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THE AUDITOR-GENERAL

ON

**KENYA FISHING INDUSTRIES
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2023**



**KENYA FISHING INDUSTRIES CORPORATION
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

Kenya Fishing Industries Corporation
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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KFIC	Kenya fishing Industries Corporation
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

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2. Key Entity Information and Management

(a) Background information

The Kenya Fishing Industries Corporation is a body corporate established under the State Corporation Act, 2018 (Legal Notice No. 214 and 110).

(b) Principal Activities

The mandate of the KFIC is to exploit fishery resources in the Kenya fishery waters and high seas by promoting the establishment, development and efficiency of businesses engaged in the fishing and fishing related activities

The functions of the Corporation include;

- i. Exploit, buy, process, market, and sell marine resources and products, including aquatic plants.
- ii. Facilitate and promote the development and trade of fish and other marine products.
- iii. Establish and manage an auction Centre for fish and other marine resources.
- iv. Develop and operate facilities and establishments for the exploitation of fishery resources.
- v. Acquire, hold or dispose of assets, including equipment and accessories necessary for the capture, preservation, processing, selling and marketing of fish and fish products.
- vi. Undertake any other activities necessary or incidental to achieving the functions of the corporation.

It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that Kenya Fishing Industries Corporation has a credible Strategic Plan and Performance Contract that will deliver the desired goals.

It is also our undertaking that we will perform our responsibilities diligently and to the best of our abilities to support the achievement of the agreed performance targets.

Vision Statement.

To be a global leader in the sustainable exploitation of fishery resources.

Mission Statement

To exploit fishery resources in a sustainable manner for socio-economic development of the country

Strategic Objectives

The strategic objectives of KFIC are to:

- i. Exploit, buy, process, market and sell marine resources and products including aquatic plants.

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- ii. Facilitate and promote the development and trade of fish and other marine products.
- iii. Establish and manage an auction Centre for fish and other marine resources.
- iv. Develop and operate facilities and establishments for the exploitation of fishery resources.
- v. Acquire, hold or dispose of assets including equipment and accessories necessary for the capture, preservation, processing, selling and marketing of fish and fish products.
- vi. Undertake any other activities necessary or incidental to achieving the functions of the corporations.
- vii. Build capacity in fisheries and aquaculture
- viii. Generate and mobilize financial resources

Key Management

The Corporation's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors	Mr. John G. Msafari, FICS, MIOD (K), CRG (Gambia) Chair, Dr. Johnson M. Kazungu PhD., Mrs. Delilah K. Ngala, Hon. Daisy Kanainza Nyongesa, Mr. Donald Ajuoga, Mr. Dennis O. Olila, Ms. Christine Kanini and Mr. Rashid Imam.
2.	Accounting officer/ CEO	Dr. Mikah O. Nyaberi PhD.
3.	Assistant Director of Fisheries	Mr. Richard Ngetich
4.	Finance Officer	Ms. Monica Nkatha
5.	Human Resource Management Assistant	Mr. Ali Bakari Mwanasi

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. CEO	Dr. Mikah O. Nyaberi
2.	Deputy Director	Mr. Richard Ngetich
3.	Head of Finance	Ms. Monica Nkatha
4.	Head of Human Resource	Mr. Ali Bakari Mwanasi

Key Entity Information and Management (continued)

(d) Fiduciary Oversight Arrangements

Audit and Risk Management Committee

This Committee is comprised of 4 members of the Board. Its main function is to consider and process on behalf of the Board all matters relating to audit, audit queries and Management Letters from the Office of Auditor General or the duly appointed external auditors. It also considers matters of quality assurance of systems and processes in the Corporation's operations and reviews the risk management framework and the periodic performance contract reports.

Finance and General-Purpose Committee

The Committee is comprised of 5 members of the Board including the Chief Executive Officer. Its main function is to review and monitor the Corporation's financial position on behalf of the Board, including a review of the liquidity status; all the Corporation's Accounts; Budgets, Financial Statements; and statutory reports as well as bank reconciliation. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Corporation.

Office of the Inspector General Corporations

The Inspector general of Corporations has by law presence on the Board for the purpose of advising and ascertaining the activities carried out by the Board are in line with the set-out rules and regulations in line with the functions of the corporation as set out in the State Corporation Act Cap 446 (18) of the Laws of Kenya.

(e) Entity Headquarters

Taib Abdulla Nassir Rd, Mombasa
P.O. Box 99775 – 80107
Mombasa, Kenya

(f) Entity Contacts

Telephone: +254 (20) 8021560/1, 0712003853
E-mail: info@kfic.co.ke
Website: <http://www.kfic.go.ke>

(g) Entity Bankers

National Bank of Kenya,
P.O. Box 72866 – 00200
Nairobi, Kenya

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(h) Independent Auditor



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

(i) Principal Legal Adviser

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

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3. The Board of Director

Ref	Directors	Details
1.	 <p>Mr. John G. Msafari, FICS, MIoD (K), CRG (Gambia) CHAIRMAN OF THE BOARD</p> <p>Key Qualifications Bachelor of Commerce (UON), Fellow of the Institute of Chartered Shipbrokers (UK)</p>	<p>Date of Birth: 20th September, 1950</p> <p>Date of Appointment: 04th October 2021</p> <p>Work Experience: Currently serves as the Administrative Director at East African Seafood Limited. He has vast knowledge in matters management, having served as a Commissioner General for the Kenya Revenue Authority, the Gambia Revenue Authority, Director at Kenya Ports Authority, Kenya Maritime Authority, and the Central Bank of Kenya, as well as a Director at the Agricultural Sector Network.</p> <p>The director is independent.</p>
2.	 <p>Dr. Johnson M. Kazungu PhD Chairman, Technical and Operations Committee</p> <p>Key Qualifications PhD in Oceanography</p>	<p>Date of Birth 6th February 1958</p> <p>Date of Appointment 28th October 2021</p> <p>Work Experience He has served as the CEO for Kenya Marine and Fisheries Research Institute for a period of 15 years. He is a renowned scholar with</p>

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		<p>strong excellence in research and science. The director is independent and serves as the Chair of the Technical and Operations Committee</p>
3.	 <p>Ms. Delilah K. Ngala Chairperson, Finance and General-Purpose Committee</p> <p>Key Qualifications Master of Business Administration Bachelor of Commerce (Business Administration Option)</p>	<p>Date of Birth 1960</p> <p>Date of Appointment 28th October 2021</p> <p>Work Experience Ms. Delilah K. Ngala has vast experience and knowledge in the banking sector having served at the National Bank of Kenya and left as the head of retail services has a branch manager at the National Bank of Kenya.</p> <p>The director is independent and serves as the Chair of the Finance and General-Purpose committee.</p>
4.	 <p>Hon. Daisy Kanainza Nyongesa Chairman, Human Resource Management Committee</p> <p>Key Qualifications</p>	<p>Date of Birth: 1989</p> <p>Date of Appointment 28th October 2021</p> <p>Work Experience Work Experience Serves as a consultant at the Ministry of Health. Former nominated senator representing the youth in the Senate</p>

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	<p>Master of Arts-diplomacy and Foreign Policy Bachelor of Education (ARTS)-MMUST Certified Professional Life Coach</p>	<p>She is an experienced public policy expert, Governance and Legislative Consultancy with over nineteen years of practice in both private and public institutions of policy formulations, strategic plan development, and implementation. Served as legislative consultancy of the Ministry of Health and a senator presenting the youth in the Senate (11 parliament)</p>
<p>5.</p>	<div data-bbox="300 1039 756 1505" data-label="Image"> </div> <p>Mr. Donald Ajuoga Board Member</p> <p>Key Qualifications Master of Business Administration Bachelor of Commerce (Marketing)</p>	<p>Date of Birth: 14th December, 1974 Date of Appointment 13th May 2022</p> <p>Work Experience Has vast experience in the marketing sector having served with various multinational organizations. Co-founder, CEO – Home Safety and Hygiene Solutions Ltd (East Africa) Founder, Director – Magoya Aquafarm Ltd Country Head, Qatar Airways Country Head, Kenya Airways Regional Sales Manager, British Airways – East and Central Africa</p> <p>The director is an independent director and</p>

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		<p>serves as the chair of the Audit and Risk Committee.</p>
6.	 <p>Mr. Dennis O. Olila Board Member (Rep. National Treasury)</p> <p>Key Qualifications MSc. Agricultural and Applied Economics (UoN) BSc. Agricultural Education and Extension (UoN)</p>	<p>Date of Birth: 1985</p> <p>Date of Appointment 10th March 2022</p> <p>Work Experience Serves as a senior economist at the National Treasury The director is an alternate director.</p>
7.	 <p>Ms. Christine Kanini Board Member (Rep. Attorney General)</p> <p>Key Qualifications State Counsel</p>	<p>Date of Birth: 14th February 1981</p> <p>Date of Appointment 10th March 2022</p> <p>Work Experience Serves as a Deputy Chief State Counsel at the Office of the Attorney General The director is an alternate director</p>
8.	 <p>Dr. Mikah O. Nyaberi, PhD Secretary to the KFIC Board of Management</p>	<p>Date of Birth: 1st January 1967</p> <p>Area of Responsibility Chief Executive Officer of the Corporation. Secretary to the KFIC Board of Directors</p>

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Key Qualifications: PhD in Food Science and Technology MSc. Food Science and Technology BSc. Major Biochemistry and Minor Microbiology	
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4. Key Management Team

	Management	Details
1.	 <p>Dr. Mikah O. Nyaberi, PhD Key Qualifications:</p> <ul style="list-style-type: none"> • PhD in Food Science and Technology • MSc. Food Science and Technology • BSc. Major Biochemistry and Minor Microbiology 	Ag Chief Executive Officer
2.	 <p>Mr. Richard Ngetich Key Qualifications: Master of Science in Fisheries (Ongoing) Bachelor of Science (UON)</p>	Assistant Deputy Director

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3.	 <p>CPA- Monica Nkatha Thurania</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> • Master of Science in Finance (Finance Option) • Bachelor of Commerce (Finance Option) • ICPAK Reg No. 24649 	Finance Officer
4.	 <p>Mr. Ali Mwanasi</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Degree in Human Resource Management (Ongoing) • Higher Diploma in Human Resource Management • IHRM No. 015860 	Human Resource

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5. Chairman's Statement

As a global leader in the sustainable exploitation of fishery resources, KFIC continued to play its central role in exploiting fishery resources in Kenyan fishery waters and high seas by promoting the establishment, development, and efficiency of businesses engaged in fishing and fishing-related activities. I thank the Government of Kenya for committing funds in grants for a sustainable manner for the socio-economic development of the country, which made it possible to improve food and nutritional security in line with the Bottom-Up Economic Transformation Agenda (BETA) and Vision 2030 to promote the Blue Economy Investments, anchor the Corporation on investment, processing and value addition in the fisheries sub-sector. This is in line with the overall government's plan on industrialization/manufacturing, smallholder farmers' income, and foreign exchange earnings, as well as job creation.

During this period, the Corporation achieved tremendous progress in contributing to the Government's total income generation. The key outputs include identifying and mapping stakeholders in the fish and fisheries business sector, continuing the development of the Liwatoni Ultra-Modern Tuna Fish Hub, and operationalization of the Liwatoni Fishing Port.

The Corporation successfully implemented the performance contract targets for the 2022/2023 FY and disseminated the findings to the various stakeholders as scheduled. The Performance Contract for the FY 2023/2024 was signed between the Board of Directors and the Cabinet Secretaries of the Parent Ministries and for countersigning by the Cabinet Secretary, National Treasury.

Fish landing sites are critical infrastructure for handling and promoting food safety in various fish value chains. There is a need to improve the performance of these landing sites so as to reduce post-harvest losses. Currently, KFIC has been handling mainly the marine fish landed at Liwatoni Fish Port. Over time, the Corporation has generated over Kshs. 30 million in revenue since inception in November 2019. This means there exists more potential for generating even more revenues for the Government by the inclusion of portions of the landed fish and fish products from the other landing sites. The majority of these fish landing sites are under construction by the government, and it is expected that upon completion, the corporation will take advantage of utilizing the infrastructure for its investment portfolio.

Despite the above successes, the Corporation experienced several challenges, which include but are not limited to operational and staff costs and funding gaps.

Ongoing Initiatives

As the global leader in the sustainable exploitation of fishery resources, the Corporation is currently undertaking the modernization of the Liwatoni Fishing Port and the development of the Liwatoni Ultra-Modern Fishing Hub in Mombasa County. The Corporation also continues to implement the Presidential Directive to support deep sea fishers in collaboration with the KeFS, KPA, KMA, and KMFRI as part of government efforts to build capacity for exploitation of the Blue Economy.

Future Outlook

KFIC continues to exploit fishery resources in a sustainable manner for the socio-economic development of the country. The Board of Directors continually seeks new approaches to enable the Corporation to anchor the institution on investment, processing, and value addition in the fisheries sub-sector. This is in line with the Kenya Kwanza Government Implementation Plan 2022-2027 on

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industrialization/manufacturing, smallholder farmers' income, and foreign exchange earnings, as well as job creation, and addresses the challenges affecting the discharge of her mandate.

Risk Management

The Board of Directors is committed to risk management aligned with the principles of best practice and corporate governance. KFIC's business strategy is based on taking calculated risks in a way that does not jeopardize the direct interests of the different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment, as well as make informed decisions under conditions of uncertainty.

In conclusion, I take this opportunity to thank members of the KFIC Board of Directors, Management, and Staff for their support in providing leadership over the past year. Their commitment contributed immensely to our performance. I am confident that they will continually spare no effort to attain and surpass the targets set for the new financial year. God bless us all.



Signature
Mr. John G. Msafari, FICS, MIOD (K), CRG (Gambia)
CHAIRMAN OF THE BOARD

Date: 29th February 2024

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6. Report of the Chief Executive Officer

I have the pleasure to present the Annual Report and Financial Statements for the Kenya Fishing Industries Corporation (KFIC) for the period ended 30 June 2023. The Corporation remained on course in undertaking to be a global leader in the sustainable exploitation of fishery resources within its mandate to contribute to the management and sustainable exploitation of fishery resources aimed at alleviating poverty and enhancing food security, while creating employment through increasing local participation and investment in the blue economy through private sector engagement and partnerships; providing overall policy for exploitation of agro-based marine resources and promoting Kenya as a centre for aquaculture among others. For the period under review, the Corporation continued to actively develop and operate facilities and establishments for the exploitation of fishery resources.

Operational Performance

KFIC joined other stakeholders and other agencies including NEMA, KeFS, KMFRI, Local Administration, local community and conservation groups in South Coast at Shimoni, Kwale County in celebrating the World Fisheries Day on 21st November 2022 where KFIC Board Chairman, Mr. John G. Msafari and the CEO were among the guests. This helps in ensuring that the Corporation's efforts in conservation are also key in supporting the Eat More Fish Campaign. Also, the Corporation participated in the Agricultural Show of Kenya (ASK) from 1st – 6th November 2022 and exhibited its services. KFIC staff also took part in a beach clean-up held on 17th October 2022 at Tudor Creek International Coastal Clean-up Day for creation of suitable marine habitats for sea creatures.

The Ag. CEO led the team in preparation of KFIC Master Plan with the help of senior management officers from parent Ministry and Management Team from 26th – 28th November 2022, Through the guidance of Board directors, Ag. CEO and senior officers from the parent Ministry and Management Team prepared Strategic plan on date 19th – 21st of December 2022.

During the **3rd Quarter**, the Corporation reviewed and evaluated the performance contract targets for the third quarter for the FY 2022/2023 guided by the Director of planning from SDBE&F at KFIC, the management lead by the Ag CEO participated on the Public hearing for the Medium-Term Budget for FY 23/24 – FY 25/26 at KICC dated 9th – 13th Jan 2023; there was workshop for the development of Job description which was headed by the Chairperson of Human resource and governance and her team at North Coast Beach Hotel, dated 17th – 24th Jan 2023; The Management also attended the ; The KFIC Chairman headed the panel of interviewing the CEO position at Kenya School of Government on date 02-03 February 2023, There was staff training on GIMIS which was undertaken by the National Treasury Officers from Nairobi at KFIC, dated 15-18 February 2023; Some officers were nominated to attend Port facility security officer workshop at Bandari Academy College on date 23rd – 27th Jan 2023, The newly appointed Principal Secretary of SDBE&F visit to KFIC for introduction and orientation to the KFIC Board of Directors on date 24th Jan 2023, There was Collaboration meeting on fishing operations between KFIC and Beach Management Units on date 6th March 2023, The excellent Hon president toured at KFIC on date 04 March 2023.

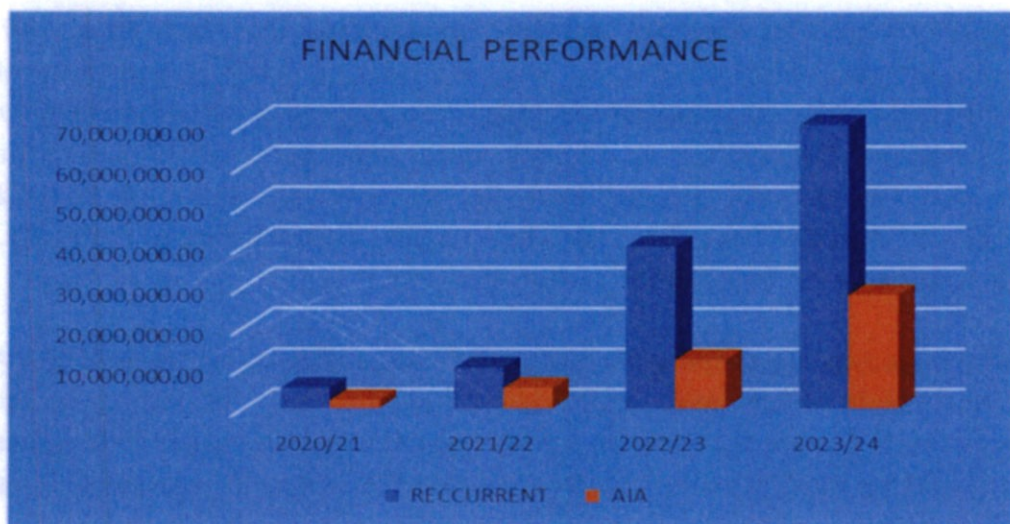
During the **4th Quarter**, The Corporation evaluated the performance contract targets for the fourth quarter for the FY 2022/2023 guided by the Director of planning from SDBE&F at KFIC, The Board of Director attended induction training on date at Lake Naivasha resort, the management lead by the Ag CEO participated in Participation of Ultra-Modern Fish Hub meeting with Implementation Committee from State Department of Blue Economy and Fisheries at KICC dated 03rd May 2023; there was workshop for Preparation of Concept Note of Ultra-Modern Fish Hub elected committees members from the Parent Ministry and the KFIC Ag. CEO at North Coast Beach Hotel, dated 3rd to 12th May 2023; The Management also attended Participation of review of KFIC functions and

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Mandate at Machakos at NITA, dated 17th to 30th May 2023; Director of Planning and the team held a meeting for the review and the reporting of infrastructure at Liwatoni on 17th to 19th May 2023, Engineers from Public Works and procurement /SDBE&F held a meeting for inspection of infrastructure report at KFIC on date 19/06/2023, KFS Board of directors held a meeting at KFIC lead Chairman on 25th and 26th May 2023. Finally participated on led by Appointed Committee from State Department for preparation of Environmental Social Impact Assessment for Ultra-Modern Fish Hub, on date 27th to 28th June 2023.

2. Financial Performance

The financial performance for the period is as shown in Figure 1 below:



A-in-A

During FY 22/23, the Corporation collected revenue totaling to Kshs. 10,475,166.69 which comprises of call deposit interest (Kshs. 1,705,133.56), Fish Offloading charges (Kshs.320,580.00), security charges (Kshs. 6,620,161.79), Hire of conference (Kshs 12,000.00), Quay fees (Kshs. 454,019.00) and Electricity charges (Kshs 750,809.34), Main land parking fees (Kshs 36,400), realization of gain of dollar (Kshs 501,063), Miscellaneous Income (Kshs 75,000.00) As captured in Note 7,9, and 15

Expenditure

During the year under review, the Corporation received a total of Kshs.39.9M as captured in Note 6. total expenditure Kshs. 48,241,239.50 which includes general operating, administrative Kshs 9,293,903.50, personnel emoluments expenses Kshs 15,706,277.00, board expenses Kshs 12,750,981.00and capital expenditure Kshs 10,259,910.00.

Risk Management

In view of the nature of work undertaken by KFIC and the size of its operations, there are risks that are peculiar to the Corporation’s operations. The purpose of Risk Management is to identify such risks early before they mature and develop strategies to mitigate them. The Corporation has undertaken capacity building and training on risk management for staff, management and the Board and each department developed a risk register, which has been incorporated in the quality operating system processes and continues with periodic reviews to incorporate emerging business trends.

Safety, Health, and Environment

Businesses are responsible for achieving good environmental practice and operating in a sustainable manner. The Corporation is therefore committed to reducing environmental impact and continually improving environmental performance as an integral and fundamental part of business strategy and operating methods. It is our priority to encourage our customers, suppliers, and all business associates to do the same. Pleasingly, no fatalities were reported in the Corporation in the reporting financial year.

To ensure safe work practices in compliance with Occupational Safety and Health Act of 2007, the maintenance of appropriate health and safety standards remains a key responsibility of all employees, and the Corporation is committed to the proactive management of health and safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees, customers, and the research premises. The Corporation further continued to develop new research infrastructure, acquire, and modernize its equipment, and devise innovative ideas that will improve and sustain efficiency.

To conserve the environment, the Corporation took part in a beach clean-up activity held on 9 April 2022. The exercise done in **Milele** beach, which was organized by Kenya Association for Women in the Maritime Sector in Eastern and Southern Africa-Kenya Chapter and is aimed at empowering Beach Management Units (BMUs) on mitigation of pollution effects caused by abandoned, lost, or discarded fishing gear.

compliance with statutory requirements

During the 2022/2023, the Corporation complied with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT and Withholding tax within the stipulated deadlines. The Corporation was also in compliance with regulatory requirements including PFM Act 2012, The Public Procurement and Asset Disposal Act, 2015 and the State Corporations Act.

Challenges

Despite the increased Blue Economy research coverage, the Corporation experienced several challenges which include scarce of employee, ageing work force, inability to attract and employ of qualified staff to perform the expanded obligations and roles in the Blue Economy due to low remuneration and climate change.

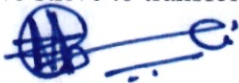
Future Outlook

The Management continually seeks new approaches to enable the operationalize the Corporation that would create more impact on the livelihoods of communities living and create opportunities. The Corporation has also been identified as the clearing house for research in the development of the Blue Economy in the country. Taking advantage of the expanded mandate, the Corporation continues to lobby the government for increased support as an enabler in realization of the Blue Economy exploitation initiatives.

I thank our stakeholders, the Board of Directors, our dedicated and talented staff for their support as well as their effort in making sure the Corporation achieves its goals and objectives. I also appreciate

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our service providers, the national & county governments, and all other stakeholders for their respective contributions to the Corporation during the year. I look forward to continued support as we strive to transform the Blue Economy Sector.



Dr. Mikah O, Nyaberi, PhD
Ag. Chief Executive Officer/KFIC

Date: 29/2/24

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government Entity's performance against predetermined objectives.

KFIC is in the process of developing the strategic plan for the

Key projects and investment decisions the entity is planning/implementing

The following is the major project was and being implemented at the Corporation under the control and supervision of the Parent Ministry.

Project	Objective	Objective	Current status	Funding
Construction of ultra-Modern HACCP compliant tuna fish Processing Hub		Construction of Tuna Fish Hub	Ongoing project	GOK

Over and above being in our annual work plan, the above items have been captured in the Institute's Performance Contract under specific categories such as Financial Stewardship & Discipline, Service Delivery Indicators, Core Mandate, Implementation of Presidential Directives, Access to Government Procurement Opportunities (AGPO), Promotion of Local Content in Procurement, Cross-cutting, Competency Development and Public Awareness.

8. Corporate Governance Statement

Good corporate governance entails establishment and enhancement of sustainable value for stakeholders through adoption of ethically driven procedures and processes. The Board ensures that corporate governance guidelines and best practices are followed, and that all corporate affairs are managed in a fair and transparent manner. In this regard, we believe it is our inherent responsibility to disclose timely and accurate information on our financials and performance as well as leadership and governance of the Corporation. The Board of Directors and KFIC Management remains steadfastly committed to the adoption of corporate governance best practices in support of our vision to provide world-class services that delight our customers, create value and meet stakeholders' expectations. This statement sets out the main corporate governance practices and structures in the Corporation and actions taken towards achievement of our goals.

Board of Management

The KFIC Board of Directors consists of four (4) independent non-executive members appointed by the Parent Ministry Cabinet Secretary and the Chairman by the President on a triennial cycle, Representatives of the National Treasury, State Department for Fisheries, Aquaculture, and the Blue Economy and the Attorney General and the CEO/KFIC who is the Board Secretary. The Board composition draws a good mix of skills, experience, and proficiencies in various fields.

Appointment of the Board

Every appointment for independent non-executive board member shall be by name and by notice in the Kenya Gazette and membership shall cease as set out in the State Corporations Act. To manage succession management, appointments are staggered to ensure there is business continuity in the Board of Directors.

The Board Charter and Manual

The charter defines the Board's roles and responsibilities as well as functions and structures in a way that

supports the members in carrying out their strategic oversight functions. It helps the Board in directing the

Institute to maximize the long-term value of service provided for all stakeholders. The Board manual spells

out important governance arrangements including the following:

- i) Appointment, skills requirement, gender mix and capacity development for Board Members;
- ii) Functions and responsibilities of the Board, the Chairman and the Chief Executive Officer;
- iii) Conduct of Board and Committee meetings;
- iv) Directors' Code of Conduct; and
- v) Terms of reference for all Board Committees

Board work plan and meetings

Dates for Board meetings in the ensuing year are decided in advance and scheduled in the Board's work plan (ALMANAC). The Board meets at least four times in a financial year to monitor and transact the Corporation's business. Board Members receive adequate notice and detailed papers on issues to be discussed in good time to enable them to prepare for the meetings.

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In compliance with the *Mwongozo Code*, the Board of Directors dedicated adequate time and met as required to effectively provide the required leadership. During the year 2022/2023, the Corporation had six (6) regular Board meetings with several committees of the Board meetings.

The attendance of the Board meeting is as indicated below:

Board Member	Role	Full Board No. of Meetings attended	Board Committees			
			Human Resource & Governance No. of Meetings attended	Finance-General & Purpose No. of Meetings attended	Technical and Operational No. of Meetings attended	Audit & Risk Management No. of Meetings attended
Mr. John G. Msafari, FICS, CRG (Gambia)	Chairman	6/6	N/A	N/A	N/A	N/A
Prof. Johnson M Kazungu, PhD	Member	6/6	N/A	N/A	4/4	N/A
Mr. Donald Ajuoga,	Member	6/6	N/A	N/A	4/4	1/1
Hon. Daisy Kanainza Nyongesa	Member	6/6	4/5	3/4	4/4	1/1
Mrs. Delilah K Ngala	Member	6/6	4/5	4/4	3/4	N/A
Mrs. Christine Kanini Ileli	Member	6/6	4/5	3/4	4/4	N/A
Mr. Denis Opiyo	Member	6/6	4/5	4/4	3/4	1/1
Mr. Rashid Imam	Member	6/6	4/5	4/4	4/4	1/1

Board Committees

The Board has three standing committees that assist to effectively discharge various business functions and responsibilities. The Board defines terms of reference under which the respective committees operate. The committees submit reports of their activities to the Board. During the year, the Board established the following committees:

i) Technical and Operations Committee

The Committee is charged with the responsibility of providing policy direction and ensuring that the Institutional Agenda is in line with the Corporate Strategic Plan, and it is linked with the National Development Policies including the Kenya Vision 2030, Big Four Priority Agenda and Third Medium Term Plan. The Committee is also responsible for approving proposed development projects and recommending development functions.

ii) Board Human Resource and Governance Committee

The Committee is responsible for providing policy direction to the Corporation's in human resource and administration matters. The Committee is also responsible for the establishment of the terms and conditions of service and scheme of service for the employees, and making regulations governing the appointments, remuneration, conduct and discipline of Corporation's employees. The committee regularly reviews and evaluates the adequacy and effectiveness of the Corporation's personnel policies. The committee reviews and deliberates on staff matters and provides guidelines in implementing the personnel policies.

iii) Board Finance and General-Purpose Committee

The Committee reviews and approves the Corporation's annual budget, administers the recurrent and development annual budgets, and ensures the budgets are aligned with the government-printed estimates. The Committee deliberates on and approves the Institute's annual report and financial statements. The committee regularly reviews and evaluates the adequacy and effectiveness of the Institute's finance and planning policies.

Board Remunerations

During every Board meeting, members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance, and mileage reimbursement where applicable within government-set limits for state corporations. The Chairman receives a monthly honorarium. Details of member's emoluments during the year are shown on note **twelve (12)** in the notes the financial statements.

Board Evaluation

During the year, the Board carried out a self-evaluation exercise assisted by the State Corporations Advisory Committee (SCAC) who designed and implemented the process. The Board self-evaluation questionnaire was based on the five main principles of the Code, namely: leadership, effectiveness, accountability, training, and relations with stakeholders. The Board identified no material areas for improvement but confirmed the need to address the training, which is currently receiving attention as indicated in the Board work plan.

Board capacity development

Continued training and updates based on skills and competency requirements are conducted to ensure that all directors remain informed. A detailed induction programme is conducted for newly appointed Directors to enhance their understanding of the nature of the Corporation's business, performance, and strategy. Each year, the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, Members attended various capacity-building programs focusing on leadership, governance, finance, and other relevant areas.

Code of Business Conduct & Ethics

KFIC is committed to the highest standards of integrity, behavior, and ethics in dealing with all its stakeholders. The Board has approved a formal code of ethics and is fully implemented to guide the Board, management, employees, and stakeholders on acceptable behavior in conducting business. All Board members and employees are expected to avoid activities and financial interests that could undermine their responsibilities to the Corporation.

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In addition, the Board applies a Conflict-of-Interest policy. A Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and excuse himself or herself from the Board for discussion relating to the matter in question, such conflicts are registered.

Accountability and audit

accounting records showing and explaining the transactions and financial position of the Corporation in compliance with the Public Finance Management Act No.18 of 2012 and the prescribed accounting standards.

The Corporation's Financial Statements are audited by the Office of the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya. The Board in furtherance of its duties, ensures that the process, structure, and internal controls are maintained and adhered to and has internal risk and audit staff to carry out such functions.

9. Management Discussion and Analysis

A. Operational and Financial Performance

During FY 22/23, the Corporation collected revenue totaling to Kshs. 10,475,166.69 which comprises of call deposit interest (Kshs. 1,705,133.56), Fish Offloading charges (Kshs.320,580.00), security charges (Kshs. 6,620,161.79), Hire of conference (Kshs 12,000.00), Quay fees (Kshs. 454,019.00) and Electricity charges (Kshs 750,809.34), Main land parking fees (Kshs 36,400), realization of gain of dollar (Kshs 501,063), Miscellaneous Income (Kshs 75,000.00) As captured in Note 7,9, and 15.

Expenditure

During the year under review, the Corporation received a total of Kshs.**39.9M** as captured in Note 6. total expenditure Kshs. **48,241,239.50** which includes general operating, administrative **Kshs 9,293,903.50**, personnel emoluments expenses **Kshs 15,706,277.00**, board expenses **Kshs 12,750,981.00**and capital expenditure **Kshs 10,259,910.00**.

Compliance with Statutory requirements

During the period, the Corporation complied with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT, and withholding tax within the stipulated deadlines. The Corporation was also in compliance with regulatory requirements including PFM Act 2012, The Public Procurement and Asset Disposal Act, 2015 and the State Corporations Act.

B. Major Risks facing the Corporation

The Board of Directors is responsible for the Corporation risk management. KFIC while Implementing its mandate identified key corporate risks, the associated risk levels, and their mitigation strategies as defined below:

- i. The Corporation shall collaborate with relevant stakeholders, inter-agencies, BMU on investor education and awareness programmes on new Facility/services to support successful implementation and maintain an updated database on necessary reforms and continuously review the rendered services to provide guidance to the relevant stakeholders.

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- ii. Sub-optimal staff capacity - Management secured approvals of the new organization structure by State Corporations Advisory Committee and implementation is ongoing. The Corporation shall also effectively train the staff and align the departmental activities to the corporate activities and projects, while optimizing vacancy ratios and supporting effective learning and development programs.

C. Material arrears in statutory/financial obligations

The Corporation has no statutory arrears and promptly meets all its statutory obligations.

D. Financial probity and serious governance issues

There are no issues of financial improbity reported by Management, any board committee or by external auditors. There are no governance issues and conflicts of interest at the Board or top management of the Corporation are disclosed accordingly when they arise.

10. Environmental and Sustainability Reporting

Kenya Fishing Industries Corporation exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i. Sustainability strategy and profile

The Corporation has set out strategic intent in the performance contract to put all efforts towards contributing effectively and efficiently to the achievement of the national developments agenda as espoused in the Vision 2030, keeping in mind the specific priorities of KFIC.

ii. Environmental performance

The Corporation is fully compliant with the Environmental Management and Coordination Act Cap 387 (EMCA) Revised edition 2012 (1999).

iii. Employee welfare

The Corporation values the welfare of her employee and therefore ensure the safety and compliance with Occupational Safety and Health Act of 2007.

iv. Market place practices-

a) Responsible Supply chain and supplier relations

KFIC values its stakeholders and for suppliers the Corporation always ensures that payments are made in time and information is symmetrical.

b) Responsible marketing and advertisement

Marketing and advertisement are done in compliance with the government set regulations mainly through the Government Advertising Agency.

c) Product stewardship

The Corporation ensures conformity with commitments and standards in the charter as a performance contract target under service delivery; implementation of Citizens' service charter.

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v. Corporate Social Responsibility / Community Engagements

KFIC acknowledges the need to give back to society to promote harmonious relations given the contribution made by surrounding communities in creating a conducive environment for her activities conducted at the Corporation's headquarters in Liwatoni Mombasa. The community comprises fisherfolks who will be the major suppliers of fish and fish products to KFIC. Others include pupils, students, residents, and government and state corporations.

Shimo La Tewa Prison Tree Planting

KFIC undertook a tree planting CSR activity by planting **400** tree seedlings at of diverse species at Shimo La Tewa Prison.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Corporation's affairs.

i) Results

The results of the Corporation for the year ended June 30, 2023, are set out on page 1.

ii) Directors

The members of the Board of Directors who served during the year are shown on page viii - xii.

iii) Auditors

The Auditor-General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Dr. Mikah Nyaberi, PhD
Secretary to the Board

12. Statement of Directors Responsibilities

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

The Directors are responsible for the preparation and presentation of the Corporation financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on 30th June 2023. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Corporation assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility of the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International 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 financial statements give a true and fair view of the state of KFIC's financial transactions during the financial year ended 30th June 2023, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

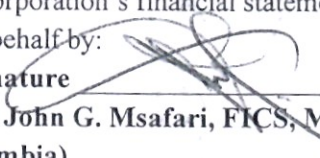
The Directors further confirms the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 31st August 2023 and signed on its behalf by:

Signature


Mr. John G. Msafari, FICS, MIOD (K) CRG
(Gambia)

CHAIRMAN OF THE BOARD - KFIC

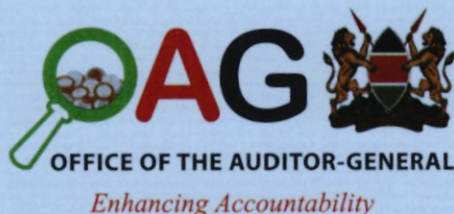
Signature


Dr. Mikah O. Nyaberi, PhD

Ag. CEO – KFIC

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA FISHING INDUSTRIES CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya Fishing Industries Corporation set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kenya Fishing Industries Corporation as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the State Corporations Act, Cap 446 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,852,929. However, Note 16 to the financial statements reflects cash and cash equivalents balance of Kshs.64,735,764 resulting to unreconciled variance of Kshs.61,882,835. In addition, the balance was not supported with bank reconciliations and certificates of bank balance.

Further, the cash and cash equivalents balance of Kshs.64,735,764 reflected in Note 16 to the financial statements includes Kshs.63,605,980 held in a development account for retention funds. However, Management did not provide the supporting ledger showing the movement in the retention funds during the year.

In the circumstances, the accuracy of the cash and cash equivalents of Kshs.2,852,929 could not be confirmed.

2. Unexplained Variances

2.1 Interest on Call Deposit

The statement of financial performance reflects finance income of Kshs.2,206,197 which includes interest on cash investment and fixed deposits of Kshs.1,705,134 as reflected in Note 9 to the financial statements. However, review of bank statements revealed interest received on cash investment and fixed deposits of Kshs.1,024,917 resulting to an unreconciled variance of Kshs.680,217.

In the circumstances, the accuracy of finance income of Kshs.2,206,197 could not be confirmed.

2.2 Remuneration and Board Allowances

The statement of financial performance and Note 12 to the financial statements reflects an expenditure of Kshs.12,750,981 on board allowances. However, the supporting

schedule reflected an expenditure of Kshs.12,370,005 resulting to an unexplained variance of Kshs.380,976.

In the circumstances, the accuracy of board expenses of Kshs.12,750,981 could not be confirmed.

3. Payment of Daily Subsistence Allowances to Non-Staff

The statement of financial performance and Note 11 to the financial statements reflects employee costs of Kshs.15,706,277 which includes an expenditure of Kshs.3,089,100 in respect of daily subsistence allowances paid to officers from the State Department for Blue Economy and Fisheries who were engaged in various activities at the Corporation. However, the payments were not supported with approvals from the State Department and confirmation that the officers were not paid the same allowances by the State Department. In addition, the expenditure was incorrectly classified under employee costs instead of use of goods and services as required by the Annual Financial Report Template (Revised June, 2023) issued by the Public Sector Accounting Standards Board.

In the circumstances, accuracy and regularity of the allowances amounting to Kshs.3,089,100 paid to the officers of the State Department for Blue Economy and Fisheries could not be confirmed.

4. Unsupported Net Assets

The statement of financial position reflects total net assets balance of Kshs.28,412,310. However, the statement of changes in net assets reflected nil balance of total net assets.

In the circumstances, the accuracy of total net assets balance of Kshs.28,412,310 reflected in the statement of financial position could not be confirmed.

5. Format and Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets was not prepared in the format prescribed in the Annual Financial Reporting Template (Revised June, 2023), issued by the Public Sector Accounting Standards Board. The statement did not include the relevant columns including retained earnings and capital/development grant fund. As result the surplus for the year of Kshs.11,267,001 reflected in the statement of financial performance was not included in the statement of changes in net assets. The capital expenditure of Kshs.10,259,910 spent in acquisition of assets during the year was also not reflected in the statement.

In the circumstances, the accuracy of balances reflected in the statement of changes in net assets and the total assets and liabilities balance of Kshs.33,502,025 reflected in the statement of financial position could not be confirmed.

6. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment and intangible assets of Kshs.10,259,910 and Nil balance of cash and cash equivalents at the

beginning of the year under review. In addition, the statement of comparison of budget and actual amounts reflects capital expenditure budget and actual capital expenditure of Kshs.11,920,000 and Kshs.10,259,910 respectively. The amount received to finance the capital expenditure was not disclosed in the statement of cash flows under investing activities.

Further, the statement of cash flows reflects purchase of property, plant and equipment and intangible assets of Kshs.10,259,910 and Nil inflows for investing activities resulting to net cash flow from investing activities of negative Kshs.10,259,910. However, net cash flow from investing activities was disclosed at Kshs.2,108,585 resulting to unreconciled variance of Kshs.12,368,495.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.2,852,929 as 30 June, 2023 reflected in the statement of cash flows and statement of financial position could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unexplained Over Expenditure

The statement of financial performance and Note 12 to the financial statements reflects board expenses of Kshs.12,750,981. However, the approved budget for board expenses was Kshs.9,007,879 as reflected in the statement of comparison of budget and actual amounts, resulting to an unexplained over expenditure of Kshs.3,743,102. This was

contrary to Regulation 43(2) of the Public Finance Management (National Government) Regulations, 2015 which provides that National Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

In the circumstances, Management was in breach of the law.

2. Irregular Expenditure on Remuneration of Directors

The statement of financial performance and Note 12 to the financial statements reflects board expenses of Kshs.12,750,981. During the year under review, an officer from the State Department for Blue Economy and Fisheries was paid a total of Kshs.750,969 as sitting allowances, accommodation and mileage expenses for attending board meetings as a representative from the Office of the Principal Secretary of the State Department. However, Management did not provide an appointment letter to confirm that the Officer was appointed as an alternate Director representing the Principal Secretary.

Further, the board expenses of Kshs.12,750,181 includes an amount of Kshs.692,873 paid as sitting, accommodation and mileage allowance to five members of the Board while attending an induction workshop in Naivasha from 24 to 26 April, 2023. However, the payment vouchers were not supported with signed attendance register to confirm attendance.

In the circumstances, the regularity of board expenses amounting to Kshs.1,443,842 could not be confirmed.

3. Lack of an Operational Strategic Plan

The Corporation did not have an approved strategic plan. This was contrary to Section 68(2)(g) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the National Government.

In the circumstances, Management was in breach of the law.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Report on Effectiveness of

Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Board Charter

The Corporation did not have an approved Board Charter in place outlining the roles, responsibilities, and operating procedures of the Board of Directors, posing high risk of poor governance and lack of accountability. This was contrary to Section 1.11 of the Code of Governance for State Corporations (Mwongozo), 2015, which states that, the Board should develop and adopt a Board Charter.

In the circumstances, it was not possible to confirm the effectiveness of governance structures in the Corporation.

2. Lack of Approved Risk Management Policy

The Corporation did not have a risk management policy in place to help in identifying, assessing, and mitigating risks to safeguard the achievement of its strategic objectives, thus exposing the Corporation to ineffective risk management. This was contrary to Regulation 165(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall ensure that the National Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm existence of effective risk management systems in the corporation.

3. Lack of Approved Board Committees Charter

During the year under review, the Corporation established four Board Committees namely Finance and General Purpose, Human Resource and Governance, Technical and Operations, and Audit and Risk Management. However, except for the Audit and Risk Management committee the other committees did not have an approved board charter. This was contrary to Paragraph B2 of the Head of Public Service Circular Ref. No. OP/CAB/1A dated 11 March, 2020, that provides that each Board Committee should have a charter that outlines its roles and responsibilities as guided by State Corporations Advisory Committee.

In the circumstances, it was not possible to confirm the existence of effective governance structures in the Corporation.

4. Weak Internal Controls on Revenue Management

The statement of financial performance and Note 7 to the financial statements reflects revenue from rendering of services amounting to Kshs.8,268,970. The revenue was collected through cash receipts, direct banking and mobile money transfers whereby

manual receipts were issued. Two (2) receipt books were indicated to have been used during the year under review. However, counter foil receipt book register was not maintained to ensure control and accountability of receipt from suppliers, issuance and surrender of receipt books by revenue collectors. In addition, cash control sheets were not maintained to confirm whether collections were surrendered promptly.

Further, the receipt books used to collect revenue indicated fishing vessels that had called to port at the Corporation's berth. However, the fish landing report did not indicate the purpose of the port call in order to confirm the accuracy of the charges levied.

In the circumstances, the effectiveness of internal controls and risk management on revenue management could not be confirmed.

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

Responsibilities of Management and Board of Directors

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

14. Statement of Financial Performance for the year ended 30 June 2023

Description	Notes	22/23FY	21/22 FY
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other government entities	6	39,999,999.70	-
Levies, Fines, and penalties		-	-
Public contributions and donations		-	-
Property taxes revenue		-	-
Licenses and permits		-	-
		39,999,999.70	-
Revenue from exchange transactions			
Rendering of services	7	8,268,970.13	-
Sale of goods	-	-	-
Rental revenue from facilities and equipment	9	-	-
Finance income (Call Deposit Interest and exchange gain)	9&15	2,206,196.56	-
Other income	-	-	-
Total revenue		50,475,436.39	-
Expenses			
Use of goods and services	10	9,293,903.50	-
Employee costs	11	15,706,277.00	-
Board Expenses	12	12,750,981.00	-
Depreciation and amortization expense	13	125,612.00	-
Repairs and maintenance	14	230,038.00	-
Contracted services	-	-	-
Grants and subsidies	-	-	-
Finance costs	-	-	-
Total expenses		38,106,941.50	-
Other gains/(losses)			
Gain/Loss on sale of assets	-	-	-
Gain/Loss on foreign exchange transactions	-	-	-
Gain /Loss on fair value of investments	-	-	-
Impairment loss	-	-	-
Surplus/ (deficit) before tax		12,368,494.89	-
Taxation	-	-	-
Surplus/(deficit) for the period/year		12,368,494.89	-
Remission to SDBE&F	20	1,101,493.50	-
Net Surplus for the year		11,267,001.39	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-


Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

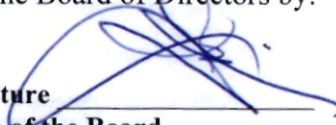
Description	Notes	22/23FY	21/22 FY
		Kshs	Kshs
Surplus attributable to owners of the controlling Entity		-	-
		-	-

The notes set out on pages 7 to 20 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Signature 
Ag. Chief Executive Officer
Dr. Mikah O. Nyaberi, PhD

Signature 
Ag. HOD Finance & Accounting
 Name: CPA Monica Nkatha
 ICPAK Mbr No 24649

Signature 
Chairman of the Board
Mr. John G. Msafari, FICS,
MIoD (K) CRG (Gambia)

Date: 29/2/24

Date: 29/02/24

Date: 29th February 2024

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

15 Statement of Financial Position as at 30 June 2023

	Notes	22/23 FY	21/22 FY
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	-	2,852,929.45	-
Receivables from Exchange Transactions	-	-	-
Receivables from Non-Exchange Transactions	17	20,514,797.20	-
Inventories		-	-
Investments in financial assets	-	-	-
Total Current Assets		23,367,726.65	-
Non-Current Assets			
Property, Plant and Equipment	18	10,134,298.00	-
Investments	-	-	-
Intangible Assets	-	-	-
Investment Property	-	-	-
Receivables from Exchange Transactions	-	-	-
Total Non- Current Assets		10,134,298.00	-
Total Assets		33,502,024.65	-
Liabilities			
Current Liabilities			
Trade and Other Payables	19	5,089,714.74	-
Refundable Deposits from Customers	-	-	-
Current Provision	-	-	-
Finance Lease Obligation	-	-	-
Current Portion of Borrowings	-	-	-
Deferred Income	-	-	-
Employee Benefit Obligation	-	-	-
Social Benefits	-	-	-
Taxation	-	-	-
Total Current Liabilities		5,089,714.74	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	-	-	-
Non-Current Provisions	-	-	-
Borrowings	-	-	-

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

	Notes	22/23 FY	21/22 FY
		Kshs	Kshs
Service Concession Liability	-	-	-
Social Benefits	-	-	-
Deferred Tax Liabilities	-	-	-
Total Non- Current Liabilities		-	-
Total Liabilities		5,089,714.74	-
Net Assets			
Reserves		-	-
Accumulated Surplus		-	-
Capital Fund		-	-
Total Net Assets		28,412,309.91	-
Total Net Assets and Liabilities		33,502,024.65	-


The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Signature 
Ag. Chief Executive Officer
Dr. Mikah O. Nyaberi, PhD

Date: 29/2/24

Signature mta
Ag. HOD Finance & Accounting
 Name: CPA Monica Nkatha

ICPAK Mbr. 24649
 Date: 29/02/24

Signature 
Chairman of the Board
Mr. John G. Msafari, FICS,
MIoD (K), CRG (Gambia)

Date: 29th February 2024

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Depreciation	Donations Reserve	Reval. Reserve	TOTAL
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2022		-	-	-
Additions		-	-	
Depreciation/Amortization in the year	125,612.00	-	-	125,612.00
Surplus for the period		-	-	-
Balance as at 30 June 2023		-	-	-

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	22/23 FY	21/22 FY
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities (SDBE&F)	6	39,999,999.70	-
Levies, fines, and penalties	-	-	-
Public contributions and donations	-	-	-
Property taxes revenue	-	-	-
Licenses and permits	-	-	-
Rendering of services	7	8,268,970.13	-
Sale of goods	-	-	-
Rental revenue from facilities and equipment	8	-	-
Finance income call deposit interest & Gain on exchange)	9&15	2,206,196.56	-
Other income		-	-
Total receipts		50,475,436.39	-
Payments			
Use of goods and services	10	9,293,903.50	-
Employee costs	11	15,706,277.00	-
Board Expenses	12	12,750,981.00	-
Repairs and maintenance	14	230,038.00	-
Contracted services		-	-
Grants and subsidies		-	-
Total payments		37,981,329.50	-
Net cash flows from/(used in) operating activities	-	12,368,494.89	-
Cash flows from investing activities			
Purchase of PPE and Intangible assets	18	(10,259,910.00)	(-)
Proceeds from sale of PPE		-	-
Purchase of investments		(-)	(-)
Sale of investments		-	-
Net cash flows from/(used in) investing activities		2,108,584.89	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Proceeds from issue of shares		-	-
Net cash flows from financing Activities		-	-

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

	Notes	22/23 FY	21/22 FY
		Kshs	Kshs
Net increase/(decrease) in cash & Cash equivalents		2,108,584.89	(-)
Cash and cash equivalents at 1 July 2022	20	744,344.56	-
Cash and cash equivalents at 30 June23		2,852,929.45	-

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	40,000,000	-	40,000,000	39,999,999.70	(0.30)	99.9%
Levies, Fines and Penalties	-	-	-	-	-	0%
Public Contributions and Donations	-	-	-	-	-	0%
Property Taxes Revenue	-	-	-	-	-	0%
Licenses and permits	-	-	-	-	-	0%
Rendering of Services	8,000,000	1,500,000	9,000,000	8,268,970.13	(731,029.87)	92%
Sale of Goods	-	-	-	-	-	0%
Rental Revenue from Facilities and Equipment	-	-	-	-	-	0%
Finance Income	2,500,000	500,000	3,000,000	2,206,196.56	(793,803.44)	74%
Agency Income	-	-	-	-	-	0%
Other Income	-	-	-	-	-	0%
Total Income	50,000,000	2,000,000	52,000,000	50,475,436.39	(1,524,563.61)	97%
Expenses						
Use of Goods and Services	14,386,621	1,541,000	15,927,621	9,293,903.50	1,918,292.5	93%
Employee costs	5,564,500	11,000,000	14,564,500	15,706,277.00	3,010,549.0	34%
Remuneration of Directors	6,628,879	2,379,000	9,007,879	12,750,981.00	(3,180,133.00)	135%
Repairs and Maintenance	2,500,000	(2,000,000)	500,000	230,038.00	269,962.0	46%
Contracted Services	-	-	-	-	-	0%
Grants and Subsidies	-	-	-	-	-	0%
Total Expenditure	29,080,000	10,000,000	39,080,000	37,981,329.50	1,098,670.50	97%
Surplus for the period	10,920,000	8,000,000	11,920,000	10,259,910.00	-	86%
Capital Expenditure	10,920,000	2,000,000	11,920,000	10,259,910.00	-	34%

19. Notes to the Financial Statements

1. General Information

The Kenya Fishing Industries Corporation is a body corporate established under the State Corporation Act, of 2018 (Legal Notice No. 214 and 110). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

The mandate of the KFIC is to exploit fishery resources in the Kenya fishery waters and high seas by promoting the establishment, development and efficiency of businesses engaged in fishing and fishing-related activities.

Board of Directors

The Board of Directors were appointed on **4th October, 2021** and **28th October 2021** and all board members are active to their functions and execute the responsibilities.

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 proper judgement in the process of applying KFIC accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of KFIC. The financial statements have been prepared in accordance with the PFM Act, the State Corporations 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

The International Public Sector Accounting Standards Board (IPSASB) has published the following new and amended standards that were originally to be effective on 1 January 2022 but were subsequently delayed and are now effective from 1 January 2023:

- **IPSAS 41 – Financial Instruments and subsequent amendment.** This standard will replace the existing IPSAS 29 – Financial Instruments and sets out new requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. This standard had no impact on KFIC’s annual financial statements.
- **IPSAS 42 – Social Benefits.** This standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. KFIC does not foresee a significant impact on the annual financial statements resulting from this standard.
- **Amendments to IPSAS 5** provides clarification on what constitutes borrowing costs; **Amendments to IPSAS 30** provides illustrative examples on how items designated as hedged items might be disclosed

Notes to the Financial Statements (Continued)

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

credit risk disclosures as well in an entity's financial statements while **Amendments to IPSAS 30**, provides guidance the relevant disclosures that may be included when accounting for financial guarantee contracts. **Amendments to IPSAS 33** provides the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. These amendments had no impact on KFIC's annual financial statements.

- **IPSAS 39 – Employee Benefits.** The amendments delete the term composite social security benefits as it is no longer defined in IPSAS. These amendments had no impact on KFIC's annual financial statements.

ii. New and amended standards and interpretations in issue but not effective in the year ended 30 June 2023.

The International Public Sector Accounting Standards Board (IPSASB) has published the following new and amended standards that were originally to be effective on 1 January 2025.

- **IPSAS 43 -** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. These amendments had no impact on KFIC's annual financial statements.
- **IPSAS 44 -** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such
- assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be
- presented separately in the statement of financial performance. These amendments had no impact on KFIC's annual financial statements.

iii. Early adoption of standards

KFIC has adopt a new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Fees, taxes and fines

The *Corporation* recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

Kenya Fishing Industries Corporation
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Transfers from other government entities

The actual transfer from other government entities Kshs 40,000,000 which was received from State Department of the Blue Economy and Fisheries as GOK. An Authority to Incur Expenditure was issued to KFIC by the Permanent Secretary SDBE& F.

ii) Revenue from exchange transactions

Rendering of Services

The main contributor to this revenue stream is the Security charges, quay fees, Electricity charges, hire of conference, Main land parking fees, Miscellaneous Income, the realization of gain on exchange of dollars and fish offloading charges from fishing vessels docking at the jetty of Liwatoni in 2022/2023, the Corporation achieved this A in A target due to security charges from vessels at Liwatoni Fishing Port.

Rental revenue from facilities

The year under review, the corporation had no collection of Ain A under rental revenue

Interest income

The Corporation Finance department increased efforts has resulted in more opportunities by depositing retained funds for retention in call deposit for generation of AIA. The funds were deposited at negotiable interest rate.

b) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly on June 2022. Subsequent revisions or additional appropriations, if need be, will be made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations will be added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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 on page 1 of these financial statements.

c) Taxes

KFIC is established under the State Corporation Act, of 2018 (Legal Notice No. 214 and 110) and is fully funded by the exchequer

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically

Kenya Fishing Industries Corporation
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evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

d) Property, plant and equipment

- i. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.
- ii. Full depreciation is charged on assets in the year of purchase, and none is made in the year the assets are disposed. Depreciation charge for leasehold land is apportioned evenly over the lease period. No depreciation is charged on freehold land and as it is deemed to have an indefinite life.
- iii. Property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance

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sheet date. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

- iv. Motor vehicles that have a book value of less than Kshs. 100,000 are not depreciated.
- v. Depreciation on property, plant, and equipment is calculated on a straight-line basis to write down the cost of the assets to their residual values over their estimated useful life. The estimated assets useful lives and rates used are as shown below:

Asset Description	Estimated useful life in years	Rate % or apportionment
Leasehold Land	99	Apportioned evenly over the lease period
Buildings	40	2.5%
Plant & Lab Equipment	8	12.5%
Research Vessels	8	12.5%
Motor Vehicles	4	25%
Furniture, Fittings & Office Equipment	8	12.5%
Computers	3.33	30%
Library Books	5	20%
Computer Software	3.33	30%

e) Intangible assets

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

f) development costs

The Corporation had utilized this capital expenditure by finalizing the payment of Motor Vehicle **KDK 387P** and some of the capital items were still in the procurement process as at the close of the FY.

In additional, the procurement process of the capital expenditure on the Ultra-Modern Tuna Fish Hub project is usually done at state department level. In cases where the awards were given, the payment of contractors are just forwarded by Parent Ministry to Corporation Development account for payment. During the period of review **Kshs 63.6 Million funds retained as a retention for the contractor (MS Ceer processing Ltd)** under KFIC Development account.

g) Provisions

Provisions are recognized when KFIC has 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 Entity 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.

Kenya Fishing Industries Corporation
Annual Report & Financial Statements for The Period Ended 30 June 2023

h) Contingent liabilities

KFIC 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.

I) Contingent assets

KFIC 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 Entity 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.

J) Foreign currency transactions

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

a) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity or vice versa. Members of key management are regarded as related parties and comprise the members of the Board of Directors/Ag. CEO.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at the 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 an insignificant risk of changes in value. Bank account balances include amounts

b) Comparative figures

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

c) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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. State all judgements, estimates and assumptions made.

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

Kenya Fishing Industries Corporation

Annual Report & Financial Statements for The Period Ended 30 June 2023

liabilities within the next financial year, are described below. The Corporation 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Transfers from Other Government entities

Description	22/23 FY	21/22 FY
	KShs	KShs
Unconditional Grants		
Operational Grant	39,999,999.70	-
Conditional grants (Recurrent grants)	39,999,999.70	-
Other Grants	-	-
Total Government Grants	39,999,999.70	-

Notes to the Financial Statements (Continued)

Levies, Fines and Penalties

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Fuel Levy	-	-
Other Levies (Specify)	-	-
Fines	-	-
Penalties	-	-
Total	-	-

7. Rendering of Services

The revenue collected is generated from various sources i.e. Security charges, quay fees, Electricity charges, hire of conference, Main land parking fees, Miscellaneous Income, the realization of gain on exchange of dollars and fish offloading charges from fishing vessels docking at the jetty of Liwatoni

Description	22/23 FY	21/22 FY
	KShs	KShs
Security Charges	6,620,161.79	-
Fish Offloading Charges	320,580.00	-
Electricity Charges	750,809.34	-
Quay fees	454,019.00	-
Conference fees	12,000.00	-
Main land parking fees	36,400.00	-
Miscellaneous Income	75,000.00	-
Total Revenue from the Rendering of Services	8,268,970.13	-

8. Rental Revenue from Facilities and Equipment

Description	22/23 FY	21/22 FY
	KShs	KShs
Operating Lease Revenues	-	-
Staff Houses	-	-
Contingent Rentals	-	-
Total Rentals	-	-

9. Finance Income

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Cash investments and fixed deposits	1,705,133.56	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-

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Interest from outstanding debtors	-	-
Total finance income	1,705,133.56	-

(this is the revenue generated from call deposit as an accumulated interest from funds retained as retention)

10. Use of Goods and Services

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Electricity Expenses	1,357,196.00	-
Water and Sewerage Expense	208,888.00	-
Gas Expenses	4,350.00	-
Telephone, fax and email	223,000.00	-
Internet Connection	15,600.00	-
Courier and postal Services	22,161.00	-
Publishing and Printing	203,300.00	-
Advertising, Awareness and publicity	813,352.00	-
Trade, shows and Exhibitions	34,500.00	-
Training Expenses	160,800.00	-
Catering services	498,162.70	-
Conference, Seminar & Workshop	2,141,391.00	-
Purchase of Uniforms and Cloth	39,000.00	-
Computer supplies & Accessories	141,700.00	-
Refines fuel and & lubricants for Transport	968,487.00	-
Bank charges	30,500.00	-
Contracted guards and cleaning Services	2,203,015.80	-
Licencing Fee - Drivers	3,500.00	-
Supplies for production	225,000.00	-
Total use of Goods & Services	9,293,903.50	-

11. Employee Costs

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Salaries and wages	473,631.00	-
Employer contribution to health insurance schemes	-	-
Employer contribution to pension schemes	-	-
Travel, accommodation, subsistence, & other allowances	15,232,646.00	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Gratuity	-	-
Other employee related costs *	-	-

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Employee costs	15,706,277.00	-
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Note: The cost of employees includes domestic and foreign substantive allowance, travel cost, basic, acting and wages allowance.

12. Board Expenses

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Chairman/Directors' Honoraria	1,314,500.00	-
Sitting Allowances	3,760,000.00	-
Medical Insurance	471,170.00	-
Induction and Training	480,000.00	-
Travel and Accommodation	6,662,453.00	-
Other Allowances	62,858.00	-
Total	12,750,981.00	-

13. Depreciation and Amortization Expense

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Motor Vehicles	-	-
Furniture and Fittings	4,948	-
Computers	120,664	-
Plant and Equipment	-	-
Total depreciation and amortization	125,612	-

14. Repairs and Maintenance

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Motor Vehicles	153,280.00	-
Furniture and fittings	22,000.00	-
Computers and Accessories	3,000.00	-
Biodigester	51,758.00	-
Total Repairs and Maintenance	230,038.00	-

15. Gain/Loss on foreign exchange transactions

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Gain on foreign exchange transactions	501,063.00	-
Loss on foreign exchange transactions	(-)	(-)
Total Gain/Loss	501,063.00	-

16. Cash and Cash Equivalents

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Current Account		-
Recurrent a/c	100,412.30	-

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Revenue Account -Kshs	1,029,371.89	-
Revenue Account –USD	-	-
Development account	63,605,979.95	-
Development account –Call Deposit (accumulative interest)		
Others (Specify)	-	-
Total Cash and Cash Equivalents	64,735,764.14	-

b. Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	22/23 FY	21/22 FY
		Kshs	Kshs
a) Current Account			
NBK-Recurrent a/c	01071242828000	100,412.30	-
NBK- Revenue Account -Kshs	01071242828400	1,029,371.89	-
NBK- Revenue Account -USD	02071242828400	-	-
NBK-Development account	01071242828200	63,605,979.95	-
Sub- Total		64,735,764.14	-
b) On - Call Deposits			
National Bank of Kenya		-	-

Note: The procurement process of the capital expenditure on the Ultra-Modern Tuna Fish Hub project is usually done at the State Department level. In cases where the awards were given, the payment of contractors is just forwarded by the Parent Ministry to the Corporation Development account for payment.

During the period of review **Kshs 63,605,979.95** funds in the KFIC Development account as at 30th June 2023 relate to the balance of funds to be paid to contractor has retention funds on behalf of the State Department.

17. Receivables from Exchange Transactions

(a) Trade and Receivables

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Receivables		
MV Mfalme (Security Charges)	1,918,098	-
Mv Horakhty (Security Charges)	5,290,578	-
Mv Horakhty- (Electricity Charges)	6,320,872	-
Mv Ocean Eagle (Security Charges)	1,988,358	-
Mv Ocean Eagle (Electricity Charges)	978,019.20	-
Mv Ocean Sniper (Security Charges)	428,586	-
MV Miss Jane (Security Charges)	962,562	-
Mv Jonas (Security Charges)	1,278,732	-
MV Seamar II (Security Charges)	1,348,992	-
Total Current Receivables	20,514,797.20	-

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

asset	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Plant And Equipment	Total
		2.5%	25%	12.5%	30%	20%	12.50	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2022	-	-		-	-	-	-	-
As at 30th June 2022	-	-	-	-	-	-	-	-
Additions purchase during 22/23FY	-	-	8,344,600	950,000	965,310	-	-	10,259,910
Disposals	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2023	-	-	8,344,600	950,000	965,310	-	-	10,259,910
Depreciation	-	-	-	(4,948)	(120,664)	-	-	(125,612)
Depreciation on Revalued assets	-	-	-	-	-	-	-	-
Depreciation on donated assets	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2023	-	-	-	(4,948)	(120,664)	-	-	(125,612)
NET BOOK VALUE								
As at 30 June 2023	-	-	8,344,600	945,052	844,646	-	-	10,134,298
As at 30 June 2022	-	-	-	-	-	-	-	-

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Note on Purchase of motor vehicle

No depreciation charged due the motor vehicle was delivered at 30th June 2023,

Property plant and Equipment includes the following assets:

	Cost or valuation	Normal annual depreciation charge
Motor Vehicles	8,344,600	-
Furniture and Fittings	950,000	4,948
Computers	965,310	120,664
Plant and Equipment	-	-
Total asset	10,259,910	125,612

19. Trade and Other Payables

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Recenent Investment ltd (General office supply)	325,600.00	-
Pago airways services Ltd (Domestic Travel cost)	252,746.00	-
Silver Africa Travel Safaris (Domestic Travel cost)	578,880.00	-
Modik Supply Ltd (Water and sewerage exp)	183,600.00	-
North Coast Beach Hotel (Hospitality and Conference)	241,500.00	-
North Coast Beach Hotel (Hospitality and Conference)	49,000.00	-
Yehu Solutions Ltd (Uniform and Clothes)	420,000.00	-
Homelight Enterprises (Sanitary & Cleaning exp)	121,850.00	-
Isuzu East Africa Ltd (Purchase of Motor Vehicle)	2,727,400.00	-
Monthly salary of June of Contracted officers (Salary)	77,550.74	-
Board of Directors millage arrears (From 01/07/22 to 30/06/23)	111,588.00	-
Total liability	5,089,714.74	-

20. Remission to the SDBE&F

Description	Source of income	22/23 FY	21/22 FY
		Kshs	Kshs
Mv.New Found land Alert	Fish offloading Charges	60,890.00	-
Mv.Ocean Shinper	Fish offloading Charges	99,984.00	-
Mv.New Found land Alert	Fish offloading Charges	82,140.00	-
MV. Jonas, Miss Jane and Seamar	Electricity charges receipt for FY 2021/22	747,279.50	-
Master Derrick Contractor	other income	75,000.00	-
Coast Cranes Ltd	parking fee	36,200.00	-

Kenya Fishing Industries Corporation**Annual Report & Financial Statements for The Period Ended 30 June 2023**

Description	Source of income	22/23 FY	21/22 FY
		Kshs	Kshs
Total Remission to the SDBE&F		1,101,493.50	-

Kenya Fishing Industries Corporation

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20. Balance brought forward at the Beginning of FY

Description	22/23 FY	21/22 FY
	Kshs	Kshs
Balance c/f at the beginning as at 01.07.2022 under the recurrent	1,226.10	
Balance c/f at the beginning as at 01.07.2022 under Revenue a/c (USD) (117.83*6,306.70)	743,118.46	-
Balance c/f at the beginning as at 01.07.2022 under Revenue	-	-
Total Balance brought forward at start of the 1st July 2022	744,344.56	-
Others(specify)		-
Balance c/f at the beginning as at 01.07.2022 under Development account (payment for contractor and retained funds as retention for the on-going project for the ultra-modern fish hub financed by the Parent Ministry)	169,313,236.87	-
Total Balance brought forward at start of the 1st July 2022	169,313,236.87	-

21. Events after the Reporting Period

No event has occurred

22. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Mining, Blue Economy and Maritime Affairs. Its ultimate parent is the Government of Kenya.

23. Currency

The financial statements are presented in Kenya Shillings (Kshs)

20: Appendix I: Inter-entity Transfers


KENYA FISHING INDUSTRIES CORPORATION				
Breakdown of Transfers from the State Department for the Blue Economy and Fisheries				
FY 2022/2023				
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs)	FY to which the Amounts Relate
1	Recurrent Grants	18.08.2022	3,333,333.00	2022/2023
2	Recurrent Grants	22.09.2022	3,333,333.00	2022/2023
3	Recurrent Grants	22.11.2022	3,333,333.40	2022/2023
4	Recurrent Grants	03.12.2022	3,333,333.40	2022/2023
5	Recurrent Grants	30.12.2022	3,333,333.40	2022/2023
6	Recurrent Grants	30.12.2022	3,333,333.40	2022/2023
7	Recurrent Grants	01.02.2023	3,333,333.30	2022/2023
8	Recurrent Grants	24.03.2023	3,333,333.20	2022/2023
9	Recurrent Grants	14.04.2023	3,333,333.40	2022/2023
10	Recurrent Grants	06.06.2023	3,333,333.40	2022/2023
Grand Total			39,999,999.70	

Kenya Fishing Industries Corporation

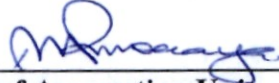
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KENYA FISHING INDUSTRIES CORPORATION				
Breakdown of Transfers from the State Department for the Blue Economy and Fisheries				
FY 2022/2023				
B.	Development Grants	Bank Statement Date	Amount (KShs)	FY to which the Amounts Relate
1	Development Grants	30.06.2023	202,000,000.00	2022/2023
Grand Total			202,000,000.00	

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

Sign 

Dr. Mikah O. Nyaberi, PhD
Ag. CEO -KFIC

Sign: 

Head of Accounting Unit
State Department for the Blue
Economy and Fisheries.

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21. Appendices: Recording of Transfers from other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount KES	Where Recorded/recognized					Total Transfers during the annual
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
SDBE&F	18.08.2022	Recurrent	3,333,333.00	3,333,333.00					3,333,333.00
SDBE&F	22.09.2022	Recurrent	3,333,333.00	3,333,333.00					3,333,333.00
SDBE&F	22.11.2022	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
SDBE&F	03.12.2022	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
SDBE&F	30.12.2022	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
SDBE&F	30.12.2022	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
SDBE&F	01.02.2023	Recurrent	3,333,333.30	3,333,333.30					3,333,333.30
SDBE&F	24.03.2023	Recurrent	3,333,333.20	3,333,333.20					3,333,333.20
SDBE&F	14.04.2023	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
SDBE&F	06.06.2023	Recurrent	3,333,333.40	3,333,333.40					3,333,333.40
Total			39,999,999.701	39,999,999.70					39,999,999.70,

