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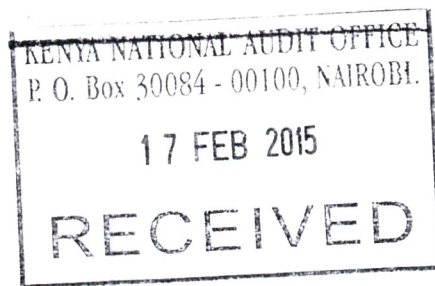
**THE FINANCIAL STATEMENTS OF
KENYA TRADE NETWORK AGENCY**

**FOR THE YEAR ENDED
30 JUNE 2014**



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KENYA TRADE NETWORK AGENCY (KENTRADE)



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2014

**Prepared in accordance with the Accrual Basis of
Accounting Method under the International Public Sector
Accounting Standards (IPSAS)**

Table of Content

Page

I. Abbreviations, Key and Definitions.....	ii
I. KEY ENTITY INFORMATION AND MANAGEMENT.....	iii
III.THE BOARD OF DIRECTORS.....	vi
IV. MANAGEMENT TEAM	ix
V. CHAIRMAN'S STATEMENT	xiii
VI. REPORT OF THE CHIEF EXECUTIVE OFFICER	xiv
VII. CORPORATE GOVERNANCE STATEMENT	xvi
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xix
REPORT OF THE DIRECTORS.....	xx
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxi
X. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TRADE NETWORK AGENCY	xxii
XI. STATEMENT OF FINANCIAL PERFORMANCE	1
XII. STATEMENT OF FINANCIAL POSITION	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVI. NOTES TO THE FINANCIAL STATEMENTS	8
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	24

I. Abbreviations, Key and Definitions

KENTRADE	-	Kenya Trade Network agency
ICT	-	Information Communication Technology
SIMBA	-	Customs Management Systems for KRA
MMS	-	Manifests Management Systems
KPA	-	Kenya ports Authority
KNESWS	-	Kenya National Electronic Single Window System
PFM	-	Public Finance Management
NEWSWS	-	National Electronic Single Window System
SWS	-	Single window systems
IDF	-	Import Declaration Form
KRA	-	Kenya Revenue Authority
KWATOS	-	Kilindini Water Port Automated Terminal Operating Systems for KPA
ICF	-	Investment Climate Facility for Africa (Development Partners)
G.O.K	-	Government of Kenya
IPSAS	-	International Public Sector Accounting Standards
NSSF	-	National Social Security Fund
CEO	-	Chief Executive Officer-Kentrade

KENYA TRADE NETWORK AGENCY

I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

Kenya Trade Network agency (KENTRADE) is established under the Legal notice No.6 of 2010 and the State Corporations Act, Cap. 446 of the Laws of Kenya.

Principal Activities

The principal roles of KENTRADE are:

- ≈ Establish and manage a National Electronic Single Window System and facilitate trade.
- ≈ The national Electronic Single Window System shall serve as a single entry point for parties involved in trade and transport:
 - Lodge documents electronically, for processing and approval; and
 - Make payments electronically for fees, levies, duties and taxes due to the Government, on goods imported or exported.

Key Management

The Agency's day-to-day management is under the following key officers:

- The Chief Executive Officer;
- General Manager Operations
- General Manager support Services

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

1.	Mr. Alex Kabuga	Chief Executive Officer
2.	Mr. Amos Wangora	General Manager Operations
3.	Simon Kiplangat	General Manager Support Services
4.	Ms. Beatrice Kosgei	Corporation Secretary and Head of Legal Affairs
5.	Ms. Joanne Kweyu	Manager, Procurement
6.	Mr. David Ngarama	Manager, Strategy and Planning
7.	Mr. Joseph Kimanga	Manager, Finance
8.	Ms. Hellen Wasike	Manager, Human Resource and Administration
9.	Mr. Eugene Waluvengo	Manager, ICT
10.	Mr. Daniel Kiange	Manager, Trade Facilitation
11.	Mr. Chrispus Mbogo	Manager, Audit and Risk
12.	Ms. Rose Ronoh	Manager, Customer Service
13.	Ms. Anne Odero	Head, Corporate Communications

Fiduciary Oversight Arrangements

Audit & Risk Committee

1. **Mr. Aggrey Chabeda** Chairman
2. **Mr. Sam Njonde** Vice Chairman
3. **Mr. George Wanjau** Member
4. **Mr. Joseph Ngugi** Member

Finance, Staff & General Purposes Committee

1. **Mr. Gilbert Langat** Chairman
2. **Mr. Sam Njonde** Vice Chairman
3. **Mr. Joseph Ngugi** Member
4. **Mr. George Wanjau** Member

Business Operations & Technical Committee

1. **Mr. Sam Njonde** Chairman
2. **Mr. Gilbert Langat** Vice Chairman
3. **Mr. George Wanjau** Member
4. **Mr. Aggrey Chabeda** Member

Entity Headquarters

Embankment Plaza
First Floor
P.O. Box 36943 – 00200
Nairobi

Entity Contacts

Telephone: (254) 20 2614896
E-mail: info@kentrade.go.ke
Website: www.singlewindow.go.ke

Entity Bankers

Equity Bank limited.
Equity Centre Branch
P.O. Box 75104 – 00200
Nairobi

Co-operative Bank of Kenya
KUSCO Centre Branch
P.O. Box 48231 – 00100
Nairobi

Independent Auditors

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

Principal Legal Adviser

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

III. THE BOARD OF DIRECTORS

Gen. (Ret) Joseph Raymond Kibwana, EGH, CBS
CHAIRMAN



Gen. Kibwana is an Alumnus of the Britannia Royal Naval School of Engineering, the US Naval Staff College and the US Naval War College. He is also a member of Kenya Institute of Directors.

Gen. Kibwana has a wealth of experience having served as the Chief of the General Staff, the Commandant of the National Defence College and the Commander of the Kenya Navy. He is also the Former Chairman of the Board of Directors, KPA and Board Member, KCB (Kenya and Burundi).

Mr. Aggrey Geoffrey K. Chabeda
Member



Mr. Chabeda holds a BSc, Electronics (Hon) from the University of Manchester Institute of Science & Technology, a Diploma in Sports Management from the Wits Business School, Johannesburg and a Certificate in Corporate Governance from Commonwealth Centre for Corporate Governance.

He has served as the Chief Executive Officer of Sports Options Limited and also a Director of Khubi Solutions Kenya Ltd. Mr. Chabeda was previously the Chairman of the Board of Directors of the Kenya Bureau of Standards and the Institute for Education in Democracy.

Mr. Sam K. Njonde
Member



Mr. Njonde holds a Bachelor of Science (BSc.) degree from the University of Nairobi. He is the Pioneer of Kenya foreign exchange industry. He piloted the Money Transfer Systems for two years with supervision of CBK through Capital Bureau De Change.

He has served as a member on the Board of Directors of ICDC, Director of Compact Freight Systems limited and Advisory Board Member of Tourism Marketing Intelligence.

Mr. Gilbert Langat
Member



Mr. Langat has an Executive MBA from Copenhagen Business School Innoorero University and a Bachelor of Arts Management from Moi University, Eldoret. He also has a Certificate in Corporate Governance from International Centre for Leadership and Development (ICLAD). He has worked as a Trainer of Trainers Freight logistics and management at KRA Training, Mombasa.

Mr. Langat has served as Chief Executive Officer at Shippers Council of Eastern Africa. He was also the Chairman of Mombasa port corridor charter and presidential round table Committee. He has been a Board Member, Kenya National Highway Authority (KeNHA), Member Railway Consultative Committee, Member Chief Executives Forum, National Business Agenda, Board of Governors, and Railways Training Institute.

Ms. Juliana Mumo Kisimbi
Member



Ms. Juliana holds a PhD (Doctor of Philosophy in Commerce) from University of Nairobi and International Masters of Business and Bachelor of Business administration from University of ESLSCA, Paris France.

She has a wealth of experience in strategy management, budgeting, planning, communication, project management and linguistics sectors in East Africa.

Mr. Phillip Githinji Nderitu
Member

Mr. Nderitu has a Bachelor of Science in Civil Engineering from University of Nairobi and Post Graduate Certificate in Project Management from University of Pretoria (SA). He is a member of Institute of civil Engineers (UK) and Institute of Engineers Kenya.

He has served as a Coordinator, Economic Zone at The Ministry of Trade and has wide experience in Project Management, Business planning and Analysis and Logistics.

Mr. Joseph Zacharia Ngugi
Member

Mr. Ngugi has Master of Arts Economics from the University of Nairobi and Bachelor of Arts in Economic & Sociology from Egerton University. He also has a Certificate in Agricultural Credit and Agricultural Co-operative from Agricultural Co-operative College, South Korea, Certificate in Fiscal Decentralization and Financial Management of Regional and Local Government from Harvard University USA.

He is a Principal Economist at The National Treasury and previously worked with the Ministry of Planning and National Development. He has served as a Member of Board of Trustee - Coffee Development Fund (Alternate to Principal Secretary for the National Treasury).

Mr. George Wanjau
Member

Mr. Wanjau holds a Master of Science in Project Planning and Financing from University of Bradford and Bachelor of Arts in Economics degree form Nairobi University.

He is a Deputy Chief Economist at Ministry of transport. He has over 20 years experience in the Civil Service with considerable experience in regional, sectorial and national planning, including poverty

reduction strategies, health sector reforms and project preparations and implementation, monitoring and evaluation, policy formulation for the transport sector and urban transport planning.

Mr. Alex Kabuga
Chief Executive Officer



Mr. Kabuga holds a Master of Business Administration in Strategic Management, Management Information Systems and Global Marketing from Moi University. He has a Bachelor of Arts Degree from University of Nairobi and a Higher Stage Postgraduate Diploma in Marketing, Advertising & Public Relations from London Chamber of Commerce.

He also has a Certificate in Project Management from East & Southern Africa, a Diploma in Port Marketing from Malmo Institute of Maritime Studies, Sweden and Corporate Governance Certificate from Institute of Corporate Governance. Mr. Kabuga is a member of Certified Information System Auditor (CISA)

He has over 15 years' experience in trade facilitation, trade logistics, market development and export and strategy development including experience in managing technical assistance projects. He previously worked with Kenya Ports Authority serving in various capacities from Manager Marketing & Public Relations to Project Implementation Team Leader-Single Window System Project.

IV. MANAGEMENT TEAM

Mr. Alex Kabuga
Chief Executive Officer



Mr. Kabuga holds a Master of Business Administration in Strategic Management, Management Information Systems and Global Marketing from Moi University. He has a Bachelor of Arts Degree from University of Nairobi and a Higher Stage Postgraduate Diploma in Marketing, Advertising & Public Relations from London Chamber of Commerce.

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Amos Wangora
General Manager Operations



Mr. Wangora has Master of Science in Maritime Affairs from World Maritime University in Malmo, Sweden and Bachelor of Science from University of Nairobi. He also holds a Diploma in Clearing, warehousing & Freight Forwarding from Bandari College and has completed the Institute of Chartered Shipbrokers Qualifying Examinations.

He previously served at Kenya Ports Authority rising from the rank of Senior IT and Statistics Officer to Principal Operations Office. He joined KENTRADE in 2012.

Mr. Simon Kiplangat
General Manager Support Services



Mr. Kiplangat holds Masters in Human Resource Management from IHRM/Open University of Tanzania and Bachelor of Arts in Social Work from University of Nairobi. He also has a Higher Diploma in Human Resource Management and Certificate in Counselling from Institute of Human Resource Management. He has attended several professional trainings both locally and internationally.

He has over 15 years' experience having worked in both private and public organizations such as Kenya Post and Telecommunication, Telkom Kenya and Kenya Bureau of Standards serving in various capacities.

Ms. Beatrice Kosgei
Corporation Secretary & Head of Legal Services



Ms. Kosgei has Master of Laws from University of London and Bachelor of Laws from University of Nairobi. She also has a Diploma in Law from Kenya School of Law and Higher Diploma in Human Resource Management.

She has several years of experience having worked in both private and public organizations which include Attorney General's Chambers, Kenya Industrial Estates, Jim Choge & company Advocates and Kosgei Advocates. Prior to joining KENTRADE, she worked as Corporation Secretary for eight years at Agricultural Development Corporation. She is a member of FIDA Kenya, ICSPAK, Kenya Law Society, East Africa Law Society and a Board Member of Ndabibi Secondary School.

Ms. Hellen N. Wasike
Manager, HR & Administration



Ms. Wasike is a holder of Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts in Public Administration & French from University of Nairobi. She is also a Certified Public Secretary of Kenya and has acquired Foundation Diploma in Purchasing & Supply

Management. Further, she has attended several courses such as Integrity Assurance Officers Course and Facilities Management Course.

Before joining KENTRADE in 2012, Ms. Wasike has worked for several public organizations including Agency for Development Education & Communication, Jomo Kenyatta University of Science & Technology, Coffee Development Fund and Kenya Vision 2030 Delivery Secretariat serving in various capacities.

Ms. Joanne Kweyu
Manager, Procurement



Ms. Kweyu has Executive MBA from Jomo Kenyatta University of Agriculture and Technology and Bachelor of Commerce in Business Administration from University of Nairobi. She also has Advanced Diploma in Purchasing & Supplies (CIPS). She joined

KENTRADE from Ministry of Public Health and Sanitation where she served as a Senior Supply Chain Management Officer. Ms. Kweyu has wealth of experience in procurement having worked in the Public Sector for over 12 years from a humble beginning of Supplies Officer II rising through the levels to Manager Procurement.

Mr. Eugene Waluvengo
Manager, ICT



Mr. Waluvengo holds Master of Science in Information Systems from University of Nairobi and Bachelor of Science in Information Science from Moi University. He also has certificates in Control Objectives for Information & Related Technology (COBIT), CISA and Oracle Fundamentals. He has worked as a System Analyst at Kenya Revenue Authority, Project Manager at Nation Media Group and as a System Analyst at Strathmore University.

Mr. Daniel Kiange
Manager, Trade Facilitation



Mr. Kiange has Master of Business Administration from University of Nairobi and Bachelor of Arts Degree from Kenyatta University. He has also acquired Foundations Diploma in Shipping from the Institute of Chartered Shipbrokers and is a Certified Information Systems Auditor (CISA).

He possesses great knowledge in Trade Facilitation having worked with Kenya Ports Authority in various capacities.

Mr. Crispus Mbogo
Manager, Internal Audit and Risk



Mr. Mbogo has Master of Business Administration in Finance from University of Nairobi and Bachelor of Commerce in Finance from Catholic University of Eastern Africa. He is a Certified Public Accountant of Kenya.

He worked for Kenya Agricultural Research Institute for ten years as an Accountant and Internal Auditor. Before joining the Agency he worked with Coffee Development Fund as Head of Internal Audit and Acting Finance & Administration Manager.

Mr. Joseph Kimanga
Manager Finance



Mr. Kimanga holds a Master of Business Administration in Finance and Bachelor of Education (Arts) in Economics & Business Studies both from University of Nairobi. He is a Certified Public Accountant of Kenya. He registered for PhD in Finance at University of Nairobi in 2013.

He has worked for Teachers Service Commission, The Jomo Kenyatta Foundation, Penmain Co. Ltd and Kenya Fresh Produce Exporters Ltd in various capacities ranging from Cost Accountant, Financial Accountant, Credit Controller, Operations Manager & Financial Controller and Finance Manager.

Mr. David Ngarama
Manager, Strategy & Planning



Mr. Ngarama has acquired Master of Science in Economics from University of Zimbabwe and Bachelor of Arts in Economics from University of Nairobi. He has also attended several courses and seminars such as Enterprise Risk Management Workshop, Public-Private-Partnership and Virtuous Leader Executive Seminar.

He has wealth of experience in Public Service operations having worked at Kenya Institute of Public Policy Research and Analysis, Ministry of Finance and Planning, Office of the Deputy Prime Minister and Privatization Commission. He has served in various positions ranging from Economist, Senior Economist, Principal Economist and Transactions Manager.

Ms. Rose Ronoh
Manager, Customer Service



Rose is currently pursuing PhD at Moi University. She holds Masters in Business Administration, Strategic Management from Moi University and Bachelor of Science in International Business from United States International University. Rose has also acquired Executive Diploma in Marketing from Marketing Society of Kenya

She previously worked as a Corporate Communications Manager at Catholic University of Eastern Africa Regional Marketing, Communications Officer at Kenya Power and a Brand Manager at Standard Group.

Ms. Anne Odero
Head of Corporate Communications



Ms. Odero has Master of Arts in Communication and Diploma in Public Relations. She has worked as Corporate Affairs Manager at KCA University, Public Relations Executive at Mabati Rolling Mills Ltd (MRM), Public Relations Officer at Bidco Oil Refineries Ltd. And as a Sales & Marketing Executive at Nation Media Group.

V. CHAIRMAN'S STATEMENT

It gives me great pleasure to present the Kenya Trade Network Agency (KENTRADE) Annual Financial Report for the year ended June 30, 2014.

The year 2013/2014 saw the Agency achieve a number of milestones in the implementation of the National Electronic Single Window System (NESWS), branded the Kenya TradeNet System. This followed the successful set up of the Agency in the previous year during which all the necessary structures were put in place and staff recruited to enable the Agency discharge its mandate.

Exactly one year after the Single Window Project kicked off in October 2012, the Agency went live with the Single Window System at 1159 hours on October 31st, 2013. To manage the scope and ensure successful implementation of the System, stakeholders agreed to adopt a phased implementation of the System based on documents interdependencies in the trade logistic chain and the System modules. The piloting strategy also allowed for modules to be rolled out in a controlled environment to a limited number of Users in order to avoid disruption to business which would result in revenue leakage.

In this respect, the Agency rolled out a number of modules that included electronic lodgment of pre-clearance documents such as: licenses, permits, Import Declaration Form (IDF), Submission of Sea and Air Manifest, Integration with the Kenya Revenue Authority (KRA) National Payment Gateway and SIMBA/MMS Systems as well as Kenya Ports Authority (KPA) KWATOS. The means that a number of selected shipping lines, clearing and forwarding agents, Importers/Exporters, banks and insurance companies were able to use the System. Seven (7) out of twenty four (24) Government Agency involved in cargo clearance process were involved in the initial stage of System roll out.

On May 2, 2014, the Kenya TradeNet System was officially launched by the regional Heads of State and Government at the Safari Park Hotel, Nairobi in the presence of H. E. President Uhuru Kenyatta. This was the climax of the implementation of the Kenya TradeNet System as we received the endorsement of the Heads of State to have the agenda for Single Window concept moved to the regional level.

As we look forward to the full implementation and operationalization of the of the Single Window System the Agency we will continue to count on the support from the parent Ministry, the National Treasury; the wise guidance of the Board and the dedication by the Management and staff all who have worked tirelessly to deliver the Single Window System within the planned period.

In this connection, I would like to thank all those who have assisted the Agency in the discharge of its mandate and in particular the Board Members who have sacrificed much of their time and played a key role in the Agency's key decisions. I also wish to express my sincere appreciation to the National Treasury for all the support it has extended to KENTRADE, both in cash and in kind.

CHAIRMAN 

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

Kenya Trade Network Agency (KENTRADE) is a State Corporation under the National Treasury established through an Executive Order on 14th January 2011 and later gazetted via Legal Notice No. 6 of 2010 which became effective 1 on 28th January 2011.

The Kenya Trade Network Agency (KENTRADE) was created to implement the Kenya National Electronic Single Window System (KNESWS) also known as Kenya TradeNet System. The System enables parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements.

The Kenya TradeNet System was rolled out on October 31, 2014 at 1159hours with the whole aim of facilitating International trade in Kenya and the region by reducing delays and lowering costs associated with clearance of goods at the Kenyan borders, while maintaining the requisite controls and collection of levies, fees, duties and taxes on imports or exports. The roll-out followed the project kick-off on October 2012 and implies that System is currently "live" and is being used by a select number of stakeholders.

In addition to the roll-out and System "go-live" the System was officially launched by the regional Heads of State and Government on May 2, 2014 in a function presided over by H. E. President Uhuru Kenyatta. The year 2013/2014 therefore was marked by various milestones that confirming that the Agency has now come of age and is up to the task as mandated by the Government of Kenya.

In the Financial year 2013-2014, Kenya Trade Network Agency received from the National Treasury KShs. 510,500,000.00, which included KShs. 210,000,000.00 for Recurrent Expenditure and KShs.300, 500,000.00 for Development Expenditure.

The Agency was able to generate Kshs. 2,685,555 from other sources, Kshs.491, 000 being from training fees, Kshs 121,000 from the sale of tender bids and Kshs.2, 073,555 as interest on short term deposits from the Equity and Cooperative banks.

The Agency received Kshs.29, 664,218 and Kshs.55, 730,478 from ICF for Recurrent and Development expenditures respectively.

The Agency realized an operating deficit of KShs.217, 025,801 after deducting expenses of Kshs.458, 019,925.

The Statement of Financial Position had Total Assets of KShs.1, 031,213,688 comprising of the following items:

i) Property Plant & Equipment	48,820,319
ii) Single window Software	857,222,320
iii) Current Assets	128,388,396
iv) Current Liabilities	299,027,927
v) Capital and Reserves	732,185,761

As we move forward with the full operationalization of the Single Window System, we will remain committed to upholding good Public Financial Management ethics as enshrined in the Constitution. We

will also continue building the capacity of the Agency to ensure that we observe all legal and regulatory requirements.

At operational level, we remain committed to delivering our mandate as required by the Government with the sole objective of facilitating trade and improving on Kenya's attractiveness as an Investment Destination. To do this, we believe that the staff remain a key resource to the realization of the set milestones and we will continue to provide the necessary tools and support to enable them discharge their duties.

Finally, I wish to extend our gratitude to the entire Board for wise leadership, all Government Agencies working and partnering with KENTRADE and in particular, the National Treasury and all the staff for the invaluable support since the inception of the Agency.

Thank you.

A handwritten signature in black ink, appearing to read 'Alex Kabuga', is written over a horizontal line. The signature is stylized and cursive.

Alex Kabuga
CHIEF EXECUTIVE OFFICER

VII. CORPORATE GOVERNANCE STATEMENT

Kenya Trade Network Agency (KENTRADE) regards Corporate Governance as key to the success of its business operations and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its customers/shareholders and relevant stakeholders.

Our Corporate Governance policy functions as a built-in self-regulating mechanism, which provides a framework to monitor and ensure statutory compliance, foster a culture of values and rewards the highest ethical standards and personal integrity.

KENTRADE strives to ensure that the principles of good Corporate Governance are applied by the Board of Directors in their dealings in respect and on behalf of KENTRADE to enable them provide strategic guidance, leadership and effective management oversight.

This statement sets out the key corporate governance principles observed by the Agency and illustrates the practices and systems established by the Board of Directors in line with these principles.

Functions of the Board of Directors

1. Ensuring the attainment of the Corporation's core values
2. Determining the business strategies and plans that underpin the Corporate strategy and provide strategic advice to Management
3. Reviewing the financial statements and overseeing compliance with applicable audit, accounting and reporting requirements
4. Monitoring and evaluating Corporate Performance
5. Regularly reviewing systems, processes, procedures and policies to ensure the effectiveness of internal control
6. Monitoring compliance with legal and regulatory requirements and ethical standards and policies
7. Establishing a sound system of risk oversight, Management and internal controls
8. Ensuring that the rights of stakeholders that are protected by law are respected
9. Ensuring that a comprehensive system of policies and procedures is operative
10. Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the institution's own governing documents and Codes of Ethics
The Agency is run through the general direction of the Board of Directors which is responsible for:
11. The administration, management and development of the Agency
12. Administering the assets and funds of the Agency in such manner and for such purposes as shall promote the best interests of the Agency
13. committing to the underlying principles of good governance

Board Structure and Processes

The Board of Directors of the Agency consists of:

- A non- executive Chairman appointed by the President
- Permanent Secretary, Ministry of Finance or his alternate
- Permanent Secretary, Ministry of Trade or his alternate
- Permanent Secretary, Ministry of Transport or his alternate
- A representative from Kenya Shippers Council
- Three other members, not being public officers, appointed by the Minister by virtue of their knowledge and experience in matters relating to: -Trade logistics;
 - Information communication technology; or
 - Finance and administration.
- Chief Executive Officer

The Board reflects a diversity of talent and experience. The Agency ensures that it provides the necessary resources and expertise to the Board of Directors to assist them in their decision- making processes and as such, they are regularly consulted on key policy matters.

The Board is exposed to seminars and workshops on corporate governance issues to enhance their knowledge and skills. They also attend trainings and inductions, for newly appointed directors, in respect of the Agency's operations.

The Board is governed by the Board Charter which ensures conformity with best corporate governance practices. Evaluation of the Board Members is carried out annually as dictated by the Charter and governance policies.

To assist in its operations, the Agency has established four standing committee as follows:

- **AUDIT & RISK COMMITTEE**
The main function of the Audit Committee is to oversee the internal audit, risk management and governance processes of the Agency.
- **FINANCE COMMITTEE**
The main function of the Finance Committee is to review financial statements of the Agency and oversee compliance with applicable accounting and reporting requirements.
- **HUMAN RESOURCE COMMITTEE**
The main function of the Human Resource Committee is to set and review human resource policies, approval of senior management appointments and administrative issues.
- **BUSINESS OPERATIONS & TECHNICAL COMMITTEE**
The main function of the Business Operations & Technical Committee is to monitor the development and implementation of the core business of the Agency and ensure achievement of its objectives.

A new Board Committee, highlighted below, was later established by the Agency effective February 1, 2014.

- **FINANCE, STAFF AND GENERAL PURPOSES COMMITTEE**

The Finance and Human Resource & Administration Committees were collapsed to form the Finance, Staff and General Purposes Committee. This Committee deals with finance and human resource matters collectively.

Conduct of Business Operations

The Agency's business operations are carried out within an established framework; KENTRADE's Strategic Plan. The Strategic Plan helps the Agency position itself strategically in its operational environment by aligning itself effectively to the changes taking place within its environment. It clearly sets out a coherent, systematic and sustainable road-map on which to anchor the Agency's operational initiatives.

The Agency also has a Human Resource Manual to provide the basic policies and guidelines needed to effectively manage the Agency's human resource activities by both Management and employees and also guides employee conduct. Further, the Agency practices affirmative action and equal opportunity recruitment of qualified personnel.

To achieve its business objectives and facilitate staff performance, the Agency has implemented as part of its policy, a comprehensive medical scheme to cater for all its staff and dependents.

Corporate Social Sustainability

KENTRADE as a public funded institution is committed to paying back to the society by providing opportunities and improving the quality of life for the deserving with emphasis on environmental protection. In this regard, KENTRADE has implemented Corporate Social Responsibility (CSR) programmes aimed at uplifting the welfare of communities.

Risk Management and Internal Controls

KENTRADE has set up an internal audit function of the Agency. The Audit and Risk Committee of the Board has the overall responsibility to oversee the internal audit, risk management and governance processes of the Agency.

The Internal, Audit and risk department of the Agency is mandated to monitor the implementation of agreed action plans by arresting any deficiencies that may arise or seen to arise in audit.

Compliance

The Board is satisfied that the Agency is complying with the relevant laws and is conducting its business affairs in accordance with the law in particular the State Corporations Act and its guidelines.

KENYA TRADE NETWORK AGENCY

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KENTRADE as a public funded institution is committed to paying back to the society by providing opportunities and improving the quality of life for the deserving with emphasis on environmental protection. In this regard, KENTRADE has implemented Corporate Social Responsibility (CSR) programmes aimed at uplifting the welfare of communities.

In the 2013-2014 Financial year, the Agency participated in a tree planting exercise at Ndabibi Secondary School, Naivasha . The event took place on June 18th 2014 after the conclusion of the Annual World Environment day which was held on 5th June 2014. The team from KENTRADE was led by the General Manager- Support Services who also represented the Chief Executive Officer planted a total of 500 (Five hundred plant seedlings) in the school . The CEO in his speech was to be in the midst of the team for the Tree Planting exercise. He expressed his support for the event that was made possible thanks to the invaluable support from the Principal of Ndabibi Secondary School, Mr Paul Gitoro and KenTrade Corporate Social Responsibility and the Environment Committee. In his speech he was also happy to note that his colleagues Ms. Hellen Guya and Breatice Kosgey were past and current Board members respectively of the School.

The CEO further note “as far as to-day’s function is concerned, I would like to remind all of us that our forest lands have for long been under heavy pressure from land based activities, and in our own way we want to make a contribution hence, the selection of Ndabibi Secondary School. Equally, it is a well-acknowledged fact that this country is experiencing rapid disappearance of forest cover and over the past few centuries our native forests have been cleared to make room for food crops plantations, livestock rearing, and construction of roads, urban development and other land intensive activities. The original forest ecosystems have almost disappeared and many endemic species of our flora and fauna are to-day critically endangered. If this trend is not reversed, we are bound to witness a reduction in food production and our environment will be less habitable because maintenance and improvement of forests and other vegetation types ensure a favourable ecosystem that supports and sustains life”.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the *Agency's* affairs.

Principal activities

The principal activities of the entity are to:

- ≈ Establish and manage a National Electronic Single Window System and facilitate trade.
- ≈ The national Electronic Single Window System shall serve as a single entry point for parties involved in trade and transport:
 - Lodge documents electronically, for processing and approval; and
 - Make payments electronically for fees, levies, duties and taxes due to the Government, on goods imported or exported.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 1 to 20.

Directors

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation of the *Agency's* Legal notice No.6 of 2010, Ms. Juliana Mumo Kisimbii Resigned on 18th September, 2013 and Mr. Philip G. Nderitu retired on 18th September, 2013

Auditors

The Auditor General is responsible for the statutory audit of the *Agency* in accordance with the Section 84(3) of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Ms. **Beatrice Kosgei**
CORPORATION SECRETARY

Date:..........

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 84(2) of the Public Finance Management Act, 2012 and section 446 of the State Corporations Act, require the Directors to prepare financial statements in respect of the *Agency*, which give a true and fair view of the state of affairs of the *Agency* at the end of the financial year and the operating results of the *Agency* for that year. The Directors are also required to ensure that the *Agency* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Agency*. The Directors are also responsible for safeguarding the assets of the *Agency*.

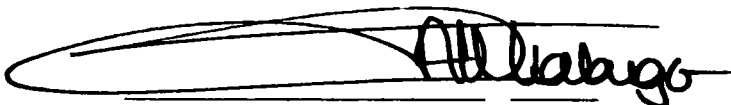
The Directors are responsible for the preparation and presentation of the *agency's* financial statements, which give a true and fair view of the state of affairs of the *Agency for* and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Agency*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *agency's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *agency's* financial statements give a true and fair view of the state of *agency's* transactions during the financial year ended June 30, 2014, and of the *agency's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Agency*, which have been relied upon in the preparation of the *Agency's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Agency* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Agency's* financial statements were approved by the Board on 26.09. 2014 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER



CHAIRMAN

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA TRADE NETWORK AGENCY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Trade Network Agency set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

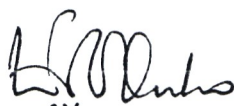
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agency as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards, and comply with the State Corporations Act, Cap 446 of the Laws of Kenya and The Kenya Trade Network Agency Order, 2010.

Emphasis of Matter

- (i) The statement of financial performance reflects a deficit of Kshs.216,663,884 for the year ended 30 June 2014. The deficit for the year ended absorbed the accumulated surplus of Kshs.39,541,273 from the previous period resulting to an accumulated deficit of Kshs.175,074,717 as at 30 June 2014. The statement of financial position also reflects current assets and current liabilities totalling Kshs.128,388,396 and Kshs.299,027,927 respectively, representing a negative working capital of Kshs.170,639,021 as at 30 June 2014 implying the Agency is technically insolvent and may not be able to meet its obligations as and when they fall due. The future sustainability of the Agency therefore depends on continued financial support from the National Government.
- (ii) I also draw attention to Note No.18 to the financial statements which describes the uncertainty related to the outcome of a suit pending in court against the Kenya Trade Network Agency.

My opinion is not qualified in respect of the above matters.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 March 2015

KENYA TRADE NETWORK AGENCY

XI. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2014

	Notes	2013/2014	2012/2013
		Kshs.	Kshs.
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Recurrent Grants	3	239,664,218	199,500,000
		239,664,218	199,500,000
REVENUE FROM EXCHANGE TRANSACTIONS			
Interest on deposits	4	2,073,555	-
Other Incomes	5	612,000	924,838
		2,685,555	924,838
Total Revenue		242,349,773	200,424,838
EXPENSES			
Auditors Fees	6	696,000	792,000
Staff Costs	7	187,472,144	88,395,938
General Expenses	8	148,023,494	79,581,902
Finance Costs	9	322,786	181,050
Directors expenses	10	8,510,461	12,027,087
Depreciation	13	12,359,602	10,876,722
Amortisation	14	99,651,454	650,224
Total Expenses		457,035,941	192,504,923
Other gains/(losses)			
Loss on disposal		(1,355,649)	-
(Deficit)/Surplus before tax		(216,041,817)	7,919,915
Taxation	17	622,067	-
(Deficit)/surplus for the period		(216,663,884)	7,919,915

The notes set out on pages 1 to 22 form an integral part of the Financial Statements

KENYA TRADE NETWORK AGENCY

XII. STATEMENT OF FINANCIAL POSITION As at 30 June 2014

	Notes	2013/2014 Kshs.	2012/2013 Kshs.
Assets			
Current Assets			
Cash and Cash equivalents	11	121,041,943	287,586,250
Receivables from exchange transactions	12	7,346,453	180,447
Receivables from non- exchange transactions	12	-	257,249,850
		128,388,396	545,016,547
Non-Current Assets			
Property, Plant and Equipment	13	48,820,319	41,376,307
Intangible Assets	14	854,004,973	1,302,400
		902,825,292	42,678,707
Total Assets		1,031,213,688	587,695,254
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	15	228,002,076	5,457,981
Provisions	15	8,213,578	696,000
ICF Deferred income	16	62,501,240	-
Taxation	17	311,033	-
		299,027,927	6,153,981
Non-current Liabilities			
Deferred Tax Liabilities		-	-
Total Liabilities		299,027,927	6,153,981.00
Net Assets		732,185,761	581,541,273
Capital Reserves		898,230,478	542,000,000
Revaluation reserves		9,030,000	-
Accumulated Deficits/Surplus		(175,074,717)	39,541,273
Total net assets and liabilities		732,185,761	581,541,273

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:


CHAIRMAN OF THE BOARD

DATE.....26.09.2014.....


CHIEF EXECUTIVE OFFICER

DATE.....26.09.2014.....

KENYA TRADE NETWORK AGENCY

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	Attributable to the owners of the controlling entity			TOTAL
	CAPITAL RESERVE	REVALUATION RESERVE	SURPLUS/ DEFICIT	
Balance as at 1st July 2012	200,000,000	-	31,621,356	231,621,356
Additional Grants	342,000,000	-	-	342,000,000
Surplus for the period	-	-	7,919,915	7,919,915
Balance as at 30th June 2013	542,000,000	-	39,541,271	581,541,271
Additional Grants	356,230,478	-	-	356,230,478
Revaluation of Assets	-	9,030,000	-	9,030,000
Prior year adjustments	-	-	2,047,896	2,047,896
Deficit for the year	-	-	(216,663,884)	(216,663,884)
Balance as at 30th June 2014	898,230,478	9,030,000	(175,074,717)	732,185,761

Development grants include Kshs.55, 730,478 contributed by ICF towards development and support of Single Window systems Implementation. The amount of Ksh.2, 047,896 reported as prior year adjustments are the net amount of transactions incurred but not accrued in the past financial year but payment made in the current financial year. Included in this figure also is a correction of depreciation amount of Ksh2,169,580 that was overstated in the previous Financial year Financial statements.

XIV. STATEMENT OF CASH FLOWS

	2013/2014 Kshs.	2012/2013 Kshs.
Cashflows generated from operations		
Net surplus/ Deficit for the year	(216,041,817)	7,919,915
Adjustments:		
For items not involving movement of cash		
Depreciation	12,359,602	10,876,722
Amortisation	99,651,454	650,224
Loss on disposal	1,355,649	-
Operating surplus before working capital	(102,675,112)	19,446,861
Working capital adjustments:		
Decrease/(Increase) in accounts receivable	250,083,844	(252,316,617)
(Decrease)/Increase in creditors and accruals	230,061,673	1,483,755
Prior year Adjustment	1,830,937	
Tax paid	(311,033)	-
Working Capital changes	481,665,421	(250,832,862)
Total cash generated from operations	378,990,309	(231,386,001)
Investing Activities		
Purchase of Fixed Assets	(18,359,533)	(26,773,899)
Purchase of intangible assets	(954,306,651)	(1,952,624)
Proceeds from disposed assets	8,399,850	-
Net cashflows from investing activities	(964,266,334)	(28,726,523)
Financing Activities		
Increase in development grants	356,230,478	342,000,000
Deferred grants	62,501,241	-
Net cash in financing activities	418,731,719	342,000,000
Decrease in cash and cash equivalents	(166,544,306)	81,887,476
MOVEMENT IN CASH AND CASH EQUIVALENTS		
At start of the year	287,586,249	205,698,773
At end of the year	121,041,943	287,586,249

The Amount of Prior year adjustments in the Statement of Cash flows is arrived at after netting off the adjustment of excess depreciation on affected disposed assets.

KENYA TRADE NETWORK AGENCY

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

i) Government Funding

a. Revenue Grants

	Original Budget	Actual on comparable basis	Performance differences
	2013/2014 Ksh.	2013/2014 Ksh.	2013/2014 Ksh.
Employment Costs	170,238,241	170,219,370	18,871
casual wages	1,902,500	1,902,500	-
staff communication allowance	752,600	752,600	-
Pension payments	600,000	583,016	16,984
CTC Expenses	398,890	398,280	610
Local Travel	3,815,061	3,739,559	75,502
International Travel	1,556,785	1,440,035	116,750
Membership Prof subscription	1,362,324	1,286,227	76,097
Lease Expenses	22,133,830	22,048,195	85,635
Printing and Stationery	2,274,097	2,222,724	51,373
Office Incidentals	2,086,825	3,421,121	(1,334,296)
Club Membership	1,278,955	1,000,000	278,955
Consultancy Fees	13,679,936	13,666,672	13,264
M/V Maintenance & Repair	1,441,198	1,422,390	18,808
Postage Services	82,790	63,720	19,070
Fuel	1,588,645	1,487,148	101,497
Office maintenance	610,130	588,097	22,033
Cleaning	507,638	467,592	40,046
Security	1,398,448	1,365,728	32,720
Training Expenses	2,688,460	2,536,509	151,951
Publicity & Advertisement	5,581,434	7,109,354	(1,527,920)
Telephone,Fax, Telex &Inter	-	-	-
Utilities	1,472,265	1,532,789	(60,524)
Board Expenses	9,269,913	9,225,021	44,892
Insurance Premium	12,473,828	12,421,627	52,201
Assets Insurance	128,725	42,027	86,698
Bank Charges	353,736	298,191	55,545
Conference & Wrkshops	4,513,360	4,453,078	60,282
Audit Fees	600,000	-	600,000
	264,790,613	265,693,570	(902,957)

The over expenditure in item 300 (Publicity & Advertisement) is as result of expenses related to the development components of publicity documentary used during the launch of the single window by Brett Communications. The cost of the Documentary was KShs. 1,638,153. The over expenditure under this component was Kshs. 1,527,920 .In the Absence of the documentary expenses, the vote would be having a surplus of Kshs.110, 233

b. Development Grants

	Original Budget	Actual on comparable basis	Performance
	2013/2014	2013/2014	Differences
	Ksh	Ksh.	2013/2014
			Ksh
Software and Automation			
Single Window Base Software	328,504,134	328,504,134	-
Office Automation	78,301,673	72,517,225	5,784,448
	406,805,807	401,021,359	5,784,448
Hardware			
Computer Hardware	397,559	-	397,559
Single Window Base Software	120,000,000	74,989,200	45,010,800
Other computer Hardware	77,000	-	77,000
	120,474,559	74,989,200	45,485,359
Other Capital Items			
Motor Vehicle Purchase	-	-	-
Furniture Purchase	1,961,130	2,156,914	(195,784)
Office Partitions	1,709,943	955,708	754,235
	3,671,073	3,112,622	558,451

Code 440, Office automation vote had a surplus of KShs.5,784,448 . This amount remained a cushion for the data hosting costs for the internet service providers for our internet services Code 425: Single Window base Software. This amount remained because the amount could not settle the outstanding invoice from The Singapore Enterprise Corporation (SCE) and the same was carried forward to await additional funding from the National Treasury before settling the invoice

ii). The Investment Climate Facility for Africa (ICF)

a) Recurrent Grants

	Original Budget Ksh.	Actual on comparable basis Ksh.	Performance difference
Employment costs	5,196,500	5,196,500	-
Local Travel	6,135,432	6,135,432	-
Training	18,311,246	18,311,246	-
Bank Charges	21,040	21,040	-
	29,664,218	29,664,218	-

b) Development Grants

	Original Budget	Actual on Comparable basis	Performance differences
Office Automation	103,292,740	40,791,500	62,501,240
Furniture & Fittings	3,957,503	3,957,503	0.23
Office Equipment	420,000	420,000	-
Computer & Peripheral Hardware	10,561,475	10,561,475	-
	118,231,718	55,730,478	62,501,240

The balance under this was a result of un finished procurements to warrant the payment of the goods and services. The large components of the outstanding budget relates to capacity building and infrastructure.

Reconciliation statement of ICF Grants received during the year 2013/2014

	2013/2014 Ksh.
Opening Balance as at 1st July 2013	-
Receipts During the year	147,895,937
Transferred to Revenue	(29,664,218)
Transferred to Development (Capitilised)	(55,730,478)
Balance as at 30th June 2014	62,501,240

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The Agency has adopted the International Public Sector Accounting Standards (IPSAS) for the first time in the financial year 2013/2014, as a result of this adoption the following comparative vote lines were reclassified for compliance purposes.

(i) Amount as certified under the operating Expenses	Ksh 80,554,952
Amount as Reclassified in the 2013/2014 Financial Reports:	
Audit Fees	Ksh. 792,000
Finance Costs	Ksh 181,050
General expenses	<u>Ksh 79,581,902</u>
Total as per certified Financial statement 2012/2013	<u>Ksh 80,554,952</u>

(ii) Amount Certified under the accounts Receivable Ksh. 257,430,297. This amount was reclassified as per the IPSAS requirement of separating Non Exchange transactions from exchange transactions as follows:

Receivables from Exchange Transactions	Ksh 180,447
Receivables from non-exchange Transactions	<u>Ksh 257,249,850</u>
Total as per certified financial statements	<u>Ksh. 257,430,297</u>

(iii) Trade and Other Payables as per the certified Financial statement of Ksh.6, 153,981 was reclassified as per the IPSAS requirement to report the exchange transaction and non-exchange transactions separately as follows:

Trade and other payables from exchange transactions	Ksh. 5,457,981
Provisions	<u>Ksh. 696,000</u>
	<u>Ksh. 6,153,981</u>

KENYA TRADE NETWORK AGENCY

2. Summary of significant accounting policies

i) Revenue from non-exchange transactions

Grants

The entity recognizes grants from Government of Kenya (GoK) and ICF when the actual receipt has occurred and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. Provision for doubtful debts is made when collection of the full amounts is no longer probable.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

ii) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

iii) Taxes

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.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

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

iv) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

KENYA TRADE NETWORK AGENCY

surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on the reducing balance basis, at the following annual rates:

- Computers & Peripherals	- 33.3%
- Furniture, Fittings & Equipment	- 12.5%
- Motor Vehicles	- 25%
- Single Window Softwares (Intangible)	- 14.3%
- Office partitions	- 12.5%

v) Intangible assets (Single Window Softwares)

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

vi) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty

- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

vii) Provisions

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

viii) Contingent liabilities

The Agency does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

ix) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. Agency also states the reserves maintained and appropriate policies adopted.

x) Changes in accounting policies and estimates

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

xi) Employee benefits

KENYA TRADE NETWORK AGENCY

Retirement benefit plans

The Agency provides retirement benefits for its employees and while the CEO is paid based on the gratuity method. Defined contribution plans are post-employment benefit plans under which the agency pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The Agency operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Agency and the employees.

The Agency also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific monthly contributions legislated from time to time and were fixed at Sh.200 per employee.

The Agency's contributions to the defined contribution retirement benefit scheme and to the NSSF in respect of current service are charged to the statement of comprehensive income in the year.

xii) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

xiii) Related parties

The Agency regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa. Members of key management are regarded as related parties and comprise the CEO, Divisional and Unit Managers, and senior managers.

xiv) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Cooperative Bank of Kenya and Equity Bank of Kenya at the end of the financial year.

xv) Comparative figures

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

xvi) Significant judgments and sources of estimation uncertainty

The preparation of the Agency's financial statements in conformity with IPSAS 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.

The Agency in the financial year under consideration made the following assumptions:

- The Data Hosting costs were capitalized since the SWS was still under development
- The recurrent expenses financed by ICF were treated as revenue with equal amount which effectively cancelled out as there was no benefit was intended to be delivered from the transaction.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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.

xvii) 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, 2014.

xviii) Segment Reporting

KENYA TRADE NETWORK AGENCY

The Agency does not have any reporting segments as all operations of the Agency are managed from the registered office at the Head office. The core business of the KENTRADE continues to be trade facilitation together with other mandates as stipulated in the legal notice No.6 of 2010.

3. Recurrent grants

	2013/2014 Kshs.	2012/2013 Kshs.
GOK Grants	210,000,000	199,500,000
ICF Grants	29,664,218	-
	239,664,218	199,500,000

The grants are received from the GOK and ICF for recurrent expenses which are treated as revenue for the non-exchange transactions.

4. Interest on deposits

	2013/20104 Ksh.	2012/2013 Ksh.
Equity Bank ltd	1,613,493	-
Cooperative bank of Kenya Ltd	460,062	-
	2,073,555	-

The interest income is as a result of investments in call account during the year 2013/2014 of the uncommitted funds.

5. Other Incomes

	2013/2014 Ksh.	2012/2013 Ksh.
Training fees	491,000	-
Sale of Tenders	121,000	924,838
	612,000	924,838

6 Audit Fees

	2013/2014 Ksh.	2012/2013 Ksh.
Opening balance	696,000	600,000
Paid in the year	-	(600,000)
Provision for the year	696,000	696,000
	1,392,000	696,000

The payment for Audit fees was Ksh.696, 000 which was more by Ksh. 96,000 because the provision during the financial year 2011/2012 was under provided. The under provision was dealt with in the statement of performance in the financial year 2012/2013.

7. Staff Costs

KENYA TRADE NETWORK AGENCY

	2013/2014 Ksh.	2012/2013 Ksh.
Basic Salaries	114,509,500	62,307,356
House Allowance	22,861,000	10,858,217
Wages	20,075,188	74,750
Other Staff Allowance	6,055,371	2,543,500
Overtime allowance	-	21,404
Commuter Allowance	9,430,000	4,830,360
Leave Allowance	-	565,000
Pension Contributions	14,541,085	7,195,351
	187,472,144	88,395,938

The amount of Ksh9, 487,900 for wages related to payments made to contract employees who were working on the project during the year under consideration.

8. General expenses

	2013/2014 Ksh.	2012/2013 Ksh.
International Travel	1,029,535	16,043,215
local Travels	9,361,917	7,324,643
Membership Prof subscription	919,010	137,676
Lease Expenses	21,698,069	13,088,036
Office Maintenance	588,097	189,870
Printing and Stationery	2,222,724	2,525,903
Office Incidentals	3,190,575	2,473,531
Club Membership	1,300,000	1,121,045
Consultancy Fees	24,839,697	5,124,064
Training Expenses	25,694,456	304,540
Motor Vehicle Maintenance & Repair	1,345,390	1,414,112
Motor Vehicle Insurance	555,174	171,275
Postage Services	63,720	17,210
Fuel	1,487,148	1,311,355
CTC Expenses	332,250	670,150
Cleaning services	432,792	537,410
Security	1,115,632	1,026,600
Publicity & Advertisement	18,454,701	6,239,024
Telephone, Fax, Telex & Inter	7,048,637	2,721,638
Utilities	1,414,789	527,736
Bad Debts Expenses	-	5,113,680
Conference & Workshops	16,793,385	4,725,601
Insurance Premium	7,552,780	6,773,588
Pension administration set up costs	583,016	-
	148,023,494	79,581,902

KENYA TRADE NETWORK AGENCY

9. Finance costs

	2013/2014 Ksh	2012/2013 ksh
Bank charges	322,786	181,050

10. Directors Expenses

	2013/2014 Ksh.	2012/2013 Ksh.
Sitting Allowances	5,920,461	8,563,087
Honoraria	616,000	616,000
Retainer	1,974,000	2,849,000
	8,510,461	12,028,087

11. Cash and Cash equivalents

	2013/2014 Ksh.	2012/2013 Ksh.
Cash in hand	27,907	13,336
Bank	121,014,036	287,572,914
	121,041,943	287,586,250

12. Receivables from Exchange transactions

	2013/2014 Ksh.	2012/2013 Ksh.
Prepaid Insurance	5,393,189	-
Prepaid Rent	1,256,409	-
Prepaid Office Rent	626,291	-
Prepayment for SWS	-	257,249,850
Unsurrendered Staff Imprests	70,564	180,447
	7,346,453	257,430,297

Prepayments of Kshs. 257,249,850 which was an advance payment for the Acquisition of the Single Window Base Software in 2012/2013, has now been received by the Agency and recorded in the Fixed Assets Register and depreciated accordingly. Also included are the standing imprests held by a former staff who has not surrendered the imprests.

KENYA TRADE NETWORK AGENCY

13. Property, Plant and Equipment

	Office Partitions	Office equipment	Office Furniture	Computers & Peripherals	Motor Vehicles	Total
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
As at 01.07.2012						
Cost/Valuation	22,156,510	-	3,534,021	966,296	-	26,656,827
Additions	-	229,775	2,038,870	11,249,816	13,255,438	26,773,899
Disposals	-	-	-	-	-	-
As at 30.06.2013	22,156,510	229,775	5,572,891	12,216,112	13,255,438	53,430,726
Accumulated Depreciation						
As at 01.07.2012	923,188		147,251	107,259	-	1,177,698
Charge for the year	2,769,564	28,722	696,611	4,067,965	3,313,860	10,876,722
As at 30.06.2013	3,692,752	28,722	843,862	4,175,224	3,313,860	12,054,419
As at 01.07.2013						
Cost/Valuation	22,156,510	229,775	5,572,891	12,216,112	13,255,438	53,430,726
Additions	955,708	2,199,206	4,180,838	11,723,781	8,330,000	27,389,533
Disposals	-	-	-	(882,000)	(9,467,257)	(10,349,257)
As at 30.06.2014	23,112,218	2,428,981	9,753,729	23,057,893	12,118,181	70,471,002
Accumulated Depreciation						
As at 01.07.2013	3,692,752	28,722	843,862	4,175,224	3,313,860	12,054,419
Charge for the year	2,382,024	395,654	858,978	5,589,932	3,133,013	12,359,602
Prior year adjustment	-	-	-	-	(2,169,580)	(2,169,580)
On Disposal	-	-	-	(56,294)	(537,465)	(593,759)
As at 30.06.2014	6,074,776	424,376	1,702,841	9,708,863	3,739,828	21,650,683
Net Book value						
As at 30.06.2014	17,037,442	2,004,605	8,050,888	13,349,031	8,378,353	48,820,319
As at 30.06.2013	18,463,758	201,053	4,729,029	8,040,888	9,941,579	41,376,307

KENYA TRADE NETWORK AGENCY

14. Intangible assets - software

Cost	Ksh.
As at 1st July 2012	-
Additions	1,952,624
As at 30th June 2013	1,952,624
As at 1st July 2013	1,952,624
Additions- Development	952,354,027
As at 30th June 2014	954,306,651
Amortisation	
As at 1st July 2012	-
Amortisation	650,224
As at 30th June 2013	650,224
As at 1st July 2013	650,224
Amortisation	99,651,454
Prior year adjustment	-
As at 30Th June 2014	100,301,678
Net Book Value	
At 30th June 2014	854,004,973
At 30th June 2013	1,302,400

The Amount of Intangible assets comprises of the single window base software and Single window supporting software which has been incurred and as contracted for development in facilitation of trade.

15. Trade and other payables from exchange transactions

	2013/2014	2012/2013
	ksh	ksh
Trade Payables	228,002,076	5,221,777
Audit fees	1,392,000	696,000
Provisions for Gratuity	5,521,578	-
Accruals for Repairs and Maitenance	-	236,204
Provisions for club membership	1,300,000	-
	236,215,654	6,153,981

KENYA TRADE NETWORK AGENCY

16. Deferred Grants from ICF

	2013/2014	2012/2013
	Ksh	Ksh
Receipts during the year	147,895,937	-
Applied during the year	(85,394,696)	-
Deferred Income	62,501,241	-

17. Taxation

No provision of tax has been made on income from grants received from Government of Kenya and ICF however a tax charge of Ksh. 622,061 has been provided for on income from investment interest on call account with banks and other incomes generated from operations. The tax liabilities are Ksh.311, 033 after adjusting for Withholding tax of Ksh. 311,033 in the year.

18. Contingent Liabilities

At the year end the Agency had the following Contingent liability:

	2013/2014	2012/2013
	Ksh	Ksh
Mweha Enterprises	8,752,852	-

A contingency liability of kshs.8,752,852 to Mweha Enterprises who were undertaking office partitions is probable. This liability is not included in the financial statement since the case is still pending in court and no judgment has been entered, however the Agency is working on how to sort the matter out of court.

19. Operating Leases

The Agency has an uncancellable two operating leases of six years and four years for office space in the first and ground floors respectively with Embankment Investments ltd on L.R.No. 209/12384. The rents are payable quarterly in advance.

KENYA TRADE NETWORK AGENCY

	2013/2014 Ksh	2012/2013 Ksh
Due within the next 12 Months		
First Floor	10,631,628	-
Ground Floor	2,564,770	-
Parking	180,000	-
Service Charge	2,269,182	-
Over one Year		
First Floor	39,071,233	-
Ground Floor	9,746,126	-
Parking	684,000	-
Service Charge	7,135,084	-

20. Commitments

	2013/2014 Ksh	2012/2013 Ksh
Capital commitment		
Approved and contracted		
Consultancy and Implimentation of SWS		
Paid	334,860,926	-
Outstanding	633,310,451	-
Total Commitments (Contract Sum)	968,171,377	-

The Singapore Corporation Enterprise and KENTRADE Agreement were denominated in US Dollars. Given the existing unfavourable Foreign Exchange Fluctuations involving weakening of the Kenya Shilling, the cumulative cost of acquisition, consultancy and implementation of the Electronic Single Window system shall be bound to be higher to the extent of deviation arising from the unfavourable forex difference.

21. Related party disclosures

(a) Directors Expenses

The directors' Fees were Sh.8, 510,461 (2012/2013: Sh.12, 027,087).

(b) Remuneration of Key Management staff

Included in the Staff Cost in Note 6 are the salaries and benefits of 13No. top management staff as follows:

	2013/2014 Ksh	2012/2013 Ksh
Salaries and other Benefits	67,474,000	43,270,246