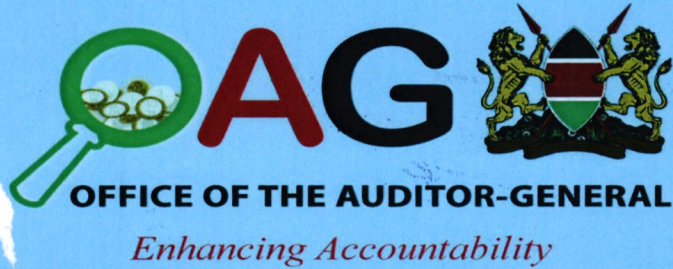


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| <b>REPORT</b>   |            |
| THE NATIONAL ASSEMBLY<br>PAPERS LAID                    |            |
| DATE: 04 MAR 2021                                       | DAY: Thurs |
| OF  |            |
| TABLED BY: The Leader of Opposition<br>Hon. Amos Kimani |            |
| CLERK BY THE TABLE: Halima Suleiman                     |            |

**THE AUDITOR-GENERAL**

**ON**

**STRATEGIC FOOD RESERVE  
TRUST FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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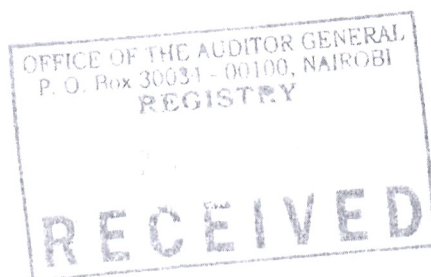
**STRATEGIC FOOD RESERVE TRUST FUND**

**RESTATED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2019**

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



STRATEGIC GRAIN RESERVE FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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

**(a) Background information**

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

**(b) Principal Activities**

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

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

**(c) Key Management**

The reserve is managed by an Oversight Board which comprise of Principal Secretaries; State Department of Crops Development, State Department of Devolution, The National Treasury, Ministry of Interior and the Board Chairman appointed by the President. The National Cereals and Produce Board (NCPB) was the Agent mandated to store and manage the maize stocks while New Kenya Cooperative Creameries (New KCC) was the agent who stored and managed the milk powder on behalf of the Government for the period under review.

**(d) Fiduciary Management**

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

1. Dr. Eng. Karanja Kibicho – Principal Secretary - Interior
2. Mr. Charles Sunkuli - Principal Secretary – Devolution
3. Dr. Kamau Thugge – Principal Secretary- The National Treasury
4. Prof. Hamadi I. Boga – Principal Secretary, State Department of Agriculture
5. Dr. Noah Wekesa – Board Chairman
6. Gerald Masila – Board Member
7. Abass Maalim mohamed– Board Member
8. Lucas Chepkitony – Board Member

**STRATEGIC FOOD RESERVE TRUST FUND  
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The Principal Secretary, State Department for Crops Development was the Accounting Officer for the reserve during the financial year ended 30<sup>th</sup> June 2019.

**(e) Fiduciary Oversight Arrangements**

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

**(f) Strategic Grain Reserve Fund Headquarters**

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

**(g) SFRTFF Contacts**

E-mail: [strategicfoodreserve@gmail.com](mailto:strategicfoodreserve@gmail.com)

**(h) Bankers**

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**STRATEGIC FOOD RESERVE TRUST FUND  
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**II. THE BOARD OF DIRECTORS**



**Dr. Kamau Thugge –Principal Secretary, The National Treasury**

He holds MA and BA degrees in Economics (University of Nairobi). Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado Collage, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA. He served as a Director of Kenya Reinsurance Corporation Ltd. He worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He also worked at the International Monetary Fund (IMF) in various capacities for over 21 years in both the policy making and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief. He served as Head of the Fiscal and Monetary Affairs Department, Treasury from 2004 to 2005, and the Economic Secretary and Head of Economic Affairs Department from 2005 to 2008. Dr. Thugge represented the Permanent Secretary, Finance on the Boards of the Central Bank of Kenya, Monetary Policy Committee of the Central Bank of Kenya, Kenya Revenue Authority and the Capital Markets Authorities. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within and abroad. He has been a Director of East African Development Bank since June 27, 2013. He serves as a Non-Executive Director of Kenya Airways Ltd. He served as a Director of The Kenya Power and Lighting Company Limited since August 2, 2013.



**Mr. Charles T. Sunkuli, CBS,  
Principal Secretary, State Department  
for Devolution**

Julius Sunkuli is the Principal Secretary for the State Department of devolution – Principal Secretary State Department of Environment & RDAs in the Ministry of Environment, Natural Resources & RDAs. and former Deputy Director Human Resource Management, Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030.

He has held other positions and sits in various Boards Committees. She has broad knowledge and experience in employment law, compensation, organizational planning and development, employee relations and Human Resource.

He holds Masters of Science in Human Resource Management from Manchester University (UK) and Bachelor of Arts Degree in Humanities and Social Sciences from the University of Nairobi – Kenya.

**STRATEGIC FOOD RESERVE TRUST FUND  
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Dr. Eng. Karanja Kibicho –  
 Principal Secretary – State  
 Department of Interior

Dr. Eng. Karanja Kibicho (CBS) is the Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before the current appointment, he served as the Principal Secretary in the Ministry of Foreign Affairs and International Trade and also Permanent Secretary in the Ministry of Industrialization. He holds a Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, a Masters of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering. Dr. Kibicho has taught in various institutions of higher learning in Kenya and outside the country. They include Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the Chairman and Senior Lecturer in the Department of Mechanical Engineering. He has served as an external examiner at the University of Dar es Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.



Principal Secretary-  
 State Department for Crop  
 Development

Principal Secretary, State Department of Agriculture Research, and Ag. Principal Secretary, State Department for Crop Development  
 Ministry of Agriculture, Livestock, Fisheries and Irrigation



Born 03.12.1967 in Kwale Kenya, Hamadi Boga was appointed Principal Secretary in the State Department of Agriculture Research in March 2018.

Before that Hamadi Boga, was a Professor of Microbiology at Jomo Kenyatta University of Agriculture and Technology (JKUAT) (2007-2012) was the Acting Vice Chancellor of Taita Taveta University since 7<sup>th</sup> October 2016 to March 2018. He has a BSc in Botany and Zoology (First Class Honors) and MSc in Botany (Microbiology) from Kenyatta University in Kenya, PhD in Microbial Ecology and Microbiology from University of Konstanz, Germany and a Post-Doctoral Research stay at the Max Planck Institute for Terrestrial Microbiology in Marburg, Germany. He is also a Humboldt Fellow and was from 2010-2015 the Humboldt Ambassador Scientist for Kenya.

Boga has previously, held various administrative positions in JKUAT including Chairman of Botany Department (2002-2004), Director of Institute of Biotechnology Research (2005), Dean of Faculty of Science (2007) and Principal of JKUAT Taita Taveta Campus in Voi (2007 to 2012). From 2012-2016 he was the Principal of Taita Taveta University College.

He has an extensive international and local network of scientific engagements and collaborations. He was a Board Member of the World Federation of Culture Collections

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
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|  |   |
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|  | <p>(<a href="http://www.wfcc.org">www.wfcc.org</a>)(2010-2013). He was the Secretary of the African German Network of Excellence in Science (AGNES) (2013-2016), the Secretary (2002-2006) and later Chairman (2008-2010) of the Kenya German Scholars Association (KDSA)</p> <p>Boga has over 66 scientific publications in International Journals, has supervised over 14 PhD and 31 MSc students. He is an active researcher with active international collaborations. Has a strong track record of fundraising for research. He has wide experience in Management and strategic planning.</p> |
|  <p>Dr. Noah Wekesa – Board Chairman</p>      | <p>He is the chairperson - Strategic Food Reserve Trust Fund. Prior to the appointment he had served as a member of parliament for Kwanza constituency, as assistant minister of Agriculture and Livestock Development and as Cabinet Minister in the Ministries of Science and Technology, Ministry of Livestock and Fisheries and in the Ministry of Forestry and Wildlife.</p> <p>He holds a degree (Bachelor of Veterinary Medicine and Surgery (BVMS)) from Edinburgh University in Scotland, Royal (Dick) School of Veterinary Medicine.</p>  |
|  <p>Mr. Gerald Masila – SFR Board Member</p> | <p>He is the Executive Director of EAGC. He is the former Managing Director of Kenya Wines Agencies Limited (KWAL) and the Kenya Planters Cooperation Union (KPCU). Previously he worked for British American Tobacco, New Kenya Cooperative Creameries (NKCC) and Acumen Business Consultants. He holds a Master of Science Degree in Agricultural Economics –Marketing Major and a Bachelor of Arts Degree both from Egerton University, Kenya</p>  |
| <p>Hon. Lukas Chepkitony – SFR Board Member</p>  | <p>He was the member of parliament for Keiyo North from 2002 to 2013.</p> <p>He holds Master’s degree in Finance from <u>Kenyatta University</u> and Bachelor of Commerce (B.Com.), Accounting and Finance, from <u>Strathmore University</u>. He is a Certified Public Accountant and member of Institute of Public Accountants of Kenya</p>   |
| <p>Abass Maalim Mohamed – SFR Board Member</p>   | <p>Coordinator of Consortium of Cooperating Partners (Cocop). He has also worked as District Agriculture Officer, Ministry of Agriculture, Wajir and Mandera Districts, as Emergency Relief Operations Coordinator for Arid Lands Resource Management Project II (ALRMP II) and an Assistant Field Coordinator - Oxfam Quebec- Mandera District, Kenya. He holds Msc in Agriculture and Rural Development from Kenya Methodist University, and BSc. Horticulture, Hons.from Kenyatta University.</p>  |

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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**III. STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

The Trustees are responsible for the preparation and presentation of the Strategic Grain Reserve Fund's financial statements, which give a true and fair view of the state of affairs of the Strategic Grain Reserve Fund for and as at the end of the financial year (period) 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 Kenya Citizens and Foreign Nationals Management Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Strategic Grain Reserve Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Trustees are of the opinion that the Strategic Grain Reserve Fund's financial statements give a true and fair view of the state of Kenya Citizens and Foreign Nationals Management Fund's transactions during the financial year ended June 30, 2019, and of the Strategic Grain Reserve Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Strategic Grain Reserve Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the Strategic Grain Reserve Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
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**IV. PRINCIPAL SECRETARY STATEMENT**

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

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


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

During the 2018/19 financial year, the Strategic Food Reserve procured maize only despite of the expanded commodity component due to strained financial resources. However, the reserve anticipates to expand the commodity diversity in the reserve to address the diverse food preferences across the various communities. During the previous financial year, powder milk worth Ksh. 700 million was maintained in the reserve through selling and replenishment for quality sustainability throughout the year. The milk was also used to stabilize the milk prices in the country by reconstituting the powder milk during drought (deficit) periods and replenishing it during milk gluts. Approximately 417,951 bags of maize were procured from local farmers at Ksh. 2,500 per (90 kg) bag.

Other activities aided by the Fund during the year included the maize subsidy programme which was facilitated by the Strategic Food Reserve to avail maize to millers to address then escalating maize flour prices and maize deficit in the country.

On behalf of the Board, I greatly acknowledge and appreciate every kind of support from the Government and other partners who enabled the Fund achieved its planned activities towards ensuring national food security. The contribution of each member and stakeholder involved are appreciated.

Finally, it is my pleasure to submit the annual report and financial statement of the Strategic Food Reserve Trust Fund for the year ended 30<sup>th</sup> June 2019 on behalf of the Strategic Food Reserve Oversight Board

  
.....  
**Prof. Hamadi I. Boga, PhD,**  
Principal Secretary, State Department for Crop Development

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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**V. CORPORATE GOVERNANCE STATEMENT**

**The Oversight Board**

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

**Size of the Oversight Board**

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

**Meetings of the Board**

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

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

**Disclosure of interest**

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

**Vacation of office**

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

- a) At any time resign from office by notice in writing to Cabinet Secretary; or transferred from the participating ministry
- b) has been absent from three consecutive meetings of the Oversight Board without permission from the chairperson;
- c) is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors;
- d) is convicted of an offence involving dishonesty or fraud;

**STRATEGIC FOOD RESERVE TRUST FUND  
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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- e) is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months;
- f) is incapacitated by prolonged physical or mental illness; or
- g) is otherwise unable or unfit to discharge his functions

**Board attendance**

The Board held fifty (15) both scheduled, joint and special meetings in the year and there was quorum in all the meetings

**VI. MANAGEMENT DISCUSSION AND ANALYSIS**

**Establishment of Commodity Exchange/ Warehouse Receipt System**

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

This will also address the need for Government led price intervention commodity market towards economic based markets.

The progress is as follows;

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

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

**VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The strategic food reserve is sensitive to the community it operates in and therefore engages in SCR activities to boost the relationship between itself and the community. In the financial year 2018/19, it intervened in the market by purchasing maize at favourable prices to safeguard the farmers from exploitation by brokers. It also transferred maize from grain basket region to maize deficit areas to take care of the food needs of the residents. It also intervened in maize flour price stabilization by releasing its stock to the market when the maize flour price was rising to levels beyond the reach by the poor.

**STRATEGIC FOOD RESERVE TRUST FUND  
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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**VIII. REPORT OF THE DIRECTORS/ MANAGEMENT**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *SFRTF*'s affairs as tabulated below.

**Principal activities**

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

**Results**

The results of the SFRTF for the year ended June 30, 2019 are set out on page 1 to 16

**Directors**

The members of the Board of Directors who served during the year are shown on page v, vi and vii. During the year 2018/2019 Ms. Susan Mukiri resigned as a member of the board and Hon. Lukas Chepkitony was appointed with effect from 1<sup>st</sup> April 2019.

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

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**X. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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

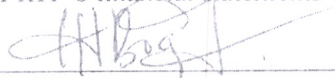
The Directors are responsible for the preparation and presentation of the *SFRTF's* financial statements, which give a true and fair view of the state of affairs of the *SFRTF* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *SFRTF*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *SFRTF*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *SFRTF's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the *SFRTF's* financial statements give a true and fair view of the state of *SFRTF's* transactions during the financial year ended June 30, 2019, and of the *SFRTF's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *SFRTF*, which have been relied upon in the preparation of the *SFRTF's* financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

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

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

Date: 27.1.2020

**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

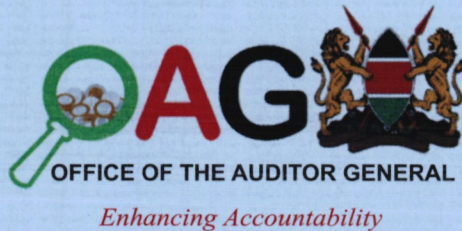
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**IX. REPORT OF THE INDEPENDENT AUDITORS**

The Auditor General is responsible for the statutory audit of the *SFRTF* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *SFRTF* for the year/period ended June 30, 2019.

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
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## **REPORT OF THE AUDITOR-GENERAL ON STRATEGIC FOOD RESERVE TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2019**

### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Strategic Food Reserve Trust Fund set out on pages 14 to 32, which comprise the statement of financial position as at 30 June, 2019, and the statement of 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### **1. Revenues from Non-Exchange Transactions**

As disclosed in Note 6 to the financial statements, the statement of financial performance reflects receipts of Kshs.1,533,966,822 in respect of Transfers from Other Government Agency during the year. However, this amount differs with the amounts received from the National Government and transfers from other Government entities of Kshs.7,570,298,629 as detailed below:

| <b>Source</b>                        | <b>Details</b>                      | <b>Amount Kshs.</b>  |
|--------------------------------------|-------------------------------------|----------------------|
| Exchequer - National Treasury        | Budget Support – To procure maize   | 4,020,298,629        |
| Exchequer - National Treasury        | Payment of debts owed to farmers    | 2,130,520,241        |
| AIE - State Department of Devolution | Payment for arrears owed to farmers | 1,419,479,759        |
| <b>Total Receipts in the Year</b>    |                                     | <b>7,570,298,629</b> |

Under the circumstances, the accuracy and completeness of the reported revenue from non-exchange transactions balance of Kshs.1,533,966,822 could not be confirmed.

## **2. Procurement of Maize**

### **2.1. Procured Maize During the Year**

The Fund had budgeted to purchase 2 million bags of maize from local farmers for the 2018/2019 crop season at a price of Kshs.2,500 per 90 kg bag all amounting to Kshs.5,000,000,000. Out of the budgeted amount, an expenditure of Kshs. 979,701,371 was to be met from sales proceeds of old stocks of maize, while the balance of Kshs.4,020,298,629 was to be financed through Exchequer issues. The Fund however purchased 417,951 bags of maize of 90kg each at a total cost of Kshs.1,044,205,017 as disclosed in Note 8 to the financial statements, which translated to a budget utilization of only 20%.

### **2.2. Additional Funds for Debt Payments**

During the year, the Fund received an amount of Kshs.2,130,520,241 to cater for payment of debts owed to maize farmers for earlier deliveries. In addition, an AIE of Kshs.1,419,479,759 was also disbursed from the State Department for Devolution and ASAL for payment of arrears due to farmers, making a total receipt of Kshs.3,550,000,000. Examination of records indicated that an amount of Kshs.2,618,939,976 was spent on payment of farmers' arrears for the 2017/2018 crop season, leaving a balance of Kshs.931,060,024 that has not been accounted for in the financial statements.

## **3. Storage Cost**

The statement of financial performance reflects an expenditure of Kshs.432,766,953 on fumigation and storage charges for the year ended 30 June, 2019. Invoices that were verified during the audit to support the transactions indicated a closing stock of 3,414,518 bags of 90kgs each, which is equivalent to 6,146,132 bags of 50kgs each while supporting schedules to the financial statements disclosed a closing stock of 6,279,685 bags of 50kgs each. Although Management explained that the difference of 133,553 bags was the closing stock of the unsold imported maize, the accuracy of the reported expenditure on fumigation and storage costs could not be confirmed.

## **4. General Expenses**

The statement of financial performance reflects an expenditure of Kshs.54,347,656 under general expenses. The supporting schedules for the reported balance was, however, not provided for audit review. In addition, examination of payment vouchers related to the expenditure revealed that the Fund made payments amounting to Kshs.10,609,200 directly to various staff for accommodation and travelling costs for various workshops, retreats, meetings and other field activities instead of issuing the officers with temporary

imprests as required under Regulation 93 of Public Finance Management (National Government) Regulations, 2015.

The expenditure was also not supported with receipts or work tickets for transport expenses, invitation letters to attend the meetings and workshops, signed schedules to confirm attendance and reports and minutes of deliberations held.

Consequently, the accuracy and validity of the expenditure could not be confirmed.

## **5. Inventories**

The statement of financial position reflects an amount of Kshs.11,159,473,495 under inventories. As disclosed in Note 17 to the financial statements, the inventories comprised maize and powdered milk. The following unsatisfactory matters were observed:

### **5.1. Condemned Maize**

Note 17 to the financial statements reflects an amount of Kshs.10,459,473,495 being the closing stock of maize. However, a detailed analysis and valuation report of the stocks in support of the balance was not provided for audit verification. Further, a review of records of the maize stock at the National Cereals and Produce Board (NCPB) disclosed that the Ministry of Public Health had ascertained that out of six (6) million bags of maize in stock as at 30 June, 2019, maize in 176,265 bags valued at Kshs.342,482,895 was found to contain high levels of aflatoxin and was therefore not fit for human consumption.

In addition, maize stocks held in Kisumu and Moi's Bridge silos were found to be damaged by heat as a result of being stored in the silos for more than two years. The silos at the Kisumu depot had 35,905 bags while Moi's Bridge silos had 525,818 bags all valued at Kshs.998,743,494. Though the Fund gave authority to NCPB to sell the maize at Kshs.780 per bag, the initial cost was Kshs.1,778 per bag thus resulting in a total loss of Kshs.560,599,554, excluding storage and fumigation charges.

### **5.2. Unaccounted for Maize**

Nakuru depot stock summaries records as at 30 June, 2019 indicated that there were 387 bags of imported maize valued at Kshs.626,940. However, physical verification disclosed that there was no stock of imported maize at the depot. The stock of the imported maize could therefore not be accounted for.

### **5.3. Powdered Milk**

Disclosed under Note 17 to the financial statements, is powdered milk stock from the New Kenya Creameries Cooperative (New KCC) amounting to Kshs.700,000,000 that has been outstanding for over three years. Supporting documentation in support of the inventory balance was not provided for audit.

In view of the above matters, the existence and accuracy of the reported balance of Kshs.11,159,473,495 for inventories could not be confirmed.

## **6. Receivables from Exchange Transactions**

The statement of financial position reflects a receivables balance of Kshs.10,276,377,296. It was, however, noted that an amount Kshs.11,295,302,968 being subsidy component on imported maize brought forward from the previous year and which was not paid during the year under review, was not included in the receivables balance as at 30 June, 2019.

Further, and as disclosed in Note 18 to the financial statements, the reported total receivables balance of Kshs.10,276,377,296 includes Kshs.175,000,000 that was transferred to the National Cereals and Produce Board for purchase of gunny bags. Although the Board acknowledged receipt of the amount, the Fund did not provide any payment vouchers or expenditure returns for audit verification to show that the gunny bags were bought. Therefore, it was not possible to confirm that the funds were put to the intended use by the Board.

In addition, the reported receivables balance includes an amount of Kshs.6,865,220,613 relating to receivables from the State Department for Special Programmes. However, the amount has been outstanding in the books of the Fund for a long time and its recoverability is therefore, doubtful.

The balance of the receivables also includes an amount of Kshs.1,157,864,523 disclosed as subsidy component on imported maize in spite of the fact that there was no imported maize during the year. It is therefore, not clear how the amount was arrived at.

Consequently, the recoverability and accuracy of the reported receivables from exchange transactions balance of Kshs.10,276,377,296 could not be confirmed.

## **7. Trade and Other Payables from Exchange Transactions**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.12,942,778,768, which includes Kshs.13,181,494,364 brought forward from the previous financial year. The balance of Kshs.13,181,494,364 was not supported and differed with the previous year's audited financial statements balance of Kshs.4,710,132,542 by Kshs.8,471,361,822.

Further, the reported balance is net of a prior year adjustment of Kshs.1,720,222,259 whose nature was not explained or supported. Further, the supporting schedules for the trade payables balance, reflected debts that have remained outstanding since 2014 and whose supporting documents were not provided for audit scrutiny. No satisfactory explanation was provided on why the Management has not settled the long outstanding liabilities.

In addition, Note 19 to the financial statements, reflects an amount of Kshs.2,618,939,976 that was transferred to the National Cereals and Produce Board (NCPB) to cater for pending bills. However, records maintained by the Board reflected an amount of Kshs.2,495,415,105 as having been received to pay pending bills for purchase of maize for 2017/2018 financial year, leaving an unreconciled balance of Kshs.123,524,871.

Under the circumstances, the validity and accuracy of the trade payables from exchange transactions balance of Kshs.12,942,778,768 could not be confirmed.

## **8. Irregular Payment of Pending Bills**

The trade and other payables from exchange transactions balance of Kshs.12,942,778,768, as disclosed under Note 19 to the financial statements, is net of Kshs.1,800,000,000 that was paid to one company during the year under review on account of pending bills. However, the payment was made without authorization of the Strategic Food Reserve Oversight Board as required under Regulation 14 of the Public Finance Management (Strategic Food Reserve Trust Fund) Regulations, 2015. Further, no payment voucher(s) or any other supporting documents were provided for audit verification.

## **9. Accuracy of the Financial Statements**

The financial statements as presented for audit are inaccurate and in some cases misleading as enumerated below:

### **9.1. Statement of Financial Performance**

The comparative figures reflected in the statement of financial performance differ with the audited figures for the financial year 2017/2018. A footnote to the statement indicates that the cost of sales was restated by Kshs.3,533,772,933. However, it is not clear what was being restated and how the amounts were arrived at. Further, the figures in the statement are different from the figures appearing in the disclosure notes to the financial statements as shown in notes 8, 9, 14 and 15.

### **9.2. Statement of Financial Position**

A review of the statement of financial position revealed that several accounts' balances have been revised without a note to explain the prior year adjustments. Trade and other payables figures were adjusted upward by Kshs.4,658,392,970. The reserves and accumulated deficit balances were also revised. In general, the opening balances are inaccurate and inexplicable. In addition, the creditors balances for the year under review are inaccurate as the balance of Kshs.4,172,621,560 described as importers of maize creditors was accounted for under the balance of Kshs.13,181,494,364 disclosed as opening balance under Note 19 to the financial statements.

Under the circumstances, the statement of financial position is incorrect and misleading.

### **9.3. Statement of Changes in Net Assets**

The statement of changes in net assets was restated and no support documentation was provided to support the restatement. In addition, the statement shows a transfer to reserves of Kshs.6,150,818,866 that was not supported with notes or any other supporting documentation.

#### 9.4. Statement of Cash flows

The cash flow statement prepared does not comply with the reporting guidelines issued by the Public Sector Accounting Standards Board. Under the circumstances, it is not clear whether all the transactions of the Fund have been captured during the year.

#### 9.5. Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts was also not prepared in accordance with the requirements of the Public Sector Accounting Standards Board (PSASB). It is not clear what the budget was as all figures provided are the actual figures. Consequently, it is not reliable as a source of information. The statement of comparison of budget and actual amounts reflects a budget figure of Kshs.7,684,785,688 which is the same amount as the actual expenditure while the performance difference has been disclosed as Kshs.1,419,479,759. This is contradictory and hence misleading.

#### 9.6. Notes to the Financial Statements

The Notes to the financial statements are also incomplete and in some of the notes the figures have no comparatives or have figures that are not in agreement with the corresponding figures reflected on the face of the financial statements. Consequently, they are not useful in disclosing the transactions of the Fund during the year.

#### 9.7. Restatement and Casting Errors of Comparative Balances

The financial statements for the year ended 30 June, 2019 include restated comparative figures as shown below:

| <b>Component</b>             | <b>Restated Figure for 2017/2018 (Kshs.)</b> | <b>Audited Figure for the Year Ended 30 June 2018 (Kshs.)</b> | <b>Variance (Kshs.)</b> |
|------------------------------|--|---|-------------------------|
| Purchases                    | 20,353,837,593                               | 46,104,511,751  | 25,750,674,158          |
| Accumulated Capital Reserves | 46,587,162,751                               | 64,874,935,811  | 18,287,773,060          |
| Accumulated Deficit          | (43,756,489,113)                             | (47,248,450,759)  | 3,491,961,646           |
| Board Expense                | 41,831,286                                   | 0   | 41,831,286              |
| Total Current Liabilities    | 17,839,887,333                               | 13,181,494,364  | 4,658,392,969           |

However, no disclosure notes and explanations have been included in the financial statements to support the restated comparative year figures and the restated balances were not supported by any documents.

In addition, casting errors were noted in the financial statements as shown in the table below:

| <b>Component</b>                 | <b>Comparative Figure in the Financial Statements (Kshs.)</b> | <b>Casted Figure (Kshs.)</b> | <b>Variance (Kshs.)</b> |
|----------------------------------|---|------------------------------|-------------------------|
| Total Expenses                   | 6,882,529,993   | 40,491,402,795               | 33,608,872,802          |
| Total Non-Current Assets         | 20,670,560,970  | 30,807,999,415               | 10,137,438,445          |
| Total Trade Payables (Note 19)   | 4,710,132,546   | 8,318,343,571                | 3,608,211,025           |
| Total Net Assets and Liabilities | 2,830,763,638   | 2,830,673,638                | 90,000                  |

Consequently, the accuracy and validity of the comparative figures as reported could not be confirmed.

#### **10. Inconsistencies Between Financial Statements and Disclosure Notes**

The statement of financial performance reflects an expenditure of Kshs.1,044,205,014 under repairs and maintenance of motor vehicles while the corresponding Note 9 reflects Kshs.432,766,952 for the expenditure. The comparative year's balance of receivables from exchange transactions as disclosed on the statement of financial position is Kshs.18,160,523,581 while Note 18 discloses a balance of Kshs.8,023,085,136.

The financial statements also include a disclosure on cost of sales under Note 22 which does not support the financial statements for the period ended 30 June, 2019. Further, the statement of financial position does not include cost of sales. The reason for deviation from the previous year's format has also not been disclosed.

#### **11. Other Information to the Financial Statements**

##### **11.1. Chairman's Statement**

According to the 2018/2019 financial year reporting template issued by Public Sector Accounting Standards Board, the Chairman's statement should be included in the annual report and financial statements submitted for audit. However, the financial statements submitted for audit did not include the Chairman's statement. Further, there was no evidence that the financial statements were discussed and adopted by the Board of Directors (Strategic Food Reserve Oversight Board).

##### **11.2. The Board of Directors**

The information on the Board of Directors does not include photographs of two of the directors as required under the revised reporting template. In addition, the data on the Principal Secretary – State Department for Devolution was not revised or updated to reflect the correct information about the current Principal Secretary.

### **11.3. Statement of Trustees Responsibilities**

Paragraph one (1) of the statement of trustees' responsibilities indicates that the financial statements are prepared in accordance with Section 14 of the State Corporations Act while paragraph three (3) states that preparation of the financial statements conforms to the State Corporations Act. This is misleading because the Fund derives its mandate from the Public Finance Management (Strategic Food Reserve Trust Fund) Regulations, 2015.

### **11.4. Unresolved Prior Year Audit Matters**

Various matters reported in the prior year under basis for disclaimer of opinion section of the audit report remained unresolved as at 30 June, 2019. The action taken by the Management on the issues was not disclosed under the progress on follow up of auditor's recommendation section of the financial statements as required by the Public Sector Accounting Standards Board (PSASB) since the section was omitted from the financial statements.

### **12. Expired Agency Agreement**

The Government of Kenya on behalf of Strategic Grain Reserve Fund entered into a contract with the National Cereals and Produce Board (NCPB) for procurement of maize, storage and management of stocks on 19 October, 2016 and the agreement was to remain in force for a duration of 2 years. It was however, noted that a new agreement was not entered into after the previous agreement lapsed. This implies that there was no valid agency agreement between the two entities and they have continued to rely on an unenforceable agreement.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Fund or to cease operations.

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

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

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


### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the Strategic Food Reserve Trust Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article

229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Strategic Food Reserve Trust Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**26 January, 2021**

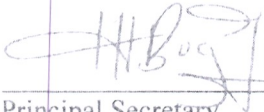
**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**


**I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

|  | Note | 2018/2019               | 2017/2018<br>(Re-stated)*  |
|--|------|-------------------------|----------------------------|
|  |      | Kshs                    | Kshs                       |
| <b>Revenue from non-exchange transactions</b>          |      |                         |                            |
| Transfer from other Government agency                  | 6    | 1,533,966,822.00        |                            |
| <b>Total from non-exchange transactions</b>            |      | <b>1,533,966,822.00</b> |                            |
| <b>Revenue from exchange transactions</b>              |      |                         |                            |
| Sales from Goods-Maize                                 | 7    | 2,078,292,160.00        | 20,353,837,593.00          |
| <b>Total revenue</b>                                   |      | <b>3,612,258,982.00</b> | <b>20,353,837,593.00</b>   |
| <b>EXPENSES</b>  |      |                         |                            |
| Purchases  | 8    | 1,044,205,014.00        | 33,668,872,862.00          |
| Repair and maintenance of M/V                          | 9    | 1,109,871.00            | 0                          |
| Fumigation and storage charges                         | 10   | 432,766,952.58          | 3,904,916,013.00           |
| Transport cost & handling cost                         | 11   | 181,405,562.69          | 427,489,625.00             |
| General expenses                                       | 12   | 54,347,655.80           | 0                          |
| Board expenses   | 13   | 5,330,012.00            | 41,831,286.00              |
| 10 % Purchase commission & handling costs on purchases | 14   | 57,153,903.07           | 109,978,618.00             |
| Handling costs on sales & 10% commission on sales      | 15   | 220,384,063.83          | 253,805,744.00             |
| Import cost  |      | 0                       | 710,617,363                |
| Gunny bags   |      | 0                       | 492,671,107.00             |
| Drying costs   |      | 0                       | 881,220,177.00             |
| <b>Total expenses</b>                                  |      | <b>1,996,703,034.97</b> | <b>6,882,529,933.00</b>    |
| <b>Surplus/Deficit before tax</b>                      |      | <b>1,615,555,947.03</b> | <b>(20,217,565,202.00)</b> |
| <b>Surplus/deficit for the period</b>                  |      | <b>1,615,555,947.03</b> | <b>(20,217,565,202.00)</b> |

\*The figures in the Financial Statement for the year 2017/18 was re-stated to reflect the correct the position of the Fund. The cost of sale figure for FY 2017/18 was re-stated by kshs. 3,533,772,933 which was an overstatement of the purchase cost of imported maize.

The Financial Statements set out on pages 14 to 18 were signed on behalf of the Fund by:

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

  
Assistant Accountant General  
Name: Charity W. Muriuki  
ICPAK Member Number: 5380

Date: 27.1.2020

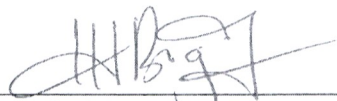
Date: 27/1/2020


STRATEGIC FOOD RESERVE TRUST FUND  
 REPORTS AND FINANCIAL STATEMENTS  
 FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

|   | Note | 2018/2019<br>Kshs        | 2017/2018<br>Kshs        |
|---|------|--------------------------|--------------------------|
| <b>Assets</b>                                       |      |                          |                          |
| <b>Current assets</b>                               |      |                          |                          |
| Cash and cash equivalents                           | 16   | 1,928,976,427.65         | 3,901,065.00             |
| Inventories   | 17   | 11,159,473,495.00        | 12,643,574,769.00        |
| Receivables from exchange transactions              | 18   | 10,276,377,296.00        | 18,160,523,581.00        |
|   |      | <b>23,364,827,218.65</b> | <b>20,670,560,970</b>    |
| <b>Non-current assets</b>                           |      |                          |                          |
|   |      | -                        | -                        |
| <b>Total assets</b>                                 |      | <b>23,364,827,218.65</b> | <b>20,670,560,970</b>    |
| <b>Liabilities</b>                                  |      |                          |                          |
| <b>Current liabilities</b>                          |      |                          |                          |
| Trade and other payables from exchange transactions | 19   | 8,770,157,207.62         | 11,867,265,773.00        |
| Importers of maize creditors                        |      | 4,172,621,560.00         | 5,972,621,560.00         |
|   |      | <b>12,942,778,767.62</b> | <b>17,839,887,333.00</b> |
| <b>Non-current liabilities</b>                      |      |                          |                          |
|   |      | -                        | -                        |
| <b>Total liabilities</b>                            |      | <b>12,942,778,767.62</b> | <b>17,839,887,333.00</b> |
| <b>Net assets</b>                                   |      | <b>10,422,048,451.03</b> | <b>2,830,763,638.00</b>  |
| Reserves  |      | 52,737,981,617.00        | 46,587,162,751.00        |
| Accumulated Deficit                                 |      | (42,140,933,165.97)      | (43,756,489,113.00)      |
| <b>Total net assets and liabilities</b>             |      | <b>10,422,048,451.03</b> | <b>2,830,763,638.00</b>  |

The Financial Statements set out on pages 14 to 18 were signed on behalf of the Fund by:

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

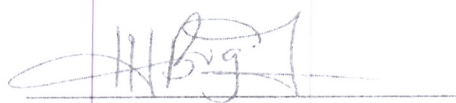
  
 Assistant Accountant General  
 Name: Charity W. Muriuki  
 ICPAK Member Number: 5380

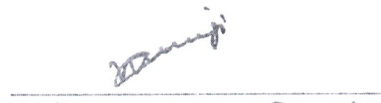
**STRATEGIC FOOD RESERVE TRUST FUND  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019**

**III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

|                                   | Accumulated Capital<br>Reserves<br>Kshs | Accumulated<br>surplus/<br>deficit<br>Kshs | Total<br>Kshs            |
|-----------------------------------|---|--|--------------------------|
| Balance as at 1 JULY 2017         | 36,593,162,751.00                       | (23,598,923,911.00)                        | 12,080,206,169.00        |
| Surplus/(deficit) for the period  |   | (20,157,565,202.00)                        | (20,157,565,202.00)      |
| Transfers to Reserves             | 9,994,000,000.00                        | -  | 9,994,000,000.00         |
| <b>Balance as at 30 JUNE 2018</b> | <b>46,587,162,751.00</b>                | <b>(43,756,489,113.00)</b>                 | <b>2,830,673,638.00</b>  |
| Balance as at 1 JULY 2018         | 46,587,162,751.00                       | (43,756,489,113.00)                        | 2,830,673,638.00         |
| Transfers to Reserves             | 6,150,818,866.00                        |  | 6,150,818,866.00         |
| Surplus(deficit)for the period    |   | 1,615,555,947.03                           | 1,615,555,947.03         |
| <b>Balance as at 30 JUNE 2019</b> | <b>52,737,981,617.00</b>                | <b>(42,140,933,165.97)</b>                 | <b>10,422,048,451.03</b> |

The Financial Statements set out on pages 14 to 18 were signed on behalf of the Fund by:

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

  
Assistant Accountant General  
Name: Charity W. Muriuki  
ICPAK Member Number: 5380

**STRATEGIC FOOD RESERVE TRUST FUND  
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**IV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

|   | Note | 2018/2019<br>Kshs       | 2017/2018<br>Kshs        |
|---|------|-------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                 |      |                         |                          |
| <b>Receipts</b>   |      |                         |                          |
| Transfers from other government agency                      | 6    | 1,533,966,822.00        |                          |
| Government Grants received during the year                  | 20   | 6,150,818,866.00        | -                        |
| Other Transfers- bulk deposit                               |      | 182,000.00              |                          |
| <b>Total Receipts</b>                                       |      | <b>7,684,967,688.00</b> | <b>-</b>                 |
| <b>Payments</b>   |      |                         |                          |
| Board expenses  |      | 5,330,012.00            | 710,617,363              |
| Repair and Maintenance of M/V                               |      | 1,109,872.00            |                          |
| General expenses  | 12   | 54,347,655.00           |                          |
| Import cost   |      |                         | 41,831,286               |
| Payment of pending bills-commodity house                    |      | 1,800,000,000.00        |                          |
| Transport cost  | 11   | 69,077,512.35           |                          |
| Procurement cost  |      | 0                       | 11,562,700,850           |
| Purchase of Gunny bags-NCPB                                 |      | 175,000,000.00          |                          |
| Pending bills pay for crops season 2017/18                  |      | 123,524,870.00          |                          |
| Purchase of Maize and pending bill payment-NCPB             |      | 3,531,502,404.45        |                          |
| Other operating costs                                       |      |                         | 20,692,235,063           |
| <b>Total payments</b>                                       |      | <b>5,759,892,325.80</b> | <b>33,007,386,562</b>    |
| <b>Net cash flows from operating activities</b>             |      | <b>1,925,075,362.20</b> | <b>-33,007,386,562</b>   |
| <b>Cash flows from investing activities</b>                 |      | <b>-</b>                | <b>18,287,773,060</b>    |
| <b>Net cash flows used in investing activities</b>          |      | <b>-</b>                | <b>18,287,773,060</b>    |
| <b>Cash flows from financing activities</b>                 |      |                         |                          |
| Government Grants received during the year                  |      | -                       | 9,994,000,000            |
| <b>Net cash flows used in financing activities</b>          |      | <b>1,925,075,362.20</b> | <b>28,281,773,060</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>1,925,075,362.20</b> | <b>-4,725,613,502.00</b> |
| Cash and cash equivalents at 1 JULY 2018                    |      | 3,901,065.45            | 4,729,514,568.00         |
| <b>Cash and cash equivalents at 30 JUNE 2019</b>            |      | <b>1,928,976,427.65</b> | <b>3,901,066.00</b>      |

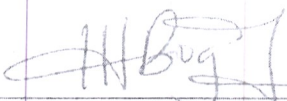
The Financial Statements set out on pages 14 to 18 were signed on behalf of the Fund by:

**STRATEGIC FOOD RESERVE TRUST FUND  
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**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2019**

|  | Original budget         | Adjustments             | Final budget            | Actual on comparable basis | Performance difference  |
|--|-------------------------|-------------------------|-------------------------|----------------------------|-------------------------|
|  | 2018-2019               | 2018-2019               | 2018-2019               | 2018-2019                  | 2018-2019               |
| Revenue                                    | Kshs                    | Kshs                    | Kshs                    | Kshs                       | Kshs                    |
| Government grants and subsidies            | 6,265,305,929.00        | 0                       | 7,684,785,688.00        | 7,684,785,688.00           | 1,419,479,759.00        |
| Other income                               |                         | 182,000.00              | 182,000.00              | 0                          | 182,000.00              |
| <b>Total income</b>                        | <b>6,265,305,929.00</b> | <b>1,419,479,759.00</b> | <b>7,684,967,688.00</b> | <b>5,759,892,325.80</b>    | <b>505,413,603.20</b>   |
| <b>Expenses</b>                            |                         |                         |                         |                            |                         |
| Compensation of employees (board expenses) | 5,330,012.00            | 0                       | 5,330,012.00            | 5,330,012.00               | 0                       |
| Goods and services-maize purchases         | 1,036,087,298.85        | 0                       | 1,036,087,298.85        | 1,036,087,298.85           | 0                       |
| Other payments                             | 4,718,475,014.95        | 0                       | 4,718,475,014.95        | 4,718,475,014.95           | 0                       |
| <b>Total expenditure</b>                   | <b>5,759,892,325.80</b> | <b>0</b>                | <b>5,759,892,325.80</b> | <b>5,759,892,325.80</b>    | <b>0</b>                |
| <b>Surplus for the period</b>              | <b>505,413,603.20</b>   | <b>1,419,661,759.00</b> | <b>1,925,075,362.20</b> | <b>0</b>                   | <b>1,925,075,362.20</b> |

The Financial Statements set out on pages 14 to 18 were signed on behalf of the Fund by:

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

Date: 27.1.2020

  
Assistant Accountant General  
Name: **Charity W. Muriuki**  
ICPAK Member Number: **5380**

Date: 27/1/2020

**STRATEGIC FOOD RESERVE TRUST FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the SFRTF's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the SFRTF.

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

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

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

| Standard | Impact |
|----------|--------|
|----------|--------|

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|                            |   |
|----------------------------|---|
| <b>IPSAS 40:</b>           | <b>Applicable: 1<sup>st</sup> January 2019</b>  |
| Public Sector Combinations | 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 are covered purely under Public Sector combinations as amalgamations. |

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

| <b>Standard</b>                           | <b>Effective date and impact:</b>  |
|---|--|
| <b>IPSAS 41:</b><br>Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an SFRTF's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an SFRTF's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42:</b><br>Social Benefits       | <p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting SFRTF provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the SFRTF;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the SFRTF's financial performance, financial position and cash flows.</li> </ol>  |

**STRATEGIC FOOD RESERVE TRUST FUND  
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**iii. Early adoption of standards**

The SFRTF did not early – adopt any new or amended standards in year 2019.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the SFRTF and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

***Sale of goods***

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

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the SFRTF upon receiving the respective approvals in order to conclude the final budget. Accordingly, the SFRTF recorded additional appropriations of kshs. 4,020,298,625.00 on the 2018-2019 budget following the governing body's approval.

The SFRTF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

**STRATEGIC FOOD RESERVE TRUST FUND  
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In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 2 of these financial statements.

**c) Current income tax**

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

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

**d) Inventories**

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

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

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

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

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

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

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**e) Provisions**

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

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

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

**f) Contingent liabilities**

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

**g) Contingent assets**

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

**h) Nature and purpose of reserves**

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

**i) Changes in accounting policies and estimates**

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

**j) Related parties**

The SFRTF regards a related party as a person or an SFRTF with the ability to exert control individually or jointly, or to exercise significant influence over the SFRTF, or vice versa.

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Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**k) Cash and cash equivalents**

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

**l) Comparative figures**

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

**m) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

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

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The SFRTF based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the SFRTF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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REPORTS AND FINANCIAL STATEMENTS  
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**Useful lives and residual values**

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

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

**Provisions**

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

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.

**Subsequent events**

There was an amended/ restated of the opening balance due to material errors in the prior Financial Statements.

**STRATEGIC FOOD RESERVE TRUST FUND  
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**Notes to the Financial Statements**

**6. Transfer from Ministry of Devolution**

| Description and reference of the transfer | 2018/2019               | 2017/2018  |
|---|-------------------------|------------|
| 2 <sup>nd</sup> Quarter transfer          | 18,454,919.00           | -          |
| 2 <sup>nd</sup> Quarter transfer          | 96,032,144.00           | -          |
| 2 <sup>nd</sup> Quarter transfer          | 0                       | -          |
| 2 <sup>nd</sup> Quarter transfer          | 1,419,479,759.00        | -          |
| <b>Total</b>                              | <b>1,533,966,822.00</b> | <b>NIL</b> |

**7. SFR MAIZE SALES AS AT 30TH  
JUNE 2019 for 2018/2019 FY**

| Product Description                       | 2018/2019 Sales (LCY) kshs | 2017/2018 Sales (LCY) kshs |
|---|----------------------------|----------------------------|
| W/Maize Grade 4B High Heat Dmg(Bulk)      | 142,196,184.00             |                            |
| W/Maize Grade 4B High Heat Dmg (Jute Bag) | 16,827,720.00              |                            |
| White Maize in Bulk 50kg                  | 54,087,336.00              |                            |
| Imported Maize Bulkx50Kgs                 | 153,529,600.00             |                            |
| Imported W/Maize *50Kgs                   | 432,796,960.00             |                            |
| Imported W/Maize *100Kgs                  | 5,867,300.00               |                            |
| W/Maize Grade II*50Kg(Jute)               | 669,804,620.00             |                            |
| W/Maize Grade II*50Kgs(PP)                | 370,360,540.00             |                            |
| <b>Sub-total</b>                          | <b>1,845,470,260.00</b>    |                            |
| <b>RELIEF FOOD SALES</b>                  |                            |                            |
| Imported W/Maize X 50 Kg                  | 178,796,600.00             |                            |
| Imported W/Maize X 100 Kg                 | 192,000.00                 |                            |
| White Maize Grade II X 50 kgs Jute        | 5,200,000.00               |                            |
| White Maize Grade II X 50 kgs pp          | 48,633,300.00              |                            |
| <b>Sub-total</b>                          | <b>232,821,900.00</b>      |                            |
| <b>Grand Total</b>                        | <b>2,078,292,160.00</b>    | <b>20,353,837,593.00</b>   |

**8. Maize purchase**

| MAIZE PURCHASES 2018/2019 FY |              |         |                    |                |
|------------------------------|--------------|---------|--------------------|----------------|
| PRODUCT CODE 1060            |              | Qty     | Price per 50kg bag | Total cost     |
| R2701                        | Nakuru       | 31,930  | 1,388.00           | 44,315,497.67  |
| R3401                        | Narok        | 17,682  | 1,388.00           | 24,542,699.28  |
| S2301                        | Moi's Bridge | 186,994 | 1,388.00           | 259,547,906.40 |
| S2601                        | Eldoret      | 421,740 | 1,388.00           | 585,375,193.28 |

**STRATEGIC FOOD RESERVE TRUST FUND  
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|                             |                   |                |          |                         |
|-----------------------------|-------------------|----------------|----------|-------------------------|
| T2401                       | Bungoma           | 47,149         | 1,388.00 | 65,443,112.38           |
| <b>TOTAL</b>                |                   | <b>705,495</b> |          | <b>979,224,409.01</b>   |
| <b>PRODUCT CODE 1065</b>    |                   |                |          |                         |
| R2901                       | Solai             | 249            | 1,388.00 | 345,612.00              |
| S2101                       | Ziwa              | 3,771          | 1,388.00 | 5,234,148.00            |
| S2501                       | Kitale            | 19,702         | 1,388.00 | 27,346,376.00           |
| S2701                       | Anabkoi           | 1,517          | 1,388.00 | 2,105,596.00            |
| S3201                       | Kapenguria        | 3,637          | 1,388.00 | 5,048,156.00            |
| S3401                       | Kipkarren Salient | 4,371          | 1,388.00 | 6,066,948.00            |
| S3501                       | Kapsawar          | 2,988          | 1,388.00 | 4,147,344.00            |
| T2101                       | Webuye            | 3,837          | 1,388.00 | 5,325,756.00            |
| T2801                       | Lugari            | 6,744          | 1,388.00 | 9,360,672.00            |
| <b>TOTAL</b>                |                   | <b>46,816</b>  |          | <b>64,980,608.00</b>    |
| <b>GRAND TOTAL X 50 KGS</b> |                   | <b>752,311</b> |          | <b>1,044,205,017.01</b> |
| <b>GRAND TOTAL X 90 KGS</b> |                   | <b>417,951</b> |          | <b>1,044,205,017.01</b> |

**9. Repair and maintenance of motor vehicles**

| Description                              | 2018/2019             | 2017/0218             |
|--|-----------------------|-----------------------|
| Repair and maintenance of motor vehicles | 373,074,959.12        | 218,798,055.00        |
| <b>Total</b>                             | <b>432,766,952.58</b> | <b>253,805,744.00</b> |

**10. Storage and fumigation charges**

| Description            | 2018/2019             | 2017/0218             |
|------------------------|-----------------------|-----------------------|
| Storage and fumigation | 373,074,959.12        | 218,798,055.00        |
| 16% VAT                | 59,691,993.46         | 35,007,689.00         |
| <b>Total</b>           | <b>432,766,952.58</b> | <b>253,805,744.00</b> |

**11. Transport cost and handling cost**

| Description  | 2018/2019             | 2017/2018             |
|--|-----------------------|-----------------------|
| Stock transport costs& handling expenses - Local Maize | 178,804,766.09        | 421,360,741.00        |
| 16% VAT  | 2,600,796.60          | 6,128,884.00          |
| <b>Total</b>   | <b>181,405,562.69</b> | <b>427,489,625.00</b> |

**12. General expenses**

| Description      | 2018/2019            | 2017/2018 |
|------------------|----------------------|-----------|
| General Expenses | 54,347,655.80        |           |
| <b>Total</b>     | <b>54,347,655.80</b> |           |

**13. Board expenses**

| Description    | 2018/2019           | 2017/0218            |
|----------------|---------------------|----------------------|
| Board expenses | 5,330,012.00        | 41,831,286.00        |
| <b>Total</b>   | <b>5,330,012.00</b> | <b>41,831,286.00</b> |

**STRATEGIC FOOD RESERVE TRUST FUND  
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**14. 10% Purchases commission and handling costs**

| Description                      | 2018/2019            | 2017/2018             |
|----------------------------------|----------------------|-----------------------|
| Purchase commission and handling | 49,443,551.20        | 429,867,567           |
| 16% VAT                          | 7,710,351.87         | 62,803,540            |
| <b>Total</b>                     | <b>57,153,903.07</b> | <b>492,671,107.00</b> |

**15. Handling cost on sales and 10% commission 2018/2019**

| Description   | 2018/2019             | 2017/2018             |
|---|-----------------------|-----------------------|
| Sales commission and handling costs to other depots | 190,407,761.66        | 761,167,709.00        |
| 16% VAT   | 29,976,301.17         | 120,052,468.00        |
| <b>Total</b>  | <b>220,384,062.83</b> | <b>881,220,177.00</b> |

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

|                       | 2018/2019               | 2017/2018        |
|-----------------------|-------------------------|------------------|
| Financial institution | KShs                    | KShs             |
| Central Bank of Kenya | 1,928,976,427.65        | 3,901,065        |
| <b>Total</b>          | <b>1,928,976,427.65</b> | <b>3,901,065</b> |

**17. Inventories**

|                               | 2018/2019                | 2017/2018             |
|-------------------------------|--------------------------|-----------------------|
| Description                   | Shs                      | Shs                   |
| Bags of maize (closing stock) | 10,459,473,495.00        | 11,943,574,769        |
| Powdered Milk – KCC           | 700,000,000.00           | 700,000,000           |
| <b>Total inventories</b>      | <b>11,159,473,495.00</b> | <b>12,643,574,769</b> |

**18. (a) Receivables from exchange transactions**

| Product Description                     | Sales (LCY) 2018/19     | 2017/2018 |
|---|-------------------------|-----------|
| W/Maize Grade 4B High Heat Dmg(Bulk)    | 142,196,184.00          |           |
| W/Maize Grade 4B High Heat DmgJute Bag) | 16,827,720.00           |           |
| White Maize in Bulk 50kg                | 54,087,336.00           |           |
| Imported Maize Bulkx50Kgs               | 153,529,600.00          |           |
| Imported W/Maize *50Kgs                 | 432,796,960.00          |           |
| Imported W/Maize *100Kgs                | 5,867,300.00            |           |
| W/Maize Grade II*50Kg(Jute)             | 669,804,620.00          |           |
| W/Maize Grade II*50Kgs(PP)              | 370,360,540.00          |           |
|   | <b>1,845,470,260.00</b> |           |

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|   |                          |                         |
|---|--------------------------|-------------------------|
|   | <b>1,845,470,260.00</b>  |                         |
| <b>RELIEF FOOD SALES</b>                                    |                          |                         |
| Imported W/Maize X 50 Kg                                    | 178,796,600.00           |                         |
| Imported W/Maize X 100 Kg                                   | 192,000.00               |                         |
| White Maize Grade II X 50 kgs<br>Jute                       | 5,200,000.00             |                         |
| White Maize Grade II X 50 kgs pp                            | 48,633,300.00            |                         |
| <b>Sub-total</b>  | <b>232,821,900.00</b>    |                         |
|   |                          |                         |
| <b>Grand sales Total</b>                                    | <b>2,078,292,160.00</b>  |                         |
| Previous debtors-state department<br>for special programmes | 6,865,220,613.00         | 6,865,220,613.00        |
| Subsidy component on imported<br>maize                      | 1,157,864,523.00         | 1,157,864,523.00        |
| Transfer to NCPB for purchase of<br>gunny bags              | 175,000,000.00           |                         |
| <b>Total receivables</b>                                    | <b>10,276,377,296.00</b> | <b>8,023,085,136.00</b> |

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**19. Trade and other payables from exchange transactions**

| Description  | 2018/2019                | 2017/2018                |
|--|--------------------------|--------------------------|
|  | Shs                      | Shs                      |
| Balance b/d  | 13,181,494,364.00        | 2,362,205,154            |
| Storage and fumigation                                     | 373,074,959.12           | 218,798,055              |
| 16% VAT  | 59,691,993.46            | 35,007,689               |
| Stock transport costs& handling expenses - Local Maize     | 178,804,766.09           | 421,360,741              |
| 16% VAT  | 2,600,796.60             | 6,128,884                |
| Stock transport costs& handling expenses - Imported Maize  | 0                        | 3,680,978,948            |
| 16% VAT  | 0                        | 223,937,065              |
| Sales commission and handling costs to other depots        | 190,407,761.66           | 761,167,709              |
| 16% VAT  | 29,976,301.17            | 120,052,468              |
| Drying charges   | 0                        | 94,809,154               |
| 16% VAT  | 0                        | 15,169,465               |
| Purchase commission and handling cost-local maize          | 49,443,551.20            | 429,867,567              |
| 16% VAT  | 7,710,351.87             | 62,803,540               |
| Import cost  | 0                        | 710,617,363              |
| Prior period adjustments                                   | -1,720,222,258.95        | 313,933,826              |
| Transfers to NCPB to cater for pending bills               | -2,618,939,976.15        | (860,733,898)            |
| Payment for pending bill on Transport cost                 | -69,077,512.00           | (277,760,159)            |
| Payment of traders pending bills                           | -1,800,000,000.00        |                          |
| <b>Total trade payables</b>                                | <b>7,864,965,098.07</b>  | <b>4,710,132,546.00</b>  |
| Unpaid Local SFR maize farmers and other purchase services | 905,192,109.55           | 3,406,940,258.00         |
| Sales proceeds used for purchase of maize                  | 0                        | (908,200,000.00)         |
| <b>Total trade payables to NCPB</b>                        | <b>8,770,157,207.62</b>  | <b>7,208,872,804.00</b>  |
| <b>Other payables</b>                                      |                          |                          |
| Pending SFR maize subsidy bills (importers)                | 4,172,621,560.00         | 5,972,621,560.00         |
| <b>Total payable</b>                                       | <b>12,942,778,767.62</b> | <b>13,181,494,364.00</b> |

**20. Grants from Government**

| Description and reference of the transfer | 2018/2019               | 2017/2018               |
|---|-------------------------|-------------------------|
| 1 <sup>st</sup> Quarter transfer          |                         |                         |
| 2 <sup>nd</sup> Quarter transfer          | 2,130,520,241.00        |                         |
| 3 <sup>rd</sup> Quarter transfer          | 4,020,298,625.00        | 9,994,000,000.00        |
| 4 <sup>th</sup> Quarter transfer          |                         |                         |
| <b>Total</b>                              | <b>6,150,818,866.00</b> | <b>9,994,000,000.00</b> |

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**21. Trial balance for the period ended 30 June 2019**

|   | Debit                    |                          | Credit                   |                       |
|---|--------------------------|--------------------------|--------------------------|-----------------------|
|   | 2018/2019                | 2017-2018                | 2018/2019                | 2017-2018             |
|   | Kshs.                    | Kshs.                    | Kshs.                    | Kshs.                 |
| Sales   |                          |                          | 2,078,292,160.00         | 20,353,837,593        |
| purchase  | 1,044,205,014.00         | 37,668,872,863           |                          |                       |
| Storage and fumigation                              | 373,074,959.12           | 218,798,055              |                          |                       |
| 16% VAT   | 59,691,993.46            | 35,007,689               |                          |                       |
| Stock transport costs & relocation expenses         | 178,804,766.09           | 421,360,741              |                          |                       |
| 16% VAT   | 2,600,796.60             | 6,128,884                |                          |                       |
| Sales commission and handling-imported maize        | 0                        | 3,680,978,948            |                          |                       |
| 16% VAT   | 0                        | 223,937,065              |                          |                       |
| Sales commission and handling                       | 190,407,761.66           | 761,167,709              |                          |                       |
| 16% VAT   | 29,976,301.17            | 120,052,468              |                          |                       |
| Drying charges                                      | 0                        | 94,809,154               |                          |                       |
| 16% VAT   | 0                        | 15,169,465               |                          | 16,880,042,808.00     |
| Purchase commission and handling                    | 49,443,551.20            | 429,867,567              |                          | 10,101,377,296.00     |
| 16% VAT   | 7,710,351.87             | 62,803,540               |                          | 175,000,000           |
| Import Costs  | 0                        | 710,617,363              |                          |                       |
| SFR board expenses, Maize import task force expense | 5,330,012.00             | 41,831,286               |                          |                       |
| Stocks  | 11,159,473,495.00        | 12,643,574,769           |                          |                       |
| Bank  | 1,928,976,427.65         | 3,901,065                |                          |                       |
| Accounts receivable                                 | 10,276,377,296.00        | 18,160,523,581.00        |                          |                       |
| Accounts Payable                                    | 0                        | 0                        | 12,942,778,767.62        | 13,181,494,364        |
| Accumulated Funding                                 | 0                        | 0                        | 52,737,981,617.00        | 46,587,162,751        |
| Accumulated Loss as at 1st July 2018                | 42,140,933,165.97        | 43,756,489,113.00        |                          |                       |
| <b>Total</b>  | <b>67,759,052,544.62</b> | <b>84,780,887,677.00</b> | <b>67,759,052,544.62</b> | <b>84,780,887,677</b> |

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|   | <b>2017/2018</b>      | <b>2017</b>           |
|---|-----------------------|-----------------------|
| <b>22. Cost of Sales (Maize &amp;gunny bags)</b>                                    | <b>Shs</b>            | <b>Shs</b>            |
| Balance b/d   | 3,061,708,813         | 6,389,706,239         |
| Add: purchases note : (I & ii)  | 46,104,511,751        | 10,352,570,416        |
|   | 49,166,220,564        | 16,742,276,655        |
| Less: Closing stock (iii)   | 11,943,574,769        | 3,061,708,813         |
| <b>Cost of sales (Un-adjusted)</b>  | <b>37,222,645,795</b> | <b>13,680,567,842</b> |
| Overstatement of imported maize error<br>adjustment (34,822,028,283-31,288,255,350) | 3,533,772,933         |                       |
| <b>Cost of sales(adjusted)</b>  | <b>33,688,872,862</b> |                       |