of the clean coffee. This is our goal and the driving force behind everything we do. It's what guides us to deliver our strategy, putting the small scale coffee farmer first, delivering effective access to Coffee Cherry Advance and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

1. Sustainability strategy and profile -

The Government will always work out for increased foreign exchange inflow to be able to acquire goods and services from imports by its citizen. Foreign debts are paid through foreign currencies and demand for FX increases, measures aimed at enlarging the sources of FX are

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important. Increase in coffee production will undoubtedly address the matter and enable the wellbeing of coffee farmers to be improved. The Government through coffee subsector revival policy has introduced advance funding to coffee cherry, to address the problem of waiting for coffee proceeds after eventual sale. The sustainability will be ensured on the basis of effective recovery of the advances.

2. Environmental performance

Processing of coffee entails use of enormous amount of water which is a scarce resource. CCARF will develop programs that enables introduction of new way of coffee process management that will not require use of water. Farmers will be encouraged to adopt new methods of natural coffee. Coffee traceability policy ensures that the sourcing of coffee is from the environmentally conscience growers. As CCARF is a new entity, elaborate programs will be laid out and measures applied to ensure environmental performance is upscaled. The committees that can tackle various environmental matters and compliance shall be set up, once the HR Instruments are in place and staff are recruited, CCARF will liaise with the governing body on environmental performance to fulfil this mandate.

3. Employee welfare

CCARF being a newly established State Fund is establishing its policies and procedures and in this case, the Human Resource Instruments. A Skills Gap Analysis has been carried out objectively to identify interventions for comprehensive and development of the Training Needs Assessment (TNA) to address any identified training needs and effectively addresses the appropriate skills mix.

CCARF has also engaged the youth progressively in internship, industrial attachment or apprenticeship programs to target graduate youth for skills transfer.

At the moment, the Fund is in the final stages of preparing

1. Human Resource Policy and Procedures Manual
2. Organisational Structure and Staff Establishment
3. Job Descriptions and Career Progression Guidelines

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The CCARF was established not to stifle competition but to competitively provide for coffee cherry advances effectively and ensure disgruntled small scale coffee farmers do

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not abandon coffee farming but have an alternative channel for acquiring easy credit. The CCARF is the coffee cherry advance provider and in a sustainable manner. The Coffee traceability along the value chain has been emphasised in all coffee processing and marketing services.

b) Responsible Supply chain and supplier relations

CCARF strives to award of at least 30% of the total value (in Kshs.) of the procurement budget for goods and services as provided in the annual procurement plan to youth, women and PWDs as individuals or in organized groups. At least 2% of the 30% of the budget for procurement of goods and services should be reserved for PWDs. To facilitate achievement of this target, CCARF continues to build the capacity of the three target groups through training on government procurement procedures, requirements for accessing government procurement opportunities and on the specific opportunities available in the MDA. Follow-up actions will include ensuring that the three groups actually access the procurement opportunities and facilitation of quick processing of payments. In addition, CCARF has pre-qualified the registered groups. CCARF is also aimed at promoting consumption of locally produced goods and services that will contribute to among other things, employment creation and growth of local industries.

c) Responsible marketing and advertisement

d) As CCARF is a new entity, one of the challenges is lack of adequate staffing. Currently advance and marketing department has not been established. Therefore no marketing or advertising has been carried out as yet until the Human Resource Instruments are complete and qualified staff are recruited to take the lead.

e) Product stewardship

Outline efforts to safeguard consumer rights and interests. A robust and inter active website will be developed for easier customer care and public relationship.

5. Community Engagements-

For the financial year under review, the CCARF had no approved budget and hence its activities have been supported by the New KPCU Plc. The social responsibility programs are factored into the budget and and the implimentation shall be from the financial year beginning 1st July, 2022.

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *CCARF* affairs.

The directors have steered the Coffee Cherry Revolving Fund establishment and structure where Funds were set aside for provision of affordable advances to coffee farmers. The directors have oversighted the *CCARF* during the inception period where the measure to ensure advance disbursements and recovery were put in place. During the period, a lot of work was put into development of enabling document instruments in form of policies and regulations. The *CCARF* budget for operationalisation of the Fund was not funded due the emergencies of Covid 19 where government revenues declined tremendously. Though the administrator was appointed in August 2020, there was no operating budget to enable operational and administrative activities. The New KPCU Plc supported some activities that enabled settingup of the office. Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *CCARF*'s affairs.

Principal activities

The principal activities of the entity are (administering and managing the Coffee Cherry Advance Revolving Fund. The object and purpose of the Fund is to provide affordable, sustainable and accessible coffee advance to smallholder scale coffee growers)

Results

The results of the entity for the year ended June 30, 2019 are set out on page twelve to fifty four. Below is summary of the profit or loss made during the year.

Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs.Nil per ordinary share, amounting to KshsNil million, subject to withholding tax where applicable. An interim dividend of Kshs. Nil (2018 – N/A) per ordinary share was paid in N/A 2018/2019. The total dividend for the year, therefore, is Kshs Nil (2018 – 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 *entity* at the close of business on 30th June 2020. The register of members will be closed for one day only on N/A to facilitate the preparation of dividend warrants.

Directors

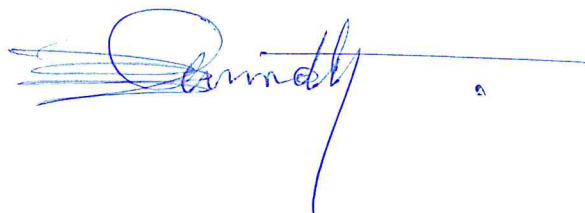
The members of the Board of Directors who served during the year are shown on page five to seven. In accordance with Regulation of the Coffee Cherry Advance Revolving Fund (PFM Act, Regulation) N/A and N/A retire by rotation and, being eligible offer themselves for re-election.

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 or N/A Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2019 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

Suleimani Wandati
Corporate Secretary/Legal Counsel
Nairobi
Date: 30th September, 2020



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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *Fund's* financial statements, which give a true and fair view of the state of affairs of the *CCARF* for and as at the end of the financial year (period) ended on June 30, 2020. 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Coffee Cherry Revolving Fund (CCARF)* a *National Government Fund created under Public Finance Management Act (CCARF Regulation, 2020) and placed under the New Kenya Planters' Co-operative Union Public Limited Company (New KPCU Plc)*, financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *CCARF Regulations*). The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *CCARF's* transactions during the financial year ended June 30, 2020, and of the *CCARF's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Fund* which have been relied upon in the preparation of the *CCARF'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 *CCARF* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

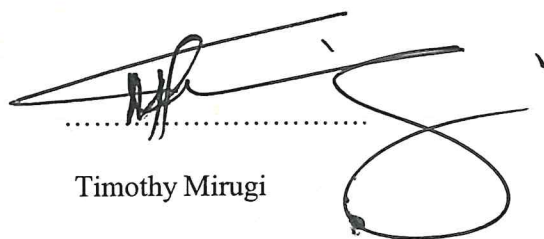
The *CCARF's* financial statements were approved by the Board on _30th September, 2020 and signed on its behalf by:



.....

Henry Kinyua

Chairperson of the Board.



.....

Timothy Mirugi

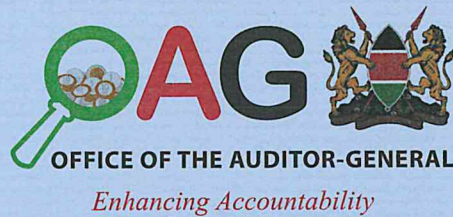
Managing Director

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
Annual Reports and Financial Statements
For the year ended June 30, 2020

12. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (*Coffee Cherry Fund*)

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COFFEE CHERRY ADVANCE REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2020

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

Opinion

I have audited the accompanying financial statements of the Coffee Cherry Advance Revolving Fund set out on pages 1 to 52, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and

a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Coffee Cherry Advance Revolving Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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 Fund's ability to sustain services, disclosing, as applicable, matters related sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 March, 2022

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements

For the year ended June 30, 2020

13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	6	0	0
Cost of sales	7	(0)	(0)
Gross profit		0	0
Grants from the National Government	8	0	0
Interest income	9	0	0
Other Income	10	0	0
Other gains/(losses)	11	0	0
TOTAL REVENUES		0	0
OPERATING EXPENSES			
Administration Costs	12	6,428	0
Selling and Distribution Costs	13	0	0
Finance Costs	14	0	0
TOTAL OPERATING EXPENSES	15	6,428	0
PROFIT/(LOSS) BEFORE TAXATION		(6,428)	0
INCOME TAX EXPENSE/(CREDIT)	16	1928.4	0
PROFIT/(LOSS) AFTER TAXATION		(4,500)	0
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		0	0
Surplus or deficit on revaluation of PPE		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,500)	0
Earnings per share – basic and diluted	17	N/A	N/A
Dividend per share	18	N/A	N/A

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	19	0	0
Intangible assets	20	0	0
Investment property	21	0	0
Prepaid operating lease rentals	22	0	0
Fixed interest investments (bonds)	23	0	0
Quoted investments	24	0	0
Unquoted investments	25	0	0
Staff receivables due after one year	27(c)	0	0
		0	0
Total Non-Current Assets		0	0
Current Assets			
Inventories	26	0	
Trade and other receivables	27(a)	0	
Tax recoverable	28	1928.40	
Short-term deposits	29	0	
Bank and cash balances	30	2,764,088,093.00	
Total Non-Current Assets		2,764,090,021.40	0
EQUITY AND LIABILITIES			
Capital and Reserves			
Coffee Cherry Advance Revolving Fund – Seed Money	31	2,764,094,521.00	0
Revaluation reserve	32	0	0
Fair value adjustment reserve	33	0	0
Retained earnings	34	(4,500)	0
Proposed dividends		0	0
Capital and Reserves		2,764,090,021.00	0
Non-Current Liabilities			
Borrowings	35	0	0
Deferred tax liability	36	0	0
Total Non-Current Liabilities		0	0
Current Liabilities			
Borrowings	35	0	0
Trade and other payables	37	0	0
Retirement benefit obligations	38	0	0
Provision for leave pay	39	0	0
Dividends payable	40	0	0
Total Current Liabilities		0	0
TOTAL EQUITY AND LIABILITIES		2,764,090,021.00	0

The financial statements were approved by the Board on

Managing Director:
Name: Timothy Mirugi

Head of Finance:
Name: Zaccheus Ndirangu
ICPAK M/NO 4820

2020 and signed on its behalf by:

Chairman of the Board
Name: Henry Kinyua

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2018	0						
Revaluation gain	-	-					
Transfer of excess depreciation on revaluation	-	-					
Deferred tax on excess depreciation	-	-					
Fair value adjustment on quoted investments	-	-					
Total comprehensive income	-	-					
Capital/Development grants received during the year	-	-					
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-					
Dividends paid – 2017	-	-					
Interim dividends paid – 2018	-	-					
Proposed final dividends	-	-					
At June 30, 2019	0						
At July 1, 2019	0	0	0	0	0	0	0
Coffee Cherry Advance Revolving Fund						2,764,094,521.00	2,764,094,521
Revaluation gain	-	-					
Transfer of excess depreciation on revaluation	-	-					
Deferred tax on excess depreciation	-	-					
Fair value adjustment on quoted investments	-	-					

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
Total comprehensive income	(4,500.00)	-	-	-	-	-	(4,500.00)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2019	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2020	(4,500.00)	-	-	-	-	2,764,094,521.00	2,764,090,021.00

Note:

1. The Coffee Cherry Advance Revolving Fund, Seed money is a Capital grant from the government. The Public Sector Accounting Standard Board Template fails to include an option of other owner's funding other than ordinary shares. This is replaced with the actual funding title as Coffee Cherry Advance.
2. The appointment of the Fund Manager was done in August of the following financial year 2020/2021.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	41	(4,500.00)	-
Interest received	41(c)	-	-
Interest paid	41(c)	-	-
Dividends paid	40	-	-
Taxation paid	28	-	-
Net cash generated from/(used in) operating activities		(4,500.00)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	-	-
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	20	-	-
Purchase of investment property	21	-	-
Purchase of quoted investments	25	-	-
Proceeds from disposal of quoted investments		-	-
Net cash generated from/(used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Coffee Cherry Advance Revolving Fund		2,764,094,521.00	-
Proceeds from borrowings	35	-	-
Repayment of borrowings	35	-	-
Net cash generated from/(used in) financing activities		(4,500.00)	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,764,090,021.00	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		-	-
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	41(b)	2,764,090,021.00	-

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget 2019-2020 Kshs	Adjustments 2019-2020 Kshs	Final budget 2019-2020 Kshs	Actual on comparable basis 2019-2020 Kshs	Performance difference 2019-2020 Kshs
Revenue					
Sale of goods					
Sale of services					
Transfers from the Government					
Donations in kind					
Finance Income					
Other income					
Total income					
Expenses					
Compensation of employees					
Use of goods and services					
Finance cost					
Rent paid					
Taxation paid					
Other payments					
Grants and subsidies paid					
Total expenditure					
Surplus for the period					

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

The Coffee Cherry *Advance Revolving Fund* received *no operational budget* and also the *appointment of Fund Manager* took very long to take place. During the period under review there was no Fund Manager in place and hence no funds disbursements took place.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements

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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The CCARF is established by and derives its authority and accountability from Public Finance Management Act under the (Coffee Cherry Advance Revolving Fund Regulations). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Disbursements and Recovery of coffee cherry advances in a sustainable and cost effective way.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 Note six to thirty nine.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *The Coffee Cherry Revolving Fund*.

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

(The CCARF assessment from the impact of the above standards and amendments and the impact of their application on the financial statements is that no significant influence realised)

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* 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 *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is 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 lease agreements.
- vi) **Other income** is recognised as it accrues.

b) In-kind contributions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 costs 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:

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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

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

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is 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**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) **Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

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.

n) Taxation

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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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 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.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

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.

o) 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.

p) 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.

q) 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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) 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.

s) 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.

t) 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.

u) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxx on the 2019-2020 budget following the governing body's approval.

The entity'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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
Annual Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

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.

v) 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.

w) Comparative figures

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

x) 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, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements For the year ended June 30, 2020

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

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
- Changes in the market in relation to the asset

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.

For the financial year under review there were no provisions raised that required management decision on estimates

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of goods	0	0
Gross sales of services	0	0
Less: Value added tax on gross sales	(0)	(0)
Total	0	0

[Provide short appropriate explanation as necessary]

7 COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Cost of sales on goods	0	0
Cost of sales on services	0	0
Total	0	0

8 GRANTS FROM NATIONAL GOVERNMENT

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent grants received	0	0
Capital grants realized (see note below)	2,764,094,521.00	0
In Kind contributions/ donations	0	0
Total	0	0

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

[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	2019-2020 KShs
MOALF&CO-OP/SDC	0	0	2,764,094,521.00	2,764,094,521.00	2,764,094,521.00
Ministry of ALF&CO-OP					
Total	0	0	2,764,094,521.00	2,764,094,521.00	2,764,094,521.00

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

Annual Reports and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 INTEREST INCOME

	2019- 2020	2018-2019
Description	Kshs	Kshs
Interest income from treasury bonds	0	0
Interest income from treasury bonds	0	0
Interest from receivables	0	0
Interest from commercial banks and financial institutions	0	0
Interest on staff loans	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

10 OTHER INCOME

	2019- 2020	2018-2019
Description	Kshs	Kshs
Sale of tender documents	0	0
Fines and penalties	0	0
Cash donations	0	0
In kind donations	0	0
Gain on sale of fixed assets	0	0
Insurance compensation	0	0
Other miscellaneous receipts	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

11 OTHER GAINS AND LOSSES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (a) ADMINISTRATION COSTS

Description	2019 Kshs	2018 Kshs
Staff costs (note 12b)	0	0
Directors' emoluments	0	0
Electricity and water	0	0
Communication services and supplies	0	0
Transportation, travelling and subsistence	0	0
Advertising, printing, stationery and photocopying	0	0
Rent expenses	0	0
Staff training expenses	0	0
Hospitality supplies and services	0	0
Insurance costs	0	0
Bank charges and commissions	6,428.00	0
Office and general supplies and services	0	0
Auditors' remuneration	0	0
Legal fees	0	0
Consultancy fees	0	0
Repairs and maintenance	0	0
Provision for bad and doubtful debts	0	0
Other operating expenses	0	0
Total	6,428.00	0

12 (b) STAFF COSTS

Salaries and allowances of permanent employees	0	0
Wages of temporary employees	0	0
Compulsory national health insurance schemes	0	0
Compulsory national social security schemes	0	0
Other pension contributions	0	0
Leave pay and gratuity provisions	0	0
Staff welfare	0	0
Total	0	0
The average number of employees at the end of the year was:		
Permanent employees – Management	0	0
Permanent employees – Unionisable	0	0
Temporary and contracted employees	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 SELLING AND DISTRIBUTION COSTS

Description	2019-2020 Kshs	2018-2019 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	2019-2020 Kshs	2018-2019 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]

15 OPERATING PROFIT/(LOSS)

Description	2019-2020 Kshs	2018-2019 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	0	0
Depreciation of property, plant and equipment	0	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	0	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)
Total	(0)	(0)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2019-2020	2018-2019
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	1,928.00	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	1,928.00	0

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

	2019-2020	2018-2019
	Kshs	Kshs
Profit before taxation	(4,500.00)	0
Tax at the applicable tax rate of 30%	(1,928.00)	0
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes		
Tax effects of income not taxable		
Tax effects of excess capital allowances over depreciation/amortization		
Deferred tax prior year over-provision		
Total	6,428.00	0

[Provide short appropriate explanations as necessary]

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of N/A (2018-2019: N/A) by the average number of ordinary shares in issue during the year of N/A (2018-2019: 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 2020, a final dividend in respect of the year ended June 30, 2020 of Kshs. N/A (2019: Kshs. N/A) for every ordinary share of par value of Kshs.N/A is to be proposed. An interim dividend of Kshs. N/A (2019: Kshs. N/A) for every ordinary share of par value of Kshs.N/A was declared and paid during the year. This will bring the total dividend for the year to Kshs.N/A (2017: Kshs.N/A).

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	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, 2018	0	0	0	0	0	0	0	0
Additions	0	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
At June 30, 2019	0	0	0	0	0	0	0	0
DEPRECIATION								
At July 1, 2018	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
At June 30, 2019	0	0	0	0	0	0	0	0
NET BOOK VALUE								
At June 30, 2019	0	0	0	0	0	0	0	0

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	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
	0	0
	0	0

[Include a brief description of what the Capital Work in Progress relates to]

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Disposals	0	0
At June 30	<u>0</u>	<u>0</u>
AMORTISATION		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
NET BOOK VALUE		
At June 30	<u>0</u>	<u>0</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 INVESTMENT PROPERTY

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	0	
	0	
Movements during the year	0	
Additions	0	
Disposals	0	
Fair value gains/(losses)	0	
	0	
Closing valuation	0	0
	=====	=====
DEPRECIATION (IF AT COST)		
At July 1		
Charge for the year		
Disposals		
Impairment loss	(0)	(0)
	(0)	(0)
At June 30	0	0
	0	0
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)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
At 1 July 2018 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2019 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accumulated Depreciation				
At 1 July 2018 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2019 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying Amount				
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 30 June 2020 – Restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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23 FIXED INTEREST INVESTMENTS (BONDS)

	2019-2020	2018-2019
	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
	<u>0</u>	<u>0</u>
	=====	=====

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

Details		
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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 QUOTED INVESTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	<u>0</u>	<u>0</u>

[Provide short appropriate explanations as necessary, including make-up of the investments in the table below]

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			
	%	%	%	Shs	Current year Shs	Prior year Shs
Entity A						
Entity B						
Entity C						
	0	0	0	0	0	0

25 UNQUOTED INVESTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
IMPAIRMENT		
At July 1		
Disposals	(0)	(0)
Impairment loss in the year	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
NET BOOK VALUE		
At June 30	<u>0</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

UNQUOTED INVESTMENTS (Continued)

[Provide short appropriate explanations as necessary, including make-up under the table below]

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			
	%	%	%	Shs	Current year Shs	Prior year 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
	0	0	0	0	0	0

26 INVENTORIES

	2019-2020	2018-2019
	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
	0	0
	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

27 (a) TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables (note 27 (b))	0	0
Deposits and prepayments	0	0
VAT recoverable	0	0
Staff receivables (note 27 (c))	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]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b) TRADE RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	0	0
Provision for doubtful receivables	(0)	(0)
	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
	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

27 (c) STAFF RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross staff loans and advances	0	0
Provision for impairment loss	(0)	(0)
	0	0
Less: Amounts due within one year	(0)	(0)
Amounts due after one year	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 TAX RECOVERABLE

	2019-2020	2018-2019
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (note 16)	(1,928.00)	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	(1928.00)	0

[Provide short appropriate explanations as necessary]

29 SHORT TERM DEPOSITS

	2019-2020	2018-2019
	Kshs	Kshs
Cooperative Bank of Kenya	2,764,088,495	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, 2020 was xx% (2019: xx %).

30 BANK AND CASH BALANCES

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	2,764,088,495	0
Cash in hand	0	0
	2,764,088,495	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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
a) Current account			
Cooperative Bank of Kenya	01120959180000	2,764,088,495	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total		0	0
c) Fixed deposits account			
Kenya Commercial bank			
Bank B			
Sub- total		0	0
d) Staff car loan/ mortgage			
Kenya Commercial bank			
Bank B			
Sub- total		0	0
e) Others(specify)			
Cash in transit		0	0
cash in hand		0	0
M pesa		0	0
Sub- total		0	0
Grand total		0	0

31 ORDINARY SHARE CAPITAL

	2019-2020 Kshs	2018-2019 Kshs
Authorised:		
Coffee Cherry Advance Revolving Fund	2,764,094,521.00	0
	=====	=====
Issued and fully paid:		
Coffee Cherry Advance Revolving Fund	2,764,094,521.00	0
	=====	=====

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

35 BORROWINGS

Description	2019-2020 Kshs	2018-2019 Kshs
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	(0)	(0)
Repayments of domestic borrowings during the year	(0)	(0)
Exchange rate gains/(losses) on revaluation of borrowings	0	0
Balance at end of the year	0	0
Less: Amounts due with one year (current portion)	0	0
Amounts due after one year (non-current portion)	0	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 BORROWINGS (Continued)

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

	2019-2020	2018-2019
	Kshs	Kshs
External Borrowings		
Dollar denominated loan from 'A'	0	0
Sterling Pound denominated loan from 'B'	0	0
Euro denominated loan from 'C'	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
	0	0
Total balance at end of year	0	0
	=====	=====

[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:

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(1,928.00)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	(1,928.00)	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 DEFERRED TAX LIABILITY (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
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)	(1,928.00)	0
Balance at end of the year	(1,928.00)	0
	=====	=====

[Provide short appropriate explanations as necessary]

37

LEASE LIABILITY

	2019-2020	2018-2019
	Kshs	Kshs
		(Restated)
Maturity analysis		
Year 1	0	0
Year 2	0	0
Year 3	0	0
Year 4	0	0
Year 5	0	0
On wards	0	0
	0	0
Less: unearned interest	(0)	(0)
	0	0
Analysed as:		
Non-Current	0	0
Current	0	0

38 TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	0	0
Accrued expenses	0	0
Retention/ contract monies	0	0
Other payables	0	0
	0	0
	0	0
	=====	=====

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[Provide short appropriate explanations as necessary]

39 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, XXX actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

	2019-2020	2018-2019
	Kshs	Kshs
Valuation at the beginning of the year	0	0
Changes in valuation during the year	0	0
Valuation at end of the year	0	0
	=====	=====

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 PROVISION FOR LEAVE PAY

	2019-2020	2018-2019
	Kshs	Kshs
Balance at beginning of the year	0	0
Additional provision at end of year	0	0
Leave paid out or utilised during the year	(0)	(0)
Balance at end of the year	0	0
	=====	=====

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

41 DIVIDENDS PAYABLE

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

	2019-2020	2018-2019
	Kshs	Kshs
Year 2020	0	0
Year 2019	0	0
Year 2018	0	0
Year 2017	0	0
Year 2016	0	0
Balance at end of the year	0	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(6,428.00)	0
Depreciation	0	0
Amortisation	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
		0
Operating profit/(loss) before working capital changes	(6,428.00)	0
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables	1,928.00	0
Increase/(decrease) in trade and other payables	0	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	(4,500.00)	0
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	0	0
Receipts during the year	0	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	0	0
	=====	=====
(c) Analysis of cash and cash equivalents		
Short term deposits	0	0
Cash at bank	2,764,088,093.00	0
Cash in hand	(0)	(0)
Balance at end of the year	2,764,088,093.00	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 12)	0	
Interest on bank overdraft (note 12)	0	
Interest on lease liabilities	0	0
	0	0
	0	
Interest on loans capitalised	0	
Balance at beginning of the year	0	
Balance at end of the year (note 35(b))	(0)	
	0	
Interest paid	0	
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	0	
2017 dividends paid	0	
2019 dividends paid	0	
2020 interim dividends paid	0	
Balance at end of the year	(0)	
	0	
Dividend paid	0	
	=====	=====

43 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:

- i) The Parent Ministry;
- ii) County Government of n/a
- iii) N/a
- iv) N/a
- v) Key management;
- vi) Board of directors;

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY DISCLOSURES (Continued) Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Sales to related parties		
Sales of goods to xxx	0	
Sales of services xxx	0	
Total	0	
	=====	=====
b) Grants from the Government		
Grants from National Govt	2,764,088,093.00	00
Grants from County Government		
Donations in kind		
Total	2,764,088,093.00	00
	=====	=====
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
	=====	=====
d) Key management compensation		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
Total		
	=====	=====

44 CAPITAL COMMITMENTS

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

	2019-2020	2018-2019
	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)
	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES

	2019-2020	2018-2019
	Kshs	Kshs
Bank guarantees	0	0
Legal claims against the <i>entity</i>	0	0
Letters of credit	0	0
Disputed tax penalties	0	0
	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

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:

(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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

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.

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 2020			
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 from 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 2019			
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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (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
2020			
Euro	10%	0	0
USD	10%	0	0
2019			
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.

Management of interest rate risk

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

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 (2019: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

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:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- 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).
- 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.

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 2020				
	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
	0	0	0	0
	=====	=====	=====	=====
At 30 June 2019				
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
	0	0	0	0
	=====	=====	=====	=====

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2020				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Property, plant and equipment	0	0	0	0
	0	0	0	0
	=====	=====	=====	=====
At 30 June 2019				
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
	0	0	0	0
	=====	=====	=====	=====

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

b) 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.

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(0)	(0)
Net debt/(excess cash and cash equivalents)	0	0
Gearing	n/a%	n/a%

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).

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

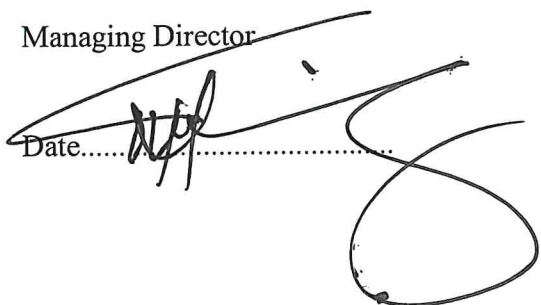
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

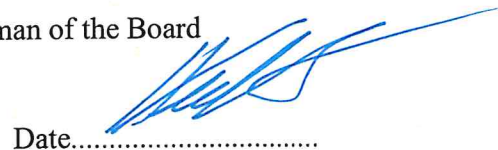
Timothy Mirugi

Managing Director

Date.....

Henry Kinyua

Chairman of the Board

Date.....

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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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							

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of XXX			
FY 2019/2020			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	

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

Finance Manager
CCARF

Sign _____



Head of Accounting Unit
STATE DEPT. FOR COOPERATIVES

Sign-----

COFFEE CHERRY ADVANCE REVOLVING FUND (CCARF)

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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	N/A	Recurrent	0	0	0	0	0	0	0
Ministry of Planning and Devolution	N/A	Development	0	0	0	0	0	0	0
USAID	N/A	Donor Fund	0	0	0	0	0	0	0
Ministry of Planning and Devolution	N/A	Direct Payment	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0