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REPORT

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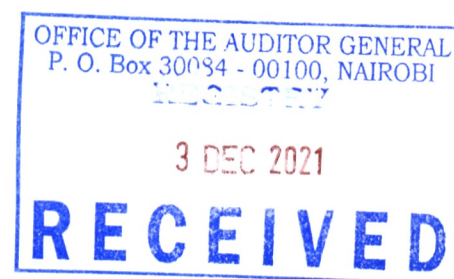
THE AUDITOR-GENERAL

ON

**STRATEGIC FOOD RESERVE
TRUST FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**



STRATEGIC FOOD RESERVE TRUST FUND

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021

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

STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

The Strategic Grain Reserve (SGR) was established in 2002 under the legal Notice No. 55 of 2002. The main purpose was to cushion farmers from the effect of over-supply in periods of good weather and to provide a first line of defence for coping with food deficits. The SGR was mandated to maintain a physical stock of 4 million bags of maize and a cash equivalent of a similar volume. The mix of grain and cash was to ensure that on the one hand the Government was able to save lives in the case of an emergency by mobilizing food to areas not well served by grain markets. On the other hand, cash reserves allowed the government to purchase the commodity in areas with well-functioning markets when an emergency occurs. In the year 2015, the Strategic Grain Reserve was transformed to Strategic Food Reserve Trust Fund through the legal notice No. 15 of February 2015. After the transformation other food commodities besides maize have been incorporated into the Reserve. This includes; rice, beans, powder milk, fish and canned beef. The management of the Fund has also changed from the former Board to Strategic Food Reserve Oversight Board. The new Board expanded from the former SGR Board to include four independent members and a Chairman.

The National Cereals and Produce Board (NCPB) was the Agent mandated to store and manage the maize stocks while New Kenya Cooperative Creameries (New KCC) was the agent who stored and managed the milk powder on behalf of the Government for the period under review.

On 14th April 2020, the Public Finance Management (Strategic Food Reserve Trust Fund) Regulations was revoked hence the cessation of the operations of the Fund. However, there is a court injunction/order stopping the cessation of the Fund.

(b) Principal Activities

The object and purpose for which the Fund was established was to provide a Strategic Food Reserve in physical stock and cash equivalent and specifically the Fund shall-

- i. stabilize the food supply and prices in the country;
- ii. arrange for procurement, storage and sale of food commodities;
- iii. maintain adequate strategic food reserves in physical stock or cash equivalent at any one given time; and
- iv. Mobilize resources to support strategic food reserve related activities.

(c) Key Management

The Fund was managed by an Oversight Board which comprised of Principal Secretaries; State Department of Crops Development, State Department of Devolution, The National Treasury and The ministry of Interior and National coordination.

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(d) Fiduciary Management

The management of the Fund was under the following members of the Oversight Board:

1. Dr. Eng. Karanja Kibicho – Principal Secretary - Interior
2. Mr. Charles Sunkuli - Principal Secretary – Devolution
3. Dr. Julius Muia – Principal Secretary- The National Treasury
4. Prof. Hamadi I. Boga – Principal Secretary, State Department of Agriculture

The Principal Secretary, State Department for Crops Development and Agricultural Research was the Accounting Officer for the Fund during the financial year ended 30th June 2021.

(e) Fiduciary Oversight Arrangements

- The Oversight Board was the overall decision-making organ on the management of the Fund while the National Cereals and Produce Board (NCPB) was the agent managing the stocks of the Strategic Food Reserve Trust Fund under a mutually agreed agency agreement. The NCPB was to procure and maintain the maize stocks while New KCC was procuring and storing the milk powder on behalf of the government.
- The Fund had a technical team referred to Strategic Food Reserve Oversight Board Secretariat which was offering technical advice to the Oversight Board. This team carried out the monitoring and supervision of the management of the Strategic Food Reserve stocks and made recommendations to the Oversight Board for decision making.
- The Auditor General reviews the financial statements of the Fund and renders an opinion on the state of affairs. In addition, the auditors review the internal control through systems audit and advice on the adequacy of the internal control systems in place.

(f) Strategic Food Reserve Trust Fund Headquarters

Kilimo house
Cathedral Road
P. O. Box 30028-001000
Nairobi. KENYA.

(g) Contacts

E-mail: strategicfoodreserve@gmail.com

(h) Bankers

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

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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I. THE MEMBERS OF THE BOARD

	Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning – The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030. An alumnus of the University of Nairobi’s School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.
	Mr. Julius Sunkuli is the Principal Secretary for the State Department of devolution, Ministry of Devolution and ASAL. He has previously served as the Principal Secretary, Ministry of Environment & forestry, a position he held from December, 2015 to February 2018. Prior to his appointment as the Principal Secretary, Mr.Sunkuli worked with Ewaso Ngiro south River Development authority (ENSDA) where he rose through the ranks to become the managing director from 2010- 2016. He has a wealth of experience in public service spanning over 18 years. Mr. Sunkuli is an experienced management strategist with a solid background in Administration planning, management and leadership.
	Dr. Eng. Karanja Kibicho (CBS) is the Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before the current appointment, he served as the Principal Secretary in the Ministry of Foreign Affairs and International Trade and also Permanent Secretary in the Ministry of Industrialization. He holds a Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, a Master’s of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering. Dr. Kibicho has taught in various institutions of higher learning in Kenya and outside the country. They include Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as

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Dr. Eng. Karanja Kibicho – Principal Secretary – State Department of Interior	the Chairman and Senior Lecturer in the Department of Mechanical Engineering. He has served as an external examiner at the University of Dar es Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.
 Prof. Hamadi Iddi Boga Principal Secretary- State Department for Crop Development & Agricultural Research	Principal Secretary, State Department of Agriculture Research, and Ag. Principal Secretary, State Department for Crop Development Ministry of Agriculture, Livestock, Fisheries and Irrigation Born 03.12.1967 in Kwale Kenya, Hamadi Boga was appointed Principal Secretary in the State Department of Agriculture Research in March 2018. Before that Hamadi Boga, was a Professor of Microbiology at Jomo Kenyatta University of Agriculture and Technology (JKUAT) (2007-2012) was the Acting Vice Chancellor of Taita Taveta University since 7th October 2016 to March 2018. He has a BSc in Botany and Zoology (First Class Honors) and MSc in Botany (Microbiology) from Kenyatta University in Kenya, PhD in Microbial Ecology and Microbiology from University of Konstanz, Germany and a Post-Doctoral Research stay at the Max Planck Institute for Terrestrial Microbiology in Marburg, Germany. He is also a Humboldt Fellow and was from 2010-2015 the Humboldt Ambassador Scientist for Kenya. Boga has previously, held various administrative positions in JKUAT including Chairman of Botany Department (2002-2004), Director of Institute of Biotechnology Research (2005), Dean of Faculty of Science (2007) and Principal of JKUAT Taita Taveta Campus in Voi (2007 to 2012). From 2012-2016 he was the Principal of Taita Taveta University College. He has an extensive international and local network of scientific engagements and collaborations. He was a Board Member of the World Federation of Culture Collections (www.wfcc.org)(2010-2013). He was the Secretary of the African German Network of Excellence in Science (AGNES) (2013-2016), the Secretary (2002-2006) and later Chairman (2008-2010) of the Kenya German Scholars Association (KDSA) Boga has over 66 scientific publications in International Journals, has supervised over 14 PhD and 31 MSc students. He is an active researcher with active international collaborations. Has a strong track record of fundraising for research. He has wide experience in Management and strategic planning.

**STRATEGIC FOOD RESERVE TRUST FUND
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II. STATEMENT OF BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 requires the Fund to prepare financial statements in respect of the Strategic Food Reserve Trust Fund, which give a true and fair view of the state of affairs of the Strategic Food Reserve Trust Fund at the end of the financial year/period and the operating results of the Strategic Food Reserve Trust Fund for that year/period. The Board is also required to ensure that the Strategic Food Reserve Trust Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Boards is also responsible for safeguarding the assets of the Strategic Food Reserve Trust Fund.

The Board was responsible for the preparation and presentation of the Strategic Food Reserve Trust Fund's financial statements, which give a true and fair view of the state of affairs of the Strategic Food Reserve Trust Fund for and as at the end of the financial year (period) ended on June 30, 2021. The responsibilities included: (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 Kenya Citizens and Foreign Nationals Management Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the Strategic Food Reserve Trust Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Public Finance Management (Strategic Food Reserve Trust Fund) Regulations 2015. The Board is of the opinion that the Strategic Food Reserve Trust Fund's financial statements give a true and fair view of the state of Kenya Citizens and Foreign Nationals Management Fund's transactions during the financial year ended June 30, 2021, and of the Strategic Food Reserve Trust Fund's financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Strategic Food Reserve Trust Fund's financial statements as well as the adequacy of the systems of internal financial control.

Revocation of the Fund came to the attention of the Board to indicate that the Strategic Food Reserve Trust Fund may not be a going concern any more in the near future.

The SFRTF's financial statements were approved on behalf of the Board and signed by the Accounting Officer since the members tenure lapsed when the Fund were revoked through Legal Notice no. 61.

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III. PRINCIPAL SECRETARY STATEMENT

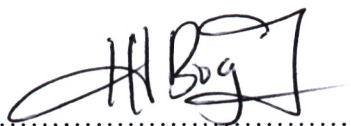
The Government of Kenya continues to ensure that every citizen has access to affordable quality food throughout the year and consequently acknowledges that sustained food security of the nation is paramount in ensuring social, political and economic stability of the nation. Maize being the major staple food among all the communities in the country, the Government continuously makes efforts to ensure that the country stocks sufficient stocks to sustain its demand by the people across all the 47 counties and other necessary emerging needs. In pursuit of this role of the Government, the maintenance of buffer stocks through the Strategic Food Reserve becomes critical at all times.

The history of maintaining National Strategic Grain Reserves, started from early 1970s when a prolonged drought which was compounded by a simultaneous world-wide cereal shortage led to prices rising to record levels. With limited availability and high prices, the donor community and governments were unable to provide sufficient amounts of food to many people in the region leading to a great famine. The experiences from the food shortage and inflation of food prices in Kenya and many other countries in Sub-Saharan Africa acted as a wakeup call to strategically plan to have buffer stocks of food to address food emergencies and distortions in food prices.

To mitigate such events in the country in future, the Government established National Strategic Grain Reserve (SGR), now called Strategic Food Reserve Trust Fund to procure, store and maintain maize stocks through the National Cereals and Produce Board as the Agent of the Government. The buffer stock was meant to; provide emergency food assistance to transitory food insecure, assist producers secure a minimum price for their produce at harvest time and to provide domestic consumers price support (market intervention) to procure food at affordable price throughout the year.

On behalf of the (then) Board, I greatly acknowledge and appreciate every kind of support from the Government and other partners who enabled the (then) Fund achieved its planned activities towards ensuring national food security though now not existing. The contribution of each member and stakeholder involved are appreciated.

Finally, it is my pleasure to submit the annual report and financial statement of the Strategic Food Reserve Trust Fund for the year ended 30th June 2021 on behalf of the Strategic Food Reserve Oversight Board.



.....
Prof. Hamadi I. Boga, PhD,
Principal Secretary, State Department for Crop Development & Agricultural Research

IV. CHAIRMAN'S STATEMENT

The tenure of the Chair lapsed in October 2019 and hence the Board had no chair to make a statement about the Fund.

V. CORPORATE GOVERNANCE STATEMENT

The Oversight Board

The Oversight Board establishes the policies for the Strategic Food Reserve Trust Fund and sets the strategic direction and oversees management with a focus of enhancing service delivery to effectively implement its mandate. The Board is also responsible for the corporate governance of the strategic grain reserve.

Size of the Oversight Board

The legal notice No. 15 of 2015 provides for the size of the Board as nine (9) comprising of Principal Secretaries in charge of Agriculture, Interior, National Treasury (finance) and Interior, others include a Chairperson appointed by the President and four independent Board members. The four appointed Board members' tenure lapsed on the revocation of the SFRTF regulations including the chair.

Meetings of the Board

The Oversight Board shall meet not less than four times in every financial year and not more than four months shall elapse between the dates of the next meeting. Unless three quarters of the total members of the Oversight Board otherwise agree, at least fourteen days written notice of every meeting of the Oversight Board shall be given to every member of the Board. The quorum for the conduct of the business of the Oversight Board shall be five members excluding the Secretary, of whom the majority shall be from amongst the non *ex-officio* members.

The chairperson shall preside at every meeting of the Oversight Board at which he or she is present but in his or her absence, the members present shall elect one of their numbers who shall, with respect to that meeting and the business transacted there at, have all the powers of the chairperson. Unless a unanimous decision is reached a decision on any matter before the Oversight Board shall be reached by consensus.

Disclosure of interest

If a member is directly or indirectly interested in any contract, proposed contract or other matter before the Oversight Board and is present at a meeting of the Oversight Board at which the contract, proposed contract or other matter is the subject of consideration, he or she shall, at the meeting and as soon as practicable after the commencement thereof, disclose the fact and shall not take part in the consideration or discussion with respect to the contract or other matter, or be counted in the quorum of the meeting during consideration of the matter: Provided that if the majority of the members present are of the opinion that the experience or expertise of that member is vital to the deliberations of the meeting, the Oversight Board may permit the member to participate in the deliberations subject to such

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restrictions as it may impose. A disclosure of interest made under this paragraph shall be recorded in the minutes of the meeting at which it is made.

Vacation of office

A member of the Board may vacate from office on the basis of the following grounds:-

- a) At any time resign from office by notice in writing to Cabinet Secretary; or transferred from the participating ministry
- b) has been absent from three consecutive meetings of the Oversight Board without permission from the chairperson;
- c) is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors;
- d) is convicted of an offence involving dishonesty or fraud;
- e) is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months;
- f) is incapacitated by prolonged physical or mental illness; or
- g) is otherwise unable or unfit to discharge his functions

VI. MANAGEMENT DISCUSSION AND ANALYSIS

Establishment of Commodity Exchange/ Warehouse Receipt System

Establishment of WRS was expected to revolutionize the grain trading in the country. This would have enabled farmers to deposit their produce during times of harvest and sell when prices improve. The advantage is that, the system will curtail exploitative tendencies exhibited by the middlemen and smoothen food supply throughout the year.

This would have also addressed the need for Government led price intervention commodity market towards economic based markets.

The progress was as follows;

- a) The proposed Warehouse Receipt system Bill 2015 which had been approved on 31st August 2016 by Parliament, was referred to the senate owing to the effects of the Bill that affect the country affairs which require the Senate to pass all the Acts touching on the devolve function. It had been scheduled for debating and passing at the Senate however due to the time constraints it was not reached and therefore it is expected to be brought for debating and passing once the senate is convened.
- b) The Ministry of Industry, Trade and Cooperatives is currently seeking consultancy services to support the establishment of a Commodities Exchange. The Consultant is expected to provide technical assistance in the establishing and operationalizing a commodities exchange in Kenya.

In order to operationalize the WRS, SFRTF in collaboration with NCPB is in the process of identifying and upgrading specific storage facilities country-wide alongside other stakeholders which shall be used for warehouse receiptings.

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VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Due to the revocation of the SFRTF regulation of 2015, the Fund was unable to undertake/ engage in any corporate social responsibility activities.

VIII. REPORT OF THE MANAGEMENT

The Accounting Officer submit the report together with the financial statements for the year ended June 30, 2021 which show the state of the SFRTF's affairs as tabulated below.

Principal activities

The principal activities of the Fund is to stabilize the food supply and prices in the country, arrange for procurement, storage and sale of food commodities, maintain adequate strategic food reserves in physical stock or cash equivalent at any one given time and mobilize resources to support strategic food reserve related activities.

Results

The results of the SFRTF for the year ended June 30, 2021 are set out on page 1 to 29

IX. MEMBERS OF THE BOARD

There were no appointed members of the Board who served during the year but the Principal Secretaries representative were called upon from time to time for various meeting during the year and are shown on page 4 and 5.

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X. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 requires the Accounting Officer to prepare financial statements in respect of that Strategic Food Reserve Fund (SFRF), which give a true and fair view of the state of affairs of the SFRTF at the end of the financial year/period and the operating results of the SFRTF for that year/period. The Accounting Officer is also required to ensure that the SFRTF keeps proper accounting records which disclose with reasonable accuracy the financial position of the SFRTF. The Accounting Officer is also responsible for safeguarding the assets of the SFRTF.

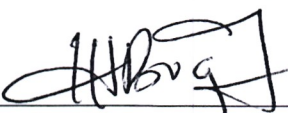
The Accounting Officer is responsible for the preparation and presentation of the SFRTF's financial statements, which give a true and fair view of the state of affairs of the SFRTF for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining 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 SFRTF; (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 SFRTF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting officer accepts responsibility for the SFRTF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer is of the opinion that the SFRTF's financial statements give a true and fair view of the state of SFRTF's transactions during the financial year ended June 30, 2021, and of the SFRTF's financial position as at that date. The Accounting Officer further confirm the completeness of the accounting records maintained for the SFRTF, which have been relied upon in the preparation of the SFRTF's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

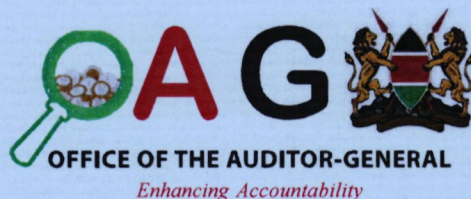
The *SFRTF's* financial statements were approved on behalf of the Board and signed by:



Principal Secretary
Name: Prof. Hamadi I. Boga, PHD
Date.....2.....2.....2.....

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON STRATEGIC FOOD RESERVE TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Strategic Food Reserve Trust Fund set out on pages 15 to 53, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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, the financial position of Strategic Food Reserve Trust Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Unexplained Variances Between the Statement of Financial Position and the Statement of Changes in Net Assets

The statement of financial position as at 30 June, 2021 reflects balances of Kshs.20,308,437,162.40 and Kshs.6,841,477,889.92 under accumulated surplus and total net assets and liabilities, which varies with the statement of changes in net assets related account items balances of Kshs.16,284,725,588.60 and Kshs.20,308,437,162.40, respectively. The resulting respective variances of Kshs.4,023,711,573.80 and Kshs.13,466,959,272.48 were not explained or analyzed.

1.2 Inconsistencies Between the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance

The statement of comparison of budget and actual amounts reflects final budget total revenue figure of Kshs.2,689,496,699.25. However, there was no budget allocation for the Fund during the year under review. Further, total actual expenditure for the year of Kshs.9,842,697,212.75 shown in the same statement differs with the total expenditure figure of Kshs.2,078,532,937.39 reflected in the statement of financial performance, resulting in unexplained variance of Kshs.7,764,164,275.36.

1.3 Inaccurate Disclosures in the Notes to the Financial Statements

Note 6 to the financial statements reflects nil revenue on transfers from other Government entities which differs with the statement of financial performance figure of Kshs.2,689,496,699.25. Further, the statement of financial performance reflects Kshs.2,074,562,537.39 under interest expenses. However, there is no disclosure in the notes to the financial statements giving details of the figure and no verifiable documents were provided for audit to support these expenses.

1.4 Statement of Cash Flows

The statement of cash flows reflects comparative year's figures of Kshs.18,287,773,060, Kshs.28,281,773,060 and Kshs.4,725,613,502 under net cash flows from investing activities, net cash flows used in financing activities and net increase/(decrease) in cash and cash equivalents which differs with the previous year's audited financial statements

figures of Kshs.14,500,000, (nil), and Kshs.9,842,697,213, respectively. Further, the statement of cash flows does not reflect revenue from non-exchange transactions and interest expense of Kshs.2,689,496,699.25 and Kshs.2,074,562,537.39, respectively.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

2. Unsupported Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2021 reflects current portion of receivables from exchange transactions of Kshs.7,322,218,136.46 and as disclosed under Note 29(a) to the financial statements. Included in this amount is Kshs.434,996,371.46 relating to proceeds from sale of imported and local maize on behalf of the Fund by National Cereals and Produce Board (NCPB). The sales proceeds were not supported by the records on sales of maize and the validity of the amount of Kshs.434,996,371.46 owing from proceeds from sale of maize could not be confirmed.

In addition, as reported in the previous year, the current portion of receivables from exchange transactions of Kshs.7,322,218,136.46 includes other exchange debtors amounting to Kshs.6,865,220,613 relating to receivables from the State Department for Special Programmes which has been long outstanding and whose recoverability is doubtful.

Consequently, the accuracy, completeness and recoverability of the reported receivables from exchange transactions balance of Kshs.7,322,218,136.46 as at 30 June 2021, could not be confirmed.

3. Long Outstanding Receivables from Non-exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions of Kshs.700,000,000 and as disclosed under Note 30 to the financial statements. This receivable arose as a result of a memorandum of understanding signed in the year 2016 between the Fund and the New Kenya Cooperative Creameries (KCC). From the minutes of meetings of the oversight Board, the Fund resolved to transfer Kshs.700,000,000 to New KCC for purchase of surplus milk from farmers for the establishment of a strategic reserve of milk powder. However, although New KCC acknowledged receipt of the funds and recognized the liability as disclosed in their financial statements, it was not holding any stocks of milk powder on behalf of the Fund as at 30 June, 2021.

Consequently, the recoverability of receivables from non-exchange transactions amounting to Kshs.700,000,000 as at 30 June, 2021 could not be confirmed.

4. Unsupported Inventories

As reported in the previous year, the statement of financial position reflects inventories balance of Kshs.34,802,500 and as disclosed under Note 31 to the financial statements which comprises of consumable stores—maize. However, the inventory balance of Kshs.34,802,500 which was carried forward from the previous year, was not supported by any verifiable record.

Consequently, the accuracy, value and existence of the inventory amounting to Kshs.34,802,500 as at 30 June, 2021 could not be confirmed.

5. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.1,226,417,746.54 and as disclosed under Note 36 to the financial statements. The balance includes Kshs.12,380,355,021.15 brought forward from the previous financial year which was not supported by any verifiable records. Following verification exercises carried out in August and September, 2020 by a team drawn from the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, The National Treasury and Planning and the Executive Office of the President, the verified pending bills amounted to Kshs.14,454,917,558.84 including interest on delayed payments. This resulted in variance of Kshs.2,074,562,537.69 between Kshs.14,454,917,558.84 and Kshs.12,380,355,021.15 which has been disclosed as interest expense not supported by any verifiable records.

Further, the trade and other payables balance of Kshs.1,226,417,747.54 includes a figure of Kshs.2,689,496,699.25 under other payables – third party. Though the Fund explained that the amount was exchequer made through the State Department for Crop Development and Agricultural Research to settle pending bills, the balance was not supported by any verifiable records as well.

In addition, the figure of trade and other payables balance of Kshs.1,226,417,746.54 is a net off. As disclosed under Note 36, the figure includes both debit and credit balances therefore netting off. This is contrary to International Public Sector Accounting Standards (IPSAS) 1.

Consequently, the accuracy, completeness and presentation of the trade and other payables from exchange transactions balance of Kshs.1,226,417,746.54 as at 30 June, 2021 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters discussed in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of Strategic Food Reserve Trust Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2022

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

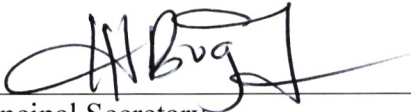
I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities-SDCD&AR	6	2,689,496,699.25	0.00
Levies, Fines, and penalties	7	0.00	0.00
Public contributions and donations	8	0.00	0.00
Property taxes revenue	9	0.00	0.00
Licenses and permits	10	0.00	0.00
Revenue from exchange transactions			
Rendering of services	11	0.00	0.00
Sale of goods-maize	12	0.00	7,498,573,576.00
Rental revenue from facilities and equipment	13	0.00	0.00
Finance income	14	0.00	0.00
Other income	15	0.00	0.00
Total revenue		0.00	7,498,573,576.00
Expenses			
Use of goods and services	16	0.00	1,074,045,122.26
Employee costs	17		0.00
Remuneration of directors	18	345,400.00	8,463,240.00
Depreciation and amortization expense	19	3,625,000.00	0.00
Repairs and maintenance	20	0.00	0.00
Contracted services	21	0.00	0.00
Grants and subsidies	22	0.00	0.00
Finance costs	23	0.00	0.00
Interest expenses		2,074,562,537.39	
Total expenses		2,078,532,937.39	1,082,508,362.26
Other gains/(losses)		0.00	
Gain on sale of assets	24	0.00	0.00
Gain on foreign exchange transactions	25	0.00	0.00
Unrealized gain on fair value of investments	26	0.00	0.00

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Impairment loss	27	0.00	0.00
Surplus before tax		0.00	0.00
Taxation	27	0.00	0.00
Surplus/(deficit) for the period/year		0.00	0.00
Net Surplus for the year		610,963,761.86	1,082,508,362.26
Attributable to:			
Surplus/(deficit) attributable to minority interest		0.00	0.00
Surplus attributable to owners of the controlling entity		0.00	0.00
Surplus/(Deficit) for the period		610,963,761.86	6,416,065,213.74

The Financial Statements set out on pages 15 to 22 were signed on behalf of the Fund by:


Principal Secretary
Name: Prof. Hamadi I. Boga, PHD

Date.....2.12.21.....


Head of Accounting Unit
Name: CPA Charity W. Muriuki
ICPAK Member Number: 5380

Date.....2.12.21.....

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	28	0.00	9,842,697,212.75
Current portion of receivables from exchange transactions	29(a)	7,322,218,136.46	8,018,869,436.46
Receivables from non-exchange transactions	30	700,000,000.00	0.00
Inventories	31	34,802,500.00	734,802,500.00
Investments	32	0.00	0.00
Total Current Assets		8,057,020,636.46	18,596,369,149.21
Non-Current Assets			
Property, plant and equipment	33	10,875,000.00	14,500,000.00
Investments	32	0.00	0.00
Intangible assets	34	0.00	0.00
Investment property	35	0.00	0.00
Long term receivables from exchange transactions	29(b)	0.00	0.00
Total Non- Current Assets		10,875,000.00	14,500,000.00
Total Assets		8,067,895,636.46	18,610,869,149.21
Liabilities			
Current Liabilities			
Trade and other payables	36	1,226,417,746.54	12,380,355,021.15
Refundable deposits from customers	37	0.00	0.00
Current Provision	38	0.00	0.00
Finance lease obligation	39	0.00	0.00
Current portion of borrowings	43	0.00	0.00
Deferred income	40	0.00	0.00
Employee benefit obligation	41	0.00	0.00
Taxation	51	0.00	0.00

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

Total Current Liabilities		1,226,417,746.54	12,380,355,021.15
Non-Current Liabilities			
Non-current employee benefit obligation	41	0.00	0.00
Non-current provisions	42	0.00	0.00
Borrowings	43	0.00	0.00
Service concession liability	44	0.00	0.00
Deferred tax liabilities	52	0.00	0.00
Total Non- Current Liabilities		0.00	0.00
Total Liabilities		1,226,417,746.54	12,380,355,021.15
Net assets		6,841,477,889.92	6,230,514,128.06
Capital Reserves		36,593,162,751.00	25,927,987,528.60
Accumulated surplus/deficit		(20,308,437,162.40)	(19,697,473,400.54)
Total Net Assets and Liabilities		6,841,477,889.92	6,230,514,128.06

The Financial Statements set out on pages 15 to 22 were signed on behalf of the Fund by:


Principal Secretary
Name: Prof. Hamadi I. Boga, PHD

Date.....2.12.21.....


Head of Accounting Unit
Name: CPA Charity W. Muriuki
ICPAK Member Number: 5380

Date.....2.12.21.....

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	note s	Accumulated Capital Reserves Kshs	Accumulated surplus/ deficit Kshs	Total
As at July 1, 2020		36,593,162,751.00	(23,311,754,564.20)	13,281,408,186.80
Issued new capital		00	00	00
Revaluation gain		00	00	00
Transfer of excess depreciation on revaluation		00	00	00
Deferred tax on excess depreciation		00	00	00
Fair value adjustment on quoted investments		00	00	00
Surplus/ Deficit for the year		-	6,416,065,213.74	6,416,065,213.74
Capital/Development grants received during the year		00	00	00
Transfer of depreciation/amortisation from capital fund to retained earnings		00	00	00
Dividends paid – 2020		00	00	00
Interim dividends paid – 2021		00	00	00
Proposed final dividends		00	00	00
As at June 30, 2020		36,593,162,751.00	(16,895,689,350.46)	19,697,473,400.54
As at July 1, 2020		36,593,162,751.00	(16,895,689,350.46)	19,697,473,400.54
Issue of new share capital		00	00	00
Revaluation gain		00	00	00
Transfer of excess depreciation on revaluation		00	00	00
Deferred tax on excess depreciation		00	00	00
Fair value adjustment on quoted investments		00	00	00
Surplus/ deficit for the year		00	610,963,761.86	610,963,761.86
Capital/Development grants received during the year		00	00	00
Transfer of		00	00	00

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

	note s	Accumulated Capital Reserves Kshs	Accumulated surplus/ deficit Kshs	Total
depreciation/amortisation from capital fund to retained earnings				
Dividends paid – 2021		00	00	00
Interim dividends paid – 2021		00	00	00
Proposed final dividends		00	00	00
As at June 30, 2021		36,593,162,751.00	-16,284,725,588.60	20,308,437,162.40

The Financial Statements set out on pages 15 to 22 were signed on behalf of the Fund by:


Principal Secretary
Name: Prof. Hamadi I. Boga, PHD

Date.....2.12.21.....


Head of Accounting Unit
Name: CPA Charity W. Muriuki
ICPAK Member Number: 5380

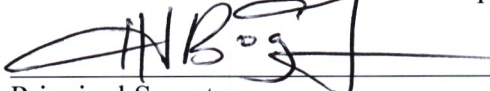
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**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

IV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Maize sales proceeds		0.00	8,858,213,284.00
Previous year's maize proceeds B/D		0.00	1,928,976,427.65
Total Receipts		0.00	10,787,189,711.65
Payments			
Remuneration to directors	18	(345,400.00)	8,463,240.00
Agency fees		0.00	878,808,303.00
General expenses		0.00	34,572,230.00
Payment of pending bills-farmers/commodity house		0.00	8,148,725.90
Offsetting of trade payables	36	(9,842,351,812.75)	0.00
Total payments		(9,842,697,212.75)	929,992,498.90
Net cash flows from operating activities			9,857,197,212.75
Cash flows from investing activities			-
Purchase of M/v		0.00	(14,500,000.00)
Net cash flows used in investing activities		0.00	18,287,773,060
Cash flows from financing activities			
Government Grants received during the year		0.00	0
Net cash flows used in financing activities			28,281,773,060
Net increase/(decrease) in cash and cash equivalents		0.00	-4,725,613,502.00
Cash and cash equivalents at 1 JULY 2020		9,842,697,212.75	1,928,976,427.65
Cash and cash equivalents at 30 JUNE 2021		0.00	9,842,697,212.75

The Financial Statements set out on pages 15 to 22 were signed on behalf of the Fund by:


Principal Secretary
Name: Prof. Hamadi I. Boga, PHD

Date.....2.12.21.....


Head of Accounting Unit
Name: CPA Charity W. Muriuki
ICPAK Member Number: 5380

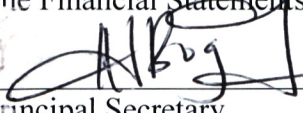
Date.....2.12.21.....

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021**

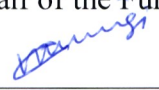
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Previous year's Surplus	0.00	0.00	0.00	0.00	0.00%
Transfers from other governments entities	0.00	0.00	2,689,496,699.25	2,689,496,699.25	0.00%
Total income	0.00	0.00	2,689,496,699.25	2,689,496,699.25	0.00%
Expenses					
Remuneration of Directors	0.00	0.00	0.00	345,400.00	100.00%
Offsetting of trade payables	0.00	0.00	0.00	9,842,351,812.75	100.00%
Total expenditure	0.00	0.00	0.00	9,842,697,212.75	100.00%
Surplus for the period 2020/21	0.00	0.00	0.00	0	0.00%

The Financial Statements set out on pages 15 to 22 were signed on behalf of the Fund by:


Principal Secretary

Name: Prof. Hamadi I. Boga, PHD

Date.....2.12.21.....


Head of Accounting Unit

Name: CPA Charity W. Muriuki

ICPAK Member Number: 5380

Date.....2.12.21.....

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Strategic Grain Reserve was established in 2002 under the legal Notice No. 55 of 2002. It has since changed from Strategic Grain Reserve Trust fund to Strategic Food Reserve Trust Fund and derives its authority and accountability from Legal Notice No. 15 of February 2015. The SFRTF was wholly owned by the Government of Kenya and domiciled in Kenya. The SFRTF's principal activity was to maintain a physical stock of 4 million bags of maize or a cash equivalent. The mix of grain and cash ensures that on the one hand, the Government was able to save lives in the case of an emergency by mobilizing food to areas not well served by grain markets. On the other hand, cash reserves allowed the government to purchase the commodity in areas with well-functioning markets when an emergency occurs. Other food commodities besides maize have been incorporated into the Reserve. This includes; rice, beans, powder milk, fish and canned beef.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the SFRTF's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the SFRTF.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

**STRATEGIC FOOD RESERVE TRUST FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

Standard	Effective date and impact:
	• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. Early adoption of standards

The SFRTF did not early – adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the SFRTF.

b) Budget information

The SFRTF'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 under section 2 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Current income tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the SFRTF.

e) Property, plant and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation was charged at the rate of 25%.

f) Provisions

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

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

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

g) Contingent liabilities

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

h) Contingent assets

The SFRTF does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the SFRTF in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i) Nature and purpose of reserves

The SFRTF creates and maintains reserves in terms of specific requirements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Changes in accounting policies and estimates

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

k) Related parties

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

l) 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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The SFRTF based its assumptions and estimates on parameters available when the consolidated 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 SFRTF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Depreciation

The policy of the Fund was not to depreciate the motor vehicle in the year of purchase and in the subsequent years, the depreciation rate at 25%.

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 SFRTF
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed

- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Disclosure notes

6. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational grant	0.00	0.00
Other grants	0.00	0.00
Total Unconditional Grants	0.00	0.00
Conditional grants	0.00	0.00
National housing grant	0.00	0.00
National infrastructure grant	0.00	0.00
Provincial health grant	0.00	0.00
Social services grant	0.00	0.00
Basic services subsidy	0.00	0.00
Transportation fund (international funding)	0.00	0.00
Other organizational grants	0.00	0.00
Total government grants and subsidies	0.00	0.00

(Explain the purpose of funding)

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2020/21 KShs	Prior year 2019/2020 KShs
xxx Ministry/State Department	0.00	0.00	0.00	0.00	0.00
xxx Ministry	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Levies, Fines and Penalties

Description	2020-2021	2019-2020
	KShs	KShs
Fuel levy	0.00	0.00
Other levies (Specify)	0.00	0.00
Fines	0.00	0.00
Penalties	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

8. Public Contributions and Donations

Description	2020-2021	2019-2020
	KShs	KShs
The Green Belt Movement	0.00	0.00
Health donations	0.00	0.00
Research donations	0.00	0.00
Other public donations (specify)	0.00	0.00
Total transfers and sponsorships	0.00	0.00
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	0.00	0.00
Current year receipts	0.00	0.00
Conditions met - transferred to revenue	0.00	0.00
Conditions to be met - remain liabilities	0.00	0.00

(Provide brief explanation for this revenue)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Property Taxes Revenue

Description	2020-2021	2019-2020
	KShs	KShs
Taxable land and buildings		
Residential	0.00	0.00
Commercial	0.00	0.00
State	0.00	0.00
Penalties	0.00	0.00
Sub- total property and taxes	0.00	0.00
Income forgone	0.00	0.00
Total property taxes revenue	0.00	0.00

(Provide brief explanation for this revenue)

10. Licenses, Fees and Permits

Description	2020-2021	2019-2020
	KShs	KShs
Licenses	0.00	0.00
Fees	0.00	0.00
Permits	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

11. Rendering Of Services

Description	2020-2021	2019-2020
	KShs	KShs
Waste management (solid waste)	0.00	0.00
Waste management (sewerage and sanitation)	0.00	0.00
Service fees	0.00	0.00
Water quality	0.00	0.00
Quality assurance	0.00	0.00
Total revenue from the rendering of services	0.00	0.00

(Provide brief explanation for this revenue)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Sale of Goods

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Sale of electricity	0.00	0.00
Sale of water	0.00	0.00
Sale of books	0.00	0.00
Sale of publications	0.00	0.00
Other (include in line with your organisation)	0.00	0.00
Sale of maize	0.00	7,498,573,576.00
Total revenue from the sale of goods	0.00	7,498,573,576.00

(Provide brief explanation for this revenue)

13. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs	KShs
Operating lease revenues	0.00	0.00
Staff houses	0.00	0.00
Contingent rentals*	0.00	0.00
Total rentals	0.00	0.00

(Provide brief explanation for this revenue)

**Contingent rentals include hire grounds, institutional facilities like halls, kitchen etc.*

14. Finance Income

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	0.00	0.00
Interest income from Treasury Bills	0.00	0.00
Interest income from Treasury Bonds	0.00	0.00
Interest from outstanding debtors	0.00	0.00
Total finance income	0.00	0.00

(Provide brief explanation for this revenue)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Insurance recoveries	0.00	0.00
Bulk infrastructure levies	0.00	0.00
Infrastructure improvement fee	0.00	0.00
Income from sale of tender	0.00	0.00
Services concession income	0.00	0.00
Skills development levy	0.00	0.00
Agency fee	0.00	0.00
Total other income	0.00	0.00

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

16. Use of Goods and Services

Description		2020-2021	2019-2020
		KShs	KShs
Fumigation and storage charges	7	0	80,132,221.67
Transport cost & handling cost	8	0	1,489,589.26
General expenses	9	0	34,572,230.00
Board expenses	10		0
Gunny bags expenses	11	0	175,000,000.00
Depreciation and amortization expense @25%	12		0
Handling costs on sales & 10% commission on sales	13	0	782,851,081.33
Total		0.00	1,074,045,122.26

17. Employee Costs

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	0.00	0.00
Employer contribution to health insurance schemes	0.00	0.00
Housing benefits and allowances	0.00	0.00
Overtime payments	0.00	0.00
Performance and other bonuses	0.00	0.00
Social contributions	0.00	0.00
Gratuity	0.00	0.00
Other employee related costs *	0.00	0.00
Employee costs	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Board /Council Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Chairman/Directors' Honoraria	0.00	0.00
Sitting allowances	345,400.00	8,463,240.00
Medical Insurance	0.00	0.00
Induction and Training	0.00	0.00
Travel and accommodation	0.00	0.00
Other allowances	0.00	0.00
Total	345,400.00	8,463,240.00

19. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Motor vehicles,	3,625,000.00	0.00
Intangible assets	0.00	0.00
Investment property carried at cost	0.00	0.00
Total depreciation and amortization	3,625,000.00	0.00

20. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Property	0.00	0.00
Investment property – earning rentals	0.00	0.00
Equipment and machinery	0.00	0.00
Vehicles	0.00	0.00
Furniture and fittings	0.00	0.00
Computers and accessories	0.00	0.00
Others	0.00	0.00
Total repairs and maintenance	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Actuarial valuations	0.00	0.00
Investment valuations	0.00	0.00
Property valuations	0.00	0.00
Total contracted services	0.00	0.00

22. Grants and Subsidies

Description	2020-2021	2019-2020
	KShs	KShs
Community development	0.00	0.00
Education initiatives and programs	0.00	0.00
Social development	0.00	0.00
Community trust	0.00	0.00
Sporting bodies	0.00	0.00
Total grants and subsidies	0.00	0.00

23. Finance Costs

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost)*	0.00	0.00
Finance leases (amortized cost)	0.00	0.00
Unwinding of discount	0.00	0.00
Interest on Bank overdrafts	0.00	0.00
Interest on loans from commercial banks	0.00	0.00
Total finance costs	0.00	0.00

24. Gain on Sale of Assets

Description	2020-2021	2019-2020
	KShs	KShs
	0.00	0.00
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
Other assets not capitalised	0.00	0.00
Total gain on sale of assets	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Unrealized Gain on Fair Value Investments

Description	2020-2021	2019-2020
	KShs	KShs
Investments at fair value	0.00	0.00
Total gain	0.00	0.00

26. Impairment Loss

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
Total impairment loss	0.00	0.00

27. Taxation

Description	2020-2021	2019-2020
	KShs	KShs
Current income tax charge	0.00	0.00
Tax charged on rental income	0.00	0.00
Tax charged on interest income	0.00	0.00
Deferred tax: [Note 53]	0.00	0.00
Original and reversal of temporary differences	0.00	0.00
Income tax expense reported in the statement of financial performance	0.00	0.00

28. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account	0.00	9,842,697,212.75
Savings account	0.00	0.00
On - call deposits	0.00	0.00
Fixed deposits account	0.00	0.00
Staff car loan/ mortgage	0.00	0.00
Others(specify)	0.00	0.00
Total cash and cash equivalents	0.00	9,842,697,212.75

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

**STRATEGIC FOOD RESERVE TRUST FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 (a) Detailed Analysis of the Cash and Cash Equivalents

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank		0.00	0.00
CBK, etc		0.00	9,842,697,212.75
Sub- total		0.00	9,842,697,212.75
b) On - call deposits			
Kenya Commercial bank		0.00	0.00
Equity Bank – etc		0.00	0.00
Sub- total		0.00	0.00
c) Fixed deposits account			
Kenya Commercial bank		0.00	0.00
Bank B		0.00	0.00
Sub- total		0.00	0.00
d) Staff car loan/ mortgage			
Kenya Commercial bank		0.00	0.00
Bank B		0.00	0.00
Sub- total		0.00	0.00
e) Others(specify)			
Cash in transit		0.00	0.00
cash in hand		0.00	0.00
Mobile money accounts		0.00	0.00
Sub- total		0.00	0.00
Grand total		0.00	9,842,697,212.75

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 Receivables from Exchange Transactions

29(a) Current Receivables from Exchange Transactions

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Service, water and electricity debtors	0.00	0.00
Other exchange debtors	6,865,220,613.00	8,018,869,436.46
Sales revenue from imported maize	434,996,371.46	
Unremitted sale proceeds for maize sold 219-2020 (718,652,452.00-696,651,300.00)	22,001,152.00	
Total current receivables	7,322,218,136.46	8,018,869,436.46

29(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Total Receivables		
Service, water and electricity debtors	0.00	0.00
Other exchange debtors	0.00	0.00
Less: impairment allowance	0.00	0.00
	0.00	0.00
Current portion transferred to current receivables	0.00	0.00
Total non-current receivables	0.00	0.00
Total receivables (a+b)	0.00	0.00

29 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment Allowance/ Provision	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	0.00	0.00
Additional provisions during the year	0.00	0.00
Recovered during the year	0.00	0.00
Written off during the year	0.00	0.00
At the end of the year	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Property tax debtors	0.00	0.00
Levies, Fines, and penalties	0.00	0.00
Licences, fees and permits	0.00	0.00
Other debtors (non-exchange transactions)-milk(new KCC)	700,000,000.00	0.00
Less: impairment allowance	(0.00)	(0.00)
Total current receivables	700,000,000.00	0.00

30 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	0.00	0.00
Additional provisions during the year	0.00	0.00
Recovered during the year	(0.00)	(0.00)
Written off during the year	(0.00)	(0.00)
At the end of the year	0.00	0.00

31 Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores-maize	34,802,500.00	34,802,500.00
Consumable stores-powered milk	0.00	700,000,000.00
Medical supplies	0.00	0.00
Spare parts and meters	0.00	0.00
Water for distribution	0.00	0.00
Other goods held for resale	0.00	0.00
Catering	0.00	0.00
Less: Allowance for impairment	0.00	0.00
Total inventories at the lower of cost and net realizable value	34,802,500.00	734,802,500.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 Investments

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	0.00	0.00
CBK	0.00	0.00
Sub- total	0.00	0.00
b) Investment with Financial Institutions/ Banks		
Bank x	0.00	0.00
Bank y	0.00	0.00
Sub- total	0.00	0.00
c) Equity investments (specify)		
Equity/ shares in entity xxx	0.00	0.00
Sub- total	0.00	0.00
Grand total	0.00	0.00

d) Movement of Equity Investments

Impairment Allowance/ Provision	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	0.00	0.00
Purchase of investments in the year	0.00	0.00
Sale of investments during the year	0.00	0.00
Increase /(decrease) in fair value of investments	0.00	0.00
At the end of the year	0.00	0.00

e) Shareholding in other entities

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A	0.00	0.00	0.00	0.00	0.00	0.00
Entity B	0.00	0.00	0.00	0.00	0.00	0.00
Entity C	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 Property, Plant and Equipment

2020	Motor vehicles,	Total
COST OR VALUATION		
As at 1 July 2020	14,500,000.00	14,500,000.00
Additions	0.00	0.00
Transfers	0.00	0.00
Disposals	0.00	0.00
As at 30 th June 2020	14,500,000.00	14,500,000.00
DEPRECIATION @25%*		
At July 1, 2021	3,625,000.00	3,625,000.00
Charge for the year	0.00	0.00
Impairment loss	0.00	0.00
Eliminated on disposal	0.00	0.00
As at 30 th June 2021	0.00	0.00
NET BOOK VALUE		
At June 30, 2021	10,875,000.00	10,875,000.00

(Include a brief description of WIP as a footer.)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 (b) 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:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0.00	0.00	0.00
Buildings	0.00	0.00	0.00
Plant and machinery	0.00	0.00	0.00
Motor vehicles,	14,500,000.00	3,625,000.00	10,875,000.00
Computers and related equipment	0.00	0.00	0.00
Office equipment, furniture, and fittings	0.00	0.00	0.00
	0.00	0.00	0.00

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0.00	0.00
Motor vehicles, including motor cycles	0.00	0.00
Computers and related equipment	0.00	0.00
Office equipment, furniture and fittings	0.00	0.00
Total	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Intangible Assets

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
At end of the year	0.00	0.00
Additions–internal development	0.00	0.00
At end of the year	0.00	0.00
Amortization and impairment	0.00	0.00
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
At end of the year	0.00	0.00
Impairment loss	0.00	0.00
At end of the year	0.00	0.00
NBV	0.00	0.00

35 Investment Property

Description	2020-2021	2019-2020
	KShs	KShs
At beginning of the year	0.00	0.00
Additions	0.00	0.00
Disposal during the year	0.00	0.00
Depreciation	0.00	0.00
Impairment	0.00	0.00
At end of the year	0.00	0.00

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	12,380,355,021.15	12,380,355,021.15
Interest expenses	2,074,562,537.39	
Payments received in advance (unremitted proceeds)	(696,651,300.00)	0.00
Employee payables	0.00	0.00
Third-party payments (SDCD&AR))	(9,842,351,812.75)	0.00
Other payables-third party	(2,689,496,699.25)	0.00
Total trade and other payables	1,226,417,746.54	12,380,355,021.15

Note;

- The third party payments of kshs. 2,689,496,699.25 was exchequer made through the SDCD&AR account to settle pending bills for farmers, millers and transport. The same didn't pass through SFRTF account as the case of ksh. 9,842,351,812.75.
- NCPB was authorized to utilized funds held in their account of kshs. 696,651,300.00 hence offsetting both sides of receivable and payables.

37 Refundable Deposits and Prepayments from Customers

Description	2020-2021	2019-2020
	KShs	KShs
Customer deposits	0.00	0.00
Prepayments	0.00	0.00
Other deposits	0.00	0.00
Payments received in advance	0.00	0.00
Total deposits	0.00	0.00

38 Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance b/d (1.07.2020)	0.00	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00	0.00
Provision utilised	0.00	0.00	0.00	0.00	0.00
Change due to discount and time value for money	0.00	0.00	0.00	0.00	0.00
Transfers from non -current provisions	0.00	0.00	0.00	0.00	0.00
Total provisions as at 30.6.2021	0.00	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 Finance Lease Obligation

Description	2020-2021	2019-2020
	KShs	KShs
At the start of the year	0.00	0.00
Discount interest on lease liability	0.00	0.00
Paid during the year	0.00	0.00
At end of the year	0.00	0.00

Maturity Analysis

Period	Amount
Year 1	0.00
Year 2	0.00
Year 3	0.00
Year 4	0.00
Year 5 and onwards	0.00
Less: Unearned interest	0.00
	0.00

Analysed as:

Description	Amount
Current	0.00
Non- Current	0.00
Total	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 Deferred Income

Description	2020-2021	2019-2020
	KShs	KShs
National government	0.00	0.00
International funders	0.00	0.00
Public contributions and donations	0.00	0.00
Total deferred income	0.00	0.00

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00
Transfers to Capital fund	0.00	0.00	0.00	0.00
Transfers to income statement	0.00	0.00	0.00	0.00
Other transfers	0.00	0.00	0.00	0.00
Balance carried forward	0.00	0.00	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	0.00	0.00	0.00	0.00	0.00
Non-current benefit obligation	0.00	0.00	0.00	0.00	0.00
Total employee benefits obligation	0.00	0.00	0.00	0.00	0.00

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	2020-2021	2019-2020
	Kshs	Kshs
Discount rates	0.00	0.00
Future salary increases	0.00	0.00
Future pension increases	0.00	0.00
Mortality (Pre- retirement)	0.00	0.00
Mortality (Post- retirement)	0.00	0.00
Withdrawals	0.00	0.00
Ill health	0.00	0.00
Retirement	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

	2020-2021	2019-2020
Description	Kshs	Kshs
The return on defined plan assets	0.00	0.00
Actuarial gains/ losses arising from changes in demographic assumptions	0.00	0.00
Actuarial gains/ losses arising from 0020 changes in financial assumptions	0.00	0.00
Actuarial gains and losses arising from experience adjustments	0.00	0.00
Others (Specify)	0.00	0.00
Adjustments for restrictions on the defined benefit asset	0.00	0.00
Remeasurement of the net defined benefit liability (asset)	0.00	0.00

b) Amounts recognised in the Statement of Financial Position

	2020-2021	2019-2020
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	0.00	0.00
Fair value of plan assets(b)	0.00	0.00
Funded Status(=a-b)	0.00	0.00
Restrictions on asset recognised	0.00	0.00
Others	0.00	0.00
Net Asset or liability arising from defined benefit obligation	0.00	0.00

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. XXX per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

STRATEGIC FOOD RESERVE TRUST FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 Non-Current Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	0.00	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00	0.00
Provision utilised	0.00	0.00	0.00	0.00	0.00
Change due to discount and time value for money	0.00	0.00	0.00	0.00	0.00
Less: Current portion	0.00	0.00	0.00	0.00	0.00
Balance at the end of the year	0.00	0.00	0.00	0.00	0.00

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 38)

43 Borrowings

Description	2020-2021	2019-2020
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	0.00	0.00
External borrowings during the year	0.00	0.00
Repayments of during the year	0.00	0.00
Balance at end of the year	0.00	0.00
	0.00	0.00
b) Domestic Borrowings	0.00	0.00
Balance at beginning of the year	0.00	0.00
Domestic borrowings during the year	0.00	0.00
Repayments during the year	0.00	0.00
Balance at end of the year	0.00	0.00
	0.00	0.00
Balance at end of the period- Domestic and External borrowings c = a+b	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2020-2021	2019-2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0.00	0.00
Sterling Pound denominated loan from 'yyy organisation'	0.00	0.00
Euro denominated loan from zzz organisation'	0.00	0.00
Domestic Borrowings	0.00	0.00
Kenya Shilling loan from KCB	0.00	0.00
Kenya Shilling loan from Barclays Bank	0.00	0.00
Kenya Shilling loan from Consolidated Bank	0.00	0.00
Total balance at end of the year	0.00	0.00
Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings (current portion)	0.00	0.00
Long term borrowings	0.00	0.00
Total	0.00	0.00

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

44 Service Concession Arrangements

Description		
	KShs	KShs
Fair value of service concession assets recognized under PPE	0.00	0.00
Accumulated depreciation to date	0.00	0.00
Net carrying amount	0.00	0.00
Service concession liability at beginning of the year	0.00	0.00
Service concession revenue recognized	0.00	0.00
Service concession liability at end of the year	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 Cash Generated from Operations

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	0.00	0.00
Adjusted for:	0.00	0.00
Depreciation	0.00	0.00
Non-cash grants received	0.00	0.00
Contributed assets	0.00	0.00
Impairment	0.00	0.00
Gains and losses on disposal of assets	0.00	0.00
Contribution to provisions	0.00	0.00
Contribution to impairment allowance	0.00	0.00
Finance income	0.00	0.00
Finance cost	0.00	0.00
Working Capital adjustments	0.00	0.00
Increase in inventory	0.00	0.00
Increase in receivables	0.00	0.00
Increase in deferred income	0.00	0.00
Increase in payables	0.00	0.00
Increase in payments received in advance	0.00	0.00
Net cash flow from operating activities	0.00	0.00

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Trial balance for the period ended 30 June 2021

	Debit		Credit	
	2020/2021	2019/2020	2020/2021	2019/2020
	Kshs.	Kshs.	Kshs.	Kshs.
Sales			0.00	7,498,573,576.00
purchase	0.00	0		
Storage and fumigation	0.00	69,166,326.43		
16% VAT	0.00	10,965,895.24		
Stock transport costs& relocation expenses	0.00	1,468,233.14		
16% VAT	0.00	21,356.12		
Sales commission and handling	0.00	674,871,621.84		
16% VAT	0.00	107,979,459.49		
Gunny Bags Expenditure	0.00	175,000,000.00(R)		
General Expenses	0.00	34,572,230.00(R)		
Motor vehicle	10,875,000.00	14,500,000.00(R)		
MV wear and tear	3,625,000.00	0.00		
SFR board expenses, Maize import task force expense	345,400.00	8,463,240.00		12,644,255.00
Inventory	34,802,500.00	734,802,500.00		
Bank	0.00	9,842,697,212.75		
Interest expense	2,074,562,537.39	0.00		
prior year errors adjustment	5,290,152,223.90			
Accounts receivable from exchange transactions	7,322,218,136.46	8,718,869,436.46		
Accounts receivable from non-exchange transactions	700,000,000.00	0.00		
Accounts Payable	0.00	0.00	1,226,417,746.54	12,380,355,021.15
Accumulated capital reserve	0.00	0.00	36,593,162,751.00	36,593,162,751.00
Net asset and liabilities	20,308,437,162.40	6,416,065,213.74	0.00	
Interest expense	2,074,562,537.39	30,362,648,622.94	0.00	
Total	37,819,580,497.54	56,472,091,348.15	37,819,580,497.54	56,472,091,348.15