REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL TRADING CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2020

Kenya National Trading Corporation Ltd.

KENYA NATIONAL TRADING CORPORATION LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

Table of Contents

I. KEY ENTITY INFORMATION

Background information

The Kenya National Trading Corporation Ltd was established under the Companies Act (Cap 486) in 1965.At cabinet level, the Corporation is represented by the Cabinet Secretary for the Ministry of Agriculture Livestock, Fisheries & Co-operatives who is responsible for the general policy and strategic direction of the Corporation. The Corporation is domiciled in Kenya and has branches in Nairobi, Kisumu, Karatina, Eldoret, Nakuru, Machakos, Kitale and Meru.

Our Vision: To be a leading agent for trade and Socio-economic transformation of Kenya.

Our Mission: 'To provide customers within the region with quality products and services through an efficient distribution network, Partnerships and Innovation'.

Our Mandate:

The mandate of KNTC is operationalized through the performance of the following core functions:

1. Participating in the promotion of wholesale, retail business and e-trade in line with Vision 2030, the medium-term plan and the parent Ministry's Strategic Plan.
2. Promoting the development of SME markets, expansion and diversifications of trade in line with the Government Policy.
3. Partnering with other key players to avail relevant products/input for the agricultural sector.
4. Improving and strengthen supply chain and distribution systems for both the formal and informal sector.
5. Stabilizing consumer commodity prices by ensuring balance in supply and demand through availability of stocks/goods in the country.
6. Being a Procurement Agent for the Government and general public at a minimum fee.
7. Participating in distribution of goods and services in special economic zones.

Directors

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

1. Peter Kaberia – Chairman (Appointed 14th December 2018)
2. Timothy M. Mirugi - Ag. Managing Director (from May 2019)
3. George Kuria Murathe – Non-Executive Director (Appointed 14th December 2018)
4. Dorothy Muthoni Mituki – Non-Executive Director (Appointed 14th December 2018)
5. Silas Onyango Okwiry – Non-Executive Director (Appointed 14th December 2018)
6. Dr. Daniel K. Kirui – Non-Executive Director (Appointed 14th December 2018)
7. Magdalene Nzisa Munyao – Non-Executive Director (Appointed 14th December 2018)
8. Roy Evans Otieno Onyango - Alternate to The PS State Department of Trade
9. Michael Rono - Alternate to the Executive Director ICDC (from December 2018)

Company Secretary
Ms. Doris Githua
P.O. Box 30418,
Nairobi

Registered Office

KNTC Yarrow Road Complex
Yarrow Road off Nanyuki Road,
Industrial Area,
P.O.Box 30587-00100
Nairobi, Kenya

Corporate Headquarters
P.O. Box 30587-00100
KNTC Yarrow Road Complex
Yarrow Road off Nanyuki Road,
Industrial Area,

Corporate Contacts
Tel: (020) 2430824 Fax: (020) 556331
GSM: 0736-563912, 0714563911
Website: www.kntcl.com
E-mail: kntcl@kntcl.com

Corporate Bankers

1. Barclays Bank of Kenya
   Enterprise Road,
   P.O. Box 18060-00500,
   Nairobi, Kenya

2. National Bank of Kenya
   Harambee Avenue
   P.O Box 41862-00100,
   Nairobi, Kenya.

3. Co-operative Bank of Kenya
   Industrial Area
   P.O Box 18119-00500,
   Nairobi, Kenya.

Independent Auditors
The Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers
The Attorney General
State Law Office
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. THE BOARD OF DIRECTORS

Peter Kaberia Nkubitu
Chairman

Position: Peter was appointed chairman on 14th December 2018.

Skills and experience: Peter holds an MA in Linguistics and a Bachelor of Arts. He has over 25 years' experience in the Oil & Gas sector.

Timothy Muthondio Mirugi
Ag. Managing Director

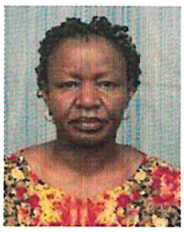
Position: Timothy was appointed as the Acting Managing Director in May 2019.

Skills and experience: Timothy hold a masters in Strategic Management and a bachelor's degree in International Business Administration. He has over 10 years' experience in Sales & marketing and has served in various capacities in the Corporation.

Dr. Daniel Kirui
Independent Non-Executive Director

Position: Daniel was appointed to the Board on 14th December 2018. He is a member of the Technical Matters and the Audit Committees of the Board.

Skills and experience: Dr. Kirui holds a PhD in Business Management from the Oklahoma state University, a Masters in International Business Management from Pondicherry University and a Bachelors' degree in Business Management - Finance from Moi University. He has over 20 years' experience as a Senior Lecturer at Moi University School of Business and Economics.



Dr. Dorothy M. Mungiria
Independent Non-Executive Director.

Position: Dorothy was appointed on 14th December 2018. She is the Chair of the Finance & Administration committee and a member of the Technical matters committee.

Skills and experience: Dr. Mungiria holds a PhD in Nutritional sciences from Egerton University, a Masters in Food Nutrition & Dietetics and a Bachelors of Education in Homescience & Technology. She has over 10 years' experience in food and Nutrition, Research, policy review and drafting. She is a Member of the Kenya Nutrition and Dietetics Institute.

Magdalene Nzisa Munyao
Independent Non-Executive Director

Position: Magdalene was appointed on 14th December 2018. She is a member of the Finance & Administration and technical matters committees.

Skills and experience:
Magdalene has vast experience in enforcement and Brand Assurance. She is an advocate of the High court of Kenya.

George K. Murathe
Independent Non-Executive Director

Position: George was first appointed to the Board in October 2015 and re-appointed in December 2018. He is the chairman of the Technical Matters Committee and member of the Finance & administration committee.

Skills and experience: George has over 30 years' experience in distribution gained at Kenya Wine Agencies Ltd. He holds a BA in Economics from the University of Nagpur India.

Silas Onyango Okwiry
Independent Non-Executive Director

Position: Silas was appointed on 14th December 2018. He is the chair of the Audit committee and a member of the Technical matters committee.

Skills and Experience: His major specialization is management accounts and taxation advice. He holds CPA(K) qualification.

Roy Evans Otieno Onyango
Alternate to the PS, State Department of Trade

Position: Mr. Otieno was nominated to the Board in October 2019 as the Alternate to the Permanent Secretary in the Ministry of Industralization, Trade & Enterprise Development. He is a Member of the Finance & Administration and the Technical matters and the Audit Committees.

Skills and experience: Roy has over 30 years' experience in Trade gained at the ministry of Commerce and Industry. He holds a Bachelors' degree in Economics and Public Administration from Panjab University.

Mr. Michael Rono
Alternate to the Executive Director, ICDC

Position: Michael was nominated to the Board in January 2019 as the Alternate to the Executive Director, ICDC. He is a Member of the Finance & Administration, Technical matters and the Audit Committees

Skills and experience:
Michael is the Acting Finance Manager at ICDC Ltd. He holds a Masters' in Business administration from the University of Nairobi and a Bachelors' degree in Accounting. He has over 15 years' work experience in Accounting and Finance and is a member of the Institute of Certified Public Accountants ICPAK and Information Systems Audit and Control Association, ISACA.

Ms. Doris Githua
Ag. Company Secretary

Position:
Doris was appointed the Company secretary in March 2019.

Skills and experience:
Doris is a senior state Counsel in the Office of the Attorney General. She is also a board member at EPZA Kenya. She holds a Masters in International conflict management, Bachelor of Law from the University of Nairobi and a post graduate diploma in law from the Kenya School of Law.
She is an advocate of the High court of Kenya and a Certified Public Secretary. She is a member of the Institute of Certified Public Secretaries of Kenya-ICPSK.

III. MANAGEMENT TEAM

Timothy Mirugi
Age 37
Ag. Managing Director

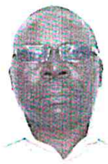
Position: Timothy was appointed as the Acting Managing Director in May 2019

Skills and experience: Timothy holds a masters' in Strategic Management and a bachelor's degree in International Business Administration. He has over 10 years' experience in Sales & marketing and has served in various capacities in the Corporation.

Ms. Lucy M. Anangwe
Age 42
Head of Finance & Accounts

Position: Lucy was appointed as the Finance & Accounts Manager from April 2016.

Skills and experience: Lucy holds an MSc in Finance, a bachelor's degree in Economics and Business Studies, CPA-K and is a member of ICPAK. She has over 10 years' experience in Finance.



Joshua Mukhwana
Age 58
Head of Internal Audit

Position: Joshua was appointed as the Internal Audit Manager from May 2018.

Skills and experience: He holds a Bachelor of Commerce in Finance and is a CPA-K. He has over 20 years' experience in Accounts and Audit, and is a member of ICPAK

Lawrence Bengat
Age 34
Head of ICT

Position: Lawrence was appointed the ICT Manager and Head of ICT from May 2018.

Skills and experience: Lawrence holds a Bachelors' degree in Business Management & Information Technology and has certification in CCNA. He has over 8 years' experience in ICT.

Eric Lamuka Visavilwa
Age 41
Head, Supply Chain Management

Position: Eric was appointed head of Supply chain Management in September 2018

Skills and experience: Eric holds MBA in Finance and Bachelors in Mathematics & Economics and a professional Diploma in Purchasing and Supplies Management. He has over 10 years' experience in Supply Chain Management gained from private sector.

Joyce Chepkemboi
Age 54
Ag. Head, Sales & Marketing

Position: Joyce was appointed acting head of Sales & marketing in May 2019.

Skills and experience: She holds a bachelors' in Commerce Marketing option, and a higher diploma in HRM. She has over 20 years' experience in sales & marketing and has served in various capacities in the Corporation.

Jeremiah Opata
Age 33
Ag. Head, Human Resource & Administration

Position: Jeremiah was appointed the acting head of Human Resource & Administration in April 2020.

Skills and experience: He holds a bachelors' degree in Business management (HR) with 8 years' experience in HR and Administration. He is a member of the Institute of Human Resource Management IHRM

IV. CHAIRMAN'S STATEMENT

Foreword

It is with great pleasure that I present to you the Annual Report and Financial Statements for Kenya National Trading Corporation Ltd for the year 2020.

Business Environment

The country experienced a stable business environment with real GDP growing by an estimated 5.9%. Prior to the COVID-19 Pandemic, Real GDP had been projected to grow at 6% in 2020 and 6.2% in 2021. These have been revised downwards to only 3% in 2020 and 4.2% in 2021. Key drivers for economic recovery will include increased private consumption, a pick-up in industrial activity and strong performance in the services sector because most of Kenya's GDP is generated by services, especially travel and tourism. Agriculture which contributes about a third to GDP is also expected to recover fast. Inflation is expected to remain within the target range while the current account deficit is projected to remain manageable. Growth will also be driven by ongoing investment by the Government and the Private sector to support implementation of the Big 4 development agenda. As an industry, we need to be adequately prepared to positively face the challenges posed by the COVID-19 Pandemic.

Financial Performance

I am pleased to note that we have delivered impressive results during the year under review. Sales revenues registered commendable growth from 167 million to 537 million, a 221% increase. This has seen our profit before tax grow from a loss position of Ksh 19 million in 2019 to a profit of Ksh 1.6 million in 2020. The growth is attributed to the Government's intervention through KNTC for farmers to procure subsidized fertilizer and purchase of rice from directly from farmers for onward selling to Government institutions. These measures will go a long way in promoting the Big 4 Development agenda on Food Security. Our Asset base increased from Ksh 2.7 billion in 2019 to Ksh 3.5 Billion in 2020, a growth of 30% while the Shareholders funds increased from Ksh 2,586 Million in 2019 to Ksh 2,588 Million in 2020.

Strategic Focus

With the constant economic challenges and unforeseen market disruptions that continue to affect the way we operate our business; we have creatively designed our five-year strategy plan to counter and exploit the interruptions. The COVID-19 pandemic presents a special opportunity to reassess further these challenges. This, we believe, will help us drive the growth of our Sales which is the core of our business. We shall continue looking at new opportunities that can offer market diversification for our customers' needs.

The Year Ahead

Our focus in the year ahead will be to ensure the Corporation's long-term sustainability as we continue to adapt to the challenges and opportunities of the COVID-19 environment. Our priorities will be on the health and wellbeing of our employees, ensuring safe working practices; supporting our communities and the evolving needs of our customers and suppliers; and preserving our financial strength so that we are well-placed to benefit from new opportunities for products and services as they arise.

Although we expect the year ahead to be challenging, we have an agile business model and disciplined focus on our market niches, combined with a robust financial position. These strategic attributes should enable us to deliver a resilient performance in the shorter term and to benefit from the opportunities that our markets offer over the medium and longer term.

Board Changes

During the year, Mr. Peter Mulavu and Mr Jared Nyaundi retired from the Board effective 31st October 2019. I want to unreservedly thank both Peter and Jared for providing their vast experience and invaluable counsel, steering us through the years. I wish them all the best in the future. During the year, Mr. Roy Evans Otieno Onyango joined the Board following his appointment effective 1st November 2019. We welcome him to the Board and look forward to his contribution in the months and years to come.

Appreciation

I take this opportunity to offer my sincere gratitude to the Government of Kenya, our shareholders, our stakeholders, regulatory authorities and agencies that provide support to the Corporation. To our valued customers, we appreciate your sustained support and confidence in us. We value your business and continued partnership. I wish to convey my utmost appreciation to my colleagues in the Board for their invaluable contributions and unwavering dedication, to the management and staff for their tireless effort and steadfast commitment to ensure the Corporation achieves its mandate.

God Bless you all.

Peter N. Kaberia
Chairman

V. REPORT OF THE MANAGING DIRECTOR

In the past year, KNTC continued with its business transformation agenda. We have taken decisive, immediate action on the challenges we faced. In a very deliberate way, we have made and continue to make the changes needed to re-energise the operations.

Over the past year, we have restored our total commitment to giving the best possible quality of goods and services to our customers. This is guiding every action we are taking and will be instrumental in making the Corporation's business competitive again. We have built up strong positive sales momentum throughout the year by investing in lower, more stable pricing, improved service and product availability. We are rebuilding profitability whilst continuing to invest in our transformation programme. The long-term health of our balance sheet will be determined by our continued ability to improve profitability and generate cash.

The corporation successfully launched its second Strategic Plan to cover the period 2019/20 to 2023/24. The main purpose for the Strategic Plan is to track the achievements of specific milestones supporting the Corporation's turnaround. Delayed issuance of trade guarantees significantly affected our operations for a better part of the year. The non-stocking of the depots with essential products due to lack of sufficient working capital increased the vulnerability of the Corporation to competitive pressure resulting in a decline in sales turnover against our targets.

We remain committed to customer satisfaction through distribution of quality products. Continuous improvement, research and development and the ongoing review of processes is done to ensure that our processes and strategies remain current and relevant in the evolving needs of the market. In the long run, there will be a positive impact on revenues, quality of service, costs and customer satisfaction.

Our progress towards rebuilding trust in the KNTC brand has been led by the commitment and passion demonstrated by our staff. Over the past year, I've spent a lot of time with staff in our depots and seen their commitment to customer service. The actions we've taken to reaffirm our competitiveness across the country, protect the balance sheet, and rebuild trust continue to stabilize the Corporation. As the KNTC team, we remain committed to serving customers better every day, in what remains a challenging, inflationary and uncertain market. We are confident that the investments we are making are creating long-term value for our stakeholders.

In the coming year, we endeavour to guide our efforts with the three main priorities:

- To regain lost market share in our core product portfolio;
- To protect and strengthen the balance sheet; and
- To rebuild trust of our customers

I am sure that it will be another busy year and I'm confident that with the customer at the heart of everything we do, we will continue to rebuild our fortunes.

Timothy Mirugi
Ag. Managing Director

VI. REVIEW OF KNTC'S PERFOMANCE FOR FY 2019/2020

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.

Kenya National Trading Corporation Ltd has 3 Key Result Areas and into 10 Strategic objectives within its Strategic Plan for the FY 2019/20- 2022/2023.

These pillars are as follows:

Pillar 1: Domestic Trade Development and Promotion
Pillar 2: Strengthened Organization Capacities and Resource Management
Pillar 3: Technology & Innovation for effective & efficient service delivery

KNTC develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the table below:

Key Result Area	Strategic Objective	Strategies	Activities	KPI	Target		Achievement
					Target for 5 Years	Target for Year 2019/2020	
Trade Development and Promotion	To Position KNTC as the main Supplier of strategic bulk commodities in the Country.	Position KNTC as the preferred supplier and distributor of Agricultural Inputs in the country	Form strategic Partnerships and distribute at least 40,000 tonnes of fertilizer in the plan period	Tonnes distributed	40,000	4,000	4,810
			Form strategic Partnerships and distribute at least 30 tonnes of seeds in the plan period	Tonnes distributed	30	2	0
			Enhance sales turnover of Farm equipment and implements to kshs.100 million in the plan period.	Amount sold	100m	Kshs. 10 Million	Kshs. 4.1 million
		Enhance supplies to Public & private organizations.	Grow business with the existing government agencies & Counties by 10% annually.	% Annual Growth	10%	10%	162%
			Engage at least fifty institutions for trade	No. of New institutions engaged	50	10	16
			Grow business with the existing private organizations by 5% annually.	% Annual Growth	5%	5%	8.30%
	To enhance MSMEs access to markets	Provide Market Access for Micro, Small & Medium Enterprises (MSMEs)	Link MSMEs to markets	No of linked MSMEs	50	5	10
		Venture into light Manufacturing in partnership with the private sector	Engage at least 3 partners, sign contracts or Mou	No of Contracts signed	3	1	0

Key Result Area	Strategic Objective	Strategies	Activities	KPI	Target: Target for 5 Years	Target: Target for Year 2019/2020	Achievement
	To enhance storage and Trade Development and Promotion distribution of surplus produce by farmers	Upgrade and modernize existing warehouses.	Refurbish and equip the warehouses to international standards.	No. of refurbished warehouses	41	6	1 (Ongoing)
		Establish new modern warehouses in counties	Construct new warehouses on KNTCs unutilized land	counties with new warehouses	3	1	0
	To enhance storage and distribution of surplus produce by farmers	Provide Warehouse Receipting Services (WRS) and ensure seamless connectivity between WRS and KOMEX trading.	Develop, implement, integrate and commission automated WRS for warehousing processes	Functional WRS system	1	1	0
		Provide Collateral Management services	Authorize, monitor and regulate transfer of warehouse receipts between trading parties	Policy	1	1	0
Strengthened Organization Capacities and Resource Management	To Maintain a positive work environment and strong employee engagement	Attract, develop and retain skilled employees	Implement a competitive Remuneration Structure	New structure adopted	1	1	1
Technology & innovation for effective & efficient service delivery	To offer integrated on-line services in an efficient and effective way	Develop and implement a clearly defined Business Application Architecture (BAA)	Integrate E-Procurement system with the Enterprise Resource Planning (ERP)	E-Procurement module operational	100%	50%	25%
			Integrate Customer Relationship Management System (CRM) with the Enterprise Resource Planning (ERP)	CRM Module operational	100%	50%	100%
			Implement an Integrated Board Management Solution (IBMS)	Operational IBMS	100%	80%	80%
		Enhance availability of business systems and ensure continuity of business operations	Upgrade and Maintain ICT Infrastructure	Upgraded infrastructure	100%	10%	70%

VII. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which corporate bodies are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Kenya National Trading Corporation, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Board's activities.
We engage the society on the basis of strong principles of governance and compliance that provide the framework of how we do business. The chairman and the MD ensure good governance at board level and below.

The board regularly reviews its governance on the basis of new legal requirements and best practices. It helps us maintain trust with the employees, suppliers, government, customers and other stakeholders. The Board is responsible for the governance of the Corporation and conducts the business and operations of the Corporation with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

Board of Directors
The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the Corporation and the Chairman of the Board acts as non-executive director. The current Board is composed of ten Members who possess broad range of expertise, diverse professional background. They are drawn from various ministries and business sectors. The remuneration is based on guidelines on terms and conditions of service for State Corporation's circular of 23rd Nov 2008.

Board Meetings
Board Meetings are held every quarter except with exceptional circumstances. During their meetings the Board reviews the Company performance against the planned strategies and also approves issues of strategic nature

Board Committees
The Board has three committees of which are guided by clear terms of reference. The committees are instrumental in monitoring the corporation operations, conduct of business, systems and internal controls. The committees are as follows:
1. Technical matters Committee
2. Finance and Administrative committee
3. Audit committee

Code of Conduct

The corporation has a code of conduct which seeks to guide employees in ethical conduct of business. All directors, management and employees are expected to observe high standards of integrity and ethical conduct when dealing with customers, staff, suppliers and regulators.

Internal Controls

The effectiveness of the corporation internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the corporation compliance with the laid down policies and procedures as well as assessing the effectiveness of the internal control structures.

The Internal Audit function focuses their attention on areas that the corporation could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board. The corporation has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

Conflicts of Interest

All directors and management are under duty to avoid conflict of interest. The directors are required to disclose outside business interests that would conflict with the corporation business.

Going Concern

The directors confirm that the corporation has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

1. Share capital

KNTC has only one class of shares – Ordinary shares of par value Kshs. 20 each. The share capital balance as at 30th June 2020 amounted to Kshs 32,000,000 which is the same as the previous year.

2. Reserves and Surplus

Retained Earnings

The restated net loss from the previous year ended 30th June 2019 amounting to Kshs. 16,533,610 was transferred to the retained earnings. The balance as at 30th June 2020 amounted to Kshs. 255,386,244.

Shareholders' funds

The total shareholders' fund was Kshs. 2,585,348,312 (restated) as at 30th June 2019 compared with Kshs. 2,587,256,533 as at 30th June 2020

3. Trade and Other Receivables

The trade receivables amounted to Kshs. 197,185,026 as at 30th June 2020 (net of provision for doubtful debts amounting to Kshs 36,951,104), compared Kshs. 107,419,973 as at 30th June 2019 (net of provision for doubtful debts amounting to Kshs 30,458,320) as at 30th June 2019. Except for the specific debts provided for, these debts are considered good and realizable.

4. Inventories

Inventories amounted to Kshs. 483,606,279 as at 30th June 2020 (net of provision for obsolesce amounting to Kshs 502,680), compared to Kshs. 16,740,634 for the previous year. The Government grant for purchase of rice and renewal of tradeguarantees contributed positively to the stocking of our depots in this financial year.

5. Cash and cash equivalents

The balance in our current accounts stands at Kshs 59,116,397 as at June 30th, 2020 as compared to Kshs. 2,007,160 as at June 30th, 2019. The Corporation has also invested in Short term deposits amounting to Ksh 100 million with the Co-operative Bank of Kenya.

Results of our operations

1. Income

All of the revenues for the year ended 30th June 2020 were domestic revenues. Our revenues are generated primarily from sales of products, commission and rent from our leased warehouses. The total income, net of costs was Kshs 152,186,002 compared with Kshs Kshs 113,459,766 from the previous year

Gross profit

The gross profit during the year was Kshs. 55,610,469 representing 10 % of Sales, compared to Kshs. 15,762,978 representing 9% in the previous year.

2. Expenditure

a) Personnel Emoluments

Personnel Emoluments amounted to Kshs. 48,848,577 which represented 32% of revenues compared to 41% during the previous year. Staff costs relate to salaries and benefits paid to employees.

b) Administration expenses

Administration expenses amounted to Kshs 41,550,154 representing 27% of revenues. Restated amounts for the previous year stood at 27,328,578 which was 24% of revenues.

c) Selling & Marketing Costs

Selling & distribution and Marketing costs amounted to Kshs 12,538,191 representing 8% of our total revenues compared to Kshs. 9,841,344 also representing 8% of revenues for the previous year.

d) Directors Emoluments

Directors' emoluments increased from 8,277,273 as at 30th June 2019 to Kshs 9,218,260 as at 30th June 2020.

3. Operating profits

KNTC made an operating profit before tax of Kshs. 2,937,813 representing 2% of the total revenues, comparedto operating loss before tax of Kshs 19,683,419 representing -17% of total revenues, during the previous year.

4. Earnings per Share (EPS)

Our basic EPS was 5% during the year ended 30th June 2020 while the previous year was -48%. The outstandingshares used in computing the basic EPS were 1,600,000 @ Kshs 20 per share.

5. Liquidity

Our growth has been financed largely through cash generated from financing activities. The net cash used for our operations was Kshs 492 million.

Net cash used for investing activities was Kshs. 12.39 million, while Net cash generated by financing activities was Kshs. 662 million for the year ended June 30th 2020 largely contributed by government grants amounting to kshs 680 million.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KNTC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 pillars:

- Putting the customer/Citizen first,
- Effective and efficient delivery of relevant goods and services, and
- Improving operational excellence.

Below is a brief highlight of our achievements in each pillar

1. **Sustainability strategy and profile**

   At KNTC, we aspire "to use our warehouse network, our products and our services to transform the lives of Kenyans". Our vision is based on responsible, ethical business and transformational products and services

   KNTC has integrated sustainability into our corporate strategy. In making the SDGs a central pillar of our business, we have made sustainable development a part of the Corporation's business culture. We continue to translate our sustainability goals into concrete plans, from the medium-term objectives to simple daily activities that could be put into practice throughout the Corporation. The Board of Directors is responsible for ensuring that sustainability is at the heart of our business strategy. The management assumes the responsibility of leading, implementing, monitoring and reporting on sustainability initiatives into the day-to-day operations of the Corporation
   During the year under review, the sustainability priorities of the Corporation were keeping KNTC customer-focused. We established and continue to establish numerous partnerships to enable us to achieve our goals and have begun integrating the goals into our employees' annual performance targets.

2. **Environmental performance**

   Reducing the environmental impacts of what we do is a key priority for us. At KNTC, we believe that reforestation will play a crucial role in reducing our carbon footprint and in curbing air pollution. We have therefore made a strategic decision to become a major partner in the afforestation and reforestation programmes in Kenya. We have set an ambitious target of planting 100,000 trees by 2025, and are working closely with the Ministry of Environment and Forestry to help the country achieve the goal of 10% forest cover by 2022. In July 2019, we committed Kshs 100,000 towards the restoration of the Kaptagat forest ecosystem and participated in the tree planting exercise.

3. **Employee welfare Corruption Prevention**

   We recognise that corruption drives inequality by preventing fair access to economic power and basic social needs. Therefore, we take steps to cultivate awareness and put anti-corruption monitoring and corrective measures in place, and drive behaviour change in the society through collective action initiatives. We have taken steps to cultivate awareness and put anti-corruption monitoring and corrective measures in place, and drive behaviour change in society through collective action initiatives. In FY2019/20, anti-corruption training of contract and full-time staff was conducted. In FY19/20, we provided customised anti-corruption training on a department-by-department basis.

4. **Market place practices**

Our year-on-year tax remittances have contributed to the country's economic growth. Over the past five years.

5. **Community Engagements**-

Meeting the society's expectations of the Corporation involves playing a positive role in communities where we operate and in wider society. As a Corporation, we make a conscious effort to participate in and contribute to the development of the communities in which we operate. We do this by creating jobs and using local SME manufacturers and suppliers under the Buy-Kenya-Build-Kenya initiative. We currently generate direct and indirect employment and business opportunities for more than 1,000 Kenyans in farming, manufacturing and distribution.

X. 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 Corporation's affairs.

Principal activities

The principal activities/mandate of the Corporation are:

1. Participating in the promotion of wholesale, retail business and e-trade in line with Vision 2030 and big 4 agenda, the medium-term plan and the parent Ministry's Strategic Plan.
2. Promoting the development of SMEs markets, expansion and diversifications of trade in line with the Government Policy.
3. Partnering with other key players to avail relevant products/input for the agricultural sector.
4. Improving and strengthening the supply chain and distribution systems for both the formal and informal sector.
5. Stabilizing consumer commodity prices by ensuring balance in supply and demand through availability of stocks/goods in the country.
6. Being a Procurement Agent for the Government and general public at a minimum fee.
7. Participating in distribution of goods and services in special economic zones.

Results

The results of the Corporation for the year ended June 30, 2020 are set out on page 1-31

Dividends

The Directors do not recommend the payment of dividends for the year.

Directors

The members of the Board of Directors who served during the year are shown on page 2.

Auditors

The Auditor General is responsible for the statutory audit of KNTC Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

for

Doris Githua
Company Secretary
Nairobi

Date. 30/09/2020

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the KNTC's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year 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 Corporation;
(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 Corporation;
(v) selecting and applying appropriate accounting policies; and
(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

The Directors are of the opinion that KNTC's financial statements give a true and fair view of the state of the Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Kenya National Trading Corporation's financial statements were approved by the Board on 30th SEPT......... 2020 and signed on its behalf by:

....	....
Peter N. Kaberia	Timothy Mirugi
Chairman	**Ag Managing Director**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL TRADING CORPORATION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya National Trading Corporation set out on pages 1 to 31, which comprises the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of financial position as at 30 June, 2020, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Kenya National Trading Corporation as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Share Capital

The statement of financial position reflects a share capital balance of Kshs.32,000,000 which, as disclosed in Note 27 to the financial statements, comprised of 1.6 million ordinary shares of Kshs.20 each issued and fully paid. However, the Management did not provide the share certificates for audit verification.

In the absence of the share certificates, it was not possible to confirm the shareholders and whether the reported share capital is fairly stated.

2. Unsupported Leases

The statement of financial position reflects balances of Kshs.8,061,644, Kshs.5,961,709, Kshs.1,912,469, and Kshs.6,378,480 in respect of rent leases, lease liabilities (non-current), lease liabilities (current) and right of use asset balances, respectively. However, the Management has not provided for audit verification the lease agreements, contracts and other document relating to the lease asset and liabilities reported in the statement of financial position as at 30 June, 2020.

Under the circumstances, the accuracy and validity of lease balances reflected in the financial statements could not be confirmed.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance totalling Kshs.2,592,125,064 as at 30 June, 2020. However, the following anomalies have been noted in relation to the balance:

3.1 Untitled Land

As disclosed in Note 20 to the financial statements, the property, plant and equipment balance includes an amount of Kshs.1,699,210,000 relating to land. However, as previously reported, title deeds for land valued at Kshs.55,204,510 located in Nairobi, Nanyuki, Nyahururu and Kapsabet were not presented for audit review. Further, other records of the Corporation indicate that there is still an unresolved dispute between the Corporation and other parties in regard to ownership of a plot of land of undisclosed size and value located in Bungoma County. In addition, the Corporation's plots in Nanyuki, Nyahururu and Naivasha are not fenced to secure them from encroachment and land grabbing.

3.2 Unsupported Diminution of Land Value

As previously reported, Management made a provision for loss amounting to Kshs.63,390,540 in respect to plots located in Loita Street in Nairobi and in Nakuru. No plausible explanation was provided for the adjustments. Further, approval granted by the Board of Directors and The National Treasury was not provided for audit review. As a result, it was not possible to confirm that the loss amounting to Kshs.63,390,540 resulting from the adjustment was valid and reasonable.

Other available information indicates that a section of the plot of land in Nakuru has been encroached upon and registered in the name of a third party. In addition, Management have disclosed that the plot on Loita Street was irregularly surrendered to the Commissioner of Land. Management has further indicated that the Cabinet Secretary, Ministry of Industry, Trade and Corporative and the Directorate of Criminal Investigations are handling the matter. In the absence of relevant documentary evidence, the consideration and legality of the reported surrender of the plot to the Commissioner of Land could not be confirmed.

In view of these anomalies, the ownership, valuation and completeness of the property, land and equipment balance of Kshs.2,592,125,064 as at 30 June, 2020 could not be confirmed.

4. Trade and Other Receivables

4.1 Long Outstanding Debts

The statement of financial position reflects a balance of Kshs.197,185,026 under trade and other receivables representing an increase by Kshs.89,765,053 or 83.5% from the previous year amount of Kshs.107,419,973. Included in the trade and other receivables balance are amounts of Kshs.5,417,733, Kshs.24,816,297, Kshs.9,334,871, Kshs.65,025,910 and Kshs.1,672,192 relating to GoK debts, private debtors, claims receivable, rent receivable and bounced cheques that have remained outstanding for more than one year. Similarly, and as previously reported, the rent receivables balance of Kshs.65,025,910 includes former tenants rent arrears of Kshs.3,198,930 and Uchumi Super Markets Limited of Kshs.44,726,594. The continued accumulation of outstanding receivables is an indication of weaknesses in debt collection mechanisms in the recovery of outstanding amounts due to the Corporation.

4.2 Provision for Bad and Doubtful Debts

The trade and other receivables balance of Kshs.197,185,026 is net of provision for doubtful debts of Kshs.36,951,104 for the period under review. However, the provision has not been supported by any documentary evidence.

Under the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.197,185,026 as at 30 June, 2020 could not be confirmed.

Key Audit Matters

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

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Information Communication Technology (ICT) Control Environment

The audit of IT function revealed that Management has not put in place;

- Information Technology governance controls (Strategic IT committee, IT strategic plan and IT steering committee).

- Physical access controls to areas such as computer room, operations, storage rooms and network rooms are easily accessible.

- ICT continuity- Backups are not stored in a secure offsite storage facility.

Although Management has explained that it has a secured cloud storage and is looking for an offsite storage, no evidence has been produced for audit verification.

2. Risk Management Framework Policy

The Corporation had not developed a Risk Management Policy. This is contrary to Section 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that a National Government entity develops risk management strategies, which include fraud prevention mechanism. Further, Treasury Circular No. 3/2009 of 23 February, 2009 requires National Government entities to develop and implement a risk management framework.

The purpose of risk management policy is to provide guidance regarding management of risks to support achievement of overall corporate objectives, protect staff, company assets and ensure financial sustainability. The risk management framework initiative is informed by good corporate governance practice and the need to be proactive as opposed to reactive in managing risks.

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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Qualified Opinion section of my report, I report based on my audit, that:

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

ii. In my opinion, adequate accounting records have been kept by the Corporation, so far as appears from the examination of those records; and,

iii. The Corporation's financial statements are in agreement with the accounting records and returns.

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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Corporation 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 Corporation'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 overall 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 non-compliance. 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 Corporation's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

30 September, 2021

XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019/2020	Restated 2018/2019	2018/2019
REVENUES		Kshs	Kshs	Kshs
Sales	6	537,394,740	167,091,409	167,091,409
Cost of Sales	7	(481,784,270)	(151,328,431)	(151,328,431)
Gross Profit		55,610,469	15,762,978	15,762,978
Commission Income (Net)	8	11,299,549	21,908,579	21,908,579
Trading Income		66,910,018	37,671,557	37,671,557
Other Income	9	85,275,984	75,788,209	75,788,209
Total Revenues		**152,186,002**	**113,459,766**	**113,459,766**
OPERATING EXPENSES				
Administration Costs	10	41,550,154	*27,328,578	34,460,908
Personnel Emoluments	11	48,848,577	*47,312,200	46,963,214
Directors Emoluments	12	9,218,260	8,277,273	8,277,273
Selling & Distribution Costs	13	12,538,191	*9,841,344	-
Depreciation of Property & Equipment	14	31,615,028	*31,923,387	28,045,227
Other Expenses	15	2,326,620	*3,883,012	9,979,152
Total Operating Expenses		**146,096,829**	**128,565,794**	**127,725,774**
Operating Profit/(Loss)		**6,089,173**	**(15,106,028)**	**(14,266,008)**
Finance Costs	16	3,151,360	*4,577,391	3,676,887
Profit/(Loss) Before Taxation		**2,937,813**	**(19,683,419)**	**(17,942,895)**
Income Tax Expense/(Credit)	17(a)	1,029,592	*(2,856,779)	(2,700,301)
Profit/(Loss) After Taxation		**1,908,221**	**(16,826,640)**	**(15,242,594)**
Earnings per share – Basic and diluted	18	5%	-48%	-48%
Dividends per Share		-		-
OTHER COMPREHENSIVE INCOME				
Profit/ (Loss) for the Year		1,908,221	(16,826,640)	(15,242,594)
Grants from National Government	19	680,000,000	-	-
Total Comprehensive income/(Loss)		**681,908,221**	**(16,826,640)**	**(15,242,594)**

*Restated amounts. See note 41

XIV. STATEMENT OF FINANCIAL POSITION

ASSETS	Note	2019/2020 Kshs	Restated 2018/2019 Kshs	2018/2019 Kshs
Non-Current Assets				
Property, plant and equipment	20	2,592,125,064	2,630,609,064	2,630,609,064
Right of Use of Assets	21	6,378,480	15,512,640	-
Intangible assets	22	16,906,172	16,606,172	16,606,172
Total Non-Current Assets		**2,615,409,716**	**2,662,727,876**	**2,647,215,236**
Current Assets				
Inventories	23	483,606,279	16,740,634	16,740,634
Trade and other receivables	24	197,185,026	107,419,973	107,419,973
Income Tax Recoverable	17(c)	8,291,694	7,941,557	7,769,949
Short Term Deposits	25	100,000,000		
Bank and cash balances	26	59,116,397	2,007,160	2,007,160
Total Current Assets		**848,199,396**	**134,109,324**	**133,937,716**
Total Assets		**3,463,609,112**	**2,796,837,200**	**2,781,152,952**
EQUITY AND LIABILITIES				
Capital and Reserves				
Share Capital	27	32,000,000	32,000,000	32,000,000
Revaluations Reserve	28	2,810,642,777	2,810,642,777	2,810,642,777
Retained Earnings	29	(255,386,244)	(257,294,465)	(255,710,418)
Capital and Reserves		**2,587,256,533**	**2,585,348,312**	**2,586,932,359**
Long Term Liabilities				
Rent Leases	30	8,061,644	9,890,202	9,890,202
Lease Liabilities (Non-Current)	31	5,961,709	15,813,611	
Deferred Tax Liability	32	64,522,876	69,067,281	69,067,281
Rice Fund	33	660,000,000	-	
Total Non-Current Liabilities		**738,546,229**	**94,771,094**	**78,957,483**
Current Liabilities				
Lease Liabilities (Current)	31	1,912,469	3,488,384	
Borrowings	34	10,505,046	17,414,241	17,414,241
Trade and other payables	35	125,388,836	95,815,169	97,848,869
Total Current Liabilities		**137,806,351**	**116,717,794**	**115,263,110**
TOTAL EQUITY AND LIABILITIES		**3,463,609,112**	**2,796,837,200**	**2,781,152,952**

The financial statements were approved on 30TH SEPTEMBER 2020 and signed on its behalf by:

Lucy M. Anangwe	**Timothy Mirugi**	**Peter Kaberia**
Finance & Accounts Manager	Ag. Managing Director	Chairman
ICPAK Reg No. 9600		

*Restated amounts. See note 41

XV. STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	REVALUATIONS RESERVE	RETAINED EARNINGS	TOTAL
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2018	32,000,000	2,810,642,777.00	(240,467,824)	2,602,174,953
Net Profit/(Loss) for the year			(15,242,594)	(15,242,594)
Balance as at 30th June 2019	**32,000,000**	**2,810,642,777**	**(255,710,418)**	**2,586,932,359**
Prior years' adjustment			(1,584,047)	(1,584,047)
Restated Balance as at 1st July 2019	**32,000,000**	**2,810,642,777**	**(257,294,465)**	**2,585,348,312**
Profit/(Loss) for the year			1,908,221	1,908,221
Balance as at 30th June 2020	**32,000,000**	**2,810,642,777.00**	**(255,386,244)**	**2,587,256,533**

XVI. STATEMENT OF CASHFLOWS

	Note	2019/2020	Restated 2018/2019	2018/2019
CASHFLOWS FROM OPERATING ACTIVITIES		**Kshs**		
Net cash generated from/(used in) operating activities	39(a)	**(492,744,473)**	**5,820,247**	**2,792,707**
CASHFLOWS FROM INVESTING ACTIVITIES				
Purchase of Computers & Office Equipment	20	(3,411,855)	(1,266,592)	-1,266,592
Buildings W-I-P	19	(6,793,013)		
Purchase of Computer Software	21	(360,000)	(3,494,616)	-3,494,616
Increase/(Decrease) in Rent lease deposits	36	(1,828,558)	1,980,194	1,980,194
Net cash generated from/(used in) investing activities		**(12,393,426)**	**(2,781,014)**	**-2,781,014**
CASHFLOWS FROM FINANCING ACTIVITIES				
Net Increase (decrease) in Loans	30	-	(512,865)	-512,865
Proceeds from Borrowings (Finance Leases)	30	2,019,298		
Repayment of Borrowings (Finance Leases)	30	(10,310,036)	1,798,406	1,798,406
Recurrent grant Received	19	660,000,000		
Development Grant Received	19	20,000,000		
Decrease in Non-Current Lease Liabilities	38	(9,462,126)	(3,027,540)	
Net cash generated from/(used in) financing activities		**662,247,136**	**(1,741,999)**	**1,285,541**
Increase/(Decrease) In Cash & Cash Equivalents		**157,109,237**	**1,297,234**	**1,297,234**
Cash & Cash Equivalents at beginning of the Year	25	**2,007,160**	**709,926**	**709,926**
Cash & Cash Equivalents at the end of the Year	25	**159,116,397**	**2,007,160**	**2,007,160**

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance Difference	Note
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Revenue							
Sales	483,223,000	(115,843,000)	367,380,000	537,394,740	170,014,740	46%	1
Cost of Sales	(444,565,000)	108,519,000	(336,046,000)	(481,784,270)	(145,738,270)	43%	2
Net Sales	38,658,000	(7,324,000)	31,334,000	55,610,469	24,276,469	77%	3
Commission Income	34,275,000	-	34,275,000	11,299,549	(22,975,451)	-67%	4
Rental Income	111,086,927	(15,361,927)	95,725,000	71,119,454	(24,605,546)	-26%	5
Transport Income	6,180,000	-	6,180,000	3,892,850	(2,287,150)	-37%	6
Warehousing Income	1,750,073	-	1,750,073	3,211,088	1,461,015	83%	7
Interest Income		-	-	7,030,137	7,030,137	100%	8
Parking Income			-	22,455	22,455	100%	8
Government Grants - Recurrent		660,000,000	660,000,000	660,000,000	-	0%	9
Government Grants - Capital	20,000,000		20,000,000	20,000,000		0%	
Total Income	**211,950,000**	**637,314,073**	**849,264,073**	**832,186,002**	**(17,078,071)**		
Expenses							
Personnel Emoluments	65,462,444	(8,552,444)	56,910,000	48,848,577	8,061,423	14%	10
Administration Costs	43,142,560	(3,713,560)	39,429,000	38,701,120	727,880	2%	11
Board Expenses	9,194,000	-	9,194,000	9,218,260	(24,260)	0%	
Repairs & Maintenance	4,620,000	(800,000)	3,820,000	5,175,654	(1,355,654)	-35%	12
Selling & Distribution Costs		13,200,000	13,200,000	12,538,191	661,809	5%	13
Depreciation	31,979,500	-	31,979,500	31,615,028	364,472	1%	
Finance Cost	3,180,000	420,000	3,600,000	3,151,360	448,640	12%	14
Taxation	8,148,000	(4,907,000)	3,241,000	1,029,592	2,211,408	68%	15
Total Expenditure	**165,726,504**	**(4,353,004)**	**161,373,500**	**150,277,782**	**11,095,718**		
Surplus for the Period	**46,223,496**	**641,667,077**	**687,890,573**	**681,908,220**	**(5,982,353)**		

BUDGET VS ACTUAL PERFORMANCE NOTES

1. **Sales:** The forecast sales to the end of the year had projected a negative outlook which necessitated a revision of the budget downwards. However, in February 2020 the Corporation received funding to purchase rice from local farmers for onward selling to Government institutions hence the over achievement by 46%.

2. **Cost of Sales;** Budgeted cost of sales amount Ksh. 444,565,000 was adjusted downwards to 336,046,000. However, the Corporation received a grant 0f 660 million to procure rice for resale which resulted to an increase in cost of sales amount by 145 million against the final Budget.

3. **Net Sales**: This represents the gross profit earned from sale of products. In the original budget, net sales had been projected at 38.7 million but was adjusted downwards to 31.3 million. The Corporation realized a final gross profit amount of Ksh 55.6 million which represented an over performance by 77%

4. **Commission Income;** The underperformance in commission income arose from terminated contractual obligation by one of the Corporation's key partner.
5. Budgeted **Rental Income** was adjusted downwards by 15 million due to non-renewal of expired lease contracts by some tenants and slow uptake of vacant go downs by new tenants. Overall, the revenue item underperformed by 67% as the remained unoccupied. The Corporation requires funds to upgrade the warehouses to improve the demand for the go downs.

6. **Transport Income** underperformed against the budget due to the frequent breakdowns of the Corporation's ageing fleet.

7. **Warehousing Income** Outperformed the budget by 83% as demand for temporary storage grew. KNTC offered temporary storage of goods for up to 3 months contributing to the rise in warehousing income.

8. The Corporation introduced other revenue streams in **Parking income** and **Interest Income**. The same had not been budgeted for in the year.

9. **Government Grants – Recurrent;** This represents grant received for the purchase of rice from Kenyan rice farmers for onward selling to government institutions.

10. **Personnel Emoluments** were adjusted downwards by kshs 8.5 million when the planned recruitments were not approved by Treasury. The budget was underspent by 14% by 30th June when the anticipated salaries review recommendations by SRC was not received in the year.

11. **Administration Costs** were adjusted downwards by 4 million to cater for the reclassification of Selling & Marketing Costs.

12. **Repairs & Maintenance** were adjusted downwards by Kshs 0.8 million as the Corporation had anticipated a disposal of the old motor vehicles and acquisition of new trucks. However, the Corporation was unable to acquire new motor vehicles nor dispose of part of its ageing fleet resulting to over-expenditure on repairs by 35%.

13. **Selling & Distribution Costs** were adjusted by Kshs 13.2 million as a result of reclassification of items previously included under administration costs and increased distribution costs related to rice.

14. **Finance Costs** were adjusted upwards by 0.4 million to cater for the additional borrowing occasioned by the staff medical scheme. As at 30th June 2020, the budget had been underspent by 0.4 million as the Corporation realized savings in interest from the negotiations with ICDC on accrued interest.

15. The Corporation reduced the provision for Tax by Kshs 4.9 million in the adjustment to the budget due to the anticipated non achievement of the profits target. As at 30th June, the corporation had achieved only 16% of the expected profit leading to under performance of the tax provision by 68%.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya National Trading Corporation Ltd was established under the Companies Act (Cap 486) in 1965. At cabinet level, the Corporation who is represented by the Cabinet Secretary for the Ministry of Industry, Trade & Co-operatives is responsible for the general policy and strategic direction of the Corporation. The principal activity of the Corporation is to Promote and increase wholesale and retail trade. The Corporation also participates in the distribution of a wider range of products such as; Cement, Lime, Fertilizer, Magadi Salts, Paints, Building Materials, Human Salt, Farm inputs and products, Plastic ware, Sugar etc.

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 judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Notes

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

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

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

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

Standard/Amendment to a standard	Effective date	Impact
IFRS 16: Leases (Issued 13 January 2016)	On or after 1 Jan 2019	IFRS 16 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. 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. **The provisions of IFRS 16 have been applied in these financial statements.** Assessments for Right of use assets and lease liabilities have been recognised with a corresponding decrease of the net amount in retained earnings.
IFRIC 23: Uncertainty Over income tax treatments	On or after 1 Jan 2019	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 The application of this amendment did not result in any impact on the financial statements.
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued in October 2017)	On or after 1 Jan 2019	The amendments 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. The application of this amendment did not result in any impact on the financial statements.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued in October 2017)	On or after 1st Jan 2020	The amendments clarify that clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures. The application of this amendment did not result in any impact on the financial statements.
Amendments to IAS 23: Annual Improvements to IFRSs 2015–2017 Cycle (issued in December 2017)	On or after 1st Jan 2019.	The amendments 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. The application of this amendment did not result in any impact on the financial statements

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 1 and IAS 8: Definition of material	On or after 1st Jan 2019.	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 application of this amendment did not result in any impact on the financial statements.

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

Standard	Effective Date	Impact
IFRS 17 Insurance Contracts (Issued 18 May 2017)	1 Jan 2021	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 2018)	1 Jan 2020	Together with the revised *Conceptual Framework* published in March 2018, 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 2018) 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.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

i) **Sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Rental income and warehousing** income is recognized in the income statement as it accrues using the effective lease agreements.

iii) **Commission income** is recognized as it accrues.

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

v) **Parking income** and **transport income** is recognized in the income statement as it accrues.

vi) **Grants from National Government** are recognised in the year in which the Corporation 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.

b) In-kind contributions

In-kind contributions are donations that are made to the Corporation 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 Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.
Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized 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 recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2%
Machinery & Office Equipment	15%
Motor vehicles	20%
Computers and related equipment	33.33%
Furniture and fittings	15%

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

e) Intangible assets

Intangible assets comprise purchased computer software, licenses and website development which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over three years from the year that they are available for use.

f) Amortization and impairment of intangible assets

Amortization 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 recognized 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 Corporation, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Leases

The Corporation has leases for the godowns/depots in Kitale, Machakos, Wote and Meru. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease liability and asset. The Corporation classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 21).

i) 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 First in first out (FIFO) method.

j) 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.

k) 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. 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.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the various commercial banks at the end of the financial year.

m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Finance charges 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 capitalized as part of the cost of the project.

n) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized 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 Corporation or not, less any payments made to the suppliers.

o) Retirement benefit obligations

The Corporation operates a defined contribution staff retirement scheme for its current employees. The scheme is administered by Insurance Company of East Africa (ICEA). The Corporation's contributions to the defined contribution retirement benefit scheme are charged to the income statement account in the year to which they relate. The assets of funded scheme are held independently in a separate trustee administered funds account.

The Corporation also contributes to the National Social Security Fund (NSSF). The company's contributions to the defined contribution scheme and NSSF are charged to the profit & loss account in the year to which they relate. The corporation's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

p) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Budget information

The original budget for FY 2019-2020 was approved by The National Assembly in April 2019. 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 Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded additional appropriations on the 2019-2020 budget following the Board of Directors' approval.

The Corporation'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 with the exception of grant income which is recognised on a receipts basis 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.

r) Comparative figures

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

s) 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, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Corporation'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.

Estimates and assumptions

The Corporation 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 Corporation. 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 Corporation
- 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 the notes.

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.

Provision for Staff Leave Pay: Employees' entitlements to annual leave are recognised as they accrue to the employees.

Provision for Bad & Doubtful Debts. The estimated provision for doubtful debts is based on the period for which the debt was outstanding.

Provision for stocks obsolescence. The provision for stocks obsolescence is based on the condition of the stock item and whether the corporation stands to recover its investment from the stock item.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SALES

Product Category	2019/2020	2018/2019
Fertilizer	241,119,079	81,300,151
Rice	145,004,920	86,648
Magadi Salts	88,353,594	61,265,310
Cement	33,550,796	17,245,175
Hardware & Special Orders	23,465,793	2,599,797
Farm Inputs & Implements	4,128,679	3,584,989
Plastic Wares	1,771,879	996,192
TOTAL	**537,394,740**	**167,078,263**

7 COST OF SALES

Product Category	2019/2020	2018/2019
Fertilizer	222,457,948	74,229,111
Rice	126,147,138	80,938
Magadi Salts	77,904,516	54,389,546
Hardwares & Special Orders	19,056,719	2,249,815
Cement	31,204,958	16,163,600
Farm Inputs & Implements	3,498,332	3,332,735
Plastic Wares	1,514,659	882,686
TOTAL	**481,784,270**	**151,328,431**

8 COMMISSION INCOME

	2019/2020	2018/2019
Commission Income	12,254,715	24,920,357
Less Handling Costs	(955,165)	3,011,778
	11,299,549	**21,908,579**

9. OTHER INCOME

Rent Income	71,119,454	72,674,071
Warehousing Income	3,211,088	175,000
Interest Income	7,030,137	-
Transport Income	3,892,850	2,939,138
Parking Income	22,455	-
	85,275,984	**75,788,209**

10 ADMINISTRATION COSTS

	2019/2020	Restated 2018/2019	2018/2019
Travelling & Subsistence Costs	6,435,803	3,392,994	3,742,894
Training Expenses	2,524,360	479,787	479,787
Staff Welfare Costs	9,031,883	4,830,365	4,136,763
Communication Services	2,571,241	1,200,328	1,316,828
Printing, Advertising & Information Supplies	1,004,585	3,783,013	3,783,013
Rent, Licences & Security	13,803,787	10,966,534	15,149,700
Legal & Professional Services	1,013,166	1,496,751	1,496,751
Office & General Supplies	1,716,701	755,694	755,694
Motor Vehicle Expenses	2,301,994	134,000	3,310,366
Repairs & Maintenance	1,146,634	289,112	289,112
	41,550,154	**27,328,578**	**34,460,908**

11 PERSONNEL EMOLUMENTS

	2019/2020	Restated 2018/2019	2018/2019
Salaries & Wages	46,092,934	44,168,526	43,125,938
Pension & Gratuity	2,562,563	2,705,789	2,705,789
Medical Expenses		-	693,602
Provision for Leave Pay	193,080	437,885	437,885
	48,848,577	**47,312,200**	**46,963,214**

The number of Employees at the end of the year was;

	2019/2020	2018/2019
Permanent Employees - Management	55	57
Permanent Employees - Unionisable	-	-
Temporary & Contract Employees	-	-
Total	**55**	**57**

12 DIRECTORS' EMOLUMENTS

	2019/2020	2018/2019
Board Travel & Subsistence Costs	3,693,029	2,718,126
Board Sitting Allowance	3,613,332	3,828,000
Board Training fees	-	540,000
Chairman's Honoraria & Mobile	1,044,000	565,500
Board Medical Cover	769,363	465,650
Board General Expenses	98,536	159,998
	9,218,260	**8,277,274**

13 SELLING & DISTRIBUTION COSTS

	2019/2020	Restated 2018/2019	2018/2019
Marketing & Promotional expenses	77,536	115,292	
Repairs & Maintenance of trucks	3,458,953	1,681,582	
Telephone for Sales Staff	331,885	116,500	
Travelling & Subsistence for Sales	136,550	234,608	
Fuel for Trucks	1,870,425	1,494,784	
Provision for Bad Debts	6,492,784	6,096,140	
Provision for Stock Obsolescence	167,057	99,489	
Tendering Costs	3,000	2,949	
Total Selling & Distribution Expenses	**12,538,191**	**9,841,344**	

Selling & Distribution costs had in prior years been included to administration costs.

14 DEPRECIATION

	2019/2020	Restated 2018/2019	2018/2019
Depreciation of Property plant & Equipment	28,688,868	28,045,227	28,045,227
Amortization of Intangible Assets	60,000		
Depreciation of Right-of-Use Assets	2,866,160	3,686,160	
Total Depreciation	31,615,028	31,731,387	28,045,227

15 OTHER EXPENSES

	2019/2020	Restated 2018/2019	2018/2019
Corporate Social Responsibility	100,000		
Interest & Penalties	2,226,620	3,557,434	3,557,434
Audit fees			200,000
Miscellaneous Expenses			26,089
Increase in Provision for obsolesce			99,489
Increase in Provision for Doubtful Debts			6,096,140
	2,326,620	3,557,434	9,979,152

16 FINANCE COSTS

	2019/2020	Restated 2018/2019	2018/2019
Interest on Loans & Finance leases	2,161,543	3,676,887	3,676,887
Interest on Lease Liabilities	349,735	389,776	
Bank Charges & Interest	640,082	510,728	
Total Finance Costs	**3,151,360**	**4,577,391**	**3,676,887**

17 TAXATION

17(a) INCOME TAX EXPENSE/(CREDIT)

	2019/2020	Restated 2018/2019	2018/2019
Income tax on profits calculated at domestic rate - 25%	10,143,697	3,700,012	3,856,490
Current Tax: Prior year under/(over) provision			
Current year deferred tax charge (note 34)	(12,955,083)	(6,556,791)	(6,556,791)
Under/(over) provision of deferred tax in prior years	3,840,978		
Income Tax Expense/ (Credit)	**1,029,592**	**(2,856,779)**	**2,700,301**

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

Profit before tax	2,937,813	(19,683,419)	(17,942,895)
Tax at applicable tax rate 30%	734,453	(5,905,026)	(5,382,868)
Current tax: 2018/2019 under provision	(9,028,690)	(412,057)	(412,057)
Tax effects on expenses not deductible for tax purposes	10,416,986	11,684,003	10,373,776
Tax effects on income not taxable	-		
Tax effects of excess capital allowances over depreciation	(1,093,157)	(8,223,699)	(7,279,151)
Deferred tax prior year over-provision			
	1,029,592	(2,856,779)	(2,700,301)

17(c) TAX RECOVERABLE

At the beginning of the year	(7,941,557)	(6,783,226)	(6,783,226)
Income tax Charge/(Credit) for the year-note17(a)	1,029,592	(2,856,779)	
Under/over) provision in prior years	401,259	11,995,673	12,010,803
Tax Paid during the year	(1,780,988)	(10,297,225)	(10,297,225)
At the end of the year	(8,291,694)	(7,941,557)	(7,769,949)

18 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax by the average number of Ordinary shares in issue during the year of 32,000,000. There were no dilutive or potentially dilutive ordinary shares as at the reporting date. The corporation reported a profit of Ksh. 1,908,221 during the financial year.

19. GRANTS FROM NATIONAL GOVERNMENT

Recurrent	660,000,000
Development	20,000,000
Total	680,000,000

Recurrent received from the national Government for the purpose of procuring milled rice from farmers for onward selling to Government Institutions. Development Grants represent funds received for the purpose of financing refurbishment of warehouses of the Corporation.

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
State Department of Trade	680,000,000			680,000,000	680,000,000
Total	**680,000,000**			**680,000,000**	**680,000,000**

20 SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	LAND	BUILDINGS	WORK IN PROGRESS	MACHINERY AND OFFICE EQUIPMENT	COMPUTERS & ICT EQUIPMENT	FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
COST OR VALUATION								
As at 1st July 2018	**1,699,210,000**	**1,000,612,200**	-	**3,017,362**	**3,238,000**	**3,096,000**	**34,400,000**	**2,743,573,562**
Additions				686,981	133,101	446,510		**1,266,592**
Loita Street & Nakuru Plots)	63,390,540	-		-	-	-	-	**63,390,540**
Disposals					(80,000)			**(80,000)**
Less Provision for Loss	(63,390,540)							**(63,390,540)**
As at 30th June 2019	**1,699,210,000**	**1,000,612,200**	-	**3,704,343**	**3,291,101**	**3,542,510**	**34,400,000**	**2,744,760,154**
DEPRECIATION								
As at 1st July 2018	-	**60,036,732**		**1,304,598**	**2,811,333**	**1,393,200**	**20,640,000**	**86,185,863**
Charge for the year		20,012,244		455,081	204,761	493,141	6,880,000	**28,045,227**
Disposal					(80,000)			**(80,000)**
As at 30th June 2019	-	**80,048,976**	-	**1,759,680**	**2,936,094**	**1,886,341**	**27,520,000**	**114,151,090**
NET BOOK VALUE								
As at 30th June 2019	**1,699,210,000**	**920,563,224**	-	**1,944,663**	**355,007**	**1,656,169**	**6,880,000**	**2,630,609,064**
2019-2020								
COST OR VALUATION								
As at 1st July 2019	**1,699,210,000**	**1,000,612,200**	-	**3,704,343**	**3,291,101**	**3,542,510**	**34,400,000**	**2,744,760,154**
Additions			6,793,013	505,042	2,547,414	359,400		**10,204,868**
Loita Street & Nakuru Plots)	63,390,540	-		-	-	-	-	**63,390,540**
Development Grant			(20,000,000)					**(20,000,000)**
Less Provision for Loss	(63,390,540)							**(63,390,540)**
As at 30th June 2020	**1,699,210,000**	**1,000,612,200**	**(13,206,987)**	**4,209,385**	**5,838,515**	**3,901,910**	**34,400,000**	**2,734,965,022**
DEPRECIATION								
As at 1st July 2019	-	**80,048,976**	-	**1,759,680**	**2,936,094**	**1,886,341**	**27,520,000**	**114,151,090**
Charge for the year		20,012,244		507,301	705,491	583,832	6,880,000	**28,688,868**
As at 30th June 2020	-	**100,061,220.00**	-	**2,266,980.62**	**3,641,585.33**	**2,470,172.13**	**34,400,000.00**	**142,839,958.07**
NET BOOK VALUE								
As at 30th June 2020	**1,699,210,000**	**900,550,980**	**(13,206,987)**	**1,942,404**	**2,196,929**	**1,431,738**	-	**2,592,125,064**

a) Provision for Loss includes Loita Street plot LR.209/103430 valued at ksh 30,462,543.5 in the accounts which was irregularly transferred to commissioner of lands and Part of Nakuru plot LR.6/158 was irregularly acquired by a private developer and a godown constructed on it.

b) Nairobi plot LR.209/8607 is charged against the loan and trade guarantees with ICDC Ltd.

c) The Corporation received a grant of Ksh 20 million for the refurbishment of the Kisumu Warehouse. The same has been disclosed under work in progress.

21 RIGHT-OF-USE ASSETS

	2019/2020	Restated 2018/2019
Buildings		
Cost	19,390,800	19,390,800
Additions		
Discontinued	(7,800,000)	
Total	**10,630,800**	**19,390,800**
Accumulated Depreciation		
Balance b/f	3,878,160	-
Additions	2,866,160	3,878,160
Discontinued	-2,492,000	
Balance	**4,352,320**	**3,878,160**
Carrying Amount	**6,378,480**	**15,512,640**

22 INTANGIBLE ASSETS

	2019/2020	2018/2019
Opening Balance	16,606,172	13,111,556
Additions	360,000	3,494,616
Amortization	(60,000)	
Written down Value	16,906,172	16,606,172

ERP software is not fully implemented therefore it is yet to be amortized.

23 INVENTORIES

	2019/2020	2018/19
Inventories	484,108,959	17,076,257
Provision for Obsolescence	(502,680)	(335,623)
	483,606,279	16,740,634

24 TRADE & OTHER RECEIVABLES

(a) TRADE RECEIVABLES

	2019/2020	2018/2019
Private Debtors	25,008,426	25,304,267
Government Debtors	26,452,972	13,208,052
Rice Debtors	78,797,209	53,925
Prepaid Stock		2,327,400
Total Trade Receivables	**130,258,60[illegible]**	**40,893,644**

b) OTHER RECEIVABLES

Rent Receivable	87,219,024	76,105,188
Commission receivable	-	3,204,070
Transport Receivable	-	1,102
Staff Purchase Scheme	559,028	31,005
Receivable bank Guarantees	1,000,000	1,000,000
A/c Receivable D.I.T.	603,182	603,182
Salary Advance	56,583	-
Staff Imprests	496,700	687,140
Claims Receivable	9,334,871	10,261,644
Bounced Cheques receivable	1,672,192	2,172,192
Prepaid Expenses	217,138	444,545
Prepaid Insurance	1,851,023	1,618,006
Deposits	661,442	961,442
VAT Recoverable	206,341	(104,868)
	103,877,523	**96,984,649**
Total Trade & Other Receivables	**234,136,130**	**137,878,293**
Less Provision for Doubtful debts	(36,951,104)	(30,458,320)
Net Trade & Other Receivables	**197,185,026**	**107,419,973**

At June 30 2020, the ageing analysis of the receivables was as follows:

Less than 30 days	47,148,216	8,749,331
Between 30 and 60 days	45,610,250	6,246,945
Between 61 and 90 days	6,382,826	1,519,206
Between 91 and 120 days	3,937,976	7,518,934
Over 120 days	131,056,863	90,726,015

25 SHORT TERM DEPOSITS

	2019/2020
Co-operative Bank	100,000,000
	100,000,000

26 BANK AND CASH BALANCES

	2019/2020	**2018/2019**
Cash at Bank	58,885,058	1,578,376)
Cash in Hand	231,339	428,784
	59,116,397	**2,007,160**

All of the cash at bank was held at Barclays Bank of Kenya, National Bank and Co-operative Bank, the Corporation's main bankers.

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

Financial institution	Account number	2019/2020 KShs	2018/2019 KShs
a) **Current account**			
Barclays Bank	0701788990	(429,410)	61,180
National Bank	01003002924900	486,724	853,330
Co-operative Bank	01136028861700	2,964,612	647,754
Co-operative Bank	01136028861701	55,863,132	16,112
Sub- total		**58,885,058**	**1,578,376**
b) On-Call Deposits			
Co-operative Bank		100,000,000	-
Sub- total		**100,000,000**	-
c) Others			
Petty Cash Balances		230,719	280,862
Undeposited Funds		620	-
M-Pesa Till Balances		-	147,922
Sub- total		**231,339**	**428,784**
Grand total		**159,116,397**	**2,007,160**

27 SHARE CAPITAL

	2019/2020	2018/2019
Ordinary shares Issued and fully paid		
1.6million shares of ksh.20 each	32,000,000	32,000,000

28 REVALUATIONS 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.

	2019/2020	2018/2019
Balance as at 1st July 2019	2,810,642,777	2,810,642,777
Revaluations during the year		
Deferred Tax Liability on Revaluation	-	-
Balance as at 30th June 2020	2,810,642,777	2,810,642,777

29 RETAINED EARNINGS

The retained earnings are as per the statement of changes in Equity.

30 RENT LEASE DEPOSITS	2019-2020	2018-2019
Rent lease deposits b/f	(9,890,202)	(7,910,008)
Deposits by tenants	(1,005,373)	(3,148,436)
Refunds paid to Tenants	2,833,931	1,168,242
Rent lease deposits c/f	**(8,061,644)**	**(9,890,202)**

31 LEASE LIABILITY

	2019-2020 Kshs	Restated 2018-2019 Kshs
Maturity analysis		
2022/23	8,301,559	19,390,800
	8,301,559	**19,390,800**
Less: unearned interest	(427,381)	(88,805)
	7,874,178	**19,301,995**
Analysed as:		
Non-Current	**5,961,709**	**12,493,560**
Current	**1,912,469**	**6,808,435**

32 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 25%. The net deferred tax liability at year end is attributable to the following items:

	2019/2020 Kshs	2018/2019 Kshs
Accelerated Capital Allowance	1,093,157	3,781,390
Tax losses carried forward	22,191,015	30,706,638
Provisions	41,238,704	34,579,252
Net deferred tax liability	**64,522,876**	**69,067,280**

The movement on the deferred tax account is as follows:

Balance at beginning of the year	69,067,281	75,624,072
Under provision in prior years	8,410,678	-
Income statement charge/(credit)	(12,955,083)	(6,556,791)
Balance at end of the year	**64,522,876**	**69,067,281**

33 RICE FUND

This represents grants received to purchase rice from farmers for onward selling.

Balance b/f	-
Add Additions	660,000,000
Balance c/f	**660,000,000**

34 BORROWINGS

Finance Leases	2019/2020	2018/2019
Balance at the beginning of the year	17,414,241	15,615,835.00
Interest Accrued during the year	1,381,543	2,876,180
Additional Borrowing during the year	2,019,298	1,765,097
Repayments during the year	(10,310,036)	(2,842,871)
Finance Lease balance at end of the year	**10,505,046**	**17,414,241**
Less Amounts Due within 1 Year (Current)	10,505,046	17,414,241
Amounts Due after 1 Year (Non-Current)	-	-
Loans		
Balance at the beginning of the year	-	512,865
Interest Accrued during the year	-	50,707
Repayments of Loans during the year	-	(563,572)
The analyses of both Finance leases and Loans are as follows:		
Ksh 24.18 million Finance Lease from ICDC	8,898,894	15,825,654
Insurance Premium Financing from Co-op Bank	1,606,152	1,588,587
Total	**10,505,046**	**17,414,241**

35 TRADE & OTHER PAYABLES

	2019/2020	2018/2019
Trade Payables	54,984,685	28,277,578
Accrued Charges	53,564,136	53,197,095
Insurance Payable	-	1,726,650
Accrued Audit Fees	2,100,000	1,900,000
Claims Payable	129,288	745,716
Accrued Leave Days	5,315,843	5,122,763
Salary Withholdings	4,004,329	1,115,455
Accrued Directors Fees	345,744	274,000
Accrued Gratuity/Pension	453,612	362,484
Statutory Creditors	1,404,738	2,218,346
VAT & Withholding VAT Payable	3,086,462	2,908,782
	125,388,836	**97,848,869**

36 PROVISION FOR STAFF LEAVE PAY

	2019/2020	2018/2019
Provision for leave pay b/f	5,122,763	4,684,878
Additional provision for the year	3,154,555	2,606,843
Leave paid out or utilised during the year	(2,961,475)	(2,168,959)
Provision for leave pay c/f	**5,315,843**	**5,122,763**

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

'ATEMENTS (Continued)

.ELATED PARTIES	2019/2020	2018/2019
ıyees	46,035	-
nment MDAs	526,434,213	
vernment MDAs	11,232,688	
	537,712,936	
nent		
Government	680,000,000	-
ıstitutions		
	8,898,894	15,825,654
half of Related Parties		
ıtribution pension scheme	2,562,563	2,705,789
re	9,031,883	
	11,594,446	**2,705,789**
:nsation		
	8,952,897	7,243,626
ıagement	14,816,652	9,140,399
	23,769,550	**16,384,025**

:NT

pose it to a variety of financial risks including credit and liquidity risks and currency. The company's overall risk management programme focuses on the business environment and seeks to minimise the potential adverse effect e by setting acceptable levels of risk. The company does not hedge any risks nsure that credit is only extended to customers with an established credit

management objectives and policies are detailed below:

: to credit risk, which is the risk that a counterparty will be unable to pay lit risk arises from cash and cash equivalents, and deposits with banks, as well and available-for-sale financial investments.

:dit quality of each customer, taking into account its financial position, past . Individual risk limits are set based on internal or external assessment in the directors. The amounts presented in the statement of financial position btful receivables, estimated by the company's management based on prior :nt of the current economic environment.

	Total amount	Fully Performing	Past due	Impaired
At 30 June 2020	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Receivables from non- exchange transactions	234,136,130	103,079,267	94,105,759	36,951,104
Cash & Cash Equivalents	159,116,397	159,116,397		
Total	**393,252,527**	**262,195,664**	**94,105,759**	**36,951,104**
At 30 June 2019				
Receivables from non- exchange transactions	107,395,021	16,515,482	9,038,141	81,841,398
Cash & Cash Equivalents	2,007,160	2,007,160		
Total	**109,402,181**	**18,522,642**	**9,038,141**	**81,841,398**

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

The Corporation has significant concentration of credit risk on amounts due from government institutions. The board of directors sets the corporation's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	**Kshs**	**Kshs**	**Kshs**
At 30 June 2020				
Trade payables	49,054,656	5,498,468		54,553,125
Other Payables	48,195,577	8,029,407	-	56,224,984
Current portion of borrowings	1,111,217.60	3,333,652.80	6,060,175.49	10,505,046
Employee benefit obligation	4,004,329			4,004,329
Total	**102,365,779**	**16,861,529**	**6,060,175**	**125,287,483**
At 30 June 2019				
Trade payables	20,293,929	10,474,286	1,963,929	32,732,144
Other Payables	36,240,884	6,040,147	8,053,530	50,334,561
Current portion of borrowings	1,466,573	4,399,718	11,732,581	17,598,872
Provisions	762,520	1,280,691	33,873,496	35,916,707
Employee benefit obligation	8,819,048			8,819,048
Total	**67,582,954**	**22,194,842**	**55,623,536**	**145,401,332**

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Corporation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.
The corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Internal Audit Committee) and for the day-to-day implementation of those policies.

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

iv). Capital Risk Management

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

	2019/2020	Restated 2018-2019	2018/2019
	Kshs	Kshs	Kshs
Revaluation reserve	2,810,642,777	2,810,642,777	2,810,642,777
Retained earnings	(254,815,444)	(256,723,665)	(251,723,238)
Share Capital	32,000,000	32,000,000	32,000,000
Total funds	**2,587,827,333**	**2,607,729,525**	**2,590,919,539**
Total borrowings	10,505,046	17,414,241	17,598,871
Less: cash and bank balances	(159,116,397)	(2,007,160)	(2,007,160)
Net debt/(excess cash and cash equivalents)	(148,611,351)	15,407,081	15,591,711
Gearing	**5%**	**5%**	**4%**

44 INCOPORATION

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

45 CONTIGENT LIABILITIES

The Corporation also discloses the following: -

Tax assessments by KRA of Kshs. 108 million and 8 million have been disputed by the Corporation. The same has been disclosed as a contingent liability

46 EVENTS AFTER THE REPORTING PERIOD

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

47 CURRENCY

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

XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the Auditor General and management comments that were provided to the auditor. The Corporation nominated focal persons as shown below with the associated timelines within which the issues are expected to be resolved.

Audit Query Ref No.	Issue/Observations from the Auditor General	Management Comments	Focal Point person to Resolve theIssue	Status
1.1	**Untitled Land** a) Three Parcels of land situated in Nairobi, Nanyuki, Nyahururu and Kapsabet valued at Kshs. 55,204,540 dd not have ownership documents. b) There are unresolved disputes between the Corporation & other parties in regard to ownership of a plot of land in Bungoma county. c) The plots in Nanyuki, Nyahururu & Naivasha are not fenced.	a) The management has sought the help of our lawyers, the Kenya Railways Corporation, National Lands Commission and the EACC to ensure the ownership documents are obtained. b) The matter is awaiting determination at the Bungoma LawCourts c) The Corporation has engaged KenyaRailways to obtain title deeds for the parcels to be allowed to fence.	Company Secretary/ Legal Services Manager	In Progress
1.2	**Unsupported Diminution of Land Value** Management made a provision for loss of land in respect of Loita Street and Nakuru of Kshs 63,390,540. There was no documentary evidence to support the surrender of the Loita street plot to the commissioner of lands. Hence it was not possible to confirm the ownership, valuation and completeness of the Property, Plant & Equipment.	The Corporation continues to engagethe EACC, DCI & NLC through regular correspondences.	Finance & Accounts Manager	In Progress
2	**Unconfirmed Trade & Other Receivable** The corporation made a provision for doubtful debts amounting to Ksh 30,458,320. However, the draft debt management policy is yet to be approved.	The Debt Management policy was presented to the Board of Directorsawaiting final approval.	Finance & Accounts Manager	In Progress

XX. Appendix 1: PROJECTS IMPLEMENTED BY THE CORPORATION

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)

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
	N/A						

Appendix 2: INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of Trade
FY 2019/2020

Recurrent Grants

	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
Rice Distribution	04/02/2020	660,000,000.00	2019/2020
Total		**660,000,000.00**	

Development Grants

	Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
Warehouse Refurbishments	18/10/2019	10,000,000.00	2019/2020
Warehouse Refurbishments	27/02/2020	10,000,000.00	2019/2020
Total		**20,000,000.00**	

Direct Payments

	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
Nil			
Total		***Nil***	

Donor Receipts

	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
Nil			
Total		***Nil***	

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

Finance Manager
Kenya National Trading Corporation Ltd

Sign: ....

Head of Accounting Unit
State Department of Trade

Sign: ....

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

XXI. Appendix 3: 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	Assets	
State Department of Trade	18/10/2019	Development	10,000,000					10,000,000	10,000,000
State Department of Trade	04/02/2020	Recurrent	660,000,000			660,000,000			660,000,000
State Department of Trade	27/02/2020	Development	10,000,000					10,000,000	10,000,000
Total			**680,000,000**	-	-	**660,000,000**	-	**20,000,000**	**680,000,000**