

FINANCIAL REPORT
FOR THE 3RD QUARTER ENDED 31ST MARCH 2025

1.0 BOARD PAPER

Agenda Item : Quarterly Financial Report for the 2nd Quarter ended 31st December 2024

Presenter : Secretary to the Board/ Chief Executive Officer

2.0 Purpose and Context

In accordance with State Corporations Act, the KEPHIS Board ensures that proper books of accounts are prepared and in a timely manner. Section 83 of the Public Finance Management Act of 2012 requires the Accounting Officer to prepare and submit quarterly financial report. Further, the Act requires submission of the report to the National Treasury.

2 Background and Financial Performance

2.1 Background

In accordance with the objective above, the Accounting Officer has prepared quarterly financial report for the 2nd quarter ended 31st December 2024. Once approved by the Board, the report will be submitted to the National Treasury and Controller of Budget.

This Report highlight the various areas of performance as follows:

2.2 Financial Performance for the quarter ended 31st December 2024

2.2.1 Statement of Financial Performance for the quarter ended 31st December 2024 (Kshs. 000')

Table 1: Financial Performance Summary

Description	Quarter 2 2023/24FY	Quarter 2 2024/25FY	Cumulative 2024/25FY	Previous (2- 023/24FY) Full Year
Revenue- GOK Recurrent	35,500	-	-	127,000
A-I-A	308,976	498,942	891,491	1,524,203
Total Revenue	344,476	498,942	891,491	1,651,203
Total Recurrent Expenses	490,213	421,932	852,958	1,842,194
Surplus for the period	- 77,456	9,145	39,474	-190,991

The second quarter of FY 2024/25 saw a significant increase in internally generated revenue, rising from KShs 693 million to KShs 875 million on cumulative year-to-year comparison. The growth of 26% is attributed to the implementation of additional fees for services undertaken during the quarter. Further analysis of the growth shows a 63% quarterly growth on year-to-year comparison. The implementation of the fees on fresh produce exports and imported agricultural products resulted in significant revenue increase in the affected revenue generating units analyzed in regional/departmental revenue analysis section of the report. Consequently, the institution's liquidity position improved over this period, reflecting improving financial health.

As a result of the above performance, the institution recorded a surplus of KShs 39.4 million, which is a substantial turnaround from the KShs 99.4 million deficit reported in the corresponding period of FY 2023/24

2.2.2 Quarterly Statement of Financial Position as 31st December 2024 (Kshs.000')

Table 2: Balance Sheet Summary

Description	31 st December 2024	30 th June 2024
Total Current Assets	177,453	208,598
Total Non-Current Assets	3,180,723	3,210,118
Total Assets	3,358,177	3,418,716
Total Liabilities	170,293	270,307
Total Net Assets	3,187,883	3,148,409
Total Net Assets and Liabilities	3,358,177	3,418,716

Table 3: Key Ratios

	2024/25	2023/2024	Comments
	31 st Dec 2024	30 th June 2024	
1. Liquidity	1.0	0.8	Improved liquidity
2. Leverage	5%	8%	Low debt level
3. Asset Turnover	0.3	0.2	Low turnover caused by non-commercial nature of KEPHIS

4. Personnel Costs/Revenue	43%	43%	Exceeds 35% threshold. Expected to reduce as revenue improves.
5. Capital /Operational Expenditure	0%	1%	Low investment capital assets pose risk of inefficiencies and increase in costs in future

KEPHIS is holding debtors, as per Table 4 below, under the current asset portfolio in the financial statements. The debtors arose from the periods prior to August 2023 when services were provided on credit.

Table 4: Debtors Aging in KShs 000

0-3 months	3-6 Months	6- 9 Months	Over 9 Months	Total
5,500	-	2,407	82,166	90,074
6.1%	0.0%	2.7%	91.2%	100%

Trade creditors on the other hand decreased from KShs. 169M as at 30th September 2024 to KShs. 139M as at 31st December 2024. The aged breakdown of creditors is as follows:

Table 5: Creditors Aging in KShs 000

0-3 Months	3-6 Months	6-9 Months	Over 9 Months	Total
72,384	45,885	20,627	838	139,735
52%	33%	15%	1%	100%

It is projected that with expected improved cash flows from implementation of fees, creditors aged 90 days and above will be eliminated completely in the course of 2024/25FY.

2.2.3 Quarterly Statements of Cash flow as at 30th September 2024 (Kshs.000')

Table 6: Cash Flow

Description	30th September 2024	31st December 2024	30th June 2024
Cash & Cash Equivalent at the beginning	31,612	39,198	27,123

Net Changes in Cash & Cash Equivalent	7,585	19,984	4,490
Cash & Cash Equivalent at the end	39,198	59,182	31,612

The cash flows for the quarter improved as indicated by increase in the balance. This is attributed to increased cash flows from new fees which were implemented in Q2.

2.2.4 Statement of the Budget and actual comparison for the period ended 31 December 2023 (Kshs.000')

Table 7: Budget vs Actual Comparison

	Approved Budget	Half Year Budget	Actual on comparable basis	Performance difference	%
Total income	1,614,000	807,000	891,491	84,491	10%
Total expenditure	1,614,000	807,000	852,958	(45,958)	-6%
Other Gains/Losses			941		
Surplus	-	-	39,474		

Revenue – Exceeded budget projection by 10%

Expenditure – Exceeded budget by 6%

3 Risk Analysis

The Corporation faces reduced liquidity risk due to improved revenues. There is also credit risk from debtors generated under the previous policy of provision of services on credit. This risk was substantially reduced after change of policy in August 2023 from credit to cash terms. Residual bad debts allowance has been provided for in the financial statements. Finally, there is need to seek approval to utilize additional AIA to avoid budgetary risk.

4 Legal Compliance

The Management complied with the provisions of Public Finance Management Act, 2012 of 2012 and other relevant legislations.

5 Management Responsibility

The MD shall ensure this is executed as per the approval of the Board.

6 Submission

The Finance Committee to consider and adopt the Financial Report for the Second Quarter of 2024/25FY, and recommend it to the Board for approval.

Secretary to the Board/ Chief Executive Officer

Appendix 1: Financial Statements for the Quarter ended 31st December 2024