

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA TRADE NETWORK AGENCY

FOR THE YEAR ENDED  
30 JUNE 2018

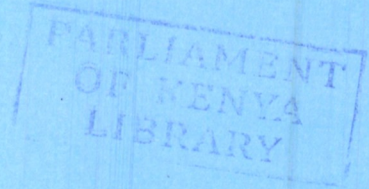


THE NATIONAL ASSEMBLY  
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**KENYA TRADE NETWORK AGENCY (KENTRADE)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30TH JUNE 2018**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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<b>Table of Contents</b>	<b>Page</b>
KEY ENTITY INFORMATION AND MANAGEMENT .....	iv
THE BOARD OF DIRECTORS .....	vii
CHAIRMAN'S STATEMENT .....	xv
REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xvii
CORPORATE GOVERNANCE STATEMENT .....	xx
MANAGEMENT DISCUSSION AND ANALYSIS .....	xxiv
CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	xxviii
REPORT OF THE DIRECTORS .....	xxxii
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxxiii
REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TRADE NETWORK AGENCY.....	xxxiv
STATEMENT OF FINANCIAL PERFORMANCE .....	I
FOR THE YEAR ENDED 30 JUNE 2018.....	I
STATEMENT OF FINANCIAL POSITION.....	2
AS AT 30 JUNE 2018 .....	2
STATEMENT OF CHANGES IN NET ASSETS .....	3
STATEMENT OF CASH FLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS .....	13
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	43
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY .....	47
APPENDIX III: INTER ENTITY TRANSFERS.....	48
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	49

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### LIST OF ABBREVIATIONS

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A IA	-	Appropriation in Aid
CEO	-	Chief Executive Officer-KenTrade
GOK	-	Government of Kenya
ICT	-	Information Communication Technology
IDF	-	Import Declaration Form
ICF	-	Investment Climate Facility for Africa (Development Partners)
ICMS	-	Integrated Customs Management System
IPSAS	-	International Public Sector Accounting Standards
KENTRADE	-	Kenya Trade Network agency
KRA	-	Kenya Revenue Authority
KWATOS	-	Kilindini Waterfront Automated Terminal Operating Systems for KPA
KPA	-	Kenya Ports Authority
KNESWS	-	Kenya National Electronic Single Window System
MMS	-	Manifests Management Systems
NSSF	-	National Social Security Fund
PFM	-	Public Finance Management
SIMBA	-	Customs Management Systems for KRA
SWS	-	Single Window Systems (otherwise referred to as the TradeNet system)

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### KEY ENTITY INFORMATION AND MANAGEMENT

#### a. Background information

The Kenya Trade Network Agency (KenTrade) is established under the Legal Notice No.6 of 2011 and the State Corporations Act, Cap. 446 of the Laws of Kenya.

#### b. Principal Activities

The principal role of KenTrade is to establish and manage a National Electronic Single Window System (TradeNet System) and facilitate trade.

The National Electronic Single Window System shall serve as a single entry point for parties involved in trade and transport to:

- Lodge documents electronically, for processing and approval; and
- Make payments electronically for fees, levies, duties and taxes due to the Government, on goods imported or exported.

#### c. Key Management

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

- The Board of Directors
- The Chief Executive Officer;
- Heads of Directorates (Directors)
- Heads of Departments (Managers)

#### d. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

1	Amos Wangora	Chief Executive Officer
2	Hellen Wasike	Ag. Director, Corporate Services (DCS)
3	David Ngarama	Ag. Director, Strategy, Compliance and Business Development/ Information Technology and Innovations (DSCBD/DITII)
4	Daniel Kiange / Rose Ronoh	Ag. Director, Trade Facilitation
5	Bernard Milewa	Corporation Secretary and Legal Affairs Manager
6	Joseph Kimanga	Manager, Internal Audit (left in February 2018)
7	Joanne Kweyu	Manager, Supply Chain

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

8	Isaac Wanjohi	Ag. Manager, Internal Audit
9	Sostanis Okoth	Ag. Manager, Supply Chain

### e. Fiduciary Oversight Arrangements

#### Audit & Risk Committee

1	Mr. Gilbert Langat	Chairman
2	Mr. Joseph Ngugi	Member
3	Mr. George Wanjau	Member
4	Prof. Esther Gicheru	Member

#### Finance & General Purposes Committee

1	Ms. Wambui Namu	Chairman
2	Mr. Joseph Ngugi	Member
3	Amb. Nelson Ndirangu	Member

#### Human Resource and Compliance Committee

1	Prof. Esther Gicheru	Chairman
2	Mr. George Wanjau	Member
3	Mr. Joseph Ngugi	Member

#### Strategy and Business Committee

1	Ms. Wambui Namu	Chairman
2	Mr. Gilbert Langat	Member
3	Amb. Nelson Ndirangu	Member
4	Mr. George Wanjau	Member

### f. Entity Headquarters

Embankment Plaza, First Floor,  
Longonot Road, Upper Hill  
P.O. Box 36943 – 00200  
Nairobi

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**g. Entity Contacts**

Telephone: (254) 20 2614896

E-mail: [info@Kentrade.go.ke](mailto:info@Kentrade.go.ke)

Website: [www.Kentrade.go.ke](http://www.Kentrade.go.ke)

**h. Entity Bankers**

Equity Bank Limited.

Equity Centre Branch

P.O. Box 75104 – 00200

Nairobi

Co-operative Bank of Kenya Limited

KUSCO Centre Branch

P.O. Box 48231 – 00100

Nairobi

KCB Bank Limited

Upperhill Branch/KICC Branch

P.O. Box 48400 – 00100

Nairobi

**i. Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084, 00100

Nairobi, Kenya

**j. Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112, 00200

Nairobi, Kenya

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### THE BOARD OF DIRECTORS

#### **Gen. (Ret) Joseph Raymond Kibwana, EGH, CBS** **Chairman (Up to April 2018)**



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

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

#### **Mr. Suleiman Said Shahbal** **Chairman (Appointed In June 2018)**



Mr Shahbal has a Master of Business Administration from the University of Illinois at Urbana and has over 20 years' experience in Banking. Mr. Shahbal previously worked with Bank Muscat, the largest investment and commercial bank in Oman, where he served as Deputy General Manager of International Operations. Prior to Bank Muscat, Mr. Shahbal served as Vice President of Citibank in the Middle East and Europe. He served as the Chairman of Gulf African Bank (Kenya) until September 2012. He served as a Director of Dalma Energy LLC until June 21, 2016. Mr. Shahbal is the Member of Investment Committee at Mid-East Division of The Novati Group.

#### **Mr. Gilbert Langat** **Member**



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

Mr. Langat currently serves as the Chief Executive Officer of the Shippers Council of Eastern Africa. He has been a Board Member, Kenya National Highway Authority (KeNHA), Member Railway Consultative Committee, Member Chief Executives Forum, National Business Agenda, Board of Governors, and Railways Training Institute.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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**Mr. Joseph Zacharia Ngugi**

**Alternate Member to the Principal Secretary, The National Treasury**



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

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

**Mr. George Wanjau**

**Alternate Member to the Principal Secretary, State Department for Transport**



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

He is a Deputy Chief Economist at the Ministry of Transport, Infrastructure, Housing and Urban Development. He has over 20 years' experience in the Civil Service with considerable experience in regional, sectorial and national planning, including poverty reduction strategies, health sector reforms and project preparations and implementation, monitoring and evaluation, policy formulation for the transport sector and urban transport planning.

**Ms. Wambui Namu**

**Member**



Ms. Wambui Namu holds an MSc in Management (MBA) from Arthur D Little Management Education Institute, Cambridge, Massachusetts, USA and BSc in Business Administration from Lincoln University, Oxford, Pennsylvania, USA. She worked for the Ministry of Finance and Planning prior to joining the Kenya Revenue Authority as a seasoned tax administrator where she rose through the ranks to become the Commissioner of Customs Services.

She has extensive experience in international trade matters as well as taxation policies and practices She has also engaged in tax advisory services, capacity building and management consultancy works for various national and international institutions such as the World Customs Organization (WCO), Kenya Institute of Management (KIM) Worldwide Inc., Kenya Trade Network Agency (KENTRADE), DHL Global Forwarding, PricewaterhouseCoopers as well as bulk commodity traders and importers of heavy commercial machinery. Ms. Namu has received

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

National/State Honors [Head of State Commendation (HSC) & Moran of the Burning Spear (MBS) recognitions by His Excellency the President of the Republic of Kenya in 2009 and 2010 respectively for significant contribution in domestic revenue mobilization in the context of the wider state building efforts. She has served as a Board Director at the Export Processing Zone Authority.

### **Prof. Esther Gicheru** **Member**



Prof. Esther Gicheru is currently a Director, Institute of Co-operative Development and an Associate Professor in Cooperative Management and Organization Development at the Co-operative University College of Kenya. She is a doctorate degree holder in Organization Development and Transformation with over 27 years of scholarly and administrative experience in the Co-operative sector.

Prof. Gicheru holds a BSc degree in Agriculture from University of Nairobi, MA in Co-operative Management and Organization Development from Leicester University, UK and Doctorate Degree (PH.D) in Organization Development and Transformation from Cebu Doctors' University, the Philippines. She also holds a Diploma in Counselling Psychology from Tangaza University College.

She is endowed with honours and awards especially for her contributions towards the Co-operative movement including Rochdale Pioneers Award (RPA) by International Co-operative Alliance (ICA) Geneva, Switzerland in 2007, Head of State Commendation (HSC) in 2008 and Commendation from the Co-operative Movement in Kenya (2008).

### **Ambassador Nelson Ndirangu** **Member**



Born 64 years ago, Ambassador Ndirangu is an international trade expert with more than 30 years of experience on trade/ economic policy issues. He possesses strong managerial, leadership and negotiations skills and more than 20 years of experience in strategic planning, programmatic design, implementation, team building, fundraising and setting of impact assessment systems.

He has worked as consultant for various institutions, international and national organizations such as WTO, WHO, FAO, UNCTAD, ACP, COMESA, IGAD, EAC, South Centre. He was Chief Negotiator for Kenya in the WTO from 1999 to 2007, Director of Asia Division at the Ministry of Foreign Affairs from August 2007 to December 2008. He took time off from 2009 to 2012 to manage an ACP Programme that provided technical assistance to enhance the capacities of the ACP countries to Negotiate and implement WTO agreements.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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Amb. Ndirangu has a Master of Arts (M.A) and a Post Graduate Diploma in International Economic relation from the University of East Anglia in UK, A Post Graduate Diploma in International Trade Policy from the WTO, a Bachelor of Commerce degree (B.COM Hons.) from the University of Nairobi. He holds several awards, including Order of the Golden Warrior of Kenya (OGW) in recognition of his contribution to trade policy formulation, development and implementation.

He was appointed Ambassador/ High Commissioner mid-December 2012 and resumed his duties in the Ministry of Foreign Affairs as the Director General in charge of the Economic Affairs and International trade Directorate. He is responsible for formulation, implementation, coordination and review of international trade and economic policies, including trade negotiations. He has keen interests on the legal and economic analysis of the WTO agreements, regional and bilateral trade relations with a focus on Africa.

### **Amos Wangora** **Chief Executive Officer**



Amos Wangora is currently the Chief Executive Officer of the Kenya Trade Network Agency having been appointed to that position on October 1, 2016. He has served as the General Manager Operations and Project Director for the Kenya National Electronic Single Window System implementation (Kenya TradeNet System) with responsibility for the system implementation and operationalization. He holds a Master's degree in Maritime Affairs specializing in Port and Shipping Management from the World Maritime University (Sweden). He is also a Fellow of the Institute of Chartered Shipbrokers (UK) and a Certified Information Systems Auditor (CISA).

He has over twenty years work experience in the Trade and Logistics sector with specialization in Maritime affairs and Project Management in Port, Customs and Trade sector automation. He has vast experience in the designing, development and implementation of ICT interventions for Trade and Transport facilitation.

### **Mr. Bernard Milewa** **Corporation Secretary & Legal Affairs Manager**



Mr. Bernard Milewa is an advocate of the High Court of Kenya. He holds a Bachelors degree in law from Moi University and an MBA (Strategic Management) from the University of Nairobi. He is also a member of the Chartered Institute of Arbitrators and is a Certified Public Secretary of Kenya, CPS (K). Mr. Milewa has 12 years legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Legal Officer at the Postal Corporation of Kenya.

Mr. Milewa joined the Agency in January 2018.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### MANAGEMENT TEAM

#### **Amos Wangora** **Chief Executive Officer**



Amos Wangora is currently the Chief Executive Officer of the Kenya Trade Network Agency, having been appointed to that position on October 1<sup>st</sup>, 2016. He previously served as the General Manager Operations and Project Director for the Kenya National Electronic Single Window System implementation (Kenya TradeNet System) with responsibility for the system implementation and operationalization. He holds a Master's degree in Maritime Affairs specializing in Port and Shipping Management from the World Maritime University (Sweden). He is also a Fellow of the Institute of Chartered Shipbrokers (UK) and a Certified Information Systems Auditor (CISA).

He has over twenty years work experience in the Trade and Logistics sector with specialization in Maritime affairs and Project Management in Port, Customs and Trade sector automation. He has vast experience in the designing, development and implementation of ICT interventions for Trade and Transport facilitation.

#### **Mr. David Ngarama** **Ag. Director, Strategy, Compliance and Business Development**



Mr. Ngarama is a holder of a Master of Science degree in Economics from the University of Zimbabwe and a Bachelor of Arts degree in Economics (Honour's) from the University of Nairobi.

Prior to his appointment as a Manager, Strategy and Planning, he served as a Transaction Manager at the Privatization Commission, a parastatal under the National Treasury. He previously served as a Principal Economist in the Office of the Deputy Prime Minister and Minister for Finance where he doubled as a Technical Assistant to the Deputy Prime Minister.

Mr. Ngarama has over nineteen years' experience in public sector operations and has worked as a Senior Economist at the Ministries of Planning, Finance, International Trade and Industry. In addition, he has wide exposure in regional trade and integration matters and has represented Kenya in many trade negotiations within and outside the Common Market for East and Southern Africa (COMESA) Region and EAC.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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#### **Ms. Hellen N. Wasike**

##### **Ag. Director Corporate Services**



Ms. Wasike is a holder of Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts in Public Administration & French from University of Nairobi. She is also a Certified Public Secretary of Kenya and has acquired Foundation Diploma in Purchasing & Supply Management. Further, she has attended several courses such as Integrity Assurance Officers Course and Facilities Management Course.

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

#### **Mr. Daniel Kiange**

##### **Ag. Director Trade Facilitation**



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

He possesses a wealth of knowledge and experience in trade facilitation and logistics, having worked with the Kenya Ports Authority in various capacities.

#### **Ms. Rose Ronoh**

##### **Manager Customer Service & Contact Centre**



Ms. Ronoh is currently a candidate for Doctor of Philosophy in Business Management (Strategic Management Specialization) at Moi University. She holds Masters in Business Administration, (Strategic Management Option) from Moi University and Bachelor of Science in International Business (Marketing Option) from United States International University (USIU). Rose has also acquired Executive Diploma in Marketing from Marketing Society of Kenya and Professional Qualifications in Prince 2 (Project Management). She has also attended several courses and seminars in Customer Service Excellence, Project Management, Monitoring and Evaluation, Change Management, Entrepreneurship, Budgeting and Financial Management.

She was a wealth of experience in Customer Service, Marketing Management, Strategic Communication, Strategic Management, Stakeholder Engagement and Change Management both in Public and Private Sector. Rose has previously worked as a Corporate Communications Manager at

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2018

The Catholic University of Eastern Africa, Regional Marketing and Communications Officer at Kenya Power & Lighting Company Ltd and a Brand Manager at The Standard Group. She is a Member of the Marketing Society of Kenya and was a 2014 Finalist of the Rising Star Awards.

#### **Mr. Bernard Milewa**

##### **Corporation Secretary & Legal Affairs Manager**



Mr. Bernard Milewa is an advocate of the High Court of Kenya. He holds a Bachelors degree in law from Moi University and an MBA (Strategic Management) from the University of Nairobi. He is also a member of the Chartered Institute of Arbitrators and is a Certified Public Secretary of Kenya, CPS (K). Mr. Milewa has 12 years legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Legal Officer at the Postal Corporation of Kenya.

Mr. Milewa joined the Agency in January 2018.

#### **Mr. Joseph Kimanga**

##### **Manager, Internal Audit**



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

He has 22 years' experience, having worked for Teachers Service Commission (TSC), The Jomo Kenyatta Foundation(JKF), Penmain Co. Ltd and Kenya Fresh Produce Exporters Ltd in various capacities ranging from Cost Accountant, Financial Accountant, Credit Controller, Operations Manager, Financial Controller and Finance Manager

#### **Ms. Joanne Kweyu**

##### **Manager, Supply Chain**



With over 20 years' experience in Supply Chain Management, Ms. Kweyu oversees the procurement function at KenTrade. Prior to joining KenTrade, she worked as a procurement professional in the Ministries of Public Health and Sanitation, Lands, Agriculture, Office of the President and the National Treasury.

Ms. Kweyu is a member of the Chartered Institute of Purchasing and Supply Management (London) and the Kenya Institute of Supply Management (KISM). She holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Commerce degree in Business Administration from the University of Nairobi. She has also attended the Senior Management course at the Kenya School of Government from which she graduated with a Distinction.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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#### **Mr. Isaac Wanjohi**

##### **Ag. Manager, Internal Audit**



Mr. Wanjohi holds a Bachelor of Commerce Degree in Finance from the University of Nairobi. He is a Certified Public Accountant of Kenya. He is seconded to the Agency from The National Treasury where he has worked for over five years as an Internal Auditor. Mr. Wanjohi is charged with providing assurance on the internal control, risk management and governance processes of the Agency.

#### **Mr Sostanis Okoth**

##### **Ag. Manager Supply Chain**



Mr. Sostanis Okoth is a member of the Chartered Institute of Purchasing and Supply Management (London) and the Kenya Institute of Supply Management (KISM). He is currently pursuing Master of Science Procurement and Logistics at Jomo Kenyatta University of Agriculture and Technology and Holds a Bachelor of Arts degree in Economics from Kenyatta University. He has over eight years working as a procurement profession in various public institutions.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### CHAIRMAN'S STATEMENT

It gives me great pleasure to present the Kenya Trade Network Agency (KENTRADE) Annual Financial Report for the year ended June 30, 2018.

The country and especially the private sector continue to reap benefits from the Kenya TradeNet System as evidenced in the 2018 World Bank Doing Business Index Ranking Report, which was released on October 31, 2017. The report indicates that Kenya improved from position 92 to position 80 globally. In particular, the country was ranked position 106 out of 190 global economies in the Trading across Borders category, which was an improvement from last year. The achievement has partly been attributed to the utilization of the Single Window System (Kenya TradeNet System), which allows for electronic submission of customs documents, leading to the reduction of time in processing import related documents for compliance.

During the year, the Agency also launched a landmark trade facilitation instrument, the **information for trade portal** (infoTradeKenya). The information for trade portal provides step-by-step procedures, rules, payments and legal requirements for Kenya's import and export processes. The InfoTradeKenya portal was successfully launched on 22nd November 2017. Completion and launch of the portal made Kenya the first country in the East Africa Community (EAC) and sub Saharan Africa to fulfil Article I of the WTO Trade Facilitation agreement which requires member states to publish their trade procedures online, displaying them step-by-step, with contact information on enquiry points, access to forms and other required documents and all relevant trade and customs laws.

During the financial year, the Agency continued the implementation of its Strategic Plan 2015-2020. The Board carried out a mid-term review of the Strategic Plan and developed a new organization structure to drive the revised Strategy. Some of the other key milestones achieved during the year include the finalization of the tariff structure that was submitted to The National Treasury for approval. This is aimed at ensuring that the Agency is financially sustainable in its operations with the approval and implementation of the tariff structure expected to raise close to Kshs.400 million annually. Equally, the Agency finalized and submitted to the National Treasury a draft bill on the use of the TradeNet System.

During the Financial Year, the Agency continued to improve its quality management system and successfully transitioned from ISO 9001:2008 to ISO 9001-2015. This was a major milestone in our drive to provide excellent service to our customers, both in the public and private sectors.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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#### CHAIRMAN'S STATEMENT

In conclusion, I would like to thank all the institutions and individuals who have continued to support the Agency in discharging its mandate and in particular the Board Members who continued to dedicate their precious time in shaping the strategic direction of KenTrade. I also wish to express my sincere appreciation to all our stakeholders, especially The National Treasury and Partner Government Agencies for all the support extended to KenTrade during the period.



**Mr. Suleiman Shahbal**  
**CHAIRMAN**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2018

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#### REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

Having successfully rolled out all modules of the Kenya TradeNet System, the Agency in FY 2017/2018 embarked on bringing on board more Partner Government Agencies (PGAs) and on integrating the System with the new Kenya Revenue Authority's (KRA) Integrated Customs Management System (iCMS). In the FY 2017/2018, the Agency brought on-board the Kenya Forest Services (KFS), the Energy Regulatory Commission (ERC) and the AFA Horticultural Crop Directorate (AFA-HCD). Work to integrate the Kenya TradeNet System and the iCMS is in progress and piloting for the following modules has commenced: Base Document, Air manifest and customs Declaration for air cargo. It is expected that the new iCMS will address the shortcomings of the SIMBA System, which were making it difficult to adopt some of the best practice procedures in use in other parts of the world. As at the end of the 2017/2018 FY, the number of stakeholder institution involved in the use of the TradeNet System was 41 including 35 Partner Government Agencies (PGAs) and the number of users currently stands at over 10,500 registered system users up from 7,500 system users last year.

An analysis of the time taken to approve various permits shows that in 2016, the average number of days taken to process documents was 4.5 which compares to 4.2 days average in 2017. This indicates a reduction in average time of document processing by PGAs. The Agency goal is to keep pushing for further reduction through the Service Level Agreements signed under a Memorandum of Cooperation (MoC) with the PGAs. KenTrade has actively been involved in the review of the Mombasa Port Community Charter (MPCC) and MoC and will continue the push for signing of the revised MoC by new PGAs to ensure that permits are processed in good time (less than 3 days).

The Agency continues to monitor the operations of the TradeNet System with a view to attaining and maintaining a consistent system uptime of 99.98%. In connection to this, the

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2018

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#### REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Agency set up and commissioned a new Secondary Site for the TradeNet System during the year. This modern site is aimed at enhancing the availability of the TradeNet System. The two sites (Primary and Secondary) with similar technology (hardware) and configured optimally will ensure that the Agency continues to offer the required uptime and redundancy levels to meet the business objectives and enhanced service delivery.

The Agency continues to provide quality customer service through a robust Contact Centre that is receptive and responsive to customer and stakeholder challenges and feedback as they use the system. In FY 2017/18, the Agency upgraded its Customer Relationship Management (CRM) System and Communications System (AVAYA) to enhance customer experience.

During the year, the Agency with support from the World Bank implemented a 'free WiFi' initiative in the following regions; Malaba, Busia, Isebania, Namanga, Taveta, JKIA and Mombasa port so to facilitate the PGAs and customers in submission and approval of cargo clearance documentation. In addition, the Agency implemented an SMS system to enhance communication with its customers.

The Agency has continued to monitor and improve its operations for efficient service delivery. The performance management framework has been internalized and cascaded throughout the Agency to all levels. A key part of this has been the successful transition from ISO 9001:2008 to ISO 9001:2015 certification in the FY 2017/18. Comprehensive internal and external quality audits have ensured that the Agency has a continually improving quality management system. These monitoring and evaluation initiatives will be continually improved to ensure increased customer and stakeholder satisfaction.

From a financial perspective, Kentrade received from the National Treasury **Kshs 559,000,000/=** being **Kshs 334,000,000** for Recurrent Expenditure and **Kshs 225,000,000/=** for Development Expenditure.

The Agency was able to generate **Kshs 24,119,299/=** from other sources that included **Kshs 670,000/=** from training fees, **Kshs 2,187,583/=** from insurance claims, **Kshs 6,000/=** from miscellaneous income and **Kshs 21,255,716/=** as interest earned on short term deposits in the Agency's bank accounts.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

The Agency realized an operating deficit of **Kshs (178,839,425/=)**, mainly due to non-cash items of depreciation and amortisation of the software and systems running in the Agency, including the Trade Net system. The Office of the Auditor General in previous year's audits has raised this as a sustainability issue. The Business Model (tariff Structure) and its related revenue generation plans as indicated above are critical to the Agency in addressing this challenge. The Agency had **Kshs 73,941,831/=** in current liabilities against a current asset base of **Kshs 427,666,990/=**. The total Asset base of the Agency (including the current assets) during the period was **Kshs 1,433,359,774/=**.

As these reports show, the Agency is a going concern even as it seeks to address some of the challenges highlighted herein. Kentrade is on the right track to continue providing the trade sector with reliable facilitation through the TradeNet System. The Government has indicated its continued support for the Agency and its critical mandate to the highest levels. Stakeholders have also demonstrated their full cooperation and support while the Agency continues to justify the confidence and hopes of all these actors in the industry.

In this regard, I wish to extend our gratitude to the Chairman and the entire Board of Directors for their wise and prudent leadership in the operations of the Agency. I wish to thank all the Partner Government Agencies working with KENTRADE as well as the private sector players in the trade and logistics industry. I wish to thank in particular, The National Treasury as our parent ministry, without whose support the Agency would not deliver on its mandate. I greatly appreciate the Management and staffs of the Agency who go to great lengths to ensure effective service delivery and that customer needs are not only met but exceeded. Their dedication and diligence is commendable.

**Thank you.**



**Amos S. Wangora**  
**CHIEF EXECUTIVE OFFICER**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### **CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

### **Functions of the Board of Directors**

Ensuring the attainment of the Agency's mandate through:

1. Determining the business strategies and plans that underpin the Corporate strategy and provide strategic advice to Management
2. Reviewing the financial statements and overseeing compliance with applicable audit, accounting and reporting requirements
3. Monitoring and evaluating Corporate Performance
4. Regularly reviewing systems, processes, procedures and policies to ensure the effectiveness of internal control
5. Monitoring compliance with legal and regulatory requirements and ethical standards and policies
6. Establishing a sound system of risk oversight, Management and internal controls
7. Ensuring that the rights of stakeholders that are protected by law are respected
8. Ensuring that a comprehensive system of policies and procedures is operative
9. Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the institution's own governing documents and Codes of Ethics

The Agency is run through the general direction of the Board of Directors, which is responsible for:

1. The administration, management and development of the Agency

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2018

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2. Administering the assets and funds of the Agency in such manner and for such purposes as shall promote the best interests of the Agency
3. Committing to the underlying principles of good governance

#### Board Structure and Processes

The Board of Directors of the Agency consists of:

- A non- executive Chairman appointed by the President
- The Principal Secretary, the National Treasury & Planning or his alternate
- The Principal Secretary, Ministry of Foreign Affairs and International Trade or his alternate
- The Principal Secretary, Ministry of Transport and Infrastructure or his alternate
- A representative from the Shippers Council of East Africa
- Three other members, not being public officers, appointed by the Cabinet Secretary - the National Treasury by virtue of their knowledge and experience in matters relating to:
  - Trade logistics;
  - Information communication technology; or
  - Finance and administration.
- Chief Executive Officer

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

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

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

To assist in its operations, the Agency has established four standing committees of the Board as follows:

**KENYA TRADE NETWORK AGENCY**

**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

**i. AUDIT AND RISK COMMITTEE**

The main function of the Audit Committee is to oversee The Internal Audit, Risk Management and Governance systems within the Agency.

**ii. STRATEGY AND BUSINESS COMMITTEE**

The main function of the Strategy and Business Committee is to monitor the strategic direction and core business activities/operations of the Agency to ensure achievement of its objectives.

**iii. FINANCE AND GENERAL PURPOSES COMMITTEE**

The Finance and General purpose Committee deals with finance and procurement matters collectively and general affairs of the Agency. The Committee reviews financial statements of the Agency and oversees compliance with applicable accounting and reporting requirements.

**iv. HUMAN RESOURCE AND COMPLIANCE COMMITTEE**

The main function of the Human Resource and Compliance Committee is to oversee Human Resource related matters and policies, including other administrative issues.

**Conduct of Business Operations**

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

The Agency also has a Human Resource Policy & Procedures Manual that provides the basic guidelines to effectively manage the Agency's human resource matters by the Board, Management and employees including the code of Conduct. Further, the Agency practices equal opportunity and diversity management in the administration of its services.

As part of the employee welfare programme and to facilitate staff performance, the Agency has implemented a comprehensive medical scheme to cater for all its staff and dependents.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

For The Year Ended June 30, 2018

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### CORPORATE GOVERNANCE STATEMENT (Continued)

#### Risk Management and Internal Controls

KenTrade has set up an internal audit function of the Agency. The Audit and Risk Committee **(ARC)** of the Board has the overall responsibility to oversee the internal audit, risk management, governance and risk management functions of the Agency.

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

#### Compliance

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

# KENYA TRADE NETWORK AGENCY

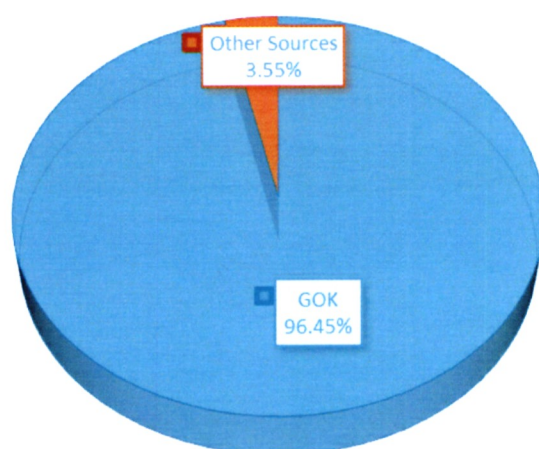
## Reports and Financial Statements For The Year Ended June 30, 2018

### MANAGEMENT DISCUSSION AND ANALYSIS

In the year under review, the Agency continued its principal business of running the Kenya National Electronic Single Window System (Kenya TradeNet System) and trade facilitation. The Agency has substantially completed the development of all the twenty (20) modules of the Kenya TradeNet system. However, due to redesign of business processes and introduction of the new Integrated Customs Management System (ICMS) by the Kenya Revenue Authority, integration work is ongoing with system changes to ensure connectivity between the TradeNet and the customs' system. The Agency is currently working with the Kenya National Bureau of Statistics to provide trade statistics which is one of its key functions.

In terms of finances, the Agency still overwhelmingly relies on the support of the National Government. However, the Agency has developed a business model with a tariff structure to gradually reduce this reliance and generate more revenue. This is awaiting National Treasury approval before implementation. During the year, **Kshs 559,000,000/=** was provided by the Exchequer representing **Kshs 225,000,000/=** for development and **Kshs 334,000,000/=** for recurrent expenditure. **Kshs 24,119,299/=** was generated from other sources, primarily interest income from call accounts, training fees for single window users and other miscellaneous sources. In comparative terms, GOK funding was **96.45%** while other sources accounted for about **3.55%**.

**Chart I. Sources of Funding**



In terms of expenditure, the Agency spent **Kshs 766,365,607/=** with **Kshs 636,374,743/=** being direct cash items and the balance of **Kshs 129,990,863/=** being provisions for depreciation and amortization.

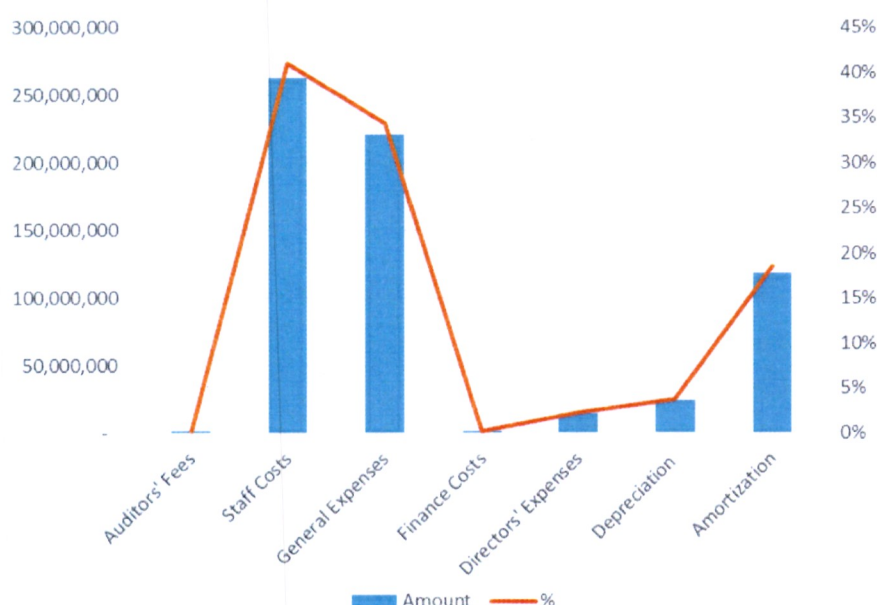
# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

As indicated on the chart below, Staff Costs (Salaries and Wages) account for 34.2% of the total expenditure. General expenses include various expense lines, with the biggest item being computer expense (repairs, internet, licenses and other recurrent items such as vendor maintenance and support for the single window and other systems) at **Kshs 255,448,313/=**. On its own, this would account for **33%** of the total expenditure and hence the largest item. This is because the Agency's main business is ICT driven.

**Chart 2. Expenditure Comparison**



In terms of assets, the Agency has a total asset base of **Kshs 1,433,359,776/=**. This compares favourably with total liabilities of **Kshs 73,941,831/=**. The assets are made up of **Kshs 427,666,990/=** in current assets. Cash and cash equivalents of **Kshs 217,128,322/=** were available for use at the end of the year. These amounts are mainly funds set aside to pay for maintenance contracts for the Tradenet System and other software systems operated by the Agency in its business functions.

Non-current assets of **Kshs 1,005,692,786/=**, made up of **Kshs 81,357,157/=** in property plant and equipment and **Kshs 924,335,629/=** in intangible assets making up the larger portion of the Agency's assets.

# **KENYA TRADE NETWORK AGENCY**

## **Reports and Financial Statements**

### **For The Year Ended June 30, 2018**

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#### **MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)**

The key concern around the TradeNet system is to maintain its system uptime, ensure it is in line with improved business processes as the Agency seeks to improve such processes as part of trade facilitation, and generating/mobilizing funds to upgrade the TradeNet System. This upgrade is required in due time due to technological changes that will definitely make current technology obsolete.

The Agency has been able to deliver on its primary role of developing and operationalizing the TradeNet system. However, to maintain it and remain sustainable, it is imperative that it maintains an effective, efficient and economical system of internal processes, procedures, staff compliment and other resources to fully deliver on its mandate. To this end, the Agency has reviewed its structure to place the needed human resources where they would be most effective. The challenge of attracting and retaining qualified staff members is a key concern going forward.

The Agency faces the challenge of creating a conducive corporate culture that will see persons of diverse skills; qualifications and different orientations work in harmony to deliver on its mandate. The majority of staff members are below 35 years of age. The Agency embarked on a Culture Change and Leadership Programme that resulted into improved team work, interpersonal relations and enhanced performance.

The Agency, in line with the direction and guidance from the Salary and Remuneration Commission (SRC) and relevant government institutions, has a staff compensation system to motivate staff through attractive salaries and non-cash benefits. The Agency is also investing in the training and development of its staff members to equip them with skills for their current and future jobs – for career progression. The new structure provides opportunities for growth and advancement within the Agency, guaranteed to motivate staff members to seek these opportunities and build wholesome careers.

The Agency is a state corporation wholly owned by the National Government, which enables it to offer service to stakeholders at highly subsidized rates. It is expected that even as it seeks to raise revenue, the charges levied will be a small fraction of the savings that stakeholders currently gain from reduced costs and efficiency provided by the TradeNet system. Initiatives like the Marine Cargo Insurance (MCI) directive also open up possible business avenues for the Agency in future.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

New business opportunities are being sought and the Agency is keen on encouraging research, innovation and creativity among its staff members to help in realizing the dream of sustainability through provision of value add services.

The Financial statements for year 2017/2018 show that the Agency has a sound operations base but there is need for continued and increased government support. This support includes not only adequate funding, but also required approvals of the tariff structure and the legal framework to ensure the stability of the Agency in the current operating environment. KenTrade Management is committed to running an organization that complies with all applicable laws, is an empowering employer and is a dependable business partner for all who rely on our services.



**Amos S. Wangora,**  
**Chief Executive Officer**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Under the KenTrade Strategic Plan 2015-2020, the Agency acknowledges the importance of giving back to the society and has put in place a robust CSR framework to ensure meaningful contribution to the community engagement efforts. The Agency has continued to participate and implement programs aimed at reaching the underprivileged in society, creating strong stakeholder relationships and meeting its corporate citizenship obligations. In the 2017/2018 financial year, the Agency engaged in the following CSR activities:

#### a) Donation of Projector

- The Agency donated a projector to Upper Hill Secondary School in Upper Hill Nairobi in May 2018.



Upper Hill Secondary School is a boys' only boarding school located along the Upper Hill Road near British High Commission, in [Nairobi County](#). Lord Delamere, a British Settler founded the School in 1956 and was initially named after him "Delamere School".

The School Motto is "Strive for Excellence" and its Vision is "To be a Leader and a Role Model Academic Institution of choice both nationally and internationally". The school has 3 laboratories (Physics, Chemistry and Biology labs) and during a visit to the school it was discovered that the laboratories did not have projectors making it difficult to take the students through various presentations. The school currently has over 1000 students.

This donation is expected to make a difference to the students in improving their access to information, communication, and technology (ICT), as well as in enhancing their skills in computing and appreciation of ICT even as the projector is used as a teaching aid.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

#### b) Tree Planting

The Agency planted more trees and donated watering equipment for the tree maintenance at Ndabibi Secondary School in Naivasha on 5<sup>th</sup> June 2018 to ensure the survival rate of the trees is maintained at the current 98%. This followed the initial tree planting that the Agency did in 2015 at the school.



KenTrade, represented by the CSR committee members, marked the World Environment Day with the planting of tree seedlings at Ndabibi High School in Naivasha. The team was received by the school principal, Mr. Paul Njiru who took the team on a tour of the school as he showed the team how every donation they had received had gone into progressing the school in terms of structures and resources. The tour included inspection of the trees previously planted around the school by KenTrade. KenTrade presented its donations in marking the World Environment Day in the form of 100 tree seedlings.

#### c) Book Donations

KenTrade donated books to Our Lady of Nazareth School in Mukuru Kwa Njenga in January 2018.

Our Lady of Nazareth is a big school with 2,300 students ranging from 3 years to 18 years old. The school also takes care of the mentally and physically challenged students in a special unit that has given these children a home and a place to acquire knowledge. The school is under the Catholic Church. Our Lady of Nazareth School has helped a lot of needy students in Mukuru area, Embakasi constituency.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

#### CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

The Agency donated books worth approximately Kshs 30,000/- which were distributed to the children at the school. Approximately 200 exercise, story books and text books were donated.



#### d) Food Stuff Donation

The Agency donated food stuff to Bondeni Childrens Rescue Centre on April 12, 2018



Bondeni Children's Rescue Centre was established from a feeding program for street children, started by a team of twelve (12) members. In the course of implementation of the program, eleven (11) members for one reason or the other stopped contributing to the welfare of these children.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2018

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#### CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

The only active member therefore decided to follow the legal requirements to transform the program and registered the same as a Children's Home - Bondeni Children's Home. The home draws its name from the Bondeni Slum where it is based.

The home currently has a capacity of sixty (60) children most of whom have been placed there by the Government due to various issues such as neglect by parents, rape, abandonment, and child labour etc. It therefore serves as a rescue centre. The youngest child is about six (6) months old and the oldest are Form four candidates.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**REPORT OF THE DIRECTORS**

The Directors hereby submit their Report together with the Audited Financial Statements for the year ended June 30, 2018 which outline the state of the Agency's affairs.

**Principal activities**

The principal activities of the entity are to:

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

**Results**

The results of the Agency for the year ended June 30, 2018 are set out on page I to 43.

**Directors**

The members of the Board of Directors who served during the year are shown on page v in accordance with the provisions of the Agency's Legal Notice No.6 of 2011.

**Auditors**

The Auditor General is responsible for the statutory audit of the Agency in accordance with Section 35 of the Public Audit Act 2015.

By Order of the Board

**Mr. Bernard Milewa**  
**CORPORATION SECRETARY AND LEGAL AFFAIRS MANAGER**

Date:..... 25.06.2019.....

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, Cap 446, require the Directors to prepare financial statements in respect of the Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that these financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2018, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

The Agency's financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

  
\_\_\_\_\_  
**CHAIRMAN**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TRADE NETWORK AGENCY

We have audited the accompanying financial statements of Kenya Trade Network Agency for the year ended June 30, 2018, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (vi) a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Agency's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2018, and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

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**AUDITOR GENERAL**

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**DATE**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, Cap 446, require the Directors to prepare financial statements in respect of the Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that these financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2018, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Agency's financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

  
\_\_\_\_\_  
CHAIRMAN



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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA TRADE NETWORK AGENCY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Opinion**

I have audited the accompanying financial statements of Kenya Trade Network Agency set out on pages 1 to 47 which comprise the statement of financial position as at 30 June 2018, 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, the financial statements present fairly, in all material respects, the financial position of Kenya Trade Network Agency as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporation Act, CAP 446 of the Laws of Kenya and Kenya Trade Network Agency Order 2010.

##### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Trade Network Agency in accordance with ISSAI 30 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 opinion.

##### **Emphasis of Matter**

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

Since inception, the Agency has been overwhelmingly relying on Government funding by way of grants. However, the Agency has developed a business model with a tariff structure to gradually reduce this overreliance and generate its own revenue. The tariff is awaiting National Treasury approval before implementation.

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*Report of the Auditor-General on the Financial Statements of Kenya Trade Network Agency for the year ended 30 June 2018*

In the year under review, the statement of financial performance indicates a deficit of Kshs. 178,839,425 (2017- Kshs.102,211,916). Further, the statement of financial position indicates a net asset decrease to Kshs.1,433,359,775 from Kshs.1,570,979,068 in the year 2016/17.

### **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. There were no Key audit matters to report in the year under review.

### **Other Matter**

### **Enterprise Resource Planning (ERP) System**

The Agency invested in an Enterprise Resource Planning (ERP) System in the financial year 2014/2015 with partner support contract running during the current year for Kshs.10,705,983. However, and as at the date of finalizing this audit, the ERP system had not been operationalized. Consequently the benefits that would have accrued from the automation have not been realized as the financial statements continue to be prepared manually outside the system. In the circumstances, I am unable to confirm whether the Agency will receive value for money with the investment in the ERP system.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis of Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Standard (Accrual Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Agency, 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.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

## **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.

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

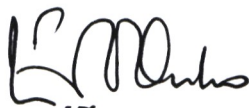
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Agency's 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 Agency's ability to continue as a going concern or 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 Agency to cease to continue as a going concern or 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 Agency 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**17 June 2019**

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

REVENUE FROM NON- EXCHANGE TRANSACTION	Notes	2017/2018	2016/2017
		kshs.	kshs.
Government Grants	8	569,581,387	611,871,094
		<b>569,581,387</b>	<b>611,871,094</b>
REVENUE FROM EXCHANGE TRANSACTIONS			
Interest on deposits	9	21,255,716	22,863,568
Other Incomes	10	2,863,583	2,032,533
		<b>24,119,299</b>	<b>24,896,101</b>
<b>Total Revenue</b>		<b>593,700,686</b>	<b>636,767,195</b>
<b>EXPENSES</b>			
Auditors Fees	11	696,000	600,000
Staff Costs	12	262,718,438	254,904,774
General Expenses	13	357,927,768	334,921,927
Finance Costs	14	614,258	654,593
Directors expenses	15	14,418,279	14,088,837
Depreciation & amortization charge	16	129,990,863	126,430,521
		<b>766,365,606</b>	<b>731,600,652</b>
Other gains/(losses)			
Forex Losses	17	-	(5,877)
Loss on disposal of assets	18	-	(513,511)
<b>Deficit before tax</b>		<b>(172,664,920)</b>	<b>(95,352,845)</b>
Taxation	19	(6,174,505)	(6,859,071)
<b>Deficit for the year</b>		<b>(178,839,425)</b>	<b>(102,211,916)</b>

The notes set out on pages 13 to 42 form an integral part of the Financial Statements

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	2017/2018	2016/2017
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	20	217,128,322	428,464,012
Receivables from exchange transactions	21	208,729,857	157,540,413
Receivables from non-exchange transactions	22	-	-
Inventories	23	1,808,810	1,318,351
		<b>427,666,989</b>	<b>587,322,775</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	24	81,357,157	84,691,542
Intangible Assets	25	924,335,629	898,964,751
		<b>1,005,692,786</b>	<b>983,656,293</b>
<b>Total Assets</b>		<b>1,433,359,775</b>	<b>1,570,979,068</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other payables from exchange transactions	26	69,514,651	15,721,760
Provisions	26	1,618,846	1,259,717
Taxation	19	2,808,335	4,358,451
		<b>73,941,832</b>	<b>21,339,928</b>
<b>Non- Current Liabilities</b>			
<b>Total Liabilities</b>		<b>73,941,832</b>	<b>21,339,928</b>
<b>Net Assets</b>		<b>1,359,417,943</b>	<b>1,549,639,140</b>
Capital Reserves		1,807,417,519	1,817,998,906
Donor Grants		92,523,129	93,445,936
Revaluation Reserves		9,030,000	9,030,000
Accumulated Deficits/Surplus		(549,552,705)	(370,835,702)
<b>Owners Equity</b>		<b>1,359,417,943</b>	<b>1,549,639,140</b>
<b>Total net Assets and Liabilities</b>		<b>1,433,359,775</b>	<b>1,570,979,068</b>

The Financial Statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:

**CHIEF EXECUTIVE OFFICER**

**MANAGER FINANCE**

**CHAIRMAN OF THE BOARD**

**NAME: Amos Wangora**

**NAME: Chrispus Mbogo**

**NAME: Suleiman Shahbal**

ICPAK M/NO: 7470

Sign.....

Date.....

24/6/19

Sign.....

Date.....

24/6/19

Sign.....

Date.....

24/6/19

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>CAPITAL RESERVE</b>	<b>DONOR GRANTS</b>	<b>REVALUATION RESERVE</b>	<b>ACCUMULATED SURPLUS/DEFICIT</b>	<b>TOTAL</b>
Balance as at 1st July 2016	1,795,870,000	94,723,240	9,030,000	(266,665,505)	1,632,957,735
Additional Grants - GOK	300,000,000	-	-	-	300,000,000
Amortized Grants - ICF	-	(1,277,304)	-	-	(1,277,304)
Prior year	-	-	-	(1,958,282)	(1,958,282)
Realignment during the year	(277,871,094)				(277,871,094)
Deficit for the year	-	-	-	(102,211,916)	(102,211,916)
<b>Balance as at 30th June 2017</b>	<b>1,817,998,906</b>	<b>93,445,936</b>	<b>9,030,000</b>	<b>(370,835,703)</b>	<b>1,549,639,139</b>
<b>Balance as at 1 July 2017</b>	<b>1,817,998,906</b>	<b>93,445,936</b>	<b>9,030,000</b>	<b>(370,835,703)</b>	<b>1,549,639,139</b>
Additional Grants - GOK	225,000,000	-	-	-	225,000,000
Amortized Grants - ICF	-	(922,807)	-	-	(922,807)
Prior year	-	-	-	122,423	122,423
Realignment during the year	(235,581,387)	-	-	-	(235,581,387)
Deficit for the year	-	-	-	(178,839,425)	(178,839,425)
<b>Balance as at 30th June 2018</b>	<b>1,807,417,519</b>	<b>92,523,129</b>	<b>9,030,000</b>	<b>(549,552,705)</b>	<b>1,359,417,943</b>

The Capital reserve is the Cumulative cost of Development Funds contributed by the Government of Kenya to the Agency in order to attain the Agency's Mandate as per Legal Notice No.6 of January 28, 2011.

Included in the Statement of changes in net assets is an amortised grant amounting to **Kshs. 92,523,129=** contributed by ICF towards development and support of Single Window systems Implementation as detailed below. This grant was negotiated between the government of Kenya and the donor, the Registered Trustees of the Investment Climate Facility for Africa Trust (ICF). The ICF donation has an overall objective of funding the facilitation of international trade in Kenya by reducing delays and lowering costs associated with clearance of goods at the Kenyan borders, while maintaining the requisite controls and collection of levies, fees, duties and taxes, where applicable, on imports or exports. The restated figures are explained in these financial statements. The Grant is amortized annually with the equivalent of depreciation charge for the Assets financed by the Grant. The Depreciation charge for the year adjusted against the grant is **Kshs 922,807/=**.

The revaluation reserve of **Kshs 9,030,000** represents an increase in value of assets that underwent a revaluation exercise in 2014/2015 financial year.

The prior year adjustment of **Kshs 122,423** relates to an understatement of staff receivables by **Ksh 53,600**, **Ksh 67,578** relates to salaries relating to 2016/2017 paid in 2018/2019 and stale cheques that led to overstatement of expenses by **Ksh 136,401**.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017/2018	2016/2017
		Kshs.	Kshs.
<b>Cashflows generated from operations</b>			
Net surplus/ Deficit for the year		(172,664,921)	(95,352,845)
Adjustments:			
For items not involving movement of cash			
Depreciation	24	24,477,667	24,132,848
Amortisation	16	106,436,004	103,574,977
Loss on disposal	18	-	513,511
<b>Operating surplus before working capital</b>		<b>(41,751,250)</b>	<b>32,868,492</b>
<b>Working capital adjustments:</b>			
Decrease/(Increase) in inventories		(490,459)	(191,378)
Decrease/(Increase) in accounts receivable		(51,189,445)	(43,471,375)
(Decrease)/Increase in creditors and accruals		54,152,020	(1,464,893)
Working Capital prior year Adjustment		122,423	(1,937,365)
Tax paid	19	(7,724,621)	(10,329,208)
<b>Working Capital changes</b>		<b>(5,130,082)</b>	<b>(57,394,219)</b>
<b>Total cash generated from operations</b>		<b>(46,881,332)</b>	<b>(24,525,727)</b>
<b>Investing Activities</b>			
Purchase of Fixed Assets	24	(21,143,282)	(18,263,909)
Purchase of intangible assets	25	(131,806,882)	(7,331,061)
Proceeds from disposed assets		-	912,110
<b>Net cashflows from investing activities</b>		<b>(152,950,164)</b>	<b>(24,682,859)</b>
<b>Financing Activities</b>			
(Decrease)/Increase in development grants		(10,581,386)	22,128,906
Amortized ICF Grants		(922,807)	(1,277,304)
Decrease in Deferred grants			-
<b>Net cash in financing activities</b>		<b>(11,504,193)</b>	<b>20,851,602</b>
Net increase/decrease in cash and cash equivalents		(211,335,689)	(28,356,984)
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of the year		428,464,011	456,820,995
<b>At end of the year</b>	<b>20</b>	<b>217,128,322</b>	<b>428,464,011</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Recurrent Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
	2017/2018				2017/2018	2017/2018	2017/2018
	Kshs				Kshs	Kshs	%
<b>Revenue</b>							
Government Grant	334,000,000	-	-	334,000,000	334,000,000	0	0
Other income	10,000,000	-	12,982,836	22,982,836	24,119,299	1,136,463	5
<b>Total Revenue</b>	<b>344,000,000</b>	-	<b>12,982,836</b>	<b>356,982,836</b>	<b>358,119,299</b>	<b>1,136,463</b>	<b>0</b>
<b>Expenditure</b>							
Staff costs	260,000,000			260,000,000	232,264,062	27,735,938	11
Pension Support Expenses	0			0	0	0	0
CTC Expenses	1,000,000			1,000,000	499,900	500,100	50
International Travel	10,000,000			10,000,000	9,760,463	239,537	2
Local Travel	6,000,000			6,000,000	4,871,680	1,128,320	19
Training Expenses	15,000,000			15,000,000	10,456,002	4,543,998	30
Subscriptions	2,500,000	-500,000		2,000,000	1,337,043	662,957	33
Office Rent	28,000,000			28,000,000	23,499,014	4,500,986	16
Repairs and Maintenance	3,400,000			3,400,000	1,452,877	1,947,123	57
Printing and Stationery	4,500,750			4,500,750	2,278,914	2,221,836	49
Staff Welfare	6,510,000	1,000,000		7,510,000	4,835,998	2,674,002	36
Entertainment	200,000			200,000	102,490	97,510	49
Club Membership	1,500,000			1,500,000	1,145,000	355,000	24
Legal	19,000,000	-5,000,000		14,000,000	1,587,358	12,412,642	89
ISO Expenses	1,500,000		4,500,000	6,000,000	3,760,009	2,239,991	37

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

Risk Management	15,000,000				15,000,000	9,366,062	5,633,938	38
Change Management	1,500,000				1,500,000	965,860	534,140	36
Consultancy Fees	15,000,000	2,000,000			17,000,000	15,873,694	1,126,306	7
Motor Vehicle Running	6,000,000				6,000,000	3,114,681	2,885,319	48
Cleaning	1,800,000				1,800,000	1,646,846	153,154	9
Security	3,000,000				3,000,000	1,942,251	1,057,749	35
Publicity & Advert	10,000,000	-2,000,000			8,000,000	5,851,737	2,148,263	27
Telephone & Postage expenses	2,192,160				2,192,160	1,059,256	1,132,904	52
Computer expenses	169,623,322	-2,250,000			167,373,322	162,513,205	4,860,117	3
Maintenance of Single window base software	110,675,656	-1,149,325			109,526,331	109,526,331	0	0
Utilities	3,720,000				3,720,000	2,795,006	924,994	25
Board Expenses	15,000,000				15,000,000	14,496,298	503,702	3
Insurance General	5,000,000				5,000,000	2,688,582	2,311,418	46
Bank Charges	840,000				840,000	614,258	225,742	27
stakeholders seminars	8,000,000				8,000,000	5,074,750	2,925,250	37
Conference & Workshops	4,612,000	989,325	1,982,836		7,584,161	5,310,201	2,273,960	30
Corp Social Responsibility	1,000,000				1,000,000	634,648	365,352	37
Research & Development	1,000,000				1,000,000	0	1,000,000	100
Newspapers and Periodicals	500,000				500,000	314,806	185,194	37
Staff Medical	30,000,000				30,000,000	19,067,222	10,932,778	36
Audit fees	700,000				700,000	696,000	4,000	1
Provision for Income tax	4,766,390				4,766,390	4,766,390	0	0
Monitoring & Evaluation	0				0			
	<b>769,040,278</b>	<b>-6,910,000</b>	<b>6,482,836</b>		<b>768,613,114</b>	<b>666,168,893</b>	<b>102,444,221</b>	<b>13</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

Development Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
Development Grant	300,000,000	0	0	300,000,000	225,000,000	75,000,000	-25
<b>Total</b>							
<b>Expenditure</b>							
Land	10,000,000			10,000,000	0	10,000,000	100
Motor vehicles	11,000,000	-590,000		10,410,000	10,410,000	0	0
Furniture and Fittings	1,000,000			1,000,000	23,920	976,080	98
Office Equipment	4,000,000	3,000,000	500,000	7,500,000	3,115,800	4,384,200	58
Office Partitions	2,000,000	4,500,000		6,500,000	382,754	6,117,246	94
Computer Hardware	20,000,000		6,000,000	26,000,000	7,210,808	18,789,192	72
Secondary Site for Disaster Recovery	130,780,132			130,780,132	107,425,055	23,355,077	18
system software	15,000,000			15,000,000	6,600,000	8,400,000	56
System Change Request	50,000,000			50,000,000	17,781,827	32,218,173	64
Staff Loans	50,000,000			50,000,000	27,623,569	22,376,431	45
Product devt and marketing	5,700,000			5,700,000	0	5,700,000	100
<b>Total</b>	<b>299,480,132</b>	<b>6,910,000</b>	<b>6,500,000</b>	<b>312,890,132</b>	<b>180,573,733</b>	<b>132,316,399</b>	<b>42</b>
<b>Total Budget</b>	<b>1,068,520,410</b>		<b>12,982,836</b>	<b>1,081,503,246</b>	<b>846,742,626</b>	<b>234,760,620</b>	<b>56</b>

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

#### Variance Explanations for the Recurrent Vote

Item	Performance Difference 2017/2018 (Ksh)	Variance Explanations
Staff costs	27,735,938	The department had budgeted for recruitment of additional staff and the same was not actualized during the year.  There were also staff exits thus occasioning savings in this vote
	11.00%	
CTC Expenses	500,100	This was due to reduced procurement evaluation meetings outside the office, due to cost control measures
	50%	
Local Travel	1,128,320 19%	This was due to reduction in use of taxis used by staff
Training Expenses	4,543,998	This was a savings on this vote occasioned by use of more group trainings within the Agency premises.
	30%	
Subscriptions	662,957 33%	There were savings on this vote due to one organisational subscription that was not paid this year
Office Rent	4,500,986 16%	There were savings as the organisation negotiated for lower rates with the Landlord.
Repairs and Maintenance	1,947,123	The Agency had projected to carry out some painting but this was postponed to the next financial year.
	57%	
Printing and Stationery	2,221,836	This is due to saving in the procurement of stationery. Also the printing of audited financial statement was not undertaken.
	49%	
Staff welfare	2,674,002 36%	The agency had planned recruitments that were not executed as additional staff would have consumed more of this vote. There was also a team building planned in the last quarter was postponed and done in July 2018 hence savings on this vote
Club Membership	355,000 24%	This vote has a saving as the Manager Internal Auditor who was included in the budget for club membership resigned during the year.
Legal expenses	12,412,642 89%	The Agency expected finalisation of the case between Mweha Enterprise Limited vs KenTrade in the High Court Civil Case No.512 of 2012. The amount claimed against KenTrade which forms the major part of the Legal expense budget was not paid as the case is yet to be heard and determined.
ISO Expenses	2,239,991	Some activities that had been planned to be carried out in a residential workshop were conducted at a non-residential workshop thus saving the Agency resources that would have otherwise been used to pay allowances. In addition, we procured a venue that was cheaper than the budget amounted occasioning some savings. The Agency managed
	37%	

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

		to transition to ISO 9001:2015 with the above savings.
Change Management	534,140	Most of the Change Management activities such as the Change Agent Networks (CAN) meetings were conducted within the Agency's facilities in training rooms in Mombasa and Nairobi. This eliminated the need to pay for hotel facilities to host the meetings. This resulted to significant cost savings.
	36%	
Risk Management	5,633,938	Kshs.2m had been set aside both for the Risk Assessment and Business Continuity Plan consultancy and Kshs.13m for the ICT System Audit. The market rate on the approximate cost of conducting the Risk Assessment and Business Continuity Plan consultancy was approximately Ksh.10.0 to Kshs.15 million. The activity was therefore shelved to this year.
	38%	
Motor Vehicle Running	2,885,319	The savings on this vote are attributed to changes in operations and cost control as well as minimal use of an ageing vehicle
	48%	
Security	1,057,749	Savings were due to cost control.
	35%	
Publicity & Advert	2,148,263	The allocation made for supplements to support other agencies who support us were not entirely utilised. Requests from partner institutions were not as many as had been provisioned for. During the financial year, the requests to advertise from internal departments were not as many as had initially anticipated and planned for therefore the budgeted amount was not entirely utilised.
	27%	
Telephone & Postage expenses	1,132,904	Savings were due to use of email and other less costly means of communication.
	52%	
Utilities	924,994	There was a decrease in electricity usage and costs per unit compared to the previous financial year. This saving is also attributed to electrical reviews conducted by the Agency that resulted in efficiency in electricity usage.
	25%	
Insurance General	2,311,418	Most payments in the year relate to periods beyond the financial year end and hence are reflected in the receivables figure as prepayments.
	46%	
Stakeholder workshops	2,925,250 37%	The budgeted amount was not fully utilised and the agency received support to conduct workshops from other Institutions such as Trade Mark East Africa who supported the agency during the launch of the Infor Trade Kenya Portal.
Conferences and workshops	2,273,960 30%	This amount related to change management activities that were postponed to the next financial year.
Corp Social Responsibility	365,352	The scope of some of the CSR activities such as "ICT incubation" expanded to become partnerships between the Agency and learning institutions planned for implementation in subsequent years. The activity was therefore not
	37%	

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements

For The Year Ended June 30, 2018

		conducted during the year. Other activities such as Clean-up exercise (partnering with County Government) did not materialize due to other priorities. This shall be scheduled in subsequent years.
Research & Development	1,000,000	Most research work planned for the year were not concluded and those that were carried out were desk-researches that did not require any budgets.
	100.00%	
Newspapers and periodicals	185,194	This was due to cost control measures on this vote.
	37%	
Staff medical	10,932,778	The agency had planned recruitments that were not executed as additional staff would have been provided with medical insurance thus saving on this vote.
	36%	

#### Variance Explanations for the Development Votes

Capital Items	Performance Differences 2016/2017 Kshs.	Variance Explanation
Land	10,000,000 100%	The agency opted to relocate its offices to Inland Container Depot along Mombasa road.
Furniture and Fittings	976,080 98%	The non-recruitment of planned staff members hence not buying furniture impacted this vote
Office Equipment	4,384,200 58%	The procurement of UPS for Mombasa office was not done.
Office Partitions	6,117,246 94%	The agency had planned to redesign the office to create more space order to accommodate extra staff but failure to recruit impacted on this vote.
Computer hardware	18,789,192 72%	Under this vote, two initiatives were not completed due to non-responsive procurement processes for the Blade system for offsite backup for internal systems (budgeted at Kshs 15 million), and structured cabling for HQ offices budgeted at Kshs 2 million that required to be implemented together with the office restructuring and partitioning
System software	8,400,000 56%	EDMS (budgeted at Kshs 4million) was not implemented as planned under system software vote No 112102 in the approved procurement plan for 2017-2018. It went through 2 procurement cycles, unfortunately funds were not available after successful evaluation for contract signing and implementation to be done. Business intelligence was not implemented as planned at a cost of Kshs 8 million due to a change in strategy of having it implemented through collaborative effort with Strathmore University. BI was under the licenses vote No. 512904 in the approved procurement plan for 2017-2018.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

System change requests	32,218,173 ----- 64%	In the FY 2017/218, KenTrade planned to finalise integration between Kenya TradeNet System and other Partner Government Agencies including KRA integrated Customs Management System (iCMS). The process commenced but has experienced delays due to changes in the implementation of iCMS plan by KRA. The Agency therefore could not pay all the amount due to the vendor because work is still ongoing. It is expected that the integration will be finalized this year and the remaining payments cleared. The agency also planned to upgrade the Kenya Trade Net System User Management Module. However, due to changes in business environment, it was later decided that the entire Kenya TradeNet System should be upgraded. The procurement process to upgrade the System is ongoing and hence the delay in spending the funds planned for the upgrade of the User Management module in the FY 2017/18.
Product Development and marketing	5,700,000 100%	Most of the products were still under development and took longer than anticipated.
Staff Loans scheme	22,376,431 ----- 45%	Staff did not take up the facility as expected.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**Reconciliation of Statement of Comparison of the Budget and the Actual Amounts**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Difference</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Income</b>					
Recurrent Grant				334,000,000	
Realignment				235,581,387	
Internally generated funds				24,119,299	
<b>Total</b>				<b>593,700,686</b>	
<b>Expenditure</b>					
<b>Total Expenditure</b>	1,068,520,410	12,982,836	1,081,503,246	846,742,626	234,760,620
<b>Deficit</b>	-424,520,410	(12,982,836)	-424,520,410	-253,041,940	-
Deficit as per F.S				-178,839,425	
Add:					
Non-Cash Items					
Depreciation				23,554,859	
Amortization				106,436,004	
cost of Assets and s/w				180,573,733	
tax provision				6,174,505	
Less:					
16% vat removed from expenses				(25,027,760)	
Tax paid during the year				(4,766,390)	
<b>Reconciled Amounts</b>				<b>-253,041,940</b>	

The bigger percentage of the deficit in the Statement of Financial Performance is as a result of the **Kshs 23,554,859/=** and **Kshs. 106,436,004** for depreciation of Non-current Assets and Amortization of Intangible Assets respectively during the year that are non-cash. The Budget comparison figures include the VAT component as what was paid for by the Agency while those of the Statement of Financial Performance are net of VAT (input VAT), which is being accounted for as a receivable, to be claimed when the Agency starts charging output VAT.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Kenya Trade Network Agency (KenTrade) is established by and derives its authority and accountability from The Kenya Trade Network Agency Order, 2010 of 28<sup>th</sup> January 2011, made under the State Corporations Act, Cap 446. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to facilitate trade through the development, operationalization and maintenance of the Kenya National Single Window System also known as the Kenya TradeNet system.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 33:</b>  First time adoption of Accrual Basis IPSAS	<b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.  KenTrade adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
<b>IPSAS 34:</b>	<b>(Effective for annual periods beginning on or January 1, 2017)</b>

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

Standard	Impact
Separate Financial Statements	<p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>KenTrade does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<b>IPSAS 35:</b> Consolidated Financial Statements	<p><b>Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>KenTrade does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>KenTrade does not have investments in associates or joint ventures.</p>
<b>IPSAS 37:</b> Joint Arrangements	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p>

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

Standard	Impact
	KenTrade does not have an interest in a joint arrangement and therefore the standard does not apply.
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>KenTrade does not have an interests in other entities and therefore the standard does not apply.</p>

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
<b>IPSAS 39:</b> Employee Benefits	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>
<b>IPSAS 40:</b> Public Sector Combinations	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**i) Revenue from non-exchange transactions**

**Grants**

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

**Transfers from other government entities**

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

**Interest income**

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

**ii) Budget information**

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

This is presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**iii) Taxes**

***Current income tax***

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

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

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

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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#### NOTES TO THE FINANCIAL STATEMENTS

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

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

#### iv) Property, plant and equipment

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

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Computers & Peripherals	33.3%
Furniture, Fittings & Equipment	12.5%
Motor Vehicles	25%
Single Window Software (Intangible)	10%
Office partitions	12.5%
Software and Applications (intangible)	20%

The depreciation rate on Single Window software (Intangible) in the year under review is at 10%.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### NOTES TO THE FINANCIAL STATEMENTS

#### v) Intangible assets (Single Window and Supporting software)

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

#### vi) Financial instruments

##### a) Financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and

Receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### *Receivables*

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

#### *Impairment of financial assets*

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

KENTRADE

**KENYA TRADE NETWORK AGENCY**  
Reports and Financial Statements  
For The Year Ended June 30, 2018

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**b) Financial liabilities**

***Initial recognition and measurement***

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

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

**vii) Provisions**

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

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

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

**viii) Contingent liabilities**

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

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### NOTES TO THE FINANCIAL STATEMENTS

#### **ix) Nature and purpose of reserves**

The Agency creates and maintains reserves in terms of specific requirements. Agency also states the reserves maintained and appropriate policies adopted. The Capital reserves arise through the investment by the GOK on capital Assets which basically facilitate the mandate of the Agency. The revenue reserves are as a result of operation through to the operating period and are fully attributable to the GOK as a sole owner of the Agency. Donor grants reserves are a recognition of sums from development partners that were used to buy capital items and are reduced gradually with the depreciation and amortization amounts of these assets each year. The revaluation reserve relates to an increase in the value of assets that were revalued in the 2014/2015 financial year.

#### **x) Changes in accounting policies and estimates**

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

#### **xi) Employee benefits**

##### **Retirement benefit plans**

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

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

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

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

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**xii) Foreign currency transactions**

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

**xiii) Related parties**

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

**xiv) Budget Information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

The annual budget figures included in the financial statements are for the controlling entity (the Agency) and therefore exclude the budget for its donor funding from ICF. These budget figures are those approved by the donor (ICF) both at the beginning and during the year following a period of consultation with the donor.

**xv) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Cooperative Bank of Kenya and Equity Bank of Kenya at the end of the financial year.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**xvi) 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:

- Consumable
- Non consumable Inventories are valued at purchase cost using the weighted average cost method

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 Entity.

**xvii) Comparative figures**

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

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

10  
11  
12

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

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

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

***Useful lives and residual values***

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

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

***Provisions***

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**6. SUBSEQUENT EVENTS**

There are no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**7. SEGMENT REPORTING**

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

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 8. GOVERNMENT GRANTS

	2017/2018	2016/2017
	Kshs.	Kshs.
Recurrent Grant disbursed	334,000,000	334,000,000
Realigned development grant	225,000,000	277,871,094
Roll over funds/Capital reserves	10,581,387	-
	<b>569,581,387</b>	<b>611,871,094</b>

The grants received of **Ksh 334,000,000** cater for recurrent expenses. **Kshs 225,000,000** is disbursed as development grant for maintenance of the Single window system which is recurrent in nature and hence the realignment while **Kshs10,581,387** was obtained from rolled over cash reserves both of which financed items expensed in the Statement of Financial Performance.

#### 9. INTEREST ON DEPOSITS

	2017/2018	2016/2017
	Ksh.	Ksh.
Equity Bank Ltd	14,311,417	21,827,404
Cooperative bank of Kenya Ltd	6,778,851	1,036,164
KCB Mortgage and car loan interest	165,447	-
	<b>21,255,715</b>	<b>22,863,568</b>

The interest income is as a result of investments in call accounts during the times that the funds were awaiting payment.

#### 10. OTHER INCOMES

	2017/2018	2016/2017
	Ksh.	Ksh.
Training fees	670,000	1,359,794
Miscellaneous Income	2,193,583	672,739
	<b>2,863,583</b>	<b>2,032,533</b>

#### 11. AUDIT FEES

	Ksh.	Ksh.
Opening balance	600,000	600,000
Paid in the year	(696,000)	(600,000)
Provision for the year	1,296,000	600,000
	<b>1,200,000</b>	<b>600,000</b>

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS**

**12. STAFF COSTS**

<b>Salaries and Wages</b>		<b>Ksh.</b>	<b>Ksh.</b>
Basic Salaries		149,000,620	155,592,519
House Allowance		31,341,293	28,777,430
Wages		2,649,123	829,514
Other Staff Allowance		10,936,863	8,336,408
Responsibility Allowance		3,085,966	1,072,665
Commuter Allowance		9,720,314	10,364,022
Leave Allowance		3,031,663	2,824,667
Pension Contributions		21,480,759	20,825,565
Gratuity Expenses		959,760	804,430
<b>Total Salaries and Wages</b>		<b>232,206,361</b>	<b>229,427,219</b>
<b>Other Staff Costs</b>			
Staff Medical Insurance		19,067,222	18,792,591
Club Membership		1,145,000	68,000
Pension Administration Support		-	63,847
Training Expenses		9,707,112	5,679,490
Membership Prof Subscriptions		535,043	873,627
Fringe benefit tax		57,700	-
<b>Total Other Staff Costs</b>		<b>30,512,077</b>	<b>25,477,555</b>
<b>Total Staff Costs</b>		<b>262,718,438</b>	<b>254,904,774</b>

The amount of Kshs. 2,649,123 for wages related to payments made to Interns and casuals who were engaged during the 2017-2018 financial year.

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

#### NOTES TO THE FINANCIAL STATEMENTS

#### 13. GENERAL EXPENSES

	2017/2018	2016/2017
	Ksh.	Ksh.
International Travel	9,760,463	8,141,813
local Travels	4,786,000	5,068,098
Organizational Membership Subscription	802,000	446,000
Lease Expenses	19,958,982	23,489,130
Office Maintenance	1,267,813	2,834,783
Printing and Stationery	1,927,614	1,699,073
Staff Welfare	4,792,722	4,541,887
Consultancy Fees	14,243,862	6,288,160
Motor Vehicle Maintenance & Repair	1,031,504	1,181,624
Motor Vehicle Insurance	915,262	664,710
Postage Services	132,954	70,810
Fuel	1,022,419	1,162,394
CTC Expenses	491,980	487,241
Cleaning services	1,412,073	828,996
Security	1,736,183	1,554,959
Publicity & Advertisement	5,457,401	4,059,366
Telephone	839,930	1,060,973
Utilities	2,795,006	3,279,850
Internet expenses	8,953,873	5,186,204
Computer Repairs and Maintenance	1,132,073	3,577,597
ICT Recurrent expenses	74,358,625	70,890,090
Licences	61,477,410	51,035,450
Maintenance of Single window base software	109,526,332	102,749,948
Disaster Recovery site	-	20,000,000
Conference & Workshops	5,145,188	7,561,268
Stakeholders expenses	5,023,239	1,883,920
Insurance General	2,688,582	2,612,675
Corporate Social Responsibilities	596,708	234,000
Newspapers and Periodicals	314,806	477,036
Penalties and Interest	-	23,560
legal expenses	1,480,245	224,810
ISO Expenses	3,524,598	313,997
Change management	965,860	1,291,505
Risk Management	9,366,062	-
	<b>357,927,768</b>	<b>334,921,926</b>

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS**

**14. FINANCE COSTS**

	Ksh	ksh
Bank charges	614,258	654,593
	<b>614,258</b>	<b>654,593</b>

**15. DIRECTORS EXPENSES**

	2017/2018	2016/2017
	Ksh.	Ksh.
Sitting Allowances	3,757,943	4,459,829
Honoraria	1,498,095	1,885,714
Retainer	1,430,000	2,329,032
Other Related expenses	7,732,241	5,414,261
	<b>14,418,279</b>	<b>14,088,837</b>

The amount of **Ksh.7,732,241** for other related expenses comprises of cost of E-board, Travelling Expenses and training expenses during the year under review.

**16. DEPRECIATION AND AMORTIZATION**

	2017/2018	2016/2017
	Ksh.	Ksh.
Depreciation	23,554,859	22,855,544
Amortisation	106,436,004	103,574,977
	<b>129,990,863</b>	<b>126,430,521</b>

**17. FOREX LOSSES**

	2017/2018	2016/2017
	Ksh.	Ksh.
Forex Losses	-	5,877

These losses arose from difference in exchange rate between invoicing date and settlement dates for dollar denominated payments

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 18. LOSS ON DISPOSAL OF ASSETS

	2017/2018	2016/2017
	Ksh.	Ksh.
Loss on Disposal	-	513,511

#### 19. TAXATION

No provision of tax has been made on income from grants received from Government of Kenya however a tax charge of Kshs 6,174,505/= has been provided for on income from investment interest on call account with banks and other incomes generated from operations. The tax liabilities are Kshs 2,808,335 after adjusting for Withholding tax of Kshs 3,366,170 in the year.

	Kshs.	Kshs.	Kshs.
Balance b/f	4,358,451	7,828,589	12,187,040.35
Taxation Charge for the year	6,174,505	6,859,071	13,033,576
With holding Tax during the year	(3,366,170)	(2,500,619)	(5,866,789)
Tax Paid during the year	(4,358,451)	(7,828,589)	(12,187,040)
	<b>2,808,335</b>	<b>4,358,451</b>	<b>7,166,786</b>

#### 20. CASH AND CASH EQUIVALENTS

	2017/2018	2016/2017
	Ksh.	Ksh.
Cash in hand	46,048	164,652
Bank	217,082,274	428,299,360
	<b>217,128,322</b>	<b>428,464,012</b>

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**20 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

		2017/2018	2016/2017
Financial Institution	Account Number	Kshs	Kshs
<b>a) Current Account</b>			
Equity- Main	0810298272422	4,914,287	11,566,888
Equity -Gratuity	0810260715303	193,978	235,715
Cooperative Bank	01141162178000	44,378,242	33,396,757
KCB Bank-Mortgage Account	1220622605	141,916	-
KCB Bank-Car Loan Account	1220944998	2,212,746	-
<b>Sub total</b>		<b>51,841,169</b>	<b>45,199,360</b>
<b>b) On Call Deposits</b>			
Equity Bank		155,000,000	383,100,000.00
KCB Bank-Mortgage Account		10,241,106	-
<b>Sub total</b>		<b>165,241,106</b>	<b>383,100,000.00</b>
<b>c) Others</b>			
Cash in hand		46,048	164,652.00
<b>Sub total</b>		<b>46,048</b>	<b>164,652.00</b>
<b>Grand total</b>		<b>217,128,322</b>	<b>428,464,012.00</b>

**21. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

		2017/2018	2016/2017
		Ksh.	Ksh.
Prepaid Insurance		8,167,980	8,001,801
Rent Deposits		1,256,409	1,256,409
Prepaid Office Rent		33,358	675,712
staff loans receivable		27,623,569	0
Other Prepayments		4,572,935	4,806,609
Unsurrendered Staff Imprests		88,961	147,780
VAT Control		166,158,245	136,438,359
Interest receivable		828,400	6,192,774
		<b>208,729,857</b>	<b>157,519,445</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 22. RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS

	2017/2018	2016/2017
	Ksh.	Ksh.
Other debtors (non-exchange transactions)	-	20,968
	-	<b>20,968</b>

#### 23. INVENTORIES

	2017/2018	2016/2017
	Ksh.	Ksh.
Consumable Inventories	1,693,090	1,098,462
Non Consumable Inventories	115,720	219,889
<b>Total inventories at the lower of cost and net realisable value</b>	<b>1,808,810</b>	<b>1,318,351</b>

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

#### NOTES TO THE FINANCIAL STATEMENTS

#### 24. PROPERTY, PLANT AND EQUIPMENT

	Office Partitions Ksh.	Office equipment Ksh.	Office Furniture Ksh.	Computers & Peripherals Ksh.	Motor Vehicles Ksh.	Total Ksh.
As at 01.07.2016						
Cost/Valuation	31,875,831	5,211,052	12,661,358	71,765,029	27,552,250	149,065,520
Additions	2,635,534	7,759,725	532,530	7,336,119	-	18,263,909
Disposals	-	-	-	(510,932)	(3,910,000)	(4,420,932)
<b>As at 30.06.2017</b>	<b>34,511,365</b>	<b>12,970,777</b>	<b>13,193,888</b>	<b>78,590,216</b>	<b>23,642,250</b>	<b>162,908,497</b>
Accumulated Depreciation						
As at 01.07.2016	11,337,257	1,581,020	4,088,798	31,914,397	8,157,946	57,079,418
Charge for the year	2,715,385	1,036,807	1,084,390	14,447,690	4,848,576	24,132,848
Prior year adjustment	-	-	-	-	-	-
On Disposal	-	-	-	(322,460)	(2,672,851)	(2,995,311)
<b>As at 30.06.2017</b>	<b>14,052,642</b>	<b>2,617,827</b>	<b>5,173,188</b>	<b>46,039,627</b>	<b>10,333,671</b>	<b>78,216,954</b>
<b>As at 01.07.2017</b>	<b>34,511,365</b>	<b>12,970,777</b>	<b>13,193,888</b>	<b>78,590,216</b>	<b>23,642,250</b>	<b>162,908,497</b>
Cost/Valuation						
Additions	382,754	3,115,800	23,920	7,210,808	10,410,000	21,143,282
Disposals						
<b>As at 30.06.2018</b>	<b>34,894,119</b>	<b>16,086,577</b>	<b>13,217,808</b>	<b>85,801,024</b>	<b>34,052,250</b>	<b>184,051,778</b>
Accumulated Depreciation						
As at 01.07.2017	14,052,642	2,617,827	5,173,188	46,039,627	10,333,671	78,216,954
Charge for the year	2,605,185	1,683,594	1,005,577	13,253,667	5,929,645	24,477,667
Prior year adjustment						
On Disposal						
<b>As at 30.06.2018</b>	<b>16,657,827</b>	<b>4,301,420</b>	<b>6,178,765</b>	<b>59,293,293</b>	<b>16,263,316</b>	<b>102,694,621</b>
Net Book value						
<b>As at 30.06.2018</b>	<b>18,236,292</b>	<b>11,785,157</b>	<b>7,039,043</b>	<b>26,507,731</b>	<b>17,788,934</b>	<b>81,357,157</b>
<b>As at 30.06.2017</b>	<b>20,458,723</b>	<b>10,352,951</b>	<b>8,020,700</b>	<b>32,550,590</b>	<b>13,308,579</b>	<b>84,691,542</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of the depreciation charge for the year as reported in the Statement of Financial performance.

	2017/2018		2016/2017
Depreciation Charge as per Fixed Asset movement Schedule (note 15)	24,477,667		24,132,848
Depreciation Charge attributable to Assets financed by ICF Grants	(922,807)		(1,277,304)

The Depreciation charge on assets finance by ICF grants have been applied against the capitalized Grants in the statement of changes in Net Asset for Kshs 922,807 (2016/2017 Kshs 1,277,304 ).

### 25. INTANGIBLE ASSETS – SOFTWARE

Cost	Ksh.
As at 1st July 2016	1,293,953,155
Additional Development	7,331,061
<b>As at 30th June 2017</b>	<b>1,301,284,216</b>
As at 1st July 2017	<b>1,301,284,216</b>
Additional Development	131,806,882
<b>As at 30th June 2018</b>	<b>1,433,091,098</b>
<b>Amortisation</b>	
As at 1st July 2016	298,744,488
Amortisation	103,574,977
<b>As at 30th June 2017</b>	<b>402,319,465</b>
As at 1st July 2017	402,319,465
Amortisation	106,436,004
<b>As at 30th June 2018</b>	<b>508,755,469</b>
<b>At 30th June 2018</b>	<b>924,335,629</b>
<b>At 30th June 2017</b>	<b>898,964,751</b>

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

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

	2017/2018	2016/2017
	ksh	ksh
Trade Payables	42,883,534	11,220,799
Statutory deductions	4,503,117	4,500,961
Life Insurance payable	22,080,000	-
Other payables	48,000	
	<b>69,514,651</b>	<b>15,721,760</b>
<b>Provisions</b>		
Provisions for Gratuity	322,846	659,717
Audit fees	1,296,000	600,000
	<b>1,618,846</b>	<b>1,259,717</b>
	<b>71,133,497</b>	<b>16,981,477</b>

**27. CONTINGENT LIABILITIES**

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

	2017/2018	2016/2017
	Ksh	Ksh
Mweha Enterprises	13,858,266	12,373,452

A contingency liability of **Kshs 13,858,266** to Mweha Enterprises who were undertaking office partitions in year 2011/2012 is probable. This liability is not included in the financial statement since the case is still pending in court and no judgment has been entered, however the Agency is working on how to sort the matter out of court.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 28. OPERATING LEASES

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

	2017/2018	2016/2017
	Ksh	Ksh
<b>Due within the next 12 Months</b>		
Total Premises (Nairobi and Mombasa)	15,759,778	18,206,591
Parking	1,503,044	1,373,600
Service Charge	2,935,629	3,054,188
	<b>20,198,450</b>	<b>22,634,379</b>
<b>Later than 1 year and not later than 5years</b>		
Total Premises (Ground and 1st Floor)	73,311,307	62,878,970
Parking	6,245,210	5,769,120
Service Charge	11,932,787	12,216,754
	<b>91,489,304</b>	<b>80,864,844</b>
<b>Total</b>	<b>111,687,754</b>	<b>103,499,223</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 29. RELATED PARTY DISCLOSURES

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) The National Treasury
- iii) The Board of Directors
- iv) Key management;

#### Board of Directors

##### (a) Directors Expenses

The Directors' Fees were **Kshs 14,418,279 (2016/2017: Sh. 14,088,837)**.

##### (b) Remuneration of Key Management staff

Included in the Staff Cost in Note 6 are the salaries and benefits of 11 top management staff costs as follows:

		2017/2018	2016/2017
		Ksh	Ksh
Salaries and other Benefits		92,150,600	88,823,200

#### 30. SUBSEQUENT EVENTS

There were no events subsequent to the financial year end that had a significant impact on the financial statements.

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 31. CASH GENERATED FROM OPERATIONS

	2017/2018	2016/2017
	Kshs.	Kshs.
Net surplus/ Deficit for the year	(172,664,921)	(95,352,845)
Adjustments:		
For items not involving movement of cash		
Depreciation	24,477,667	24,132,848
Amortisation	106,436,004	103,574,977
Loss on disposal	-	513,511
<b>Operating loss/surplus before working capital</b>	<b>(41,751,250)</b>	<b>32,868,492</b>
<b>Working capital adjustments:</b>		
Decrease/(Increase) in inventories	(490,460)	(191,376)
Decrease/(Increase) in accounts receivable	(51,189,445)	(43,471,375)
(Decrease)/Increase in creditors and accruals	54,152,020	(1,464,893)
Working Capital prior year Adjustment	122,423	(1,937,365)
Tax paid	(7,724,621)	(10,329,208)
<b>Working Capital changes</b>	<b>(5,130,083)</b>	<b>(57,394,217)</b>
<b>Total cash generated from operations</b>	<b>(46,881,333)</b>	<b>(24,525,725)</b>

#### 32. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers (Internal customers) with an established credit history.

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

##### (i) Credit risk

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

### NOTES TO THE FINANCIAL STATEMENTS

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	208,729,857	42,571,612	166,158,245	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>208,729,857</b>	<b>42,571,612</b>	<b>166,158,245</b>	<b>-</b>
<b>At 30 June 2017</b>				
Receivables from exchange transactions	157,540,413	21,102,054	136,438,359	-
Receivables from non-exchange transactions	-	-	-	20,917
Bank balances	-	-	-	-
<b>Total</b>	<b>114,089,955</b>	<b>114,088,955</b>	<b>105,026,494</b>	<b>20,917</b>

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

The Board of Directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**(ii) Liquidity risk management**

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

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

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2018</b>				
Trade payables	18,049,950	27,508,377	1,702	44,550,379
Current portion of borrowings	-	-	-	0
Life insurance payable	-	-	22,080,000	22,080,000
Deferred income	-	-	-	0
Employee benefit obligation	4,503,117	-	-	4,503,117
<b>Total</b>	<b>22,553,067</b>	<b>27,508,377</b>	<b>22,081,702</b>	<b>71,133,496</b>
<b>At 30 June 2017</b>				
Trade payables	2,485,821	3,979,294	4,755,684	11,220,799
Current portion of borrowings	-	-	-	-
Provisions	1,259,717	-	-	1,259,717
Deferred income	-	-	-	-
Employee benefit obligation	4,500,961	-	-	4,500,961
<b>Total</b>	<b>8,246,499.00</b>	<b>3,979,294</b>	<b>4,755,684</b>	<b>16,981,477</b>

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### (iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Committee of the Board.

The company's Risk division is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Committee) and for the day to day implementation of those policies.

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

#### a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2018</b>			
Financial assets(cash ,)	23,646	-	23,646
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	<b>23,646</b>	-	<b>23,646</b>

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

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### NOTES TO THE FINANCIAL STATEMENTS

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2017</b>			
Financial assets(cash ,)	23,646	-	23,646
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	<b>23,646</b>	-	<b>23,646</b>

#### b) Interest rate risk

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

#### Management of interest rate risk

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

#### Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 617,059 (2017: Kshs 953,528 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 3,085,298 (2017 – Kshs 4,767,642)

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements For The Year Ended June 30, 2018

#### NOTES TO THE FINANCIAL STATEMENTS

##### Capital Risk Management

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

	2017/2018	2016/2017
	Kshs	Kshs
Revaluation reserve	9,030,000.00	9,030,000.00
Retained earnings	(549,552,705)	(370,835,702)
Donor Grant	92,523,129	93,445,936
Capital reserve	1,807,417,519	1,817,998,906
<b>Total funds</b>	<b>1,359,417,942</b>	<b>1,549,639,140.</b>
Total borrowings		-
Less: cash and bank balances		-
Net debt/(excess cash and cash equivalents)		-
<b>Gearing</b>		-

##### 33. Currency

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

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved. The accounts were not qualified on account of the issues raised as Emphasis of Matter.

Referen ce No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
(i)	Gratuity It was noted from the records that an amount of Kshs. 107,450 per month was being remitted to the pension scheme on behalf of the Chief Executive Officer. This in actual sense is paying gratuity before the expiry of the contract period and is irregular.	The KenTrade Board of Directors at its Meeting held on December 15, 2016, under Min 436/2016 (50) approved the request to have the CEO's gratuity converted and transferred monthly to a retirement benefits scheme of choice. This was as per law. The conversion was premised on Section 19 of the Finance Act (effective date 1st January 2011). The Finance Bill Section 19 provided that; An employer who sets up a registered retirement benefits scheme and pays gratuity into the scheme, will be allowed a deduction for tax on the same subject to a maximum limit of Kshs. 240,000 per year per member. It is based on the above legal provisions that Board of Directors approved the conversion of the Chief	MHRA	Not Resolved	Awaiting PIC for resolutio n

## KENYA TRADE NETWORK AGENCY

### Reports and Financial Statements

For The Year Ended June 30, 2018

Referen ce No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
		<p>Executive Officer's gratuity to pension on a monthly basis.</p> <p>The conversion of gratuity to pension is effected as follows:</p> <ol style="list-style-type: none"> <li>i. The gratuity amount converted is based on 31% of Chief Executive Officer's monthly basic salary.</li> <li>ii. The conversion of gratuity is processed through the monthly payroll and is paid to the Kentrade Staff Pension Scheme net of tax.</li> <li>iii. The monthly converted gratuity is not paid to the Chief Executive Officer - Mr. Wangora but to the scheme hence he does not have access to the funds.</li> <li>iv. The converted gratuity is the amount earned at the end of the month and not in advance so it is only for the period completed.</li> <li>v. The audit observation does not cite any contravention of policy</li> </ol>			

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>or law and hence it is not possible to tell which irregularity has been noted and how it can be rectified.</p> <p>Therefore the conversion of gratuity to pension and its payment to the as outlined above is in line with the law and the Agency is in compliance.</p>			
(ii)	<p>KENTRADE sold a Motor Vehicle KBZ010D Nissan Patrol at Ksh 700,000 way below Ksh 3,620,000 and Ksh 1,237,149 valuation and NBV respectively. The vehicle was sold contrary to the PPAD Act 2015 sect 1(164-169)</p>	<p>The sale of the vehicle was done procedurally and in compliance with the provisions of the Public Procurement &amp; Asset Disposal Act 2015.</p> <ul style="list-style-type: none"> <li>•The reserve price of ksh. 500,000 was determined and communicated to the auctioneer.</li> <li>•The Ministry of Transport - Chief Mechanical and Transport Engineer was involved in the assessment and the technical Evaluation report on the Vehicle was provided by the Chief Mechanical Engineer.</li> <li>•The reserve price for the vehicle at the auction as set by the Disposal Committee – Board of Survey and approved by the CEO was Ksh. 500,000/= and the same was communicated to the</li> </ul>	MSC/MHRA	Not Resolved	Awaiting PIC

**KENYA TRADE NETWORK AGENCY**

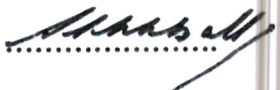
Reports and Financial Statements  
For The Year Ended June 30, 2018

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>auctioneer.</p> <ul style="list-style-type: none"> <li>•The vehicle was sold on 'as-is' basis and the prospective buyer was to cater for the following additional costs which were declared:</li> <li>•Cost of repairs estimated at Ksh 492,000</li> <li>•Duty of approximately Ksh. 449,554</li> <li>•16% VAT</li> <li>•The above additional costs and the Customs Department Report provided the basis of arriving at the reserve price.</li> <li>•The disposal by auction method was settled upon after sale by open tender had been unsuccessful on two occasions</li> </ul>			

CHIEF EXECUTIVE OFFICER .....



CHAIRMAN OF THE BOARD .....



DATE 24/6/19 .....

DATE 24/6/19 .....

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

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### **APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

There were no Projects implemented by KenTrade during the financial year 2017/2018.

## KENYA TRADE NETWORK AGENCY

Reports and Financial Statements  
For The Year Ended June 30, 2018

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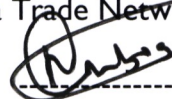
### APPENDIX III: INTER ENTITY TRANSFERS

<b>Breakdown of Transfers from the National Treasury</b>				
<b>FY 2017/2018</b>				
a)	Recurrent Grants			
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Financial Year</b>
		25/09/2017	83,500,000	2017/2018
		27/10/2017	83,500,000	2017/2018
		29/01/2018	83,500,000	2017/2018
		28/05/2018	83,500,000	2017/2018
		<b>Total</b>	<b>334,000,000</b>	
b)	Development Grants			
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Financial Year</b>
		07/09/2017	75,000,000	2017/2018
		24/10/2017	75,000,000	2017/2018
		01/03/2018	75,000,000	2017/2018
		<b>Total</b>	<b>225,000,000</b>	

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

Finance Manager  
Kenya Trade Network Agency

Sign



Head of Accounting Unit  
The National Treasury

Sign-----

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements For The Year Ended June 30, 2018

### APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received					
	As per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Total Transfers during the Year
The National Treasury	Various	Recurrent	334,000,000	334,000,000	-	334,000,000
The National Treasury	Various	Development	225,000,000	225,000,000	-	225,000,000
<b>Total</b>			<b>559,000,000</b>	<b>559,000,000</b>	<b>-</b>	<b>559,000,000</b>

