

REPUBLIC OF KENYA


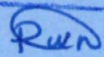


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**REPORT**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
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CLERK-AT THE-TABLE:	P Muga 

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA NATIONAL TRADING  
CORPORATION LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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Kenya National Trading  
Corporation Ltd.

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## KENYA NATIONAL TRADING CORPORATION LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2024

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Prepared in accordance with the International Financial Reporting Standards (IFRS)

Kenya National Trading Corporation Ltd  
Annual Report and Financial Statements for the year ended June 30, 2024

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**1. Acronyms and Glossary of Terms**

IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KNTC	Kenya National Trading Corporation Ltd
MD	Managing Director
MSME	Micro Small & Medium Enterprises
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board

## 2. Key Entity Information

### a) 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 Investment, Trade and Industry 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, Mombasa, Karatina, Eldoret, Nakuru, Machakos, Kitale and Meru.

### b) Principal Activities

The principal activities of KNTC are to:

1. Participate 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. Promote the development of SME markets, expansion and diversifications of trade in line with the Government Policy.
3. Partner with other key players to avail relevant products/input for the agricultural sector.
4. Improve and strengthen supply chain and distribution systems for both the formal and informal sector.
5. Stabilize consumer commodity prices by ensuring balance in supply and demand through availability of stocks/goods in the country.
6. Be a Procurement Agent for the Government and general public at a minimum fee.
7. Participate in distribution of goods and services in special economic zones.
8. Enhance mandate local rice

**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'.

**Key Entity Information (continued)**

**c) Directors**

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

- |                              |                         |  |
|------------------------------|-------------------------|--|
| 1. Dr. Evans Odhiambo Kidero | -Chairman               | -Appointed in November 2024                    |
| 2. Hussein Tene Debasso      | - Chairman              | - Left in November 2024                        |
| 3. Lucy M. Anangwe           | - Managing Director     | - Appointed in November 2024                   |
| 4. Purity Kimathi            | - Ag. Managing Director | -Acted in October 2024                         |
| 5. Peter Njoroge             | - Ag Managing Director  | - Left in October 2024                         |
| 6. Pamella Mutua             | - Managing Director     | - Left in November 2023                        |
| 7. Harrison Njoroge Mwaura   |                         | - Appointed in March 2023                      |
| 8. Perez Jepkorir            |                         | - Appointed in March 2023                      |
| 9. Leonard Langat            |                         | - Appointed in March 2023                      |
| 10. Meymuna Osman Gabow      |                         | - Appointed in March 2023                      |
| 11. Lydia Wanjiku Kariuki    |                         | - Appointed in March 2023                      |
| 12. Herman Gacugi            |                         | - Alternate to the Executive Director          |
| 13. Jonah Tajeu Orumoi       |                         | - Alternate to The CS The National             |
| 14. Nicholas Kamau           |                         | -Alternate to The PS State Department of Trade |

**Key Entity Information (continued)**

**d) Corporate Secretary**

Leackey Illa  
P.O. Box 30518-00100  
Nairobi.

**e) Registered Office**

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

**f) Corporate Headquarters**

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

**g) Corporate Contacts**

Tel: (020) 2430824 Fax: (020) 556331  
Mobile: 0736-563912, 0714563911  
Website: [www.kntc.co.ke](http://www.kntc.co.ke)  
E-mail: [kntc@kntc.co.ke](mailto:kntc@kntc.co.ke)

**Key Entity Information (continued)**

**h) Corporate Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

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

3. ABSA Bank Kenya  
Lungalunga Road,  
P.O. Box 18060-00500,  
Nairobi, Kenya

4. KCB Bank Kenya Ltd  
Mashariki Branch  
P.O. Box 311-00507  
Nairobi, Kenya.

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





**i) Independent Auditors**

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





**j) Principal Legal Advisers**

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




### 3. The Board of Directors

SN	Directors	Details
1.	 <p>Hussein Tene Dabasso Bachelor's Degree in Criminal Justice and Security Governance</p>	<p>Hon Dabasso was born on 20<sup>th</sup> December, 1969. He is the chairman of the board nominated in February 2023. He has a wealth of experience in security governance and strategic management having served as a director in the Kenya Dairy Board, Magezera Sacco and as the Chief Executive Officer at Wasso Security Services Company.</p> <p>Hon Dabasso has over 30 years' experience in good corporate governance, monitoring and evaluation of performance, strategic planning and national policy and administration.</p>
2.	 <p>Harrison M. Njoroge Bachelor's degree in education and a Diploma in Financial Management</p>	<p>Harrison was born on 12<sup>th</sup> December, 1962 and is an Independent Director nominated to the Board in March 2023. Mr. Njoroge has over 30 years' experience in public administration, financial management and training.</p> <p>He is the chair of the Human Resource and Admin committee and a member of the Finance and Strategy Committee.</p>
3.	 <p>Perez Muge Bachelor of laws degree</p>	<p>Perez was born on 23<sup>rd</sup> March, 1973 and is an Independent Director nominated to the Board in March 2023. Ms. Perez has over twenty years' experience in legal matters, business administration and public relations.</p> <p>She is the Chair of the Technical matters Committee and a Member of the Audit Committee</p>
4.	 <p>Leonard Kipkoech Langat Master's in Business Administration (Strategic Management) and a Bachelor of Commerce (Banking and Finance)</p>	<p>Leonard was born on 17<sup>th</sup> August, 1988 and is an independent director nominated to the Board in March 2023.</p> <p>He has a wealth of experience in Public Administration and Planning, Finance and Accounts, Audit and Corporate Governance.</p> <p>He is the Chair of the Board Audit and Risk Committee and a member of the Human Resource Committees.</p>




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5.	 <p>Meymuna Osman Gabow Bachelor's degree in Business Management (Human Resource) and a Diploma in Secretarial studies, bookkeeping and Accounts.</p>	<p>Meymuna was born on 1st January, 1980 and an independent director nominated to the Board in March 2023. She has experience in Business Administration and Finance. She is the Chairperson of the Finance &amp; Administration Committee and the Technical matters Committees.</p>
6.	 <p>Lydia Wanjiku Kariuki Certificate in sales and marketing</p>	<p>Lydia was born on 11<sup>th</sup> December, 1982 and was nominated to the Board in March 2023. She has vast experience in digital marketing, business development and planning, project management, sales and customer relations. She is a Member of the Human Resource and the Technical matters Committees.</p>
7.	 <p>Mr. Herman Gacugi Master of Science degree in Information Communications Technology (ICT) and a Bachelor of Commerce degree in accounting Certified Public Accountant (CPAK) and Certified Information Systems Auditor (CISA).</p>	<p>Herman was nominated to the Board in November 2021 as the Alternate to the Executive Director, KDC. He has over 15 years' experience in Financial and Commercial Services, with profound involvement in automated processes, e-commerce, corporate governance, enterprise risk management, financial services regulatory and policy frameworks, accounting, external and internal audit processes. He is a Member of the Finance &amp; Strategy Committee and the Audit Committees</p>
8.	 <p>Jonah Orumoi Masters in Finance and Investment from and a Bachelor's degree in Accounting and Finance</p>	<p>Jonah was nominated to the Board in February 2023 as the Alternate to the Principal Secretary, The National Treasury. He is a certified Fellow of the Association of Certified and Corporate Accountants. He is vastly trained in strategic leadership, public private partnerships, resource mobilization and proposal writing, corporate governance for directors and culture transformation and leadership. He has over 15 years of experience in strategic</p>


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		<p>planning and implementation, board supervisory committee collaboration, risk assessment and administration, performance management and portfolio and investment management.</p> <p>He is a Member of the Finance &amp; Strategy Committee and the Audit Committees</p>
9.	 <p>Nicholas Kamau Masters in Commerce (Finance and Investments) and a Bachelor of commerce degree (Finance).</p>	<p>Nicholas was born on 15<sup>th</sup> April, 1976 and nominated to the Board in May 2023 as the Alternate to the Principal Secretary, State Department for Trade.</p> <p>He is currently pursuing a PHD in finance. He is a certified Information systems auditor and a certified public accountant. He has vast experience in public service having served for over 15 years. He specializes in finance, systems audit, budget implementation and control and financial management.</p> <p>He is a Member of the Finance and Strategy Committee, Technical Matters committee, Human Resource Committee and Audit and Risk Committee.</p>
10.	 <p>Peter Njoroge Bachelor of Arts Degree (Economics), Master's Degree MA (Economic Policy Management, and Master's Degree MA (Planning-Urban and Regional Planning</p>	<p>Peter Njoroge is the Ag Managing Director and has a wealth of experience in trade and regional integration issues, monitoring and evaluation, public expenditure management and public policy among others. His career expertise spans across several competencies which include; trade negotiations, policy development, policy analysis, monitoring and evaluation, strategic planning and execution, performance management and reporting and regional integration. He is the substantive Director External Trade in the State Department for Trade, Ministry of Investments, Trade and Industry.</p>
11.	 <p>Leackey Illa Masters of Law (LLM), Post Graduate Diploma in Law from Kenya School of Law</p>	<p>Leackey is a member of ICS (No. 4490). He joined the Corporation in the position of Acting Company Secretary &amp; Manager Legal Services in January 2024.</p> <p>Mr. Leackey is an Advocate of the High Court of Kenya and has over 10 years work experience. He spearheads strategic leadership for the Office of the Company Secretary &amp; Legal Services.</p>

#### 4. Key Management Team

SN	Management	Details
1.	 <p>Peter Njoroge Bachelor of Arts Degree (Economics), Master's Degree MA (Economic Policy Management, and Master's Degree MA (Planning- Urban and Regional Planning</p>	Acting Managing Director
2.	 <p>Purity Kimathi MBA in Finance &amp; Strategic Management and a Bachelor of Commerce in Finance from UON Certified Public Accountant (CPA-K) and a Certified Secretary (CS)</p>	General Manager Finance and Business Development
3.	 <p>Leackey Illa Masters of Law (LLM), Post Graduate Diploma in Law from Kenya School of Law</p>	Company Secretary & Manager Legal Services

4.	 <p>Lucy M. Anangwe                  MSc in Finance, a bachelor's degree in Economics and Business Studies, and a Certified Public Accountant (CPA-K)</p>	General Manager Strategy, Risk & Compliance
5.	 <p>Maureen Dwallo                  MBA in Human Resources Management, Degree in Human Resource Management, CHRP-K, Higher Diploma in HR, and Counselling Psychology</p>	Head, Human Resource & Administration
6.	 <p>Peter Wachira                  Bachelors in Business Management from Moi University, a Senior Management Course certification as well as a Strategic Leadership Development Program Certification and a Certified Public Accountant (CPA-K)</p>	Interim Finance & Accounts Manager

7.	 <p>Kevin Micheni MBA (Strategic Management), a Bachelor of Commerce (Accounting) and a Certified Public Accountant (CPA-K)</p>	Head of Internal Audit
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**Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO/ MD/ DG	Peter Njoroge
2.	Head of Corporate Services	Maureen Dwallo
3.	Head of Finance	Purity Kimathi
4.	Head of Procurement	Evelyn Kimemia
5.	Head of Internal Audit	Kevin Micheni

## 6. Fiduciary Oversight Arrangements

### Board Committees

The Corporation has 4 committees which exercise their fiduciary duties as follows; -

#### I. Finance and Strategy Committee.

##### Finance:

- **Financial Reporting:** Reviews and approves financial statements, ensuring accuracy and compliance with accounting standards.
- **Budget Approval:** Oversees the development and approval of annual budgets, monitoring expenditures against those budgets.
- **Financial Performance:** Monitors the organization's financial performance, including revenue, expenses, and cash flow.
- **Risk Management:** Identifies, assesses, and mitigates financial risks that could impact the organization.
- **Audit Oversight:** Works with the audit committee to oversee the external audit process and internal controls.

##### Strategic Planning:

- **Strategic Direction:** Provides guidance on the organization's long-term strategic direction, aligning it with its mission and vision.
- **Strategic Initiatives:** Reviews and approves major strategic initiatives and capital expenditure proposals.
- **Performance Measurement:** Establishes key performance indicators (KPIs) to measure the success of strategic initiatives.
- **Risk Assessment:** Identifies and assesses strategic risks that could impact the organization's long-term goals.

#### II. Human Resource and Administration Committee.

- Review and monitor the development of the Corporation's human resources management strategy to determine whether human resources plans and initiatives will enable the Corporation to achieve its strategic objectives;
- Review and, when appropriate, recommend to the Board approval of the Corporation's

### **Fiduciary Oversight Arrangements (Continued)**

- human resources policies;
- Review the terms and conditions of employment for Management including Chief Executive Officer and recommend the approval of same to the Board.
- Review and make recommendations to the Board on the Corporation's compliance with legislative requirements in areas dealing with human resources management such as the Labor Laws and Employment.
- Review investments and strategies for employee training, education, and development.
- Review management's identification and assessment of any significant human resources risks to the Corporation and, if necessary, recommend measures to mitigate the risk;
- Develop a Human Resources Committee work plan on an annual basis, identifying priorities and objectives
- Responsible for reviewing Corporation's staffing requirement
- Interview and recommend to the Board for approval of recruitment of Senior Management positions.
- Review and monitor the Legal Departments' Operations, litigation cases and cases reports.
- Undertake any other duties that the Board may delegate to the Committee.

### **III. Audit Committee**

- Evaluating the adequacy of management procedures with regard to issues relating to risk management, control and governance.
- Reviewing and approving the audit charter where applicable and internal audit work plans.
- Reviewing the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- Reviewing the systems established to ensure sound public financial management and internal controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- Initiate special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the accounting officer/chief executive officer.

**Fiduciary Oversight Arrangements (Continued)**

**IV. Technical Matters Committee.**

- Review, evaluate and advise the board on the Corporation's performance in terms of profit and loss making.
- Review and advise the board regarding the Corporation's short term and long-term strategic goals and objectives
- Review evaluate and advise the board on emerging business trends in the economic landscape.
- Monitor and evaluate the Corporation's sales and marketing strategies to ensure the Corporation's stability in terms of profit making.

## 7. 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 2023/2024.

### Business Environment

The country experienced a stable business environment with real GDP narrowed from 5.9% in 2022/2023 to estimated 4.9% in 2023/2024. This was achieved through prudent expenditure and management and enhanced revenue mobilization efforts. 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. Growth will also be driven by investment by the Government and the Private sector in implementation of the Bottom-Up Economic Transformation agenda (BETA) through investment in climate smart agriculture, healthcare, housing and settlement, and education.

### Financial Performance

Sales revenues registered a drop from Kshs. 18 billion to Kshs. 12 billion, a decrease of 35%. This has seen our operating profit drop from Kshs. 152 million profits in 2023 to a loss of Ksh. 5.4 billion in 2024. The loss is attributed by the cost of sales of imported cooking oil and rice and loss due to foreign exchange rates. Government's intervention on purchase of rice directly from farmers for onward selling to Government institutions will go a long way in promoting the Government's Bottom-Up Economic Transformation Agenda (BETA). Our Asset base decreased from Kshs. 17 billion in 2023 to Kshs. 14 billion in 2024, a drop of 18%

### 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. 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 ever-changing business environment. Our priorities will be on the health and wellbeing of our employees, ensuring safe working practices;

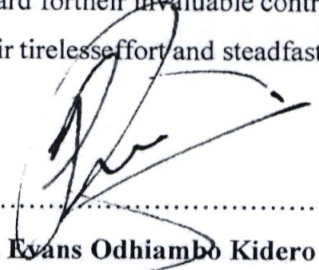
**Chairman's Statement (Continued)**

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.

**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.

  
.....  
**Dr. Evans Odhiambo Kidero**  
**Chairman of the Board**  
**KNTC**

**8. Report of the Chief Executive Officer/ Managing Director**

Over the past year, we have embarked on transformative journey to re-invigorate KNTC's operations to become the leading agent for trade and socio-economic transformation in Kenya. We have made decisive changes to make the Corporation fit for purpose in serving the country's dynamic needs as the country works towards economic recovery from the impact of the COVID-19 pandemic, and getting back on track to realize the Government's Bottom-Up Economic Transformation agenda (BETA).

To this end, we have made structural and policy adjustments to be able to fully execute our eight-pronged mandate geared to strengthening the regional supply chain, stabilizing quality of essential commodities and enhancing distribution systems for the Nation. This renewed focus, will be reflected in our new Strategic Plan, which will guide the corporation's operations to ensure KNTC is competitive. The Strategic Plan will keep us on track and guide our reporting along specific milestones, that will ensure the Corporation's turnaround.

The long-term health of our balance sheet will be determined by our continued ability to improve profitability and generate profit. Within this reporting period, we have built a strong sales momentum and invested in building competitive pricing frameworks which has restored confidence in KNTC in the essential supply chains of cooking oil, cement, rice and sugar. We have also improved in our service-delivery and continuing to invest in expanding our human resource and infrastructure to ensure we meet the growing demand for our goods and services. We report an operating loss of Kshs. 5.4 billion losses from Kshs.152 million profit last year.

Depots underperformed due to insufficient working capital which had a significant impact to our competitiveness. We have however, addressed these challenges with support from the Cabinet Secretary of Investments, Trade and Industry, and in consultation with the National Treasury.

The corporation is committed to continuous improvement, research and development to spearhead ongoing review of processes and strategies that are relevant to the evolving needs in the market. Customer needs and satisfaction assessments guide us as we rebuild trust in the KNTC brand.

The Corporate Strategic Plan will serve as an orientation to the new strategic direction, alongside staff input to achieve the new Brand Promise. It will be of imperative importance to rebuild trust of our customers, and reaffirm the competitiveness in the market as a going concern.

  
.....

**Lucy M. Anangwe**  
**Managing Director**

**9. Statement of Performance against Predetermined Objectives for FY 2023/24**

Kenya National Trading Corporation Ltd has 3 Key Result Areas and 10 Strategic objectives within its Strategic Plan for the FY 2019/20-2023/2024. This plan is up for review in the current year.

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 2023/2024 period for its strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement for Year -2023/2024
Trade Development and Promotion	To Position KNTC as the main Supplier of strategic bulk commodities in the Country.	Amount sold	Fertilizer Subsidy sales grown by 5% by 30th June, 2024	1,377,197,311
		Amount sold	Ventured into export of commodities and goods and generated export sales by 30th June, 2024.	-
		Amount sold	Distribution of bulk affordable Commodities sales increased by 30th June, 2024.	10,010,135,773
		Amount sold	KNTC General Business Line grown by 20% by 30th June, 2024.	812,682,037

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement for Year -2023/2024
		No.of set up units	Logistics Bases and Distribution Hubs set up in Kenya and foreign Countries by 30th June, 2024.	-
		No. of New institutions engaged	Biashara Centres established by 30th June, 2024.	-
		% Annual Growth	Trade Receivables collection enhanced against sales by 30th June, 2024	83%
		To enhance MSMEs access to	%Annual Growth	Presidential Directive on Kenyan rice implemented.
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	1
Technology & innovation for effective & efficient service delivery	To offer integrated on-line services in an efficient and effective way	Re-engineer business processes for at least 25% of the prioritized services	Integrated Customer Relationship Management System (CRM) with the Enterprise Resource Planning (ERP) for retail and wholesale distribution, e-procurement portal for procurement Services to Government institutions.	100%
		Digitalize at least 25% of the identified services	Implemented the e-citizen payment platform for all government revenue collections	100%
		Institute measures for cyber security and data protection e.g. Use of biometric security features, anti-virus updates, data back-up, secure socket layer (SSL) certificates, privacy and data protection	Biometrics system in place, anti-virus updates, data back-up, secure socket layer (SSL) certificates, privacy and data protection	100%

## 10. 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 control 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 eleven 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 four 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 Strategy Committee
3. Audit Committee
4. Human Resource and Administration 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 continues to use the going concern basis when preparing the financial statements.

## 11. Management Discussion and Analysis

### A. Operational and Financial Performance

#### (a) Share capital

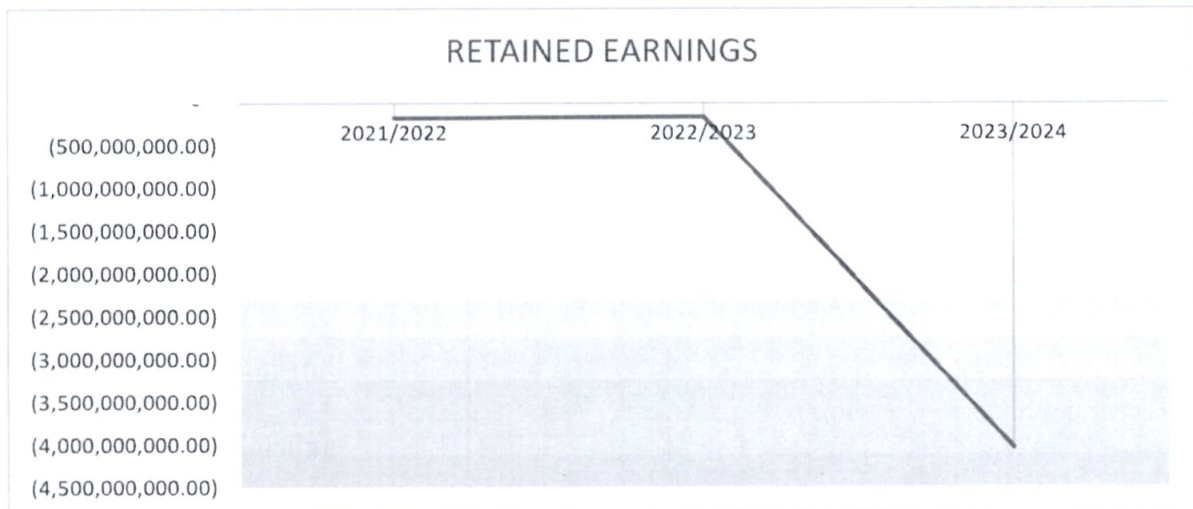
KNTC has only one class of shares – Ordinary shares of par value Kshs. 20 each. The share capital balance as at 30<sup>th</sup> June 2024 amounted to Kshs 32,000,000 which is the same as the previous two years.

#### (b) Reserves and Surplus

- **Retained Earnings**

The retained earnings from the year ended 30<sup>th</sup> June 2022 amounted to Kshs. (145,337,814) compared to the retained earnings of the year ended 30<sup>th</sup> June 2023 (158,743,780). As at 30<sup>th</sup> June 2024 the retained earnings stood at Ksh. (4,036,811,730).

#### Graph 1: Retained Earnings

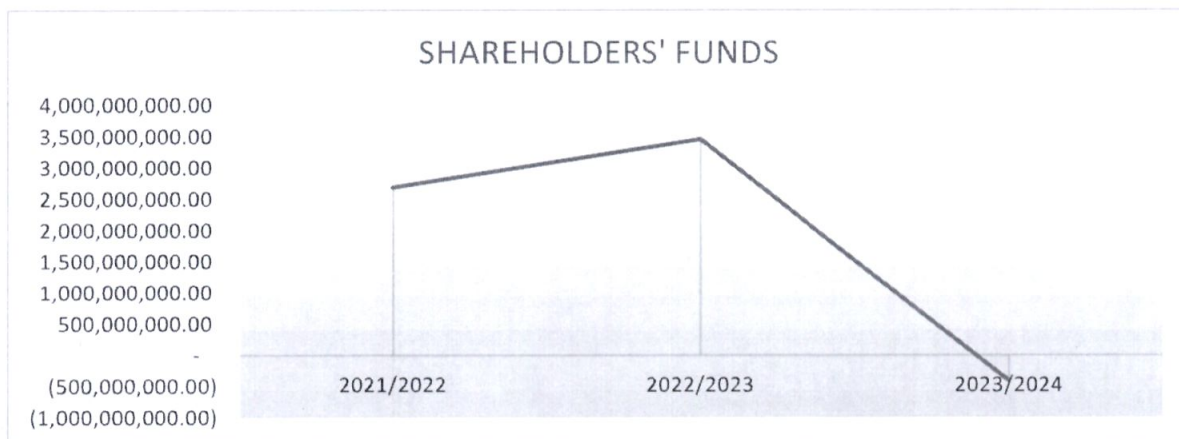


- **Shareholders' funds**

The total shareholders' fund stood at Kshs. (409,188,191) as at 30th June 2024 compared with Kshs. 3,468,879,759 as at 30th June 2023 and Kshs. 2,697,304,963 as at 30<sup>th</sup> June 2022. There was no assets revaluation exercise during the year ended 30<sup>th</sup> June 2023.

Management Discussion and Analysis (Continued)

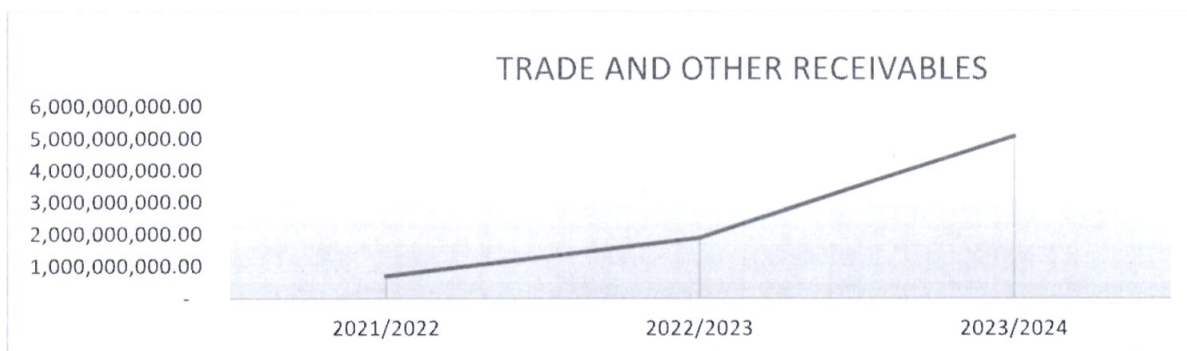
**Graph 2: Shareholders' Funds**



**(c) Trade and Other Receivables**

The trade and other receivables amounted to Kshs. 5,083,302,025 as at 30<sup>th</sup> June compared to Kshs. 1,877,247,428 as at 30<sup>th</sup> June 2023 and Kshs. 691,936,235 as at 30<sup>th</sup> June. Except for the specific debts provided for, these debts are considered good and realizable.

**Graph 3: Trade and Other Receivables**

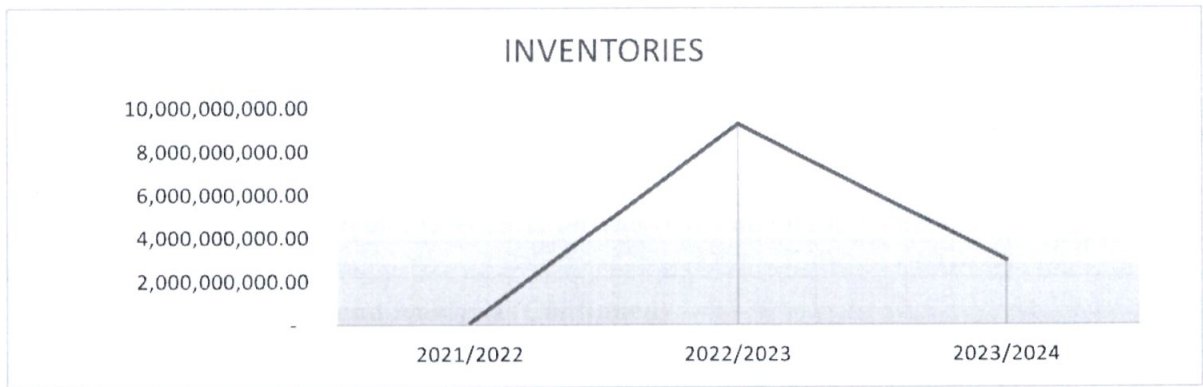


**Management Discussion and Analysis (Continued)**

**(d) Inventories**

Inventories amounted to Kshs. 2.97 billion as at 30<sup>th</sup> June 2024 compared to Kshs. 9.27 billion as at 30<sup>th</sup> June 2023 and Kshs. 102,968,549 in the FY 2021/2022. The Corporation ventured into the commodities imports this year. The total inventories for imported commodities i.e. rice and cooking oil amounted to Kshs. 2.7 billion.

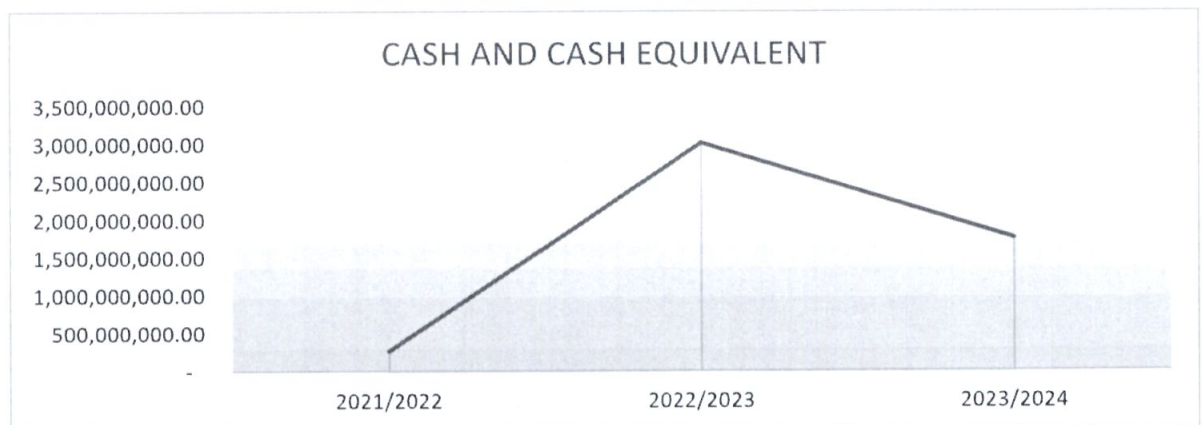
**Graph 4: Inventories**



**(e) Cash and cash equivalents**

The balance in our current accounts stands at KES 1.75 billion as at 30<sup>th</sup> June 2024 as compared to Kshs. 3 billion as at 30<sup>th</sup> June 2023 and Kshs 284,955,133 as at 30<sup>th</sup> June 2022. Out of the total cash at bank amount, Kshs. 1.7 billion is held in KCB Escrow for fertilizer, cooking oil and rice. The Corporation did not invest in short term deposits as at 30<sup>th</sup> June 2024.

**Graph 4: Cash and cash equivalents**



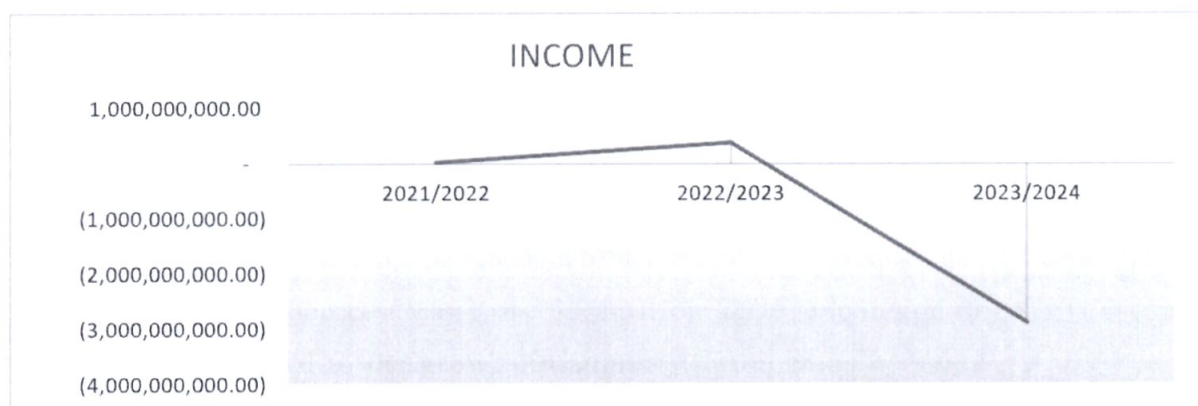
Management Discussion and Analysis (Continued)

**B. Results of our Operations**

**(a) Income**

All of the revenues for the year ended 30<sup>th</sup> June 2024 were domestic revenues. Our revenues are generated primarily from sales of products and rent from our leased warehouses. The trading income from sale of products is Kshs. (2,872,379,007) compared with Kshs. 384,203,079 from the previous year and Kshs 311.6 million in the year ended 30<sup>th</sup> June 2022. The decrease in revenue is from the increase in cost of sale for cooking oil and rice.

**Graph 5: Income**



**(b) Expenditure**

• **Personnel Emoluments**

Personnel Emoluments relate to salaries and benefits paid to employees. They amounted to Kshs. 135 million this year compared to Kshs. 109 million over the same period last year a 24% increase and 73.8 million in the year ended 30<sup>th</sup> June 2022 representing.

• **Administration expenses**

Administration expenses amounted to Kshs. 545 million compared to the previous year which amounted to Kshs. 253 million representing a 50% increase. In the year ended 30<sup>th</sup> June 2022, the corporation administration cost was Kshs. 92 million. The expansion of KNTC's sales activities contributed to the growth in administration costs

## Management Discussion and Analysis (Continued)

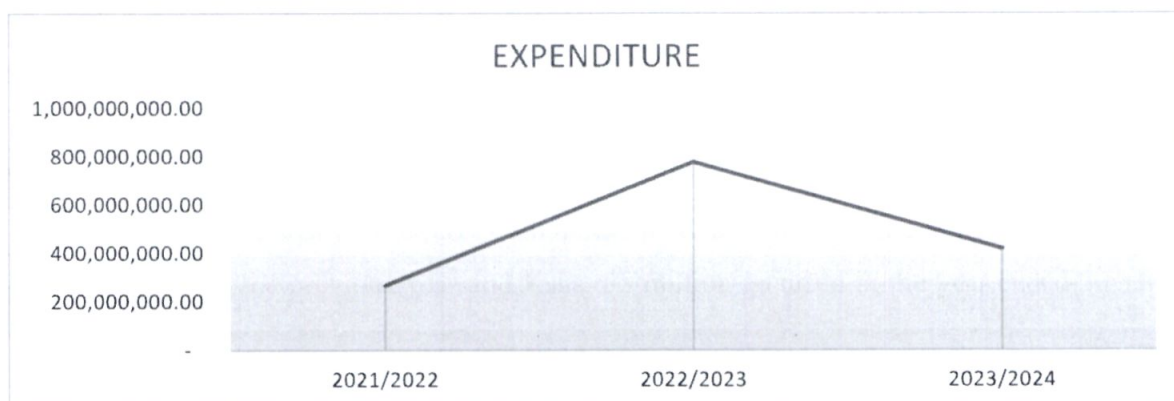
- **Selling & Marketing Costs**

Marketing, Selling & distribution costs amounted to Kshs. 50 million compared to Kshs. 46 million incurred in the previous year and Kshs. 55 million incurred in the year ended 30<sup>th</sup> June 2022.

- **Directors Emoluments**

Directors' emoluments increased from Kshs. 11.5 million as at 30<sup>th</sup> June 2022 to Kshs. 11 million as at 30<sup>th</sup> June 2023 and further increased to Kshs. 39 million as at 30<sup>th</sup> June 2024.

**Graph 5: Expenditure**



**(c) Operating profits**

KNTC made an operating loss before interest & tax of Kshs. 5.4 billion in 2023/24 compared to operating profit before tax of Kshs. 152 million over the same period last year and Kshs 139.6 million as at 30<sup>th</sup> June 2022. We incurred Kshs. 265 million in interest costs associated with the short-term loan for fertilizer, cooking oil and rice imports and a loss due to foreign exchange rates worth Kshs. 1.6 billion.

**(d) Earnings per Share (EPS)**

There was no earning per share for the year ended 30<sup>th</sup> June 2024 and 30<sup>th</sup> June 2023 considering that the corporation was running at a loss while it was 60% as at 30<sup>th</sup> June 2022. The outstanding shares used in computing the basic EPS were 1,600,000 @ Kshs 20 per share.

**Management Discussion and Analysis (Continued)**

**(e) Liquidity**

Our growth has been financed largely through cash generated from financing activities. The net cash generated by our operations was Kshs. (8) billion. The Net cash used for investing activities was Kshs. (50) million while Net cash generated from financing activities was Kshs. 7 billion for the year ended June 30<sup>th</sup> 2024.

## 12. Environmental and Sustainability Reporting

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

### *i) 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.

### *ii) 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 2027, and are working closely with the Ministry of Environment and Forestry to help the country achieve its goal. In November 2023, the Corporation participated

### **Environmental and Sustainability Reporting (Continued)**

in tree planting day at Enoosupukia forest in Narok County and Ten thousand (10,000) assorted indigenous trees were planted by the Corporations.

#### **iii) Employee welfare**

The hiring process at KNTC is guided by a transparent, merit-based recruitment policy aimed at attracting and retaining the best talent. The policy adheres to principles of equal opportunity, fairness, and inclusivity. KNTC actively promotes gender equity in hiring, ensuring alignment with the Government of Kenya's gender representation guidelines, which advocate for at least one-third representation of either gender in employment. KNTC conducts regular training sessions to enhance employee skills.

KNTC is committed to maintaining a safe working environment. This includes:

Providing safety equipment (e.g., PPE for warehouse and logistics staff). Conducting regular safety drills and training. The corporation complies with the Occupational Safety and Health Act of 2007 by ensuring all facilities meet OSHA standards and reporting and addressing workplace incidents promptly.

#### **iv) Market place practices-**

Our year-on-year tax remittances have contributed to the country's economic growth. Over the past five years. The corporation championed several efforts towards responsible market practises by ensuring:

- **Responsible competition practice**

Kenya National Trading Corporation Ltd (KNTC) upholds responsible competition practices through a comprehensive approach that includes a zero-tolerance policy on corruption, guided by the Anti-Corruption and Economic Crimes Act. The organization maintains political neutrality, ensuring transparency and compliance with the Leadership and Integrity Act. KNTC is committed to fair competition, adhering to the Competition Act, 2010, and fostering healthy market dynamics by avoiding anti-competitive practices. The corporation respects its competitors by engaging in ethical business practices, promoting collaboration, and refraining from unfair market conduct. These efforts reflect KNTC's dedication to integrity, transparency, and a competitive yet ethical business environment.

## **Corporate Governance Statement (Continued)**

### **Responsible supply chain and supplier relations**

Kenya National Trading Corporation Ltd (KNTC) maintains responsible supply chain and supplier relations by upholding high standards of business ethics and integrity. The organization ensures that all supplier contracts are honored, with clear terms that promote mutual respect and transparency. KNTC is committed to timely payments, following agreed-upon payment schedules and ensuring suppliers are paid promptly, in line with industry best practices. The corporation fosters long-term relationships with suppliers, prioritizing fairness and consistency in all interactions. Additionally, KNTC regularly engages with its suppliers to provide feedback and collaborate on improving efficiency, sustainability, and overall performance within the supply chain, ensuring that its business practices align with both local and international standards of responsible trade.

- **Responsible marketing and advertisement**

Kenya National Trading Corporation Ltd (KNTC) is committed to maintaining ethical marketing and advertising practices by ensuring that all promotional activities are truthful, transparent, and comply with relevant laws and regulations. KNTC focuses on promoting its products and services based on their true value, avoiding exaggerated claims, and ensuring that all advertisements are in the best interest of consumers. Furthermore, the corporation respects customer privacy by safeguarding personal information and using data responsibly in its marketing campaigns. Ethical practices are embedded in the company's culture, ensuring that marketing efforts are aligned with the values of fairness, transparency, and customer trust.

- **Product stewardship**

Kenya National Trading Corporation Ltd (KNTC) prioritizes product stewardship by safeguarding consumer rights and interests through various efforts aimed at ensuring the quality, safety, and transparency of its products. The organization adheres to strict quality control standards for all goods, ensuring that they meet regulatory requirements and industry best practices. KNTC also ensures that all products are clearly labelled, providing consumers with accurate information on ingredients, usage instructions, and potential risks. In line with consumer protection laws, KNTC offers responsive customer service, addressing complaints and feedback promptly to ensure satisfaction and resolve issues. The corporation also actively engages in recall procedures when necessary, prioritizing consumer safety by removing defective or unsafe products from the market. By focusing on consumer education and

**Corporate Governance Statement (Continued)**

maintaining high standards of product quality, KNTC is committed to building trust and protecting the rights of its customers.

v) **Corporate Social Responsibility / Community Engagements**

**a. 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.

**b. Corporate Social Responsibility**

In light of the Government's agenda of planting 5 billion trees in the next five years to tackle the climate change, the Corporation participated in this noble exercise as a start towards the target of 30 trees per employee. This exercise was carried out at Enoosupukia Forest in Narok county on 13th November 2023 at a cost of Kshs. 500,000. Ten thousand (10000) assorted indigenous trees were bought at a cost of Kshs. 50 per seedling. Other costs included transportation of seedlings from Ololulunga to Enoosupukia Kshs. 60,000 and field preparation Kshs. 40,000.

During the long rains this year, the corporation participated in phase two exercise of tree planting. Five hundred (500) seedlings at a cost of Kshs. 104,400 vat inclusive were procured at Kenya Forest Service Karura forest tree nursery. These seedlings were planted on 29th May 2024 within Nairobi county.

The country also experienced heavy rains early this year resulting to floods where many people lost their lives and many families displaced. To join the rest of the country in supporting the flood victims, the Cabinet Secretary State Department for Trade directed all State Agencies donate funds, food stuff, and other materials to support the affected families.

The corporation donated 63 bags of premium rice valued at Kshs. 504,000. Other contribution included providing storage facilities of food stuff donated by other State Agencies, transportation services within Nairobi County and handling charges.

### 13. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Corporation's affairs.

#### Principal activities

The principal activities/mandate of the Corporation are:

Participating in the promotion of wholesale, retail business and e-trade in line with Bottom-Up Economic Transformation Agenda (BETA).

1. 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, 2024 are set out on page 1-31

##### i) Dividends

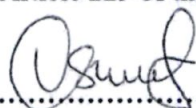
There was no interim dividend per ordinary share paid in 2023/2024 considering that the Corporation incurred a loss.

##### ii) Directors

The members of the Board of Directors who served during the year are shown on page i, iii & iv.

##### iii) 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.



.....  
**Leackey Illa**

**Corporate Secretary/Secretary to the Board**

#### 14. 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, 2024. 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 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 HMA 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, 2024, 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.

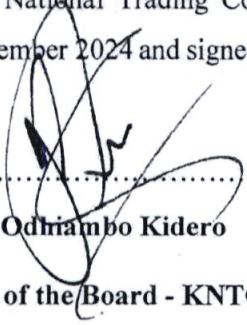
**Kenya National Trading Corporation Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

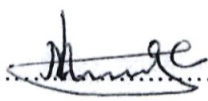
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In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and it has come to the attention that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Kenya National Trading Corporation's financial statements were approved by the Board on 23<sup>rd</sup> September 2024 and signed on its behalf by:

  
.....  
**Dr. Evans Odhiambo Kidero**  
**Chairman of the Board - KNTC**

  
.....  
**Lucy Anangwe**  
**Accounting officer**

# REPUBLIC OF KENYA



*Enhancing Accountability*

Phone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL TRADING CORPORATION LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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### PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kenya National Trading Corporation Limited set out on pages 1 to 83, which comprise the statement of financial

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*Report of the Auditor-General on Kenya National Trading Corporation Limited for the year ended 30 June, 2024*

position as at 30 June, 2024 and the statement of profit/loss & other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kenya National Trading Corporation Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **Review of the financial statements revealed the following anomalies:**

The statement of profit/loss and other comprehensive income reflects profit/loss after taxation as Kshs.(3,855,867,950) while the statement of changes in equity reflects profit of the year as Kshs.(3,878,067,950) resulting in a variance of Kshs.22,200,000.

The statement of financial position reflects Nil balance in respect to deferred tax liability whereas Note 34 to the financial statements reflects the balance as Kshs.(1,327,265,541). In addition, the movement schedule balance in the same Note reported a balance of Kshs.(1,067,685,483) resulting in a variance of Kshs.259,580,058. Further, Note 34 to the financial statements reports provisions for liabilities and charges of Kshs.210,003,985. However, there was no plausible explanation or basis for the stated provision.

The statement of comparison of budget and actual amounts reflects total income budget of kshs.2,690,564,800 and total expenditure budget of Kshs.1,968,758,800. However, review of the Corporations itemized budget document the amounts for both income and expenditure budgets as Kshs.3,150,730,000 and Kshs.1,579,287,000 respectively resulting to a variance of Kshs.460,165,200 and Kshs.389,471,000 correspondingly.

### **2. Variance in the Trial Balance**

The trial balance provided reflects debit balance of Kshs.2,731,574,812 and Nil credit balance, therefore it was not balanced. Further, the trial balance omitted some components and sub-components in the financial statements.

In the circumstances, the financial statements do not reflect a true and fair view.

### **3. Restated Amounts**

Examination of the financial statements revealed various amounts in the statements of profit or loss and other comprehensive income, financial position and cash flows were restated after the audit of the financial statements for the year 2022/2023. The restated amounts differ with those certified as per previous year's audited financial statements resulting to either overstatement or understatement.

Further, the justification or explanation for the movement from certified to restated amounts was not disclosed in the Notes to the financial statements.

In the circumstances, the accuracy and completeness of the restated amounts could not be confirmed.

### **4. Unreconciled Bank and Cash Balances**

The statement of financial position reflects bank and cash balances of Kshs.1,758,801,942 as disclosed in Note 28 to the financial statements. Review of cash book and bank statement for account number 0701788990 revealed credits of Kshs.4,005,120 with the description E-citizen settlement. The explanation provided was that these credits were in respect to sales paid using the Government pay bill no.222222. However, the amounts recognized in the cash book did not have a breakdown indicating the payees and no reconciliation was done with the sales from the depots.

In the circumstances, the accuracy and completeness of bank and cash balances of Kshs.4,005,120 could not be confirmed.

### **5. Long-Outstanding Trade and other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.5,083,302,025 as disclosed in Note 25 to the financial statements. However, included in the balance were receivables amounting to Kshs.178,751,415 which were outstanding for more than one (1) year.

Further, included in the trade and other receivables balance of Kshs.5,083,302,025 is provision for bad and doubtful debts amount of Kshs.267,542,212 being an increase of Kshs.174,256,258 compared to the previous year's amount of Kshs.93,285,954. However, there was no policy on provision for bad debts.

In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs.5,083,302,025 could not be confirmed.

### **6. Unsupported Selling Price**

The statement of profit or loss and other comprehensive income reflects sales of Kshs.12,198,063,661 as disclosed in Note 6 to the financial statements. Examination of

sales for the period under audit, revealed that the Corporation sold the quantities of rice, KNTC oil and imported oil of 2,682,427kgs, 2,712 jerricans and 1,032,630 jerricans respectively to its various customers. However, no document was provided to show the approved selling price of these quantities.

In the circumstances, the accuracy and correctness of sales amount of Kshs.12,198,063,661 could not be confirmed.

## **7. Unconfirmed Cost of Sales**

The statement of profit or loss and other comprehensive income reflects cost of sales balance of Kshs.15,070,442,668 as disclosed in Note 7 to the financial statements. However, on recomputing the cost of sales balance was Kshs.7,446,264,451 resulting to an overstatement of Kshs.7,624,178,217 which in return understated the gross profit by the same margin.

In the circumstances, the cost of sales balance of Kshs.15,070,442,668 could not be confirmed.

## **8. Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment of Kshs.3,589,875,671 as disclosed in Note 19 to the financial statements. The following anomalies were noted:

### **8.1 Land without Ownership Documents**

The property, plant and equipment net book value balance of Kshs.3,589,875,671 includes land valued at Kshs.2,518,537,460. As previously reported, the value for land further includes five (5) parcels of land located in Nairobi, Naivasha, Nanyuki, Nyahururu and Kapsabet whose ownership documents were not provided.

In addition, other records indicated that there is an unresolved dispute between the Corporation and other parties in regard to ownership of parcels of land of undisclosed size and value located in Bungoma and Nakuru Counties.

### **8.2 Unsupported Diminution of Land Value**

As previously reported, the Management made a provision for loss amounting to Kshs.520,000,000 in respect of parcels of land located on Loita Street and in Nakuru County.

The Management disclosed that the plot on Loita Street was irregularly surrendered to the Commissioner of lands and that a section of the plot of land in Nakuru has been encroached upon and registered in the name of a third party. Although the Management explained that investigations by various agencies are ongoing, the current status of the investigations was not provided. In addition, approval for the provision, by the Board of Directors and The National Treasury was not provided for audit. It was therefore not possible to confirm whether the loss in asset value amounting to Kshs.520,000,000

resulting from the adjustment was valid and reasonable. In addition, the property, plant and equipment value omitted the balance and provision for this piece of land in both the prior and current period.

Further, the revalued balance does not include one of the plots in Nakuru that had a carrying value of Kshs.32,928,000 before valuation and therefore no justification for its provision.

In the circumstances, the ownership, valuation and completeness of the land balance of Kshs.2,518,537,460 could not be confirmed.

## **9. Unsupported and Irregular Foreign Travel Expenditure**

The statement of profit or loss and other comprehensive income reflects administration costs totaling Kshs.772,622,841 as disclosed in Note 12 to the financial statements. The amount includes transportation, travelling and subsistence costs of Kshs.48,700,966 out of which Kshs.4,112,507 was in respect of foreign travel costs and subsistence allowances. Included in this amount is Kshs.2,004,869 relating to expenses incurred on behalf of the State Department for Trade. However, the approvals and justification for the same were not provided for audit. Further, the payment vouchers lacked other relevant support documents like boarding passes and copies of the passports.

In the circumstances, the accuracy and completeness of the foreign travel expenditure amount of Kshs.2,004,869 could not be confirmed.

## **10. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.3,855,867,950 which increased the retained earnings from a negative balance of Kshs.158,743,780 as at 30 June, 2023 to a negative balance of Kshs.4,036,811,730 as at 30 June, 2024.

Further, the Corporation's current liabilities balance of Kshs.14,098,250,838 exceeded its current assets balance of Kshs.10,882,619,080 resulting to a negative working capital of Kshs.3,215,631,751 or liquidity ratio of 7:9, which means the Corporation may not be able to meet its short-term obligations.

The Management has not disclosed with adequate details in the financial statements indicating that material uncertainty exists and measures taken to mitigate the same.

In the circumstances, this casts significant doubts on the Corporation's ability to continue as a going concern.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Trading Corporation Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other

ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

## **Emphasis of Matter**

### **1. Trade and other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.2,298,562,711 as disclosed in Note 37 to the financial statements. Included in this balance is trade payables of Kshs.1,900,987,396. Review of the trade and other payables ageing analysis revealed that payables for goods and services delivered and works done amounting to Kshs.1,585,459,347 have been outstanding for over one hundred and twenty (120) days. As at the time of audit in September, 2024, Kshs.1,248,222,818 owed to one of the suppliers had not been settled. The Management explained that the Corporation had engaged the supplier and an arbitrator with the aim of clearing the outstanding amount. The reason for engaging an arbitrator was not provided for review.

In the circumstances, failure to settle the outstanding payables may attract extra costs in form of interest and litigations.

### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.2,690,564,800 and Kshs.(2,741,324,660) respectively, resulting to an under-performance variance of Kshs.5,431,889,460 or 202% of the budget. However, the Corporation spent a total of Kshs.1,114,543,291 against actual receipts of Kshs.(2,741,324,660) resulting to an over-utilization of Kshs.3,855,867,951 or (141%) of the receipts.

The under-funding affected the planned activities and may have impacted negatively on the service delivery to the public.

My opinion is not modified in respect of these matters.

## **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. Except for the matters described in the Basis for Adverse Opinion, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the prior year audit report, issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. The

Management has indicated that issues have been resolved, however, they are yet to be deliberated in Parliament.

### **Other Information**

The Management is responsible for the other information set out on page iv to xxxvii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is not materially inconsistent with the financial statements

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Identification, Collection, and Accounting for Revenue**

##### **Unsettled Credit Notes**

As per the letter ref: KNTC/KCB/01/07/CORSP/VOL 3(250), the Corporation engaged all suppliers of imported commodities and agreed with them to raise credit notes equivalent to USD 7 per jerrican of cooking oil and USD 80 per metric tonne of rice. Review of the records revealed two (2) of the suppliers were yet to settle credit notes worth of Kshs.1,669,431,042.

In the circumstances, failure to have the credit notes settled may lead to loss of revenue.

## **2. Prescription on Board and Chief Executive Officers' Terms of Service and Entitlements**

The statement of profit or loss and other comprehensive income reflects administration costs of Kshs.772,622,840 as disclosed in Note 12 to the financial statements. Included in the amount is directors' emoluments totaling Kshs.39,454,948. Examination of records provided for audit relating to Board expenses revealed the following issues:

### **2.1. Unapproved Board Meetings**

Review of records provided for audit revealed that the Board and Committees held forty (40) meetings instead of a maximum of thirty (30) resulting to ten (10) unapproved meetings. In addition, the Management did not provide minutes for six (6) of the meetings held during the year. The Board acted contrary to Circular No. OP/CAB.9/1A issued by the Office of the President dated 11 March, 2020 on Management of State Corporations which states that board meetings shall be restricted to a minimum of four (4) as provided in the State Corporations Act and capped at a maximum of six (6) for each financial year.

### **2.2. Composition of Board Committees**

The Corporation had four (4) Board committees. However, it was noted that one of the directors sits in all the four (4), another director sits in both Finance and Strategy Committee and Audit Committee which was against Circular No. OP/CAB.9/1A issued by the Office of the President dated 11 March, 2020 that a member can only sit in a maximum of two Committees and only members who are representing the National Treasury and the parent Ministry can be in both Finance and Strategy Committee and Audit Committee. Further, two (2) committees Finance and Strategy Committee and Audit Committee had five (5) members exceeding the requisite number of four (4) or 1/3 of the full board.

In the circumstances, there was non-compliance with the provisions of the circular.

### **2.3. Unapproved Board Expenses**

During year under audit, it was noted that the Corporation incurred Board expenses of Kshs.39,454,948 which exceeded the approved budget of Kshs.29,999,000 and the approval to exceed the budget from Cabinet Secretary for The National Treasury was not provided for audit. The Board acted contrary to the provisions of the circular on Board budgets and expenses, where the circular states that Board expenses for a financial year shall be capped at thirty million (Kshs.30,000,000) or 5% of the operations and maintenance budget of the State Corporation whichever is less and any exceeding budgets shall require approval of the Cabinet Secretary for the National Treasury.

In the circumstances, the Board acted contrary to the provisions of the circular and incurred irregular expenses.

## **2.4. Irregular Payment of Allowances**

Review of documents revealed that a total of Kshs.2,028,478 in respect of allowances to Board members was irregular. This was as a result of some members attending meetings and being paid double mileage allowance. In addition, there was lack of support documents like attendance register for trainings attended.

In the circumstances, the regularity of allowances amounting to Kshs.2,028,478 could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and 4000. The standards require 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 comply 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, because of the significance of the matter discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Weakness in Inventory Control and Stores Management**

The statement of financial position reflects inventories balance of Kshs.2,972,829,631 as disclosed in Note 24 to the financial statements. Excluded from this balance is Kshs.40,669,684 relating to impairment of stocks for damaged inventory. Examination of stock sheets provided for audit revealed that some stocks of various categories were lying in various depots in damaged state. These damages were due to overstocking, poor inventory packaging and handling.

In the circumstances, the effectiveness of the controls on inventory management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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, I report, based on my audit, because of the significance of the matters discussed in the Basis for Adverse Opinion, I confirm 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. Adequate accounting records have been not kept by the Corporation, so far as appears from the examination of those records; and,
- iii. The Corporation's financial statements are not in agreement with the accounting records and returns.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Corporation's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and the Board of Directors**

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 controls 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 controls, 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 Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

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

**Nairobi**

**24 December, 2024**

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement of Profit/Loss & Other Comprehensive Income for year ended 30<sup>th</sup> June 2024.**

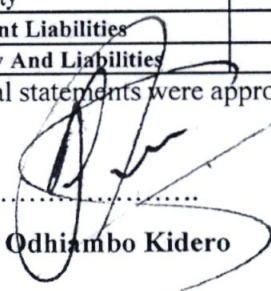
Description	Note	2023/2024	Restated 2022/2023	2022/2023
		Kshs	Kshs	Kshs
<b>Revenues</b>				
Sales	6	12,198,063,661	18,939,831,800	19,114,373,564
Cost of sales	7	(15,070,442,668)	(18,555,628,721)	(18,955,433,075)
<b>Gross profit</b>		<b>(2,872,379,007)</b>	<b>384,203,079</b>	<b>158,940,489</b>
<b>Other income</b>				
Grants from the national government	8	22,200,000	159,519,920	159,519,920
Finance income	9	-	-	-
Other income	10	87,765,657	97,921,424	97,921,424
Other gains/(losses)	11	21,088,690	231,199,360	231,199,360
<b>Total revenues</b>		<b>(2,741,324,660)</b>	<b>872,843,783</b>	<b>647,581,193</b>
<b>Operating expenses</b>				
Administration costs	12	772,622,841	390,175,797	377,168,269
Selling and distribution costs	13	50,944,335	73,055,391	72,726,435
Finance costs	14	1,853,559,601	257,509,525	71,755,566
<b>Total operating expenses</b>		<b>2,677,126,777</b>	<b>720,740,713</b>	<b>521,650,270</b>
<b>Profit/(loss) before taxation</b>		<b>(5,418,451,437)</b>	<b>152,103,070</b>	<b>125,930,923</b>
<b>Income tax expense/(credit)</b>	16	<b>(1,562,583,487)</b>	<b>-</b>	<b>(10,076,699)</b>
<b>Profit/(loss) after taxation</b>		<b>(3,855,867,950)</b>	<b>152,103,070</b>	<b>136,007,622</b>
Earnings per share – basic and diluted	17	-	-	-
Dividend per share	18	-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/ (loss) after taxation</b>		<b>(3,855,867,950)</b>	<b>152,103,070</b>	<b>136,007,622</b>
Surplus or deficit on revaluation of PPE		-	667,233,648	689,433,167
Re-measurement of net defined benefit liability		-	-	-
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		-	-	-
<b>Total comprehensive income for the year</b>		<b>(3,855,867,950)</b>	<b>819,336,718</b>	<b>825,440,789</b>

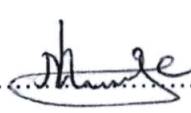
Kenya National Trading Corporation  
Annual Report and Financial Statements for the year ended June 30, 2024

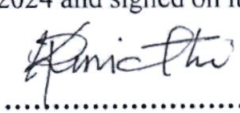
17. Statement of Financial Position as at 30 June 2024

Description	Note	2023/2024	Restated 2022/2023	2022/2023
		Kshs	Kshs	Kshs
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, Plant And Equipment	19	3,589,875,671	3,589,153,526	3,442,393,095
Intangible Assets	20	-	5,601,924	6,122,324
Investment Property	21	-	-	-
Right- Of -Use Assets	22	9,890,630	12,939,343	12,939,343
Fixed Interest Investments	23	-	-	-
Quoted Investments		-	-	-
Unquoted Investments		-	-	-
Long Term Receivables		-	-	-
<b>Total Non-Current Assets</b>		<b>3,599,766,301</b>	<b>3,607,694,793</b>	<b>3,461,454,762</b>
<b>Current Assets</b>				
Inventories	24(a)	2,972,829,631	9,277,640,188	8,677,405,618
Trade And Other Receivables	25	5,083,302,025	1,877,247,428	1,877,247,428
Deferred Tax Asset	34	1,067,685,483	-	-
Short-Term Deposits		-	-	-
Bank And Cash Balances	28	1,758,801,942	3,018,559,203	3,018,559,203
<b>Total Non-Current Assets</b>		<b>10,882,619,080</b>	<b>14,167,978,104</b>	<b>13,573,212,249</b>
<b>Equity And Liabilities</b>				
<b>Capital And Reserves</b>				
Ordinary Share Capital	29	32,000,000	32,000,000	32,000,000
Revaluation Reserve	30	3,595,623,539	3,595,623,539	3,621,785,654
Fair Value Adjustment Reserve	31	-	-	-
Retained Earnings	32	(4,036,811,730)	(158,743,780)	(168,850,111)
Deferred Income	36	64,760,193	70,774,917	70,774,917
<b>Capital And Reserves</b>		<b>(344,427,998)</b>	<b>3,539,654,676</b>	<b>3,555,710,460</b>
<b>Non-Current Liabilities</b>				
Borrowings	33	46,143,385	27,775,864	27,775,864
Deferred Tax Liability	34	-	259,580,058	131,971,862
Rent Lease Deposit		15,878,629	15,878,629	15,878,629
Lease Liability	35	6,540,527	9,781,457	9,781,457
Deferred Income	36	660,000,000	660,000,000	660,000,000
<b>Total Non-Current Liabilities</b>		<b>728,562,541</b>	<b>973,016,008</b>	<b>845,407,812</b>
<b>Current Liabilities</b>				
Borrowings	33	11,796,447,197	2,734,917,024	2,918,839,378
Trade And Other Payables	37	2,298,562,711	10,525,067,799	9,711,691,973
Dividends Payable	40	-	-	-
Tax Payable		-	-	-
Lease Liability	35	3,240,930	3,017,387	3,017,387
<b>Total Current Liabilities</b>		<b>14,098,250,838</b>	<b>13,263,002,210</b>	<b>12,633,548,738</b>
<b>Total Equity And Liabilities</b>		<b>14,482,385,382</b>	<b>17,775,672,894</b>	<b>17,034,667,010</b>

The financial statements were approved by the Board on 23, September, 2024 and signed on its behalf by:

  
.....  
Dr. Evans Odhiambo Kidero  
Chairman of the Board KNTC

  
.....  
Lucy Anangwe  
Managing Director

  
.....  
Purity Kimathi  
Head of Finance  
ICPAK M/NO: 11969

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**18. Statement of Changes in Equity for the year ended 30 June 2024**

Description	Ordinary share capital	Revaluation reserve	Retained earnings	Capital/ Development Grants/ Fund	Total
As at July 1, 2022	32,000,000	2,810,642,777	(145,337,814)	30,968,224	2,728,273,187
New capital issued	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-
Deferred tax on excess depreciation	-	784,980,762	-	-	784,980,762
Profit for the year	-	-	(13,405,966)	-	(13,405,966)
Capital/development grants received during the year	-	-	-	159,519,920	159,519,920
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	(119,713,227)	(119,713,227)
Dividends paid – prior year	-	-	-	-	-
Interim dividends paid – current year	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
As of June 30, 2022,	32,000,000	3,595,623,539	(158,743,780)	70,774,917	3,539,654,676
As at July 1, 2023	32,000,000	3,595,623,539	(158,743,780)	70,774,917	3,539,654,676
Issue of new share capital	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Profit for the year	-	-	(3,878,067,950)	-	(3,878,067,950)
Capital/development grants received during the year	-	-	-	22,200,000	22,200,000
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	(28,214,724)	(28,214,724)
Dividends paid – prior year	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
At June 30, 2024	32,000,000	3,595,623,539	(4,036,811,730)	64,760,193	(344,427,998)

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**19. Statement of Cash Flows for the year ended 30 June 2024**

Description	Note	2023/2024	Restated 2022/2023	2022/2023
		Kshs	Kshs	Kshs
<b>Cash flows from operating activities</b>				
<b>Cash generated from/(used in) operations</b>	41	(8,447,609,303)	334,555,184	42,076,614
Interest received		-	-	-
Interest paid		-	(257,479,067)	(71,725,108)
Taxation paid		(19,709,316)	(64,111,656)	(64,111,656)
<b>Net cash generated from/(used in) operating activities</b>		<b>(8,467,318,619)</b>	<b>12,964,461</b>	<b>(93,760,150)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(50,379,645)	(78,926,131)	(86,979,371)
Proceeds from disposal of property, plant and equipment		-	-	-
Purchase of intangible assets		-	-	-
Purchase of quoted investments		-	-	-
<b>Net cash generated from/ (used in) investing activities</b>		<b>(50,379,645)</b>	<b>(78,926,131)</b>	<b>(86,979,371)</b>
<b>Cash flows from financing activities</b>				
Recurrent grant Received		22,200,000	159,519,920	159,519,920
Development Grant Received		-	-	-
Decrease in Non-Current Lease Liabilities		(3,240,930)	(4,561,358)	(353,237)
Payments in relation to grant income		(28,214,724)	(119,713,227)	(119,713,227)
KCB Overdraft		3,073,093,252	1,096,276,411	1,096,276,411
Proceeds from issues of new share capital		-	-	-
Proceeds from borrowings		6,285,734,265	1,666,416,477	1,778,613,723
Repayment of borrowings		(2,090,003,344)	-	-
Dividends paid		-	-	-
<b>Net cash generated from/ (used in) financing activities</b>		<b>7,259,568,520</b>	<b>2,797,938,223</b>	<b>2,914,343,590</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(1,258,129,744)</b>	<b>2,731,976,553</b>	<b>2,733,604,069</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,016,931,686</b>	<b>284,955,133</b>	<b>284,955,133</b>
Effects of foreign exchanges rate fluctuations		-	-	-
<b>Cash and cash equivalents at end of the year</b>		<b>1,758,801,942</b>	<b>3,016,931,686</b>	<b>3,018,559,202</b>

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	E= c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Net Sale of goods	2,601,664,800	-	2,601,664,800	(2,872,379,007)	5,474,043,807	-110%
Sale of services	-	-	-	-	-	-
Transfers from the government	-	-	-	22,200,000	(22,200,000)	100%
Donations in kind	-	-	-	-	-	-
Finance income	-	-	-	-	-	-
Other income	88,900,000	-	88,900,000	108,854,347	(19,954,347)	122%
<b>Total income</b>	<b>2,690,564,800</b>	<b>-</b>	<b>2,690,564,800</b>	<b>(2,741,324,660)</b>	<b>5,431,889,460</b>	<b>-102%</b>
<b>Expenses</b>						
Compensation of employees	408,418,800	-	408,418,800	135,768,436	272,650,364	33%
Use of goods and services	345,000,000	-	345,000,000	50,944,335	294,055,665	15%
Finance cost	858,856,000	-	858,856,000	1,853,559,601	(994,703,601)	216%
Rent paid	-	-	-	-	-	-
Taxation paid	-	-	-	(1,562,583,487)	1,562,583,487	-
Other payments	357,859,000	(1,375,000)	356,484,000	636,854,405	(280,370,405)	179%
Grants and subsidies paid	-	-	-	-	-	-
<b>Total expenditure</b>	<b>1,970,133,800</b>	<b>(1,375,000)</b>	<b>1,968,758,800</b>	<b>1,114,543,291</b>	<b>854,215,509</b>	<b>57%</b>
<b>Surplus for the period</b>	<b>720,431,000</b>	<b>1,375,000</b>	<b>721,806,000</b>	<b>(3,855,867,950)</b>	<b>4,577,673,950</b>	<b>-534%</b>
<b>Capital Expenditure</b>	<b>18,000,000</b>	<b>-</b>	<b>18,000,000</b>	<b>50,379,646</b>	<b>(32,379,646)</b>	<b>280%</b>

**BUDGET VS ACTUAL PERFORMANCE NOTES**

1. Sales: Approved budgeted sales were Kshs. 58.32 billion and the actual sales amounted to Kshs. 12.16 billion, a variance of Kshs. (46) million representing a (79%) achievement against the approved budget.
2. Net Sales: This represents the gross profit earned from sale of products. The Corporation had budgeted for a net sale of Kshs. 2.6 billion but the actual achievement was Kshs (2.87) billion. This was as a result of the cost of sales of cooking oil and rice.
3. Budgeted Rental Income was Kshs. 88,500,000 but the corporation was able to collect Kshs. 84,551,240 through the financial year.
4. Commission Income; The corporation earned a commission of Kshs. 21,088,690 from the fertilizer subsidy program to cover its administrative expenditures. This was previously not budgeted for.
5. Personnel Emoluments was budgeted at Kshs. 408,418,800 to cater for the expected salary adjustments. The Corporation spent Kshs. 135,768,436 by 30th June 2024 when the anticipated salaries review recommendations by SRC was not received in the year.
6. The budgeted Administration Costs was Kshs. 247 million but the actual administration cost is Kshs. 545 million due to increase in legal and professional fees.
7. Board Expenses was budgeted at Kshs. 29 million but the corporation spent Kshs. 39.4 million this financial year.
8. Selling & Distribution Costs had been budgeted at Kshs. 345 million. As at 30th June, 2024 the corporation had spent Kshs. 50 million.
9. Finance Costs had been budgeted at Kshs. 858 million. As at 30th June, 2024 the corporation had spent Kshs. 1.8billion.

## **21. Notes to the Financial Statements**

### **ADDENDUM**

This is to disclose that the closing balances of the financial year 2022/2023 are restated to incorporate changes of the audited financial statements for the same year. They therefore form the opening balances for the current financial year, 2023/2024

### **1. General Information**

The Kenya National Trading Corporation Ltd was established and derives its authority and accountability from the Companies Act (Cap 486) in 1965. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of the Corporation is to Promote and increase wholesale and retail trade and distribution of a wider range of products such as; Rice, Fertilizer, Cement, Lime, Magadi Salts, Building Materials, Human Salt, Farm inputs and products, 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 judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation, and all values are rounded off to the nearest Kenya shillings. 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.

**Notes to the Financial Statements (Continued)**

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period <i>The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, the following has been assessed to be significant for the company and has been addressed by classifying a liability as non-current for liabilities to be settled at least 12 months after the reporting period</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. <i>The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, the following</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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Title	Description	Effective Date
	<p><i>has been assessed to be significant for the company and has been addressed by measuring lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.</i></p>	
<p>Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.</p> <p><i>The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, the following has been assessed to be significant for the company and has been addressed by complying with conditions specified in the loan arrangement.</i></p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.</p>

**Notes to the Financial Statements (Continued)**

**Application of New and Revised International Financial Reporting Standards (IFRS)**

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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 Entity did not early – adopt any new or amended standards in the financial year

**Notes to the Financial Statements (Continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

- i) Revenue from the sale of goods and services** is 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) Grants from National Government** are recognized 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.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**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.

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

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost 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, as guided by National Treasury policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	2%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	20%
Computers and related equipment	33.33%
Office equipment, furniture and fittings	12.5%

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

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

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

**e) Intangible assets**

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

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

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

**g) Investment property**

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

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

**i) Inventories**

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

**j) Trade and other receivables**

Trade and other receivables are recognized at amortized cost 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**

**i) Current income tax**

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

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where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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

**l) 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.

**m) Borrowing costs**

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

**n) Cash and cash equivalents**

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

**o) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount

of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**p) Trade and other payables**

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

**q) Retirement benefit obligations**

The Corporation operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.2,160 per employee per month.

**r) Provision for staff leave pay**

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

**s) Exchange rate differences**

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

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

**t) Budget information**

The original budget for FY 2023/2024 was approved by the National Assembly on January 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2023/2024 budget following the governing body's approval.

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

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

**u) Comparative figures**

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

**v) 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, 2024.

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies**

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

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

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

**Notes to the Financial Statements (Continued)**

**Summary of Accounting Policies 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.

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**Notes to the Financial Statements (Continued)**

**6. Revenue from contract with customers**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Sales of Goods	12,198,063,661	18,939,831,800	19,114,373,564
Sales of Services	-	-	-
<b>Total</b>	<b>12,198,063,661</b>	<b>18,939,831,800</b>	<b>19,114,373,564</b>

**7. Cost of Sales**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Cost of sales on goods	15,070,442,668	18,555,628,721	18,955,433,075
Cost of sales on services	-	-	-
<b>Total</b>	<b>15,070,442,668</b>	<b>18,555,628,721</b>	<b>18,955,433,075</b>

**8. Grant from National Government**

Description	2023/2024	2022/2023
	Kshs	Kshs
Recurrent grants received	-	-
Capital grants realized (see note below)	22,200,000	159,519,920
In kind contributions/ donations	-	-
<b>Total</b>	<b>22,200,000</b>	<b>159,519,920</b>

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**Notes to the Financial Statements (Continued)**

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	2023/2024	2022/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department of Trade	22,200,000	64,760,193	28,214,724	22,200,000	159,519,920
<b>Total</b>	<b>22,200,000</b>	<b>64,760,193</b>	<b>28,214,724</b>	<b>22,200,000</b>	<b>159,519,920</b>

**9. Finance Income**

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Other Income**

Description	2023/2024	2022/2023
	Kshs	Kshs
Sale of Tender Documents	-	-
Fines and Penalties	-	-
Cash Donations	-	-
In Kind Donations	-	-
Insurance Compensation	-	-
Rental Income	84,551,240	93,525,217
Other Miscellaneous Receipts	3,214,417	4,396,207
<b>Total</b>	<b>87,765,657</b>	<b>97,921,424</b>

**11. Other Gains and Losses**

Description	2023/2024	2022/2023
	Kshs	Kshs
Commission Income	21,088,690	231,199,360
Loss/gain on disposal on sale of investments	-	-
Unrealized foreign exchange gains/(losses)	-	-
<b>Total</b>	<b>21,088,690</b>	<b>231,199,360</b>

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**12. Administration Costs**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Staff costs (note (12a))	135,768,436	109,029,083	109,103,912
Directors' emoluments	39,454,948	11,263,651	11,263,651
Electricity and water	2,612,814	2,299,693	2,299,693
Communication services and supplies	7,186,703	7,751,354	7,751,354
Transportation, travelling and subsistence	48,700,966	48,104,035	48,104,035
Advertising, printing, stationery and photocopying	6,593,653	4,833,182	4,833,182
Rent expenses	5,423,680	2,850,900	2,850,900
Staff training expenses	6,644,855	6,673,587	6,673,587
Hospitality supplies and services	29,771,948	32,288,041	32,288,041
Insurance costs	16,088,532	27,843,093	27,843,093
Bank charges and commissions	2,039,577	17,172,145	17,172,145
Office and general supplies and services	3,115,119	3,188,966	3,115,119
Auditors' remuneration	464,000	400,000	400,000
Legal fees	154,851,600	3,087,980	3,087,980
Consultancy fees	3,140,000	6,617,672	6,617,672
Licenses and permits	3,444,859	10,440,566	10,440,566
Repairs and maintenance	839,752	3,409,802	3,409,802
Provision for bad and doubtful debts	169,027,543	29,099,063	23,870,347
Inventory provisions	40,669,684	394,425	978,800
Depreciation	41,716,541	37,108,425	35,391,421
Amortization	8,650,637	9,086,624	5,361,924
Other Operating Expenses	46,416,994	47,487,400	14,311,046
<b>Total</b>	<b>772,622,840</b>	<b>420,429,685</b>	<b>377,168,269</b>

**12(a) Staff Costs**

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries and allowances of permanent employees	57,220,848	62,409,643
Wages of temporary employees	4,140,917	548,173
Medical insurance schemes	-	-
Employer's contributions to national social security schemes	1,497,960	1,084,970
Employer's contributions to pension scheme	6,459,307	3,703,878
Leave pay	306,758	3,308,727
Gratuity provisions	8,788,972	3,856,914
Fringe benefit tax	-	-
Staff welfare	57,353,674	34,116,778
<b>Total</b>	<b>135,768,436</b>	<b>109,029,083</b>

### 13. Selling and Distribution Costs

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Marketing and Promotional expenses	34,910,077	11,898,266	11,898,266
Sales commissions	-	-	-
Sales discounts and rebates	-	-	-
Other Selling and Distribution costs	16,034,258	36,892,353	60,828,169
<b>Total</b>	<b>50,944,335</b>	<b>48,790,619</b>	<b>72,726,435</b>

The increase in selling and distribution cost from Kshs. 48.79 million in 2022/2023 to Kshs. 50.94 million in 2023/2024 is due to the importation.

### 14. Finance Costs

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Interest expense on loans	265,468,823	257,479,067	71,725,108
Interest expense on Bank overdrafts	-	-	-
Interest on Lease liabilities	31,326	30,458	30,458
Others – Loss due to Foreign Exchange Rates	1,588,059,452	-	-
<b>Total</b>	<b>1,853,559,601</b>	<b>257,509,525</b>	<b>71,755,566</b>

The increase in finance cost was due to the loss due to foreign exchange rates.

### 15. Operating Profit/ (Loss)

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff Costs (Note 12b)	135,768,436	109,029,083
Depreciation of property, plant and equipment	49,657,500	37,108,425
Depreciation of right-of-use asset	3,048,713	2,964,300
Amortization of intangible assets	5,601,924	6,122,324
Provision for bad and doubtful debts	267,542,212	93,285,954
Directors' emoluments – fees	39,454,948	11,263,651
Auditors' remuneration - current year fees	464,000	464,000
Prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	1,588,059,452	-
Interest receivable	-	-
Interest payable	-	-
Rent receivable	152,501,732	139,120,347

## 16. Income Tax Expense/(Credit)

### (a) Income tax charge/ credit

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs		Kshs
Current taxation based on the adjusted Profit for the year at 30%	-	-	(10,076,699)
Current tax: Prior Year Under/(Over) provision	-	-	-
Current year deferred tax charge	(1,562,583,487)	-	-
Prior Year Under-provision for deferred tax	-	-	-
<b>Total</b>	<b>(1,562,583,487)</b>	<b>-</b>	<b>(10,076,699)</b>

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

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Profit before taxation	(5,440,651,437)	(13,405,966)	(33,588,997)
Tax at the applicable tax rate of 30%	(1,632,195,431)	-	-
Prior Year Under-Provision	1,562,583,487	-	-
Tax effects of expenses not deductible for tax purposes	63,010,593	-	-
Tax effects of income not taxable	5,440,651,437	13,405,966	33,588,997
Tax effects of excess capital allowances over Depreciation/Amortization	6,601,351	-	-
Deferred tax Prior Year Over-Provision	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the financial Year 2022/2023 and 2023/2024 the Corporation incurred a loss

## 17. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. (5,470,859,894) by the average number of ordinary shares in issue during the year of 1,600,000 There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**18. Dividend per Share**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of June. There were no dividends disbursed for the financial year ended 30th June 2024.

Report and Financial Statements for the year ended 30<sup>th</sup> June 2024

Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Rate</b>		<b>2%</b>	<b>12.50%</b>	<b>20%</b>	<b>33.30%</b>	<b>12.50%</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 1st July 2022</b>	1,699,210,000	1,004,337,810	6,442,530	34,400,000	15,144,511	5,985,613	-	2,765,520,464
Additions	-	-	615,815	51,498,800	14,224,685	14,029,541	-	80,368,841
Disposals	-	-	-	(15,950,000)	(4,861,678)	5,004,790	-	(15,806,888)
Transfers/Adjustments	819,327,460	(18,537,810)	(2,000)	-	-	-	-	800,787,650
<b>As at 30<sup>th</sup> June 2023</b>	<b>2,518,537,460</b>	<b>985,800,000</b>	<b>7,056,345</b>	<b>69,948,800</b>	<b>24,507,518</b>	<b>25,019,944</b>	<b>-</b>	<b>3,630,870,067</b>
Additions	-	-	16,811,899	17,754,000	1,170,000	-	14,643,747	50,379,646
Disposals	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>2,518,537,460</b>	<b>985,800,000</b>	<b>23,868,244</b>	<b>87,702,800</b>	<b>25,677,518</b>	<b>25,019,944</b>	<b>14,643,747</b>	<b>3,681,249,713</b>
<b>Depreciation and Impairment</b>								<b>-</b>
<b>At 1 July 2022</b>								<b>-</b>
Depreciation		19,716,000	676,057	7,890,480	6,135,816	2,690,072	-	37,108,425
Impairment		-	-	-	-	-	-	-
Transfers/ Adjustments		-	1,625,819	-	2,680,911	301,386	-	4,608,116
<b>As At 30<sup>th</sup> June 2023</b>		19,716,000	2,301,876	7,890,480	8,816,727	2,991,458	-	41,716,541
Depreciation		19,716,000	2,489,740	17,244,660	7,071,045	3,136,055	-	49,657,500
Transfer/Adjustment		-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>-</b>	<b>39,432,000</b>	<b>4,791,616</b>	<b>25,135,140</b>	<b>15,887,772</b>	<b>6,127,513</b>	<b>-</b>	<b>91,374,041</b>
<b>As at 30<sup>th</sup> June 2023</b>	<b>2,518,537,460</b>	<b>966,084,000</b>	<b>21,566,368</b>	<b>79,812,320</b>	<b>16,860,791</b>	<b>22,028,486</b>	<b>14,643,747</b>	<b>3,639,533,172</b>
<b>As at 30<sup>th</sup> June 2024</b>	<b>2,518,537,460</b>	<b>946,368,000</b>	<b>19,076,628</b>	<b>62,567,660</b>	<b>9,789,746</b>	<b>18,892,431</b>	<b>14,643,747</b>	<b>3,589,875,672</b>

Notes To The Financial Statements (Continued)

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	2,518,537,460	-	2,518,537,460
Buildings	985,800,000	39,432,000	946,368,000
Plant and Machinery	23,868,244	4,791,616	19,076,628
Motor Vehicles, Including Motorcycles	87,702,800	25,135,140	62,567,660
Computers and Related Equipment	25,677,518	15,887,772	9,789,746
Office Equipment, Furniture, And Fittings	25,019,944	6,127,513	18,892,431
<b>TOTAL</b>	<b>3,666,605,966</b>	<b>91,374,041</b>	<b>3,575,231,925</b>

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

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant and Machinery	23,868,244	2,489,740
Motor Vehicles, Including Motor Cycles	87,702,800	17,244,660
Computers and Related Equipment	25,677,518	7,071,045
Office Equipment, Furniture and Fittings	25,019,944	3,136,055
<b>Total</b>	<b>162,268,506</b>	<b>29,941,500</b>

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024**  
**Notes To The Financial Statements (Continued)**

**20. Intangible Assets**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	<b>5,601,924</b>	<b>11,724,248</b>
Additions	-	-
Disposals	-	-
<b>At June 30</b>	<b>5,601,924</b>	<b>11,724,248</b>
<b>Amortization</b>		
<b>At July 1</b>	<b>5,601,924</b>	<b>11,724,248</b>
Charge for the Year	5,601,924	6,122,324
Disposals	-	-
Impairment Loss	-	-
<b>At June 30</b>	<b>-</b>	<b>5,601,924</b>
<b>Net Book Value</b>		
<b>At June 30</b>	<b>-</b>	<b>5,601,924</b>

Intangible assets constitute of Computer software - Veka Pos System, ERP System Microsoft Dynamics Nav 2018 and Website

**21. Investment Property**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Opening Valuation</b>	-	-
<b>Movements During the Year</b>	-	-
Additions	-	-
Disposals	-	-
Fair Value Gains/(Losses)	-	-
<b>Closing Valuation</b>	-	-
<b>Depreciation (If at Cost)</b>	-	-
<b>At July 1</b>	-	-
Charge for the Year	-	-
Disposals	-	-
Impairment Loss	-	-
<b>At June 30</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	-	-
<b>At June 30</b>	<b>-</b>	<b>-</b>

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024**

**Notes to the financial statements (continued)**

**22. Right-of-use assets**

Description	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>				
As At 1 July 2022	17,946,143	-	-	17,946,143
Additions	-	-	-	-
As At 30 June 2023	17,946,143	-	-	17,946,143
Additions	-	-	-	-
As At 30 June 2024	17,946,143	-	-	17,946,143
<b>Accumulated Depreciation</b>				
As At 1 July 2022	2,042,500	-	-	2,042,500
Charge for the Year	2,964,300	-	-	2,964,300
As At 30 June 2023	5,006,800	-	-	5,006,800
Charge for the Year	3,048,713	-	-	3,048,713
As At 30 June 2024	8,055,513	-	-	8,055,513
<b>Carrying Amount</b>				
As At 30 June 2023	12,939,343	-	-	12,939,343
As At 30 June 2024	9,890,630	-	-	9,890,630

**23. Fixed Interest Investments**

Description	2023/2024	2022/2023
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	-	-
<b>Total</b>	-	-

**Kenya National Trading Corporation**  
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**Notes to the Financial Statements (Continued)**

**24. Inventories**

Description	2023/2024	2022/2023
	Kshs	Kshs
Raw materials	-	-
Goods in transit	-	-
Finished goods	-	-
Work in Progress	-	-
Less: Impairment of Stocks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**24 b) Consumables**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs		Kshs
Consumables	3,000,746,122	6,101,102,895	5,500,868,325
Other Stocks	12,753,193	3,177,516,093	3,177,516,093
Less: Impairment of Stocks	(40,669,684)	(978,800)	(978,800)
<b>Total</b>	<b>2,972,829,631</b>	<b>9,277,640,188</b>	<b>8,677,405,618</b>

**Reconciliation of Impairment Allowance for Inventories**

Description	2023/2024	2022/2023
	Kshs	Kshs
At the beginning of the year	978,800	584,375
Additional provisions during the year	40,669,684	394,425
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	<b>41,648,484</b>	<b>978,800</b>

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**Notes to the Financial Statements (Continued)**

**25. Trade and Other Receivables**

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade Receivables (Note 27 (a))	4,326,724,836	424,007,021
Deposits and prepayments	1,845,775	874,540
Vat recoverable	736,319,113	142,128,975
Staff receivables (Note 27 (a))	2,728,200	3,478,015
Other receivables	283,226,312	1,400,044,832
<b>Gross Trade and Other Receivables</b>	<b>5,350,844,236</b>	<b>1,970,533,382</b>
Provision for Bad and Doubtful Receivable	(267,542,212)	(93,285,954)
<b>Net Trade and Other Receivables</b>	<b>5,083,302,025</b>	<b>1,877,247,428</b>

Increase in receivables was due to importation

**25 (a) Trade Receivables**

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Trade Receivables	4,326,724,836	424,007,021
Provision for Doubtful Receivables	(267,542,212)	- 93,285,954
Net Trade Receivables	4,059,182,624	330,721,066
<b>ageing analysis of gross Trade Receivables</b>		
Less than 30 Days	8,149,925	-
Between 30 and 60 Days	3,236,253,714	-
Between 61 and 90 Days	9,081,260	-
Between 91 and 120 Days	2,342,393	-
Over 120 Days	1,070,897,544	-
<b>Total</b>	<b>4,326,724,836</b>	<b>-</b>

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**Notes to the Financial Statements (Continued)**

**25 (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>At the beginning of the year</b>	93,285,955	69,415,607
Additional provisions during the year	174,256,258	23,870,347
Recovered during the year	-	-
Written off during the year	-	-
<b>At the end of the year</b>	<b>267,542,212</b>	<b>93,285,955</b>

**25 (c) Staff Receivables**

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
<b>Amounts due after one year</b>	<b>-</b>	<b>-</b>

**25 (d) Reconciliation of Impairment Allowance for Staff Receivables**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>At the beginning of the year</b>	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
<b>At the end of the year</b>	<b>-</b>	<b>-</b>

**26. Tax Recoverable**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
<b>At beginning of the year</b>	<b>47,723,507</b>	<b>29,856,499</b>	<b>29,856,499</b>
Income tax charge for the year (Note 16)	-	-	-
Under/(Over) Provision in prior year	55,706,124	81,978,664	81,978,664
Income tax paid during the year	(19,709,316)	(64,111,656)	(64,111,656)
<b>At end of the year</b>	<b>83,720,316</b>	<b>47,723,507</b>	<b>47,723,507</b>

**Kenya National Trading Corporation**  
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**27. Short Term Deposits**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Other Commercial Banks</b>		
Cooperative Bank Of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank Of Kenya	-	-
<b>Total</b>	-	-

**28. Bank and Cash Balances**

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	1,758,440,105	3,018,313,691
Cash in hand	361,837	245,512
<b>Total</b>	<b>1,758,801,942</b>	<b>3,018,559,203</b>

The bulk of the cash at bank was held at Kenya Commercial Bank followed by Co-operative Bank.

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**Notes To The Financial Statements (Continued)**

**Detailed analysis of the cash and cash equivalents**

Description		2023/2024	2022/2023
Financial institution	Account number	Kshs	Kshs
<b>a) Current Account</b>			
ABSA Bank	701788990	5,094,359	1,944,642
National Bank	1003002924900	312,695	265,505
Co-operative Bank	1136028861700	10,135,252	19,477,596
Co-operative Bank	1136028861701	2,042,696	144,294,045
ABSA Bank	2046098318	4,155,757	17,538,798
KCB - Main Current Account	1305267672	-	4,960,583
KCB - Dollar Account	1305267737	-	-
KCB-Beans Escrow	1310600880	30	30
KCB - Fertilizer Escrow	1310600686	1,203,080	1,088,225,845
KCB - Rice Escrow	1310600791	325,552,807	226,007,580
KCB - Cooking Oil Escrow	1310600910	791,530,606	98,455,917
Cooking Oil-USD	1310601062	215,855,059	-
KCB - Lamar Escrow	1312069368	402,557,500	1,417,143,149
KCB Mashariki	1310601011	132	-
KCB Mashariki	1310601038	132	-
KCB Mashariki	1310600945	-	-
<b>Sub- Total</b>		<b>1,758,440,105</b>	<b>3,018,313,691</b>
<b>b) On - Call Deposits</b>			
Other Commercial banks		-	-
<b>Sub- Total</b>		-	-
<b>c) Fixed Deposits Account</b>			
Other Commercial banks		-	-
<b>Sub- Total</b>		-	-
<b>d) Others (Specify)</b>			
Cash in transit		-	-
Cash in hand		361,837	245,512
Mobile money account		-	-
<b>Sub- Total</b>		<b>361,837</b>	<b>245,512</b>
<b>Grand Total</b>		<b>1,758,801,942</b>	<b>3,018,559,203</b>

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024**  
**Notes to the Financial Statements (Continued)**

**29. Ordinary Share Capital**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Authorized:</b>		
1,600,000 Ordinary Shares of Kshs 20 par value each	3,200,000	3,200,000
<b>Issued and fully paid:</b>		
0 Ordinary Shares of Kshs par value each	-	-

### 30. Revaluation Reserve

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

### 31. Fair Value Adjustment Reserve

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

### 32. Retained Earnings

The retained earnings represent amounts available for distribution to the Corporation shareholders. Undistributed retained earnings are utilised to finance the Corporation business activities.

### 33. Borrowings

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
<b>a) External borrowings</b>			
Balance at beginning of the year	-	-	-
External borrowings during the year	4,169,369,663	1,096,276,411	1,096,276,411
Repayments of during the year	-	-	-
<b>Balance at end of the year</b>	<b>4,169,369,663</b>	<b>1,096,276,411</b>	<b>1,096,276,411</b>
<b>b) Domestic borrowings</b>			
Balance at beginning of the year	3,020,171,955	-	-
Domestic borrowings during the year	6,743,052,308	1,666,416,477	1,850,338,831
Repayments during the year	(2,090,003,344)	257,479,067	-
<b>Balance at end of the year</b>	<b>7,673,220,919</b>	<b>1,923,895,544</b>	<b>1,850,338,831</b>
<b>Balance at end of the period- domestic and external borrowings c = a+b</b>	<b>11,842,590,582</b>	<b>3,020,171,955</b>	<b>2,946,615,242</b>

**Kenya National Trading Corporation**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024**  
**Notes To The Financial Statements (Continued)**

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

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
<b>External borrowings</b>			
Dollar denominated loan from KCB Bank	4,169,369,663	1,096,276,411	1,096,276,411
Sterling pound denominated loan from 'y organization'	-	-	-
Euro denominated loan from Z organization'	-	-	-
<b>Domestic borrowings</b>			
Kenya shilling loan from KCB	7,673,220,919	1,666,416,477	1,850,338,831
Kenya shilling loan from Barclays bank	-	-	-
Kenya shilling loan from Consolidated bank	-	-	-
<b>Total balance at end of the year</b>	<b>11,842,590,582</b>	<b>2,762,692,888</b>	<b>2,946,615,242</b>

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs		Kshs
Short term borrowings (Current Portion)	11,796,447,197	2,734,917,024	2,918,839,378
Long term borrowings	46,143,385	27,775,864	27,775,864
<b>Total</b>	<b>11,842,590,582</b>	<b>2,762,692,888</b>	<b>2,946,615,242</b>

#### 34. Deferred Tax Liability/Asset

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

Description	2023/2024	2022 /2023
	Kshs	Kshs
Accelerated capital allowances	25,313,961	21,683,003
Unrealized exchange gains/(Losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(1,562,583,487)	-
Provisions for liabilities and charges	210,003,985	121,045,584
<b>Net deferred tax liability</b>	<b>(1,327,265,541)</b>	<b>142,728,587</b>

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The movement on the deferred tax account is as follows:

Description	2023/2024	2022 /2023
<b>Balance at beginning of the year</b>	<b>259,580,058</b>	<b>116,851,471</b>
Credit to revaluation reserve	-	-
Under Provision in Prior Year	235,317,946	142,728,587
Income Statement Charge/(Credit)	(1,562,583,487)	-
<b>Balance at end of the year</b>	<b>(1,067,685,483)</b>	<b>259,580,058</b>

**35. Lease Liability**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>At the start of the year</b>	<b>16,188,739</b>	<b>19,653,781</b>
Discount interest on Lease Liability	9,781,457	13,147,061
Paid during the year	(3,048,713)	(2,964,300)
<b>At end of the year</b>	<b>22,921,483</b>	<b>29,836,542</b>

Details	2023/2024	2022/2023
Maturity Analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	2,789,842	3,447,038
On Wards	6,991,615	9,700,023
	<b>9,781,457</b>	<b>13,147,061</b>
<b>Less: Unearned Interest</b>	(101,548)	(92,460)
	<b>9,679,909</b>	<b>13,054,602</b>
<b>Analyzed As:</b>		
Non-Current	6,540,527	9,911,883
Current	3,240,930	3,235,178

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**36. Deferred Income**

Description	2023/2024	2022/2023
	Kshs	Kshs
National Government	22,200,000	159,519,920
International Funders	-	-
Public Contributions and Donations	-	-
Other (specify)	-	-
<b>Total Deferred Income</b>	<b>22,200,000</b>	<b>159,519,920</b>

The deferred income movement is as follows:

Description	National government	International funders	Public contributions and donations
	Kshs	Kshs	Kshs
Balance Brought Forward	<b>70,774,917</b>	-	-
Additions	22,200,000	-	-
Transfers To Capital Fund	- 28,214,724	-	-
Transfers To Income Statement	-	-	-
Other Transfers	-	-	-
Balance Carried Forward	<b>64,760,193</b>	-	-

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**37. Trade and Other Payables**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Trade payables	1,900,987,395.55	10,416,945,322.00	9,613,646,195.31
Accrued expenses	284,150,138.14	42,594,207.26	42,594,207.26
Retention/ Contract monies	-	-	-
Deposits	-	-	-
Employee payables	20,666,972.04	15,721,526.07	15,721,526.07
Other payables	92,758,205.25	49,806,743.24	39,730,044.36
<b>Total</b>	<b>2,298,562,710.98</b>	<b>10,525,067,798.57</b>	<b>9,711,691,973.00</b>

**38. Retirement Benefit Obligations**

Description	Defined benefit plan	Post- employment medical benefits	Other Benefits	2023/2024	2022/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total employee benefits obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Recognition of Retirement Benefit Asset/ Liability**

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

Description	2023/2024	2022/2023
	Kshs	Kshs
The Return On Defined Plan assets	-	-
Actuarial Gains/ Losses arising from changes in demographic assumptions	-	-
Actuarial Gains/ Losses arising from changes in financial assumptions	-	-
Actuarial Gains and Losses arising from experience adjustments	-	-
Others ( <i>Specify</i> )	-	-
Adjustments for restrictions on the Defined Benefit asset	-	-
<b>Re-measurement of the Net Defined Benefit Liability (Asset)</b>	-	-

b) Amounts recognised in the Statement of Financial Position

Description	2023/2024	2022/2023
	Kshs	Kshs
Present value of Defined Benefit Obligations(A)	-	-
Fair Value of Plan Assets(B)	-	-
Funded Status(=A-B)	-	-
Restrictions on Asset recognized	-	-
Others	-	-
<b>Net Asset or Liability arising from Defined Benefit Obligation</b>	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by ICEA Lion Pension Fund.

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**39. Provisions**

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance at the beginning of the year</b>	<b>7,846,141</b>	-	-	<b>94,264,755</b>	<b>102,110,895</b>
Additional provisions	7,778,845	-	-	214,925,942	222,704,787
Provision utilized	(7,472,087)	-	-	-	(7,472,087)
Change due to discount and time value for money	-	-	-	-	-
<i>Less: current portion</i>	-	-	-	-	-
<b>Balance at the end of the year</b>	<b>8,152,898</b>	-	-	<b>309,190,697</b>	<b>317,343,595</b>

**40. Dividends Payable**

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

Description	2023/2024	2022/2023
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-
	-	-
<b>Ageing analysis:</b>	-	-
Under one year	-	-
1-2 years	-	-
2-3 years	-	-
Over 3 years	-	-
<b>Total</b>	-	-

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**41. Notes to the Statement of Cash Flows**

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs		Kshs
<b>Net Profit/(Loss) for the year</b>	(5,440,651,437)	(13,405,966)	(23,512,296)
<b>Adjustment for;</b>			
Provision for Staff Leave pay	306,758	3,233,898	3,233,898
Gratuity	5,400,143	-	-
Depreciation of Property Plant & Equipment	41,716,541	37,108,425	32,427,121
Tax Paid During the Year	19,709,316	64,111,656	64,111,656
Interest Expense	265,468,823	257,479,067	71,725,108
Interest on Lease Liabilities	101,548	132,873.00	132,873
Income Tax Expense /(Credit)	-		(10,076,699)
Amortization of ROU (Right of Use) Assets	3,048,713	2,964,300	2,964,300
Amortization of Intangible Assets	-	5,361,924	5,361,924
Provision for bad & Doubtful debts	169,027,543	29,099,063	23,870,347
Provision for Stock Obsolescence	40,669,684	394,425	394,425
Provision for exchange losses	1,588,059,452	18,934,689	18,934,689
<b>Deficit/Surplus before working capital changes</b>	<b>(3,307,142,916)</b>	<b>405,414,354</b>	<b>189,567,346</b>
Decrease/(Increase) in Trade & Other Receivables	(3,211,523,311)	(1,185,311,193)	(1,185,311,193)
Decrease/(Increase) in Inventories	6,304,810,557	(9,174,671,640)	(8,574,437,072)
Increase/(Decrease) in Trade & Other Payables	(8,226,505,088)	10,238,370,301	9,564,642,172
Increase/(Decrease) in Current Lease Liabilities	223,543	1,627,516	(5,311,443)
<b>Cash Generated from Operations</b>	<b>(8,440,137,215)</b>	<b>285,429,338</b>	<b>(10,850,190)</b>
Income Tax Paid	(19,709,316)	(64,111,656)	(64,111,656)
Provision for Leave Paid/Utilized	(7,472,087)	(3,340,725)	(3,340,725)
Interest Paid	-	(261,280,025)	(71,725,108)
Customs Tax Adjustments	-	56,267,529	56,267,529
<b>Net cash generated from/(used in) operating activities</b>	<b>(8,467,318,619)</b>	<b>12,964,461</b>	<b>(93,760,150)</b>

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Description	2023/2024	2022/2023
	Kshs	Kshs
<b>(b) Analysis of interest paid</b>		
Interest on Loans	265,468,823	257,479,067
Interest on Bank Overdraft	-	-
Interest on Lease Liabilities	101,548	132,873
Interest on Loans Capitalised	-	-
Balance at Beginning of the year	-	-
Balance at end of the year (Note 35(B))	-	-
Interest paid		
<b>(c) Analysis of Dividend paid</b>		
Balance at beginning of the year	-	-
2023 Dividends paid	-	-
2023 Dividends paid	-	-
2023 Interim Dividends paid	-	-
Balance at end of the year	-	-
	-	-
Dividend paid	-	-

**42. Related Party Disclosures**

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Kenya National Trading Corporation LTD, holding 100% of the Corporation equity interest through Kenya Development Corporation. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) State Department of Trade
- ii) Kenya Development Corporation
- iii) Key management
- iv) Board of directors

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**Transactions with related parties**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Sales of electricity to govt agencies	-	-
Rent income from govt. agencies	-	-
Water sales to govt. agencies	-	-
Interest income from govt commercial banks	-	-
Interest income from bills and bonds	-	-
Others ( <i>specify</i> )	-	-
<b>Total</b>	-	-
	-	-
<b>b) Purchases from related parties</b>	-	-
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. Agencies	-	-
Bank charges paid to govt commercial banks	-	-
Interest expense to investments by other govt. Entities	-	-
Others ( <i>specify</i> )	-	-
<b>Total</b>	-	-
<b>c) Grants from the government</b>	-	-
Grants from national govt	-	-
Grants from county government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>d) Expenses incurred on behalf of related party</b>	-	-
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	-	-
	-	-
<b>e) Key management compensation</b>	-	-
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

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**43. Capital Commitments**

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Amounts authorized and Contracted for	-	-
Amounts authorizes but Not Contracted for	-	-
Less: Amounts included in Work in Progress	-	-
	-	-

**44. Contingent Assets and Liabilities**

**Contingent Assets**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	517,928	517,928
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others ( <i>specify</i> )	-	-
<b>Total</b>	<b>517,928</b>	<b>517,928</b>

**Contingent Liabilities**

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Contingent Liabilities</b>	-	-
Court case XX against ( <i>The Entity</i> )	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

#### **45. Financial Risk Management**

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

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

##### **(i) Credit risk**

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

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

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

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Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables from non-exchange transactions	1,970,293,382	1,970,293,382	342,735,580	69,415,607
Cash & Cash Equivalents	3,018,559,203	3,018,559,203		
<b>Total</b>	<b>4,988,852,585</b>	<b>4,988,852,585</b>	<b>342,735,580</b>	<b>69,415,607</b>
<b>At 30 June 2023</b>				
Receivables from non-exchange transactions	5,350,844,236	5,350,844,236	178,751,415	
Bank balances	1,758,801,942	1,758,801,942		
<b>Total</b>	<b>7,109,646,178</b>	<b>7,109,646,178</b>	<b>178,751,415</b>	<b>0</b>

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

**ii) Liquidity risk management**

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

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

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Trade payables	10,525,067,799			10,525,067,799
Current portion of borrowings				-
Employee benefit obligation	10,015,186			10,015,186
<b>Total</b>	<b>10,535,082,985</b>	<b>-</b>	<b>-</b>	<b>10,535,082,985</b>
<b>At 30 June 2024</b>				
Trade payables	2,298,562,711			2,298,562,711
Current portion of borrowings	7,627,077,534			7,627,077,534
Employee benefit obligation				-
<b>Total</b>	<b>9,925,640,245</b>	<b>-</b>	<b>-</b>	<b>9,925,640,245</b>

**(iii) Market risk**

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

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

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

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**a) Foreign currency risk**

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

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

Description	Other currencies		Total
	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Description	In Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>			
<b>Financial Assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade and Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

**b) Foreign currency sensitivity analysis**

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

Details	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2023</b>			
Euro	10%	-	-
USD	10%	-	-

**c) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

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

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

Determination of fair value and fair values hierarchy

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

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

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

<b>At 30 June 2022</b>	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>Financial assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	3,504,337,460	-	-	3,504,337,460
<b>At 30 June 2024</b>				
<b>Financial assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial assets</b>				
Investment property	-	-	-	-
Land and buildings	3,504,337,460	-	-	3,504,337,460
	3,504,337,460	-	-	3,504,337,460

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

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

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

**iv) Capital Risk Management**

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

Description	2023/2024	Restated 2022/2023	2022/2023
	Kshs	Kshs	Kshs
Revaluation reserve	3,595,623,539	3,595,623,539	3,621,785,654
Retained earnings	(5,645,814,558)	(152,754,664)	(168,850,111)
Capital reserve	32,000,000	32,000,000	32,000,000
<b>Total Funds</b>	<b>(2,018,191,019)</b>	<b>3,474,868,875</b>	<b>3,484,935,543</b>
Total Borrowings	11,842,590,582	2,762,692,888	2,946,615,242
Less: Cash and Bank balances	1,765,851,118	3,018,559,203	3,018,559,203
Net Debt/ (Excess Cash and Cash Equivalents)	<b>10,076,739,464</b>	<b>(255,866,315)</b>	<b>(71,943,961)</b>
<b>Gearing</b>	<b>(5.0)</b>	<b>(0.1)</b>	<b>0.0</b>

**46. Incorporation**

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

**47. Events after the Reporting Period**

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

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**22. Appendices**

**Appendix 1: Implementation Status of Auditor-General prior year recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

	Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe
2022/2023	1.Unsupported adjustments	Review of the Financial statement revealed variances between balances reflected in the financial statement and the supporting ledger. In the circumstances, the accuracy and completeness of the financial statement could not be confirmed	Management performed detailed reconciliation of balances between the financial statements and the supporting ledger. The Management has strengthened internal controls to ensure accuracy. The financial statement has been supported and restated as per the attached annex 1	Resolved	

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	<p><b>2.Inaccuracies in the Financial Statements</b></p>	<p>Review of the financial statements submitted for audit revealed the following inaccuracies; i) Disclosed in Note 13 to the financial statements is increase in provision for stock obsolescence amount of Kshs.65,469 while Note 23 reflects an increase in provision of Kshs.394,424 resulting in an unexplained variance of Kshs.328,956. ii) The statement of profit or loss and other comprehensive income erroneously reflects total cost of sales of Kshs. 18,995,433,075 which varies with the amount reflected in the corresponding Note 7 to the financial statements of Kshs. 18,955,433,075 resulting to an unreconciled variance Kshs.40,000,000. In addition, the statement reflects depreciation of property plant and equipment of Kshs.32,427,120 while the corresponding Note 14 to the financial statements reflects an amount of Kshs.40,753,345 resulting to an unexplained variance of Kshs.8,326,225. iii) The statement of cash flows reflects decrease in non-current lease liabilities of Kshs.353,237</p>	<p>The Financial statement have been restated to reflect the correct increase in provision of obsolescence of Ksh 394,424.00. The statement of profit or loss and other comprehensive income has been restated to reflect total cost of sales of Kshs. 18,955,433,075 the amount reflected in Note 7 in the financial statements of Kshs. 18,955,433,075. The statement of profit or loss and other comprehensive income has been restated to reflect depreciation of property plant and equipment of Kshs. 40,753,345 the amount reflected in Note 14 in the financial statements of Kshs. 40,753,345. The statement of cash flows has been restated to reflect a decrease in non-current lease liabilities of Kshs. 4,561,358 and an increase in current lease liabilities of Kshs.</p>	<p>Resolved</p>	
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	<p>which is at variance with the recomputed decrease of Kshs.4,561,358. In addition, Note 40 (a) to the financial statements reflects a decrease in current lease liabilities of Kshs.5,311,443 while re-computation of the change yielded an amount of Kshs.1,627,516.</p> <p>iv) Further, Note 20 reflects netbook value of Kshs.2,575,255,257 as at 1 July, 2022 while the asset valuation report adopted on the same date reflects total revalued amount of Kshs.3,572,618,500 resulting in a revaluation surplus of Kshs. 997,363,243. However, the statement of changes in net assets reflects revaluation surplus of Kshs.811,142,877 resulting in an unreconciled variance of Kshs. 186,220,366. In addition, the asset valuation report balances vary with the reported revaluation balances as at 30 June 2023 of Kshs 3,3 86,398,134 resulting to a reconciled variance of Ksh 186,220,366. In The circumstance the accuracy and completeness of Financial statement could not be confirmed</p>	<p>1,627,516. The Financial statements have been restated to reflect the correct revalued amount as per the Asset Valuation report of Kshs. 3,572,618,500.</p>		
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<p><b>3. Property, Plant and Equipment</b></p>	<p>The statement of financial position reflects property, plant and equipment net book value of Kshs.3,442,393,095 as disclosed in Note 20 to the financial statements. However, the following anomalies were noted. a) Land without Ownership Documents  The property, plant and equipment net book value balance of Kshs.3,442,393,095 includes land valued at Kshs.2,518,537,460 which further includes five (5) parcels of land located in Nairobi, Naivasha, Nanyuki, Nyahururu and Kapsabet whose ownership documents were not provided. In addition, other records indicated that there is an unresolved dispute between the Corporation and other parties in regard to ownership of parcels of land of undisclosed size and value located in Bungoma and Nakuru Counties. b) Unsupported Diminution of Land Value As disclosed in Note 20 to the financial statements, during the year under review, Management made a provision for loss amounting to Kshs.520,000,000 in respect of</p>	<p>The Corporation has titles for most of Nairobi properties. Management is pursuing titles for Nanyuki, Nyahururu and Kapsabet plots. Naivasha the Corporation has three plots. One of the plots has a title while the rest tow the management is pursuing the titles with Kenya railways Corporation. Bungoma and Nakuru plot the dispute in court. Management to verify ownership status, valuation, and legality; obtain board and treasury approval for provisions. The financial statements have been adjusted to reflect the correct balances. Management carried out detailed reconciliations, verified asset ownership to ensure accurate reporting and documentation.</p>	<p>Nairobi plots Resolved  Loita is pending though Nanyuki, Nyahururu, Kapsabet, Naivasha, Bungoma and Nakuru not resolved.</p>	<p>2024/2025</p>
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		<p>parcels of land located on Loita Street in Nairobi and in Nakuru County. Management has disclosed that the plot on Loita Street was irregularly surrendered to the Commissioner of Lands and that a section of the plot of land in Nakuru has been encroached upon and registered in the name of a third party. Although Management explained that investigations by various agencies are ongoing, the current status of the investigations was not provided. In addition, approval for the provision, by the Board of Directors and The National Treasury was not provided for audit. It was therefore not possible to confirm whether the loss in asset value amounting to Kshs.520,000,000 resulting from the adjustment was valid and reasonable. Further, the revalued balance does not include one of the plots of land in Nakuru that had a carrying value of Kshs.32,928,000 before valuation and therefore no justification for its provision. In the circumstances, the ownership, valuation</p>			
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		<p>and completeness of the land balance of Kshs.2,518,537,460 could not be confirmed.</p> <p>c) Misstatement of Property, Plant and Equipment The netbook value of property, plant, and equipment is reflected as Kshs.3,442,393,095, instead of the re-casted balance of Kshs.3,626,438,205, resulting in an unexplained variance of Kshs. 184,045,110. Further, the total net book value of assets reflected in the assets register was Kshs.3,142,425,988 resulting to an unreconciled variance of Kshs.299,967,107. Further, the furniture and fitting reported depreciation charge for the year of Kshs.612,947 varied with the recomputed depreciation charge in respect of furniture and fittings as per the fixed asset register of Kshs.2,001,836 resulting to an unexplained variance of Kshs.1,388,889. In addition, the cost or valuation of closing balance of property, plant and equipment as at 30 June, 2022 of Kshs.2,765,520,462 differs with the opening balance of Kshs.2,759,300,367 as at</p>			
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		<p>1 July, 2022 resulting to an unexplained variance Kshs.6,220,095.</p> <p>In the circumstances, the accuracy, ownership, and completeness of the property, plant and equipment net book value of Kshs.3,442,393,095 could not be confirmed.</p>			
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	<p><b>4. Misstatement of Intangible Asset Balance</b></p>	<p>The statement of financial position and as disclosed in Note 22 to the financial statements reflects intangible assets opening balance of Kshs.16,966,172 which includes computer software valued at Kshs.880,400. However, the software has never been amortized since it was procured in the year 2014. In the circumstances, the accuracy of the intangible assets balance of Kshs. 16,966,172 could not be confirmed.</p>	<p>The financial statements have been adjusted to reflect the correct balances. Management calculated the correct amortization for software; verified and adjusted the intangible assets balances. The computer software valued at Shs. 880,400 has been amortised in the 2022/2023 financial year and the Financial Statements have been restated.</p>	<p>Resolved</p>	
	<p><b>5. Inaccuracies in Inventory Balance</b></p>	<p>The statement of financial position reflects an inventory balance of Kshs.8,677,405,618 as disclosed in Note 23 to the financial statements. The balance includes 652,391 bags of subsidy fertilizer valued at Kshs.3,129,405,619 which was not supported by ledgers. In the circumstances, the accuracy of the subsidy fertilizer inventory balance of Kshs.3,129,405,619 could not be confirmed.</p>	<p>The subsidy fertilizer valued at Kshs.3,129,405,619 has been supported</p>	<p>Resolved</p>	

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<p><b>6. Long Outstanding and Unsupported Receivables Balances</b></p>	<p>The statement of financial position reflects trade and other receivables balance of Kshs.1,877,247,428 as disclosed in Note 24 to the financial statements. The balance includes a receivable bank guarantee balance of Kshs.1,000,000 which was not supported. The trade and other receivables balance also includes receivables amounting to Kshs. 369,244,070, which have been outstanding for over 90 days out of which an amount of Kshs.9,436,978 related to claims receivable and Kshs. 1,672,192 related to bounced cheques have been outstanding for more than one year. The trade and other receivables balance further included long overdue rent amounting to Kshs 86,319,756 due from tenants who had vacated the premises. However, Management did not provide evidence of efforts to recover the overdue rent. In addition, during the financial year under review, Management made a provision for bad and doubtful debts amounting to Kshs.93,285,954 which was an increase of</p>	<p>Management has provided the support documents availed for Ksh 1,000,000,9,436,978 and 1,672,192. Management engaged some tenants with outstanding balances on a payment plan with some issuing postdated cheques as part of the payment plan. We have some ongoing court cases and engaged auctioneers to recover the outstanding balances for some of the vacated tenants (Uchumi Supermarkets Ltd, Kilimo Feeds Ltd, Palmy Enterprises Ltd &amp; Parker Radio). Management Verified receivables balances; assessed document basis for doubtful debts provision. (Some challenges for none payment of rent by tenants is due to expired contracts- renewal process in progress)</p>	<p>Resolved</p>	
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		<p>Kshs.23,870,347 compared to the previous year's provision of Kshs.69,415,607. However, Management did not provide the basis for provision for doubtful debts. In the circumstances, the accuracy, completeness and collectability of the outstanding receivables balance of Kshs.1,877,247,428 could not be confirmed.</p>			
	<b>7. Bank and Cash Balances</b>	<p>The statement of financial position reflects bank and cash balances of Kshs.3,018,559,203 as disclosed in Note 26 to the financial statements. The statement also reflects a bank overdraft of Kshs.1,096,276,411 as disclosed in Note 35 to the financial statements. However, certificate of bank balances for balances amounting to Kshs.2,998,564,746 and the bank overdraft of Kshs. 1,096,276,411 were not provided for audit.</p> <p>Further, requests for independent third-party</p>	<p>The management has provided certificate of bank balances, bank statements, cashbook and bank reconciliation</p>	Resolved	

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		confirmation of balances from banks by the audit team were, not honoured. In addition, the Mombasa depot cash balance of Kshs. 34,641 was not supported with a cash survey report. Further, Management provided a list of sixteen (16) bank accounts operated by the Corporation, four (4) of which with unknown balances were not disclosed in the financial statements. Further, bank statements, cashbooks and bank reconciliation statements for the accounts were not provided. In the circumstances, the accuracy of the bank and cash balances of Kshs. 3,018,559,203 and bank overdraft balance of Kshs. 1,096,276,411 could not be confirmed.			
	<b>8. Inaccuracies in Short-term Borrowings</b>	The statement of financial position reflects short-term borrowings of Kshs. 1,822,562,967 and KCB (Non-current) liability balance of Kshs. 27,775,864 as disclosed in Note 35 to the financial statements all totalling Kshs. 1,850,338,831. However, the supporting schedule provided reflects an outstanding loan balance of Kshs.	Management has provided the schedules supporting Kshs. 1,850,338,831	Resolved	

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		1,737,751,718 resulting an unreconciled variance Kshs.112,587,113. In addition, the outstanding loan balance was not supported by a bank statements or certificate of bank balance. In the circumstances, the accuracy, completeness and disclosure of the short-term borrowings could not be confirmed.			
	<b>9. Unconfirmed Finance Costs</b>	The statement of profit or loss and other comprehensive income reflects finance costs of Kshs.71,755,566 as disclosed in Note 16 to the financial statements. The costs relate to interest expenses on short term loans and lease liabilities. Review of records revealed that the agreement between the Corporation and the financier of short-term loans provided for loan enhancement costs comprising of various charges and interests. The charges included 0.45% per quarter all-inclusive and negotiation fee equivalent to 0.75% flat rate on the enhanced portion of the revolving composite trade facility. However, scrutiny of the bank statements indicated that charges and interests amounting to Kshs.257,479,067 had	Cost of financing charges were confirmed, disclosed as charged and as paid to ensure accurate finance cost reporting.	Resolved	

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		been paid as at 30 June 2023 but have not been disclosed in the financial statements. In the circumstances, the accuracy and completeness of the finance costs amounting to Kshs.71,755,566 could not be confirmed.			
	<b>10. Inaccuracies in Trade and Other Payables</b>	The statement of financial position reflects trade and other payables of Kshs.9,711,691,973 and as disclosed in Note 36 to the financial statements. Review of payables records revealed the following unsatisfactory matters; i). Comparison of a sample of payables balances amounting to Kshs.4,781,584,140 with third-party confirmations by the respective creditors revealed a payables balance of Kshs.6,176,415,474 resulting to an unreconciled variance of Kshs.1,394,831,334. ii)The trade and other payables balance of Kshs.9,711,691,973 includes an amount of Kshs.37,646,808 in respect of income tax	The Financial Statements and support schedules have been restated to reflect the true & fair view status. Note number 25 in the financial statements has been restated to reflected an Income Tax payable. The Income Tax Credit amounting to Kshs. 10,076,699 has been restated to Nil. The penalties and interests were waived under the Tax amnesty after the payment of the principal taxes according to the payment plan agreement	Resolved	

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		<p>payable. However, note 25 to the financial statement reflects a tax recoverable of the same amount resulting to a misclassification of receivable as payable. In addition, as disclosed in Note 25 to the financial statements the amount excludes an income tax credit of Kshs.10,076,699 for the year. This tax was calculated based on the operating loss of Kshs.33,588,996 which should not be subjected to taxation. As a result, the tax due has been understated.</p> <p>iii) Further, tax arrears which includes penalties and interests amounting to Kshs.39,399,921 relating to the period 2015/2016 to 2019/2020 were not disclosed in the financial statements.</p> <p>iv) The trade and other payables balance of Kshs.9,711,691,973 includes an amount of Kshs.41,994,207 in respect of accrued charges out of which a total of Kshs. 14,255,834 related to interest and penalty levied on the long outstanding arrears on land rates in Nairobi City County. Further,</p>			
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		<p>documents relating to amounts owed to the County Governments of Kiambu, Mombasa and Bungoma amounting to Kshs.812,529, Kshs.2,273,578 and Kshs.272,374 respectively were not provided for audit. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.9,711,691,973 could not be confirmed.</p>			
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	<p><b>11. Unsupported Deferred Income</b></p>	<p>The statement of financial position and as disclosed in Note 34 to the financial statements reflects deferred income balance of Kshs.70,774,917. The balance is net of payments amounting to Kshs.119,713,227. However, the payments were not amortized in the statement of profit or loss and other comprehensive income as required by International Accounting Standard (IAS) 20 accounting for government grants. Further, the deferred income ledger was not provided for audit. In the circumstances, the accuracy and completeness of deferred income of Kshs. 70,774,917 could not be confirmed.</p>	<p>Deferred grant income from the National Treasury relating to capital contributions for refurbishment of warehouses was amortized as guided in IAS 20. correctly, deferred income ledger to be availed for audit</p>	<p>Resolved</p>	
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	<p><b>12. Unsupported Other Income</b></p>	<p>The statement of profit or loss and other comprehensive income reflects other income of Kshs.97,921,424 which as disclosed in Note 9 to the financial statements, includes rent income of Kshs.93,525,217. However, lease agreements for five (5) tenants whose rental income amounted to Kshs.8,389,916 were not provided for audit review. In the circumstances, the accuracy and completeness of other income balance of Kshs.97,921,424 could not be confirmed.</p>	<p>All leases have been prepared and updated. Management to provide lease agreements ensure completeness and accuracy of rental income disclosure.</p>	<p>Resolved</p>	
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	<p><b>13. Unsupported Expenditures</b></p>	<p>a) Selling and Distribution Costs. The statement of profit or loss and other comprehensive income and as disclosed in Note 13 to the financial statements reflects selling and distribution costs of Kshs. 72,726,435. However, sampled payment vouchers relating to selling and distribution expenses amounting to Kshs.6,435,692 were not provided for audit while payment vouchers amounting to Kshs.1,080,618 were not supported with records such as local purchase order, delivery/inspection reports, procurement records and approvals for the activities.b) Unsupported Staff Travel and SubsistenceThe statement of profit or loss and other comprehensive income reflects administration costs of Kshs.224,148,414 as disclosed in Note 10 to the financial statements. The amount includes staff travel and subsistence amount of Kshs.48,104,035. However, Management did not provide supporting documents such as requisition for activities, approvals and evidence of travel to</p>	<p>The selling and distribution cost has been supported for completeness and accuracy. Management to provide requisitions, approvals, and travel evidence to substantiate expenditures accurately.</p>	<p>Resolved</p>	
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		support the expenditure amount. In the circumstances, the accuracy and completeness of the expenditure of Kshs.72,726,435 and Kshs.48,104,035 in respect of selling and distribution, and staff travel and subsistence costs could not be confirmed.			
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	<p><b>14. Unsupported Payroll Expenditure</b></p>	<p>The statement of profit or loss and other comprehensive income reflects personnel emoluments amounting to Kshs.109,029,083 and as disclosed in Note 11 to the financial statements. However, salary payments vouchers for five (5) months were not provided for audit review. Further, the salary payment for the month of November, 2022 had not been posted in the system ledger. In addition, payment records supporting remittance of Pay as You Earn (PAYE) deductions for the months of April, 2023, May, 2023 and June, 2023 were not provided and were not posted in the system ledger. It was therefore not possible to confirm whether P.A.Y.E deductions for the three months amounting to Kshs.4,728,979 was remitted to the Kenya Revenue Authority. In the circumstances, the accuracy and completeness of personnel expenditure of Kshs. 109,029,083 could not be confirmed.</p>	<p>Management provided the missing voucher and posted November salary; PAYE remittances were provided</p>	<p>Resolved</p>	
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	<p><b>15. Unsupported Board Expenditure</b></p>	<p>The statement of profit or loss and other comprehensive income reflects Directors' emoluments amounting to Kshs.11,263,651 and as disclosed in Note 12 to the financial statements. However, payment of sitting allowances amounting to Kshs.1,545,522 were not supported with minutes for the Board meetings and notices to Board Members to attend the meetings. In the circumstances, the accuracy and completeness of Directors' emoluments of Kshs.1,545,522 could not be confirmed.</p>	<p>Management to document and provide Board meeting minutes and notices to support sitting allowances accurately.</p>	<p>Resolved</p>	
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	<p><b>16. Unsupported Sales</b></p>	<p>The statement of profit or loss and other comprehensive income reflects an amount of Kshs.19,114,373,564 in respect of sales as disclosed in Note 6 to the financial statements. The following unsatisfactory issues were noted: Sale of Commodity (Ricea). The sales of Kshs.19,114,373,564 includes an amount of Kshs.225,911,000 from sale of commodity rice. The latter amount which further includes an amount of Kshs.188,686,000 from sale of 104,270 bags of 25kg white rice. However, review of the stores records and physical stock sheets indicated that as at 30 June, 2023, the Corporation had only received 56,371 bags of 25kg white rice which were still held at the warehouse. Therefore, the sales were overstated by Kshs. 188,686,000. b) Sale of Subsidy Fertilizer Further, the sales balance of Kshs.19,114,373,564 includes an amount of Kshs.15,534,767,319 from sale of subsidy fertilizer. However, the e-voucher system redemption report reflected total sales amount of Kshs. 15,308,270,150 resulting to a</p>	<p>The sales have been restated and Ksh 188,686,000 credited to customer deposits in the financial statements Sales – 3,262,969 bags - OAG -3,302,848 bags- KNTC. The ledger has been reconciled to match the sales of Ksh 98,140,950 as per the financial statements. KNTC uses accrual basis system of accounting, this therefore means, payments made are not directly related to sales/revenue.</p>	<p>Resolved</p>	
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		<p>variance of Kshs.226,497,169. c) Sale of Commodity Cooking Oil In addition, the sales amount of Kshs. 19,114,373,564 includes commodity cooking oil sales of Kshs.98,140,950, being sale of 26,386 of 20-litre jerrycans of cooking oil. Review of records including the ledger provided revealed that goods were released to customers by the collateral managers upon the customer making payments to the bank. However, records indicated that sales amounting to Kshs.131,267,223 were made but only Kshs.98,140,950 was paid to the bank resulting to an unaccounted-for sales amounting to Kshs.33,126,273. d) Sale of Sugar, Magadi Salt and Cement Included in the sales amount of Kshs. 19,114,373,564 are sales totalling Kshs.176,980,009 relating to the sale of sugar, Magadi salt and cement. Analysis of the cashbook revealed total payments made to suppliers during the year amounting to Kshs.220,171,195 which could not be reconciled with Kshs. 176,980,009. In</p>			
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		<p>addition, payments amounting to Kshs.77,453,568 were not supported with payment records such as payments vouchers, invoices and evidence of delivery. Further, out of the payment vouchers provided, payments amounting to Kshs.23,150,529 were not posted to the trading items system ledger. In the circumstances, the accuracy and completeness of the subsidy fertilizer, commodity rice and commodity cooking oil sales totalling Kshs. 15,858,819,269 could not be confirmed.</p>			
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	<p><b>17. Unsupported Cost of Sales</b></p>	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects cost of sales amounting to Kshs.18,955,433,075 which comprised of the cost of purchase and other incidental costs- including fuel, subsistence allowances for the driver and other handling cost. However, an amount of Kshs.3,420,665,757 was not supported with detailed analysis of its composition. Further, review of payment records revealed cash withdrawals amounting to Kshs.6,725,220 that was used to pay staff as commodities handling charges at various warehouses. However, the warehousing contracts indicated that warehousing charges included handling charges. Although Management explained that the charges related to other incidental costs no evidence in support of the costs was provided. In the circumstances, the accuracy and completeness of the cost of the sales could not be confirmed.</p>	<p>Management has provided supporting ledger for the cost of sales amounting to Ksh 3,420,665,757 in note 7 as per the Financial Statements Some warehousing contracts are inclusive of handling charges however there are other incidental costs i.e fumigation, restacking during stock taking or verification exercises that were not covered</p>	<p>Resolved</p>	
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2022/ 2023- 02	<b>1. Noncompliance with the Public Sector Accounting Standards Board Reporting Template</b>	Review of the annual report and financial statements of the Corporation revealed that the performance results as per the Report of the Managing Director and Chairman's In addition, the appendix on transfers from other government entities, list of projects implemented by the entity were blank.	Management has amended the Report of the Managing Director and Chairman's Statement to tally with the amounts reflected in the Financial Statements	Resolved	
	<b>4. Irregular Price Variation of Contract</b>	The statement of profit or loss and other comprehensive income reflects administration costs of Kshs. 177,370,632 which as disclosed in Note 10 to the financial statements include staff welfare costs of Kshs.32,288,041. The latter amount includes expenditure incurred on cleaning and tea making services. Review of records revealed			

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		an addendum to adjust contract for cleaning and tea making services from Kshs.342,400 per month to Kshs.512,400 per month. The contract price adjustment was effective 27 February, 2023, nine (9) months from the original contract date of 30 May, 2022. The adjustment resulted to an increase of the contract price by approximately 42% which is more than 25%, allowable by the law. In addition, the variation arose after a request by the contractor and which an Ad-Hoc Evaluation Committee irregularly approved to extend the contract. In the circumstances, Management was in breach of the law.			
	<b>8. Unauthorized Bank Overdraft</b>	As disclosed in Note 35 to the financial statements, the Corporation had a bank overdraft of Kshs.1,096,276,411 as at 30 June, 2023. Review of records revealed that an agreement dated 10 January, 2023 between the Management and a local bank provided for an overdraft limit of Kshs. 100 million. However, the Corporation's dollar account's bank balance for the period was over drawn	The overdraft of Kshs. 1,096,276,411 as at 30th June, 2023 was as a result of payment to suppliers upon maturity of the letters of credit. At the time of the maturity, the corporation had not yet liquidated the stocks thus occasioning the overdraft. The management has restated the	Resolved	

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		<p>by an amount of Kshs.1,096,276,411 which was beyond the agreed limit by an amount of Kshs.996,276,411. Further, the approval from The National Treasury for the overdraft was not provided. This was contrary to Section 7 of the Public Finance Management Act, 2012 which states that no official government bank account shall be overdrawn, or any advance or loan obtained from a bank account for official purposes beyond the limit authorized by The National Treasury in line with Section 28(4) of the Act. In the circumstances, Management was in breach of the law. b) Loss of Subsidy Fertilizer Review of fertilizer subsidy records indicated that seven (7) trucks loaded with a total of three thousand nine hundred and forty (3,940) bags of fertilizer products worth Kshs.21,780,000 were lost while in transit. The agreement between the transporter and the Corporation provided for the transporter to compensate the Corporation for loss of goods while on transit. However, the Corporation lodged a claim</p>	<p>Financial Statements to disclose the loss of 1,914 bags of fertilizer</p>		
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		<p>with an insurance company for compensation of Kshs.21,780,000 instead of claiming the same from the transporter. The claim had not been honoured as at the time of the audit. Further, review of goods received notes, delivery instructions and dispatch reports, revealed shortfall of 1,914 bags of fertilizer worth Kshs.9,977,292 received in the various KNTC and National Cereals and Produce Board (NCPB) Depots from the Port of Mombasa. The losses have not been disclosed in the financial statements. In the circumstances, there is risk of loss of public funds from the loss of the commodities. In addition, the value for money for the Kshs.45,380,853 could not be confirmed.</p>			
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Lucy M. Anangwe  
Accounting Officer

**Kenya National Trading Corporation  
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**Appendix II: Projects implemented by Kenya National Trading 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)

**Appendix III: Status of Projects completion**

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

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**Appendix IV: 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 - Kshs	Statement of Financial Performance	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Investment, Trade and Industry	7/7/2024	Development	22,200,000	-	-	22,200,000	-	-	22,200,000
<b>Total</b>			<b>22,200,000</b>	-	-	<b>22,200,000</b>	-	-	<b>22,200,000</b>

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**Appendix V- Inter-Entity Confirmation Letter**

Name of Transferring Entity: State Department of Trade

Name of Beneficiary Entity: Kenya National Trading Corporation

Confirmation of amounts received by Kenya National Trading Corporation as at 30 <sup>th</sup> June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
11741011001					
	07/07/2024	-	22,200,000	22,200,000	
<b>Total</b>		-	<b>22,200,000</b>	<b>22,200,000</b>	

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department - Disbursing Entity:**  
 Name Nicholas Karaya Sign [Signature] Date 18/12/2024

**Head of Accounts Department - Beneficiary Entity:**  
 Name Purity Kimathi Sign [Signature] Date 18/12/2024

10-15-50

11-11-50

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