

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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REPORT 08 APR 2025

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TABLED
BY:

Hon. Naomi Wago MP
Deputy Majority Party Whip

OF
THE TABLE:

Halima Ahmed



THE AUDITOR-GENERAL

ON

COMMODITIES FUND

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



Commodities Fund



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

BOT	Board of Trustees
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
COMFUND	Commodities Fund
GDP	Gross Domestic Product
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
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 FUND INFORMATION AND MANAGEMENT

(a) Background information

The Commodities Fund (ComFund) is an agency under the Ministry of Agriculture and Livestock Development. It was established under section 9 of the Crops Act of 2013 (Amended in May 2016) and operationalized on 1st August 2014. It is the successor of the Coffee Development Fund and the Sugar Development Fund. ComFund is domiciled in Kenya and has seven regional offices located in Meru, Embu, Nyeri, Kericho, Bungoma, Eldoret and Mombasa.

During the period under review, the Board of Trustees ran the affairs of the ComFund. The Board is appointed in line with requirements of the Crops Act 2013, Section 9(3) amended in May 2016). The Managing Trustee is the Secretary to the Board and Chief Executive Officer of the ComFund. The Managing Trustee is supported by a team of managers comprising of Credit, Finance, Legal and ICT. Others include Planning and Strategy, Human Resource, Supply Chain, Corporate Communications and the Internal Audit.

(b) Principal Activities

The purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

The mission of the ComFund is to provide affordable and accessible credit for development of crops sub-sector. Arising from the mandate, the objectives of the ComFund are:

- Mobilize resources from the government and development partners for onward lending to farmers.
- Develop loan products for scheduled crops as per Crops Act, 2013.
- Provide credit and Advances for all scheduled crops and subsequently collect repayments arising from disbursed credit facilities.
- Facilitate capacity building of farmers.
- Facilitate price stabilization for scheduled crops.

(c) Key Management

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

- i) The Board of Trustees comprising of three committees namely;
 - a) Finance, Human Resources and General Purpose Committee,
 - b) Credit & Business Development Committee
 - c) Audit, Risk & Governance Committee.
- ii) The Managing Trustee who is the Chief Executive and Secretary to the Board.
- iii) The Management team comprising of the Managing Trustee and nine heads of departments and sections.

No.	Designation	Name
1.	Chairman – from 10 th February 2023	Mr. Duke Mainga Ondiba Echate
2.	Independent Trustee-Retired on 4 th January 2024	Dr. Hon Julius Kipyegon Kones
3.	Independent Trustee	Ms. Jane Likimani Gachanja
4.	Independent Trustee	Ms. Mary Basweti Nyachae
5.	Independent Trustee	Mr. Yunis Ibrahim Sheikh
6.	Independent Trustee	Ms. Edith Wanjiku Kimani
7.	Alternate Director of the Cabinet Secretary- Retired on 3 rd October 2023	Ms. Alice Kwamboka Nyariki, OGW
8.	Alternate Director to the Principal Secretary, State Department for Crop Development, MoALD	Mr. Badu Sora Katelo
9.	Alternate Director of the Cabinet Secretary- Joined in June 2024	Ms. Winne Narasha Molonko

(d) Fiduciary Management

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

No.	Designation	Name
1.	Managing Trustee	Nancy Chelangat Cheruyiot
2.	Credit Manager	Roseline Wambura
3.	Finance Manager	Silas Nyaga Njagi
4.	Legal Manager	Nesline Okiko
5.	ICT Manager	Zachary Waweru
6.	Head of Supply Chain Management	Tomno Kibichi
7.	Head of HR and Administration	Rose Ndiritu
8.	Head of Corporate Communication	James Singa
9.	Head of Planning and Strategy	Jane Kimani
10	Head of Internal Audit	Edwin Muchiri

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(e) Fiduciary Oversight Arrangements

The ComFund has developed key fiduciary oversight arrangements in all areas of operations as follows:

i) Finance and Audit Activities

The ComFund has developed key policies in all its operational area and complies with the requirements of the Public Financial Management Act 2012 in the management of public funds. Annual operational and financial budgets are prepared and approved by the relevant authority before implementation. Bank accounts are opened with the authority of the National Treasury and operated by officers appointed by the Board of Trustees. Internal controls in place do not allow an officer of the ComFund to initiate and complete transaction on his/her own. The Internal Audit department of the ComFund reviews operational and financial activities of ComFund independently and reports directly to the Audit, Risk and Governance Committee of the Board. ComFund is annually audited by the Auditor General who reports its findings to the National Assembly.

ii) Credit Administration

The ComFund has developed an elaborate credit policy that guides credit administration. Credit approvals are vested in Committees to avoid decisions being made individually. The Committees are Management Credit Committee and Board Credit & Business Development Committee.

iii) Overall Supervision by the Board

The Board of Trustees has composed three committees which meet at least once quarterly to deliberate and guide on matters presented before them by the management. The Board Committees then report to the Full Board, which also meets at least once quarterly. The Board is appraised on the performance of the ComFund during the quarterly meetings

(f) ComFund Headquarters

11th floor, Utalii House
Utalii Lane
Off Uhuru Highway
P. O. Box 52714 - 00200
City Square
NAIROBI, Kenya

(g) ComFund Contacts

Mobile: +254-728-602427/8
+254-737-204278/9
E-mail : info@comfund.co.ke
Website : www.comfund.co.ke

(h) ComFund Bankers

Co-operative Bank of Kenya Ltd
Wakulima Branch
P. O. Box 48231-00100
NAIROBI, Kenya
Tel : +254-20-3276000
Fax : +254-20-219821
Website: www.co-opbank.co.ke

Kenya Commercial Bank Limited
Tom Mboya Branch. Postal:
P. O. Box 48400 - 00100.
NAIROBI, Kenya
Tel: 3270000.
Email: contactcentre@kcb.co.ke

Equity Bank
Kahawa House Branch
P.O. Box 75104 – 00200
NAIROBI, Kenya
Tel: +254763026000.
Email: info@Equitybank.co.ke

National Bank
Harambee Avenue Branch
P. O. Box 72866 - 00200
NAIROBI, Kenya
Tel: 2828000;
Email: info@nationalbank.co.ke

Family Bank Ltd
Cargen House Branch
P. O. Box 74145-00200,
NAIROBI, Kenya
Tel: 0703 095 445;
Email: info@familybank.co.ke

Credit Bank Ltd
Koinange Street Branch
P. O. Box 61064-00200
Tel: 2222300;
NAIROBI, Kenya
Email: info@creditbankltd.co.ke.

Development Bank
Loita Street Branch
P.O. Box 30483-00100
NAIROBI, Kenya
Tel: 3340401;
Email: dbk@devbank.com;

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Housing Finance Ltd
Gill House Branch
P.O. Box 30088-00100
NAIROBI, Kenya
Tel.: +254-203262000;
Email: customer.service@hfgroup.co.ke




(i) Independent Auditors

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




(j) Principal Legal Advisor

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

3. BOARD MEMBERS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
<p>Mr. Duke Mainga Ondiba Echate</p>  <p><i>From 10th February 2023 to date</i> Masters Degree in Leadership and Governance, JKUAT</p> <p>Masters Degree in International Relations (University of Nairobi - (Ongoing);</p> <p>Bachelor of Arts in English and Literature (Kisii University)</p>	<p>Name: Duke Mainga Ondiba Echate, Chairman of the Board of Trustees Date of Birth: 10th October 1991.</p> <p>Mr. Duke Mainga Ondiba Echate is the former County Executive Committee Member in charge of Youths, Sports, Culture and Social Services, County Government of Kisii. He is well versed in Strategic Leadership and Management.</p>
<p>Ms. Alice Kwamboka Nyariki</p>  <p><i>From 4th October 2019 to October 2023</i> MSC in Risk Management; Bachelor of Arts Degree in Sociology</p>	<p>Name: Ms. Alice Kwamboka Nyariki, Representative of the Principal Secretary (The National Treasury) at the ComFund Board of Trustees Date of birth: 8th November 1962.</p> <p>Ms Alice Nyariki is the Senior Deputy Director of Pensions at the National Treasury. She has Extensive Knowledge in Public Pension Policies, Planning and budgeting.</p>
<p>Dr. Julius Kipyegon Kones</p>  <p><i>From 5th January, 2021 to 6th January 2024</i> PhD (Netherlands Institute Ecology) in Statistics; Masters and Bachelor of Science Degrees Degrees (Moi University)</p>	<p>Name: Hon. Dr. Julius Kipyegon Kones Independent member, ComFund Board of Trustees Date of Birth: 21st April 1972</p> <p>Hon. Dr. Kones is the former Member of Parliament for Konoin Constituency, where he served as the Vice Chairman, Parliamentary Public Accounts Committee; a Member (Parliamentary Committee on Delegated Legislation as well as the Budget & Appropriations Committee), among others. He was also a former Lecturer at University of Nairobi, School of Mathematics.</p>





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<p>Ms. Jane Likimani Gachanja</p>  <p><i>From 27th May 2022 to Date</i></p> <p>MBA (Management) (Fordham University, New York, NY, USA);</p> <p>Bachelor of Science degree in Business Economics (Southern Connecticut State University, in New Haven, CT, USA).</p>	<p>Name: Ms. Jane Nkini Likimani-Gachanja Independent Member, ComFund Board of Trustees Date of Birth: 1st December 1961</p> <p>Ms. Likimani-Gachanja has worked in various United Nations entities in Kenya, New York Headquarters and Malawi. She also has extensive working experience in the Private and public (formerly Ministry of Economic Planning and National Development) Sectors.</p>
<p>Ms. Mary Basweti Nyachae</p>  <p><i>From 27th May 2022 to date</i></p> <p>Masters Degree in Project Management (Salford University at Robert Kennedy College in Zurich, Switzerland) - (Ongoing)</p>	<p>Name: Ms. Mary Basweti Nyachae Independent Member, Comfund Board of Trustees Date of Birth: 16th November 1956</p> <p>Mary Nyachae has an extensive working experience in both private and public sectors in Kenya and beyond. She is also a distinguished entrepreneur.</p>
<p>Mr. Yunis Ibrahim Sheikh</p>  <p><i>From 14th April 2022 to Date</i></p> <p>Postgraduate Diploma in Law (KSL); Bachelor of Laws (LL.B) (Hons.), (UoN); Master in Health Systems Management (Kenya Methodist University); Bachelor of Medical Science Laboratory Services (JKUAT).</p>	<p>Name: Mr. Yunis Ibrahim Sheikh Independent Member, ComFund Board of Trustees Date of Birth: 1st April 1982.</p> <p>Mr. Sheikh is a Partner at Yunis, Osman & Mwiti Advocates and a former Board Member, Tourism Finance Corporation.</p>

<p>Ms. Edith Wanjiku Kimani</p>  <p><i>From 9th June 2023 to date</i></p> <p>Masters in Business Administration (Edith Cowan University Perth, Australia); Bachelor of Business in Hotel Management (Australian International Hotel School Canberra)</p>	<p>Name: Ms. Edith Wanjiku Kimani Independent Member, ComFund Board of Trustees Date of Birth: 9th May, 1980</p> <p>Ms Kimani is well trained in Public Administration and is the former Chief Officer in charge of Trade, industrialization, Cooperatives and Tourism, County Government of Nakuru. She is also entrepreneur with interests in the Hospitality and Tourism Sector.</p>
<p>Mr. Badu Sora Katelo</p>  <p><i>From 3rd October 2023 to date</i></p> <p>Master of Arts degree (Fletcher School of Law and Diplomacy/SNSP, Tufts University: Boston MA, USA);</p> <p>Bachelor of Education (Economics/ Accounting) degree; the University of Nairobi</p>	<p>Name: Badu Sora Katelo Representative of the Principal Secretary, State Department for Agriculture at the ComFund’s Board of Trustees. Date of Birth: 1st January 1975.</p> <p>Mr. Katelo is the senior Deputy Secretary (Administration) at the State Department for Agriculture. He is having wealth of experience in Strategic planning, performance management as well as policy formulation.</p>
<p>Ms. Winnie Narasha Molonko</p>  <p><i>From June 2024 to Date</i></p> <p>Masters of Law (LLM), (University of Nairobi); Bachelor of Law (Moi University); Diploma in Law; Certified Secretary (KASNEB)</p>	<p>Name: Ms. Winnie Narasha Molonko Date of Birth: 18th September 1979.</p> <p>Representative of the Principal Secretary (The National Treasury) at the ComFund Board of Trustees</p> <p>Ms Winnie N. Molonko is a legal consultant with the National Treasury and has an extensive legal practice and experience, especially in financial sector policy development and managing both national & international (including world bank) Financial Programmes/ Projects.</p>

4. MANAGEMENT TEAM

The ComFund’s day-to-day management is under the following key team:

<p>1. Ms. Nancy Chelangat Cheruiyot, FCCA</p> 	<p>Area of Responsibility: Managing Trustee from 1st February 2022</p> <p>Academic Qualification: MBA-Financial Management, Bachelor of Arts - Economics & Sociology.</p> <p>Professional Qualification: ACCA. Doctor of philosophy in Business Administration (on-going).</p>
<p>2. Ms Roseline Wambura</p> 	<p>Area of Responsibility: Credit.</p> <p>Academic Qualification: Bachelor of Commerce, MBA Project Management</p> <p>Professional Qualification: ACCA- ongoing.</p>
<p>3. Mr. Silas Nyaga</p> 	<p>Area of Responsibility: Finance and Accounting.</p> <p>Academic Qualification: MBA- Finance (KU) Bachelor of Commerce in Accounting (KU)</p> <p>Professional Qualification: CPA (K), CPS.</p> <p>Professional Membership: Full Member of Institute of Certified Public Accountant of Kenya</p>
<p>4. Mr. Nesline Gechuki Okiko</p> 	<p>Area of Responsibility: Legal Services.</p> <p>Academic Qualification: Bachelor of Law.</p> <p>Professional Qualification: Diploma in Law.</p>

<p>5. Mr. Zachary Waweru</p> 	<p>Area of Responsibility: ICT.</p> <p>Academic Qualification: M.Sc. (Management Information systems); Bachelor of Science in IT.</p> <p>Professional Qualifications: In areas of Project management, Cyber security & Networking</p> <p>Membership: Computer Society of Kenya</p>
<p>6. Mr. Tomno Kibichii</p> 	<p>Area of Responsibility: Supply Chain.</p> <p>Academic Qualification: Bachelor of Arts, MSC Procurement & Logistics (JKUAT).</p> <p>Professional Qualification: MCSIPS.</p>
<p>7. Mrs. Jane Kimani-Njenga</p> 	<p>Area of Responsibility: Head, Debt Recovery, Corporate Planning & Strategy.</p> <p>Academic Qualification: MBA- Strategic Management (University of Nairobi), Bachelor of Education- Arts (Egerton University)</p> <p>Professional Qualification: Advanced Diploma (Associateship) in Banking & Financial Services</p> <p>Professional Membership: Associate of Kenya Institute of Bankers (AKIB)</p>
<p>8. Mr. Edwin Muchiri</p> 	<ul style="list-style-type: none"> • Area of Responsibility: Internal Auditor • Academic Qualification: MBA (Finance); Bachelor of Commerce (Accounting). • Professional Qualifications: CPA (K), • Membership: ICPAK; IIA

5. CHAIRMAN'S STATEMENT

5.1 Introduction

I am greatly honored to present the Commodities Fund's Annual Report and Financial Statement for the year ending 30th June 2024, a year that Kenya's economy continued to show resilience, buoyed by resurgence of the agriculture sector. The Commodities Fund (ComFund or the Fund) continued to fulfil her mandate to finance the crops sector in Kenya.

5.2 Resilience of Kenya's Economy

As the global economy slowed down from 3.5% in 2022 to 3.1% in 2023, Kenya's economic growth in 2023, despite the challenging environment, the Real GDP expanded to 5.6% compared to 4.9% in 2022 powered by recovery in the agriculture sector following the improved weather conditions, as per the World Bank Group's Kenya Economic Update, June 2024. The continuous supply of subsidized fertilizers also contributed highly to the expansion of the Country's GDP.

5.3 Economic Performance: Agriculture Sector

The agriculture sector grew by 6.5 percent in 2023, after contracting by 1.5% in 2022 and 0.4% in 2021; contributing to as much as 1.1% of the overall GDP growth (KEU, June 2024). The sector remained dominant contributor to the national economy in 2023, representing 21.8% of the total GDP, as per the Economic Survey report, 2024.

Despite this growth in agriculture sector, some subsectors posted a mixed performance: As maize and tea subsectors posted an increase in production, sugar and coffee subsectors marginally declined. Despite this, with projection that inflation will continue to remain at manageable levels due to reducing food prices and favourable monetary policies, among other factors, it is anticipated that agriculture sector will still post growth, and also enable the ComFund's customers to service their loan facilities, while developing new avenues for business growth.

As an Agency entrusted with mandate to support the agriculture Sector, ComFund will continue to support crops production with accessible and affordable credit and advances.

5.4 ComFund's Strategic Plan (2023-2028)

Having concluded the life cycle for the previous (2018-2023) Strategic Plan, the Board of Trustees developed a new Plan to guide the Fund in the next five years.

5.5 Corporate performance overview

The Commodities Fund continued to support the crops sector with exemplary performance, where our disbursements and recoveries continued an upward trend. During the year, fund operationalized financing two new subsectors: Cashew nuts and Banana value chains. We intend to extend financing to more value chains in the near future.

In addition, in an effort to make agricultural credit more affordable, BOT reviewed the cost of our loan facilities, and I am happy to report that we have reduced the interest rates to a maximum of 7.5%.

5.6 The Board Composition

During the year under review, we have had one independent member, Dr. Julius Kones, exiting the Board, while another independent member, Ms. Edith Wanjiku Kimani joined.

The Board membership is as set out on page viii-x

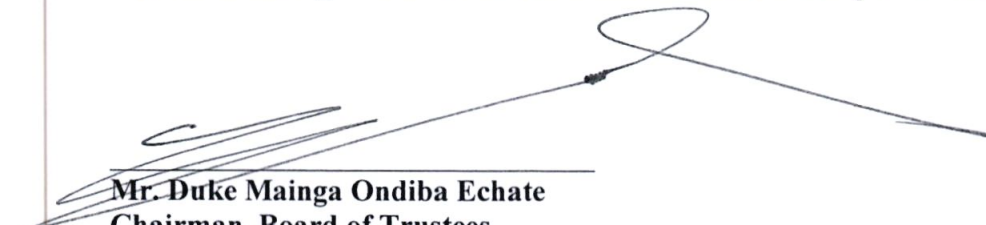
5.7 Challenges

The Fund continues to experience shortage of financial resources to enable it expand its services to more sub-sectors. I am hopeful that going forward the Government will avail more funds. At the same time, the ComFund will continue seeking strategic partnerships to supplement internal resources to grow its portfolios.

5.8 Conclusion

I am grateful to the Cabinet Secretary (Ministry of Agriculture and Livestock Development) and the Principal Secretary (State Department for Crops Development and Agricultural Research) for providing a supportive environment for the Fund fulfil its mandate. Much appreciation also is to the National Treasury (and by extension the Government), for the support, advice and facilitation that my Board and the Commodities Fund continue to receive. I recognize and appreciate all our stakeholders for their support, trust, confidence and goodwill.

Lastly, to my fellow Trustees, the Management and all Members of staff, for your dedicated efforts towards achieving the ComFund's mandate to finance the crops sector in Kenya, I thank you.



Mr. Duke Mainga Ondiba Echate
Chairman, Board of Trustees
Commodities Fund

6. REPORT OF THE MANAGING TRUSTEE

6.1 Introduction

I am pleased to present the Commodities Fund's financial performance of Commodities Fund for the year ended 30th June, 2024.

The financial year posted great economic results for the national economy, where it is estimated that Kenya's GDP grew to 5.6% in 2023 as compared to 4.9% in 2022, powered by a resurgent Agriculture sector. This positive growth contradicted the global economy which was estimated to have slowed down to 3.1% in 2023, from a high of 3.5% in 2022. (Source World Bank group: "Kenya economic update (Edition no.: 29)" (June 2024))

Even though the agriculture sector posted commendable overall growth (from 4.9 % in 2022 to 5.6% in 2023), Coffee and sugar sub sectors posted a decreased production, as tea sub-sector's production inclined. Sugarcane production slumped from 8.8 million Tonnes in 2022 to 5.6 million Tonnes in 2023 due to inadequacy of mature cane, while coffee was affected by the spread of coffee berry disease, hence marginally decreasing in its overall production from 52,000 MT in 2022 to 49,000 MT in 2023. However, Tea subsector posted production growth of 570,000 Tonnes in 2023 from 535,000 Tonnes in 2022 (Source Economic Survey report, 2024).

Furthermore, a 22% agricultural sector contribution to the national economy remained the highest contribution by a single sector. This justifies why the Kenya Kwanza Government continues to emphasis on investing in the sector due to its ability to deliver high short term returns through increased producer incomes, availing raw materials to the manufacturing sector, food security and nutrition, job opportunities as well as foreign exchange earnings.

6.2 ComFund's Annual Performance targets/ Strategic Plan

The Commodities Fund performed well in its Financial Year's performance objectives, including surpassing disbursement / recoveries targets to Coffee, Sugar and Coconut subsectors (*See the review of the Credit Portfolio below*), aimed at supporting production, processing and value addition initiatives. The Fund also established a portfolio to finance the Cashew nut subsector, while working towards extending financing to a new value chain: Banana.

Strategic Plan 2023-2028

During the Financial year, the ComFund developed and operationalized a new Strategic Plan, 2023-2028, prioritizing the following strategic result areas: *Credit Management* (that is, to maintain quality loan portfolio for scheduled crops); *Legal Framework and Corporate Governance* (to ensure the Fund has supportive legal and regulatory framework); *Price Stabilization* (through ensuring stable commodities prices of scheduled crops); *Resource Mobilization* (by availing adequate funds to finance eligible scheduled crops); and *Institutional Capacity* (in order to achieve Improved Fund's operational efficiency).

Sugar Debts waiver

I am also grateful that after much engagement for debt waiver targeting historical sugar loans, the government addressed the Fund's request, Loans valued at Kshs. 12,336 million being written off. This gives the entire sugar sector a good standing to implement more sustainable programmes, including availing further financing to support this crucial subsector. As Commodities Fund, we shall remain focused to support the sector by availing low cost financing.

6.3 ComFund's Financial Performance

During the period under review, income declined by 4.6% to **Kshs. 352 million** from **Kshs. 369 million** recorded in June 2023. This is attributed to hard economic situation that prevailed. A total **Kshs. 117 million** included in the above revenue was received as financial support from the government being ordinary recurrent grant **Kshs. 67 million** and **Kshs. 50 million** being recurrent of the projects.

Our operational expenses in the financial year under review amounted to **Kshs. 314 million** before provisions (compared to **Kshs. 260 million** incurred in 2022/23, representing an increase of **20.7%**. This was occasioned by increased recurrent costs (**Kshs. 50 million**) of cashew nuts, coconut and banana projects.

Resulting from revaluation of some loan securities, the loan loss provision went down by **Kshs. 85 million** compared to **Kshs. 78 million** in 2022/2023.

The Fund ended the year with impressive surplus totaling to **Kshs.119 million** that was attributed largely to decline in loan provision as well as cost management.

Total assets Fund grew to **Kshs.3,575 million** from **Kshs.3,421 million** reported in the financial year 2022/23, due to growth in loan portfolio.

During the year 2023/2024, the Fund effected unprecedented loan write-off amounting to **Kshs. 12,335 million** after approval by the National Assembly effective 30th June 2023. While the write-off was a move in the right direction, the Commodities Fund was not compensated and this is expected to reduce the ability of the Fund to finance the sugar sector.

6.4 Credit Portfolio

In our continuance to fulfill our mandate to provide affordable financing, Commodities Fund disbursed a total of **Kshs. 1,457 million**, which comprised of: **Kshs. 882 million, Kshs. 554 million and Kshs. 21 million** to sugar, coffee and Coconut sub-sectors respectively. The funds utilized for Farm inputs, Crop Establishment, Processing and Purchase of Machinery geared towards increasing coffee, Coconut and Sugar productivity.

During the Financial year 2023/2024, the Fund recovered loans amounting to **Kshs. 656 million** comprising of **Kshs. 224 million, Kshs. 431 million and Kshs. 1 million** for sugar, coffee and coconut sub-sectors respectively.

6.5 Human Capital

The ComFund recognizes that its human capital is core to achieving its mandate. As such and in addition to rewarding careers, the ComFund offers opportunities for leadership building and skills enrichment through various development programs, on-the-job training and structured personal career growth.

During the Financial year, following an approval from the Line Ministry and the National Treasury, the Fund on-boarded 7 new staff members, including the heads of ICT and the Internal Audit, and credit officers, who replaced others who had left the organization. In addition, the Fund continues to engage with relevant institutions, including the line Ministry, PSC and the SRC in an effort to get an approved institutional structure. Commodities Fund approved structure has establishment of 139 staff but the current staffing is 67

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The ComFund upholds good citizenship practices by adhering to disability and gender mainstreaming as well as continually striving to be the employer of choice. The ComFund will continue to use the balanced score card as tool to measure employees performance.

6.6 Risk Management and Internal Controls

The Board of Trustees has overall responsibility for the establishment and oversight of the ComFund's risk management frameworks. The ComFund's Risk Management Policies are established to identify and analyse the risks faced by the ComFund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the ComFund identifies and manages risk through in-house risk review enhanced by internal and external audits. The ComFund has in place a system of internal controls with defined procedures and financial and operational controls to ensure that resources are safeguarded; transactions authorized, validated and reported in line with International Financial Reporting Standards.

During the Financial year, the Fund undertook internal audits every quarter on the effectiveness of its internal controls in managing the identified risks, which in turn informed the Board of Trustees in offering policy guidance to the management on the Fund's operations. In addition, as a statutory requirement, the ComFund was also externally audited by the Office of the Auditor General.

6.7 The ISO 9001:2015 Certification

The Commodities Fund's ISO 9001:2015 certificate lapsed in 2019/20 financial year. As a result, a process for re-certification was initiated. By the end of the Financial Year, the Fund successfully completed external a two-stage auditing process for the new certification. This certification is multi-site, covering not only the Head office, but also ComFund's regional offices.

Attaining this certification is a demonstration and proof to all ComFund's stakeholders and partners of continued quality and efficiency in service delivery, guided by ISO 9001:2015 Quality Management System.

6.8 Corporate Social Responsibility

Recognizing that the Commodities Fund is a Responsible Corporate Citizen, the Fund continued implementing its CSR programs, guided by the CSR policy, government directives and other needs as identified by the management. The Fund's CSR programmes are carried in a manner that not only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates in, and especially, considering the social well-being community and public it serves, while promoting national values, national cohesion and human dignity. *(See the detailed CSR report under the environmental and sustainability reporting statement)*



Nancy C. Cheruiyot, FCCA
Managing Trustee / C.E.O

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FY 2023/2024**

Commodities Fund has 5 strategic pillars/ key result area and objectives within the current Strategic Plan for the FY 2023/2028.

These strategic pillars/ key result areas are as follows:

Strategic Pillar/ Key Result Area 1: Credit Management

Strategic Pillar/ Key Result Area 2: Legal Framework and Corporate Governance

Strategic Pillar/ Key Result Area 3: Price Stabilization

Strategic Pillar/ Key Result Area 4: Resource Mobilization

Strategic Pillar/ Key Result Area 5: Institutional Capacity.

Commodities Fund develops its annual work plans based on the above 5 strategic pillars/ key result area. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *Commodities Fund* achieved its performance targets set for the *FY 2023/2024* period for its 3 strategic pillars/ key result area, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Strategic Pillar/ Key Result Area 1: Credit Management	Increase loan portfolio from Kshs. 1.544 billion to Kshs. 6.458 billion	Loan disbursement and number of farmers and value chain financed	Loan appraisals, loan monitoring	Kshs. 1.456 billion was disbursed to applicants in coffee, sugar and coconut value chains
	Reduce TAT from 90 to 10 days	Increased efficiency in loan processing	Review of policy and procedures	The credit policy was reviewed
	Reduce NPLs from 59 to 10%	Reduced loan default	Review of the policies and implementation of debt recovery mechanisms	The debt recovery policy was reviewed and debt recovery procedure manual developed.
Strategic Pillar/ Key Result Area 4: Resource Mobilization	To mobilize 3.7 billion	Amounts of resources mobilized	Stakeholder engagement, Research and concept paper writing	Concept paper notes were prepared and submitted to the parent ministry seeking resources amounting to Kes 4 billion to finance the rice and pyrethrum value chains
Strategic Pillar/ Key Result Area 5: Institutional Capacity	Attract and retain skilled, motivated, and productive human capital	Increased staff morale	Recruitment to fill vacant posts and preparation of HR instruments	All vacant positions were successfully filled and PCS’s help was sought successfully in developing the HR instruments

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The Fund's strategic objectives not only inform the performance contract but they are also an integral part of the annual performance contract targets. During the financial year 2023/2024, the Key Result areas 1,3,4 and 5 (Credit management, price stabilization, resource mobilization and institutional capacity respectively) provided the foundation upon which the core mandate activities that contributed to 65% of the performance contracting score were built.

At the beginning of the performance contracting period, the Fund committed to disburse loans amounting to Kshs 1.003 billion to value chain players, collect and recover Kshs 0.6 billion, monitor 190 projects, enhance resource mobilization by preparing and submitting concept paper notes to the national government and development partners and overhaul its processes and procedures to improve efficiency. As at the close of the financial year 2023/2024, the Fund had disbursed and collected Kshs 1.456 billion and Kshs 0.665 billion respectively thereby surpassing both the disbursement and recovery targets. In addition, 195 projects were monitored, one funding proposal and two concept paper notes were prepared and submitted to the relevant agencies and principal policies and operating procedure manuals were reviewed to reflect the current realities of the Fund's operating environment.

In regard to financial stewardship, the fund had committed to absorb the allocated Kshs 1.28 billion, generate Kshs 738 million from loan recoveries, investments and loan processing fees. As at 30th June 2024, the Fund had absorbed Kshs 1.775 billion, generated Kshs 781 million and did not have any pending bill. These performance was achieved on the bedrock of increased demand for affordable agricultural credit, streamlined credit administration processes and intensive loan recovery measures.

8. CORPORATE GOVERNANCE STATEMENT

Corporate governance defines the process and structure used to direct and manage the business affairs of Commodities Fund with the aim of enhancing corporate accounting and stakeholders' long term value. The Board of Trustees is responsible for the governance of the Fund and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. To this end the Fund has put in place, Board and Committee charters, processes, systems, practices and procedures which are frequently reviewed and updated embracing the changing corporate environment and world trends.

8.1 Board of Trustees

The names of Trustees who served during the year are set out on pages x to xv. The Board fulfils its fiduciary responsibility to the Government and other stakeholders by maintaining control over the strategic, financial, operational and compliance issues of the Fund. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Managing Trustee to conduct the day-to-day business of the Fund.

The Board of Trustees consists of six independent members (including the Chairman) , two government representatives representing the National Treasury and the Ministry of Agriculture and Livestock Development and the Managing Trustee who is the secretary to the Board. Trustee members possess extensive experience in a variety of disciplines in business and financial management, all of which are applied in the overall management of the Fund. The Board meets at least once every three months and has a formal schedule of matters reserved for it.

8.2 Trustees Appointment and Succession Planning

The Commodities Fund Trustees are appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture and Livestock Development as required by Crops Act, 2013, (Section 9) and amended in 2016. Appointment of trustees is staggered to ensure continuity of the Board. Members of the Board are removed from office through retirement or by gazette notice from the appointing authority. The Managing Trustee is recruited by the Board of Trustee and formally appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture and Livestock upon recommendation by the Board of Trustees.

8.3 Board Induction and Training

New Trustees to the Fund are inducted to office by existing Trustees and the Management and there after trained in corporate governance. Further, all Trustees are trained in areas that enhance their performance in the committees and the Board.

8.4 Board Performance Evaluation

The Chairman conducts evaluations of the performance of the Board, individual Trustees and Board Committees annually. In addition, the Board and its Committees undertake an annual evaluation of their performance and report their findings and any resulting recommendations to the Board. The Board also undertakes an evaluation of the performance of the Chairman. The Board discusses the results of its evaluations and uses the process to constructively improve its effectiveness.

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8.5 Credit and Business Development Committee

The committee is mandated to review and make recommendations on the Fund's credit policies, oversight of the overall lending policy of the Fund and deliberate and consider loan applications that are beyond the threshold of Management Credit Committee. The committee also reviews and considers all issues that may materially impact the present and future quality of the Fund's credit risk management function as well as the quality of the loan portfolio and ensure adequate bad debt provisions are maintained in line with the internal guidelines of the Fund. The committee also reviews, approves and monitors the management's compliance with applicable Fund policies and other relevant statutes.

8.6 Finance, Human Resources and General Purposes Committee

The committee is mandated to review and make recommendations on the Fund's financial and accounting policies, review and make recommendations on the Fund's Annual Budget, review and make recommendations on financial reports of the Fund. Further, the committee reviews the performance of the Fund as well as that of the Managing Trustee and considers all issues that may materially impact liquidity of the Fund.

The committee is also mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the Board in discharging its corporate governance role by reviewing staffing needs of the Fund, appoints senior management staff, reviews training needs and undertake disciplinary measures as per the staff policies.

8.7 Audit Committee

The Committee is mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting. In addition to advising the Board on best practice, the committee also monitors management's compliance with relevant legislation, regulations and guidelines as well as the Fund's laid down policies and procedures.

The committee is responsible for overseeing the implementation of the Fund's risk management framework to ensure that all existing and potential significant risks are identified and effectively managed. The committee considers both internal and external sources of information regarding risks to keep abreast with new developments and their potential impact to the business. The committee receives periodic reports from the internal audit function relating to the Fund's identified risks.

8.9 Board Meeting Attendance

During the year ended 30th June 2024, the number of meetings held by both Full Board and Board Committees is tabulated below:

No.	Trustee Name	Meetings Required to Attend	Meeting Attended	%
1	Full & Special Board Meetings	7	7	100
2	Credit & Business Development Committee	9	9	100

3	Finance, Human Resource & General Purpose Committee	7	7	100
4	Audit, Risk Committee & Governance Committee	5	5	100

a) Trustees' Emoluments

The remuneration of Trustees is subject to the guidelines issued by Salaries Remuneration Commission and the Office of the President on terms and conditions of service for State Corporations. The Trustees are not eligible for membership of the pension scheme operated for the staff.

The following tables shows remunerative allowances to the Trustees in respect of scheduled meetings, trainings and conferences for the year ended 30th June 2024. The aggregate of expenditures including none-allowances expenditures is **Kshs 14,169,000** as broken down under Note 12 of financial statement

b) Related Party Transactions

There have been no related party transactions, pecuniary transactions or relationships between the Fund and its Trustees or Management except those disclosed under note 29(c) to the financial statements.

BUSINESS ETHICS

The Commodities Fund conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its customers, intermediaries, insiders, employees and other stakeholders are conducted at arm's length, with integrity and transparency. The business is conducted with high levels of transparency and accountability.

COMPLIANCE

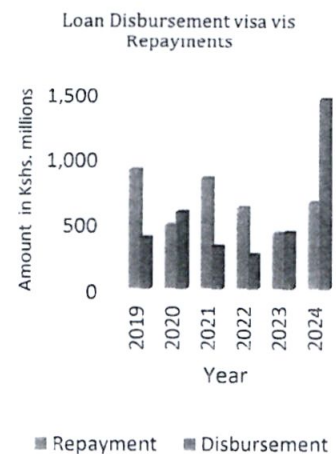
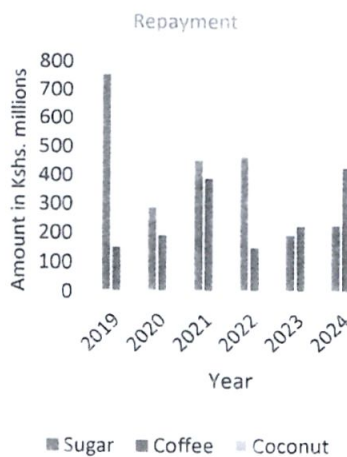
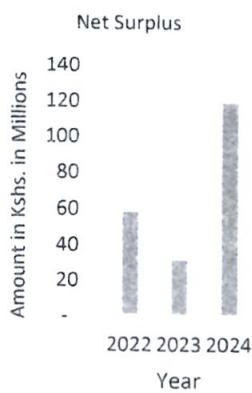
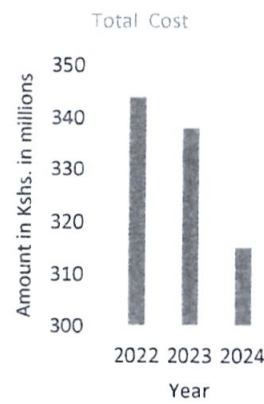
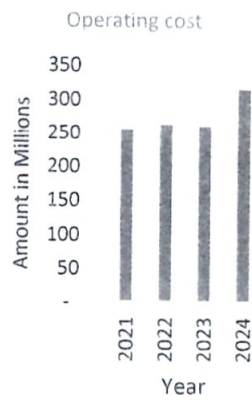
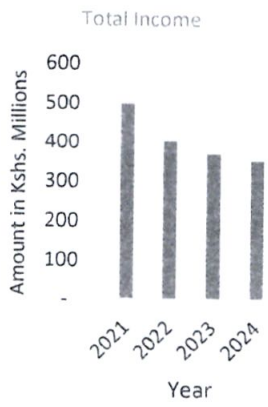
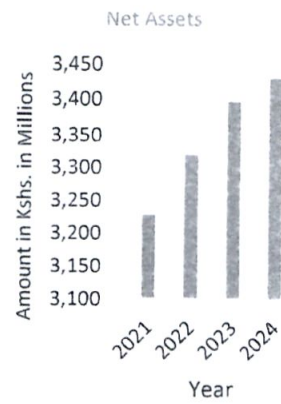
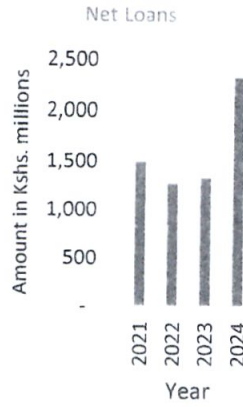
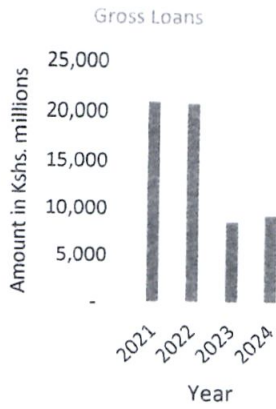
The Board provides oversight to ensure that management adheres to all applicable laws, regulations, governance codes, policies, procedures and systems to monitor and control compliance across the bank. Additionally, the Fund prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, 2012.

Mr. Duke Mainga Ondiba Echate
Chairman Board of Trustees

Date 05/12/2024

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9. MANAGEMENT DISCUSSIONS AND ANALYSIS
Key Financial Parameters



9.1 Highlight of Financial Performance

The Commodities Fund mandated is to provide sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops.

The Fund is currently financing coffee, sugar coconut and cashew nut sub-sectors which have combined capital fund of Kshs.8,258 million with corresponding gross loan portfolio amounting to Kshs.9,181 million. The coffee and coconut capital fund was grant from government while the Sugar Fund was built up from sugar levy previously collected by former Kenya Sugar Board. Cumulative provision for non –performing loans stood at Kshs.6,860 million leaving net loans amounting to Ksh.2,321 million compared to Kshs.1,320 million reported in 2022/2023. The growth is attributed to increased loan uptake.

Summarized Financial statement

Details	2021	2022	2023	2024
	Ksh'000'	Ksh'000'	Kshs '000'	Kshs '000'
Summarize Statement of Financial Position				
Gross Loans and Interest	20,881,585	20,741,759	8,533,491	9,180,705
Provisions on Non- Performing Loans	(19,399,662)	(19,481,441)	(7,213,867)	(6,860,232)
Net Loans and Interest	1,481,923	1,260,318	1,319,624	2,320,470
Other Assets	1,754,489	2,070,178	2,031,605	1,074,142
Property plant and Equipment	53,085	42,453	69,829	49,758
Total Assets	3,289,497	3,372,949	3,421,060	3,444,370
Total Liabilities	63,825	55,852	26,906	13,914
Net Assets	3,225,672	3,317,097	3,394,102	3,430,456
Capital Reserves	15,264,852	15,298,805	8,212,300	8,257,631
Revenue Reserves	(12,039,181)	(11,981,708)	(4,818,198)	(4,827,256)
Total Net Reserves	3,225,672	3,317,097	3,394,102	3,430,456
Summarize Performance Statement				
Income from Lending Activities	360,357	218,930	170,595	129,017
Income from Non-Credit Activities	89,870	113,593	153,102	103,119
Recurrent Grants from GoK	48,289	69,737	45,396	117,397
Total Income	498,516	402,260	369,093	349,533
Expenditure				
Operating Expenses	255,151	262,221	260,161	314,909
Increase /(Decrease) in Provision	(593,118)	81,779	78,190	(85,330)
Gain /(loss) on disposal				(472)
Total Expenditure	(337,967)	344,000	338,351	229,107
Net Surplus (Deficit)	836,483	58,260	30,742	119,481

During the year, ComFund disbursed loans amounting to Kshs. 1,456 million broken down into Kshs. 881 million, Kshs. 554 million and Kshs.20million to Sugar, Coffee and Coconut sectors respectively. This was 66% growth from Kshs. 430 million disbursed in 2022/2023.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

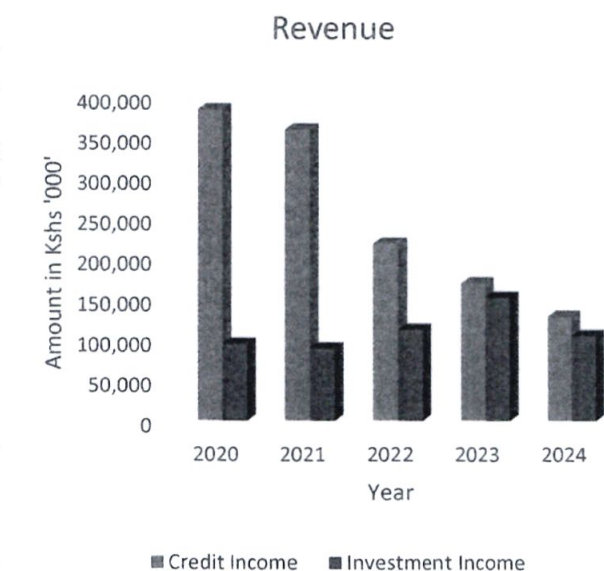
Total assets held by the Fund amounted to Kshs.3,575 million being 4.5% growth from Kshs.3,421 million reported in 2023.

Liabilities of the Fund amounted to Kshs.27 million being 48% drop from Kshs.14 million reported in 2022. Included in the liabilities for 2022/2023 was Kshs. 15 million deferred grant income for cashew nut project compared to Kshs. 7.7 million deferred in 2023/2024.

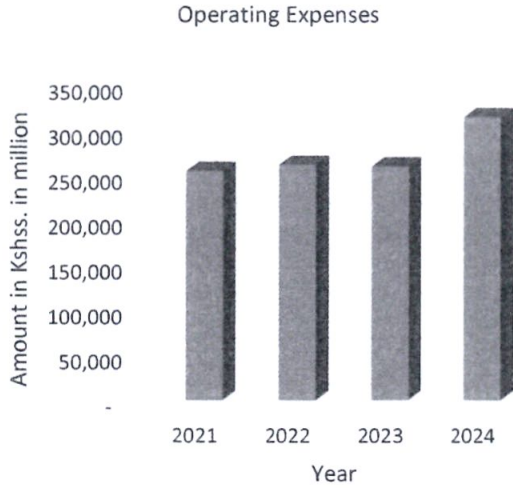
Revenues from core business of the ComFund recorded **24%** decline from Kshs.170 million in 2023 to Kshs. 129 million in 2024. The decline is attributable to interest freezing on Non-performing loans on both Coffee and Sugar portfolio as well declined loan portfolio after write-off.

Non-credit revenues were down by 31% to Kshs.103 million from Kshs, 153 million posted in 2023. The decline was attributed to high loan disbursement to customers which are issued at lower interest rates than those offered by money markets.

The recurrent grants from Government grew by 116% to Kshs.117 million down from Kshs. 45 million reported in 2023. Included in this income was Kshs.50.3 million being recurrent portion of Projects.



The Operating cost of the Fund increased to Kshs 314 million from Kshs. 260 million reported in 2023. The 22% increase is attributed to Kshs. 50.3 million recurrent costs of coconut, banana and cashew nut projects. Notable improvement was recorded in provisions for non-performing debts where the provision declined by Kshs. 85 million compared to increase of Kshs. 78 million reported in 2023. The reduction was attributed to revaluation of loan securities for some of the non-performing loans.



Net surplus of Kshs. 122.2million was reported compared to Kshs. 30.7million in 2023. The growth is attributed to reduction in provisions for non-performing loans.

9.2 On-going Project

The Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops commenced lending to coconut subsector in December 2020. The credit to the sector is administered under Coconut Revitalization Project which is funded by the National Government. The objective of the project is to provide appropriate credit facilities on timely basis and as per identified needs as well as provision of coconut seedlings to farmers. The total cost of project is Kshs. 1.0 billion broken into capital fund of Kshs. 812.50 million and recurrent expenditure of Kshs.187.5million. The project will run over five year period to 2025.

Additionally, the Fund had planned to commence lending to Cashew nut and Banana crops in 2022/2023 under Cashew Revitalization Project and Banana financing projects whose total costs are Kshs. 850 million and Kshs. 500 million respectively. However, the plan was not realized in 2022/2023 but commenced in 2023/2024 when government availed initial funding.

9.3 Compliance with statutory requirements

The commodities Fund has fully complied with statutory requirement including filing and remittance of tax returns, deduction and remittance of various statutory returns and filing of financial statements with the office of Auditor General for audit.

9.4 Major Risks Facing the ComFund

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund’s risk management frameworks. The Fund’s Risk Management Policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the Fund identifies and manages risk through in-house risk review enhanced by internal and external audits. Major risks identified include:

i) Liquidity and Funding Risk

Liquidity risk is potential for loss to the Fund arising from its inability to meet obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Effective liquidity management is essential to maintain confidence of customers, suppliers and other stakeholders and to enable Fund's core business to continue even under adverse liquidity circumstances.

Mitigating Liquidity/funding risk

a) Prudent planning

The Management has set systems in place to meet all foreseeable funding commitments as they fall due and the Fund will not face difficulties meeting its current and future financial obligations or financial liabilities as they fall due.

b) Budgeting

The Fund enters into lending agreements subject to availability of funds. Investments in major assets is preceded by budget and purchased when the Fund has sufficient cash flows.

c) Financial Controls

The Fund has in place a system of internal controls with defined procedures, financial and operational controls to ensure resources are safeguarded; transactions authorized, validated and reported in line with International Financial Reporting Standards.

d) Audits and Financial Reports

The Fund has established Boards Audit committee as well an internal audit office to ensure that its financial controls put in place are effective. In addition, as a public institution, the Fund is subject to public auditing by the office of Auditor general.

Periodically the Fund makes statutory reports to relevant offices, agencies and institutions, including the Board of Trustees, line ministry and the Treasury, as a financial control mechanism.

e) Stringent recovery of advanced credit

Management has been lobbying for funding from GoK and has come up with stringent lending conditions that ensures funds lent out is paid back to the revolving fund thus reducing the existing funding risk.

f) Lobbying for government Funding

Government of Kenya (GoK) was the source of capital funds currently used to finance the Coffee Sector. The funding of sugar sector is from the capital accumulated from Sugar levy that was abolished in July 2016.

Commodities Fund has continued to rely on government for new capital required to finance other commodities as well as to supplement its recurrent budget. The Fund has received government support from 2020/2021 thus mitigating against Liquidity risk. Further, the Fund has been seeking authority to write off non-performing historical loans so as to clean its book. The Fund has included request for compensation with interest accrued on above loans to enable it rebuild lending capital.

ii) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. Currently, the Fund is unable to collect substantial portion of the loan portfolio and accrued interest on both Sugar and Coffee sectors.

Mitigating credit risk

a) Credit policies

To this address this risk, the Fund has developed policies to ensure loans are granted to farmers with an appropriate credit history.

b) Loan Appraisal and evaluation

The credit department assesses the credit quality of each borrower, taking into account their financial position, past credit experience and other factors.

c) Debt collection

The Fund has engaged services of debt collectors to deal with some of the default cases.

d) Automating Risk management

Under the ERP credit module, the Fund has automated risk analysis as part of loan application and appraisal process, to identify threats that may lead to default and corresponding mitigation factors put in place to prevent such eventuality.

iii) Interest rate risk

Interest rate risk is potential of the Fund forced to charge unsustainable interest rate on its loan products in order to retain its customers and be seen to comply with the requirement of granting affordable subsidized loans to farmers.

Mitigating interest risk:

a) Unique loan features

The Fund has developed its loan products incorporating unique features that attract customers regardless of the interest aspects.

b) Growing the portfolio

Even as the Fund operates as a service (revolving) Fund, it is engaging in strategies to grow its loan portfolio. If the portfolio were large enough, it would be possible to operate in below the market interest rates, in its effort to fulfil its mandate of availing easily affordable loan facilities to farmers.

iv) Operational Risks

Operational risk is the potential of a loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can widely occur in Fund due to human errors or mistakes. Examples of operational risk may be incorrect information filled in during clearing or loan processing.

Operational risks may be further categorized as follows:

- Human risk: Potential losses due to a human error, done willingly or unconsciously.
- System risk: Potential losses due to system failures and programming errors
- Processes risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing.

Mitigating Operational risks:

The Fund is in the currently implementing an ERP that will integrate all its processes in order to mitigate the exposure to such attacks and errors.

9.5 Material arrears in statutory/financial obligation

The ComFund does not have any statutory arrears or any financial obligation to any government agency or lender.

9.6 Economic Overview

According to World Bank Kenyan GDP is projected to decelerate to 5.9% in 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation. The fiscal deficit will narrow to 6.5% of GDP in 2022 and to 5.5% in 2023 with the resumption of the IMF-supported fiscal-consolidation and debt management program. The current account deficit is projected to widen further to 6.1% and 5.2% of GDP over the two years, attributable to higher fuel and food import bills. Downside risks could stem from the 2022 general election.

9.7 Sector

The ComFund's managed coffee, sugar and coconut loan portfolios targeted at supporting production, processing and value addition. The agricultural sector recorded mixed performance in the year 2022. Growth in the agricultural sector decelerated from negative 0.4 per cent in 2021 to negative 1.6 per cent in 2022. This was largely occasioned by drought in most parts of the country that severely affected agricultural production.

Kenya's marketing year 2023/24 coffee production is forecast to increase 6.7 percent to 800,000 bags as coffee plantations in central and eastern growing regions recover from marketing year 2022/23 drought conditions. The Country has experienced good rains throughout all coffee growing regions, triggering robust flowering which is expected to result in higher yields during the October 2023 harvest. Marketing year 2023/24 yields are also expected to benefit from higher fertilizer application as the Government of Kenya (GOK) is currently providing fertilizer at a reduced price through a new fertilizer subsidy program. In December 2022, the GOK announced a subsidy program to smallholder farmers that offers a discounted price of Kshs. 3,500 (\$28) per 50kg bag to combat soaring fertilizer prices. Prior to this subsidy, fertilizer prices reached as high

as Kshs. 6,000 (\$48) per bag. As smallholder farmers account for 85 percent of Kenya's production, this subsidy is expected to increase fertilizer application and improve yields across Kenya's coffee sector.

As at the end of June 2023 the sugar industry was facing an acute shortage of sugarcane attributed to lack of sufficient investments in cane development by millers due to uncontrolled harvesting outside respective catchment zones, unregulated collection centres. The growing number of new sugar mills in the Western region has aggravated the issue, as these mills have failed to adequately plan for cane supply. Consequently, the number of cane farmers has been declining while the number of factories has increased, leading to dependency on a small group of remaining cane farmers.

The removal of cane zoning by the Agriculture and Food Authority (AFA) has allowed factories to source cane from anywhere without regulation. As a result, the factories are now struggling to harvest enough cane, depleting the mature cane reserves and accepting anything that remotely resembles cane. Kenya's sugar production is expected to decline in the market year 2023/24 to 650,000 metric tons (MT) due to lower area harvested as Kenya farmers prematurely harvest sugar cane in market year 2022/23 to meet Kenya's increasing milling demand. This has led to a drastic decline in sugar production in the period January to June 2023 which has led to an increased demand to financing for Cane Establishment from the Fund since the cane takes between 20 to 24 months to mature.

I am hopeful that the potential shown through the need to increase production in sugar and coffee sub-sectors will grow even further, with sustained financing from the Commodities Fund. Also, it is my hope that the long outstanding historical debts owed by the sub-sector such as sugar through the public millers will be addressed and settled.

In our continuance to fulfill our mandate to provide affordable financing to coconut, coffee and sugar subsectors, Commodities Fund disbursed a total of Kshs. 430 million which comprised of: Kshs.190 million and Kshs.240 million to sugar and coffee sub-sectors respectively. In addition, Kshs.0.36 million was disbursed to coconut sub-sector. The funds were meant for Farm inputs, Crop Establishment, Processing and Purchase of Machinery geared towards increasing coffee, Coconut and Sugar productivity. On repayment of the advanced credit, During the Financial year, the Fund recovered loans amounting to Kshs. 456 million comprising of Kshs. 193 million and Kshs. 263 million for sugar and coffee sub-sectors respectively. Additionally, Kshs. 0.53 million was received from Coconut.

The greatest challenge remains collection of the non performing historical loans the bulk of which is held by sugar sector and not secured by tangible securities but floating debentures. The Fund has been seeking for debt write off for the non-performing loans from the National Treasury through our Parent Ministry. The request for write off is in line with Section 69 of the Public Finance Management Act 2012 and section 145 of the regulations.

9.8 Future development

Commodities Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops will in the year launch Cashew Revitalization Project and Banana Financing Enterprise Project. The two projects are funded by the National Government over a period of five years to a tune of Kshs.850 million and Kshs. 500 million respectively.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT

Commodities Fund, as a Responsible Corporate citizen, understands the responsibility to ensure that its mandate is carried in a manner that not only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates in. In this, the ComFund's focus is to deliver financial services to the farming community in a manner that brings about client satisfaction in an efficient and effective manner, while caring for the environment that we operate appropriately and in a sustainable manner. To ensure this, we implemented the following organizational policies and activities:

i) Sustainability Strategy and profile

During the financial year, the Commodities Fund, through a wide consultative process developed and operationalized a new strategic plan 2023-28. The Strategy, among other areas, established a new profile for the Fund, including a new vision direction: ComFund being a '*reliable financial partner for the crops sector in Kenya*'. In the process, the Fund has been to analyze and map out our stakeholders, who form our support system in fulfilling our mandate to finance the crops sector in Kenya. The Fund intends to keep on building great relations with the stakeholders, in order to entrench trust, confidence and support. This include building common interest in caring for the environment and its sustainability.

As for the continuous duty of care, during the financial year, the ComFund undertook various activities as indicated below:

ii) Environmental Performance

Based on its Corporate Social Responsibility policy and work plan for the Financial year, ComFund identified need to support the tree planting initiatives and thus, distributed free coconut seedlings, while partnering/ sponsoring tree planting activities indicated in (v) below.

iii) Employee Welfare

During the Financial year, the Fund continued to manage employee's work place welfare through insurance covers that included medical, WIBA, among others. The Fund also manages a pension scheme as well as facilitating a welfare program for the benefit of the staff members.

The Fund has enacted relevant Human Resource Policies to guide any staffing needs, (taking into consideration principles as fairness, transparency and equity in the processes), skills gap identification and Training Needs Assessment (TNA), appraisal system, reward and sanction systems, among other areas.

iv) Market Place Practices

a) Responsible Competition Practice

The Fund has mainstreamed integrity and transparency principles in its functions, including demand for commitment from its suppliers not to engage in any behaviour that might be construed as corrupt practices. More so, the Fund develops and submits quarterly reports to the Management/ Board and the relevant statutory bodies including PPRA. These activities therein were not only part of the performance Contracting targets for the financial year, but also functional requirements in fulfilling the workplans.

In addition, The Fund has in place an HR manual (and respective Standard Operating Procedure (SOP) manuals) that guide on, among other areas, the conduct of its staff (including political and ethical behaviours) during and outside the work environment, with an expectation of political neutrality and ethical service delivery. As demanded by the manuals, every staff member signs a code of conduct upon entering in contractual obligation

with the Fund. During the financial year, all the new staff members, including those in internship, who joined the Fund signed the said Code.

b) Responsible supply chain and supplier relations

During the Financial year, the Fund continued to demand disclosure from its service providers to adhere to acceptable ethical practices by signing relevant commitment forms during the engagement for procurement services.

Also, as part of promoting transparency in procurement processes, the Commodities Fund published all the advertised tenders on its website (www.comfund.co.ke) as well as on the Public Procurement Information Portal (PIIP) - www.tenders.go.ke . As a result, the Fund did not register any supplier complaint with regard to the tenders awarded. The ComFund commits to continue undertaking supply chain processes in a transparent manner.

c) Responsible Marketing and Advertisement

Commodities Fund has in place a communication policy and Standard Operating Procedure (SOP) manuals that guide on the applicable standards to be maintained when undertaking marketing and other media engagements. All advertisements and publicity engagements during the financial year were subject to these communication policy guidelines.

d) Product Stewardship

The Fund has continued to create awareness to the stakeholders on the available channels of feedback, customer inquiries or customer complaints with regard to its services or products, whenever they arise. During the financial year, the Fund received and successfully resolved two (2) customer complaints recorded with regard to services offered. In addition, the Fund availed information to the stakeholders on 22 (Twenty -Three) requests for information/Inquiries received, while in one (1) request, the ComFund declined to provide the requested information, since the applicant was found to be not legally entitled to the information he was requesting. As a result, the ComFund was rated 'excellent' (100% score) by the Commission for Administrative Justice (CAJ).

v).Corporate Social Responsibility/ Community Engagements

During the financial year, within the framework of its CSR policy, the Commodities Fund identified and implemented programmes on two areas: Purchase and distribution of Coconut seedlings and partnership in tree planting projects.

These two activities were also undertaken as part of fulfillment of its environmental sustainability obligations of increasing the forest cover within the presidential directive to plant 15 Billion trees in the next 10 years.

On tree seedlings sponsorship, ComFund actively participated and engaged in tree planting activities in four counties: Kericho, Meru, Kajiado and Bomet, during the Government-declared Tree planting holiday on 13th November, 2023. Also, the Fund partnered with Smart Planet, an NGO dedicated in reclaiming river basins in tree planting to reclaim Chebarbar River. In addition, the Fund partnered with the Soy Constituency CDF to support 5 (five) youth groups engaged in establishing tree nurseries, including purchase of water storage tanks, in a programme aimed at planting 15 million trees in the constituency in the next 10 years.

Also, Commodities Fund purchased and distributed 10,166 coconut seedlings to coconut farmers in Tana River county (benefitting 10 farmers groups in Tana River Delta Sub county (Kipini): Chief's area; Matangeni Self-help group, Kaloleni Mango, Kenze NRM Self-help group, Amazing,

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

Shauri moyo, Maono Youth, machaso, Tosi Kachachawa and Kizuliani Delta women group) and Lamu County (6 (six) farmer groups in Lamu West subcounty: Maisha Bora farmers; New hope, Mwangaza Tererani, Soroko Taalam, Uziwa and Uzida farmers)

In the next financial, the ComFund intends to augment these programmes by targeting more beneficiaries.

11. REPORT OF THE TRUSTEES

The Board of trustees submit their report together with the audited financial statements for the year ended ending 30th June 2024 which shows the Commodities Fund affairs.

i) Principal Activities

The principal purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

ii) Results

The results of the ComFund for the year ended 30th June, 2024 are set out on page 1.

iii) Trustees

The Trustees who served during the year are shown on pages Viii- xiii. The three years tenure for Mrs Alice Nyariki the representative of CS National Treasury and Hon. Dr. Julius Kones expired in October 2023 and January 2024 respectively. Mrs. Nyariki was replaced with Mrs. Hezborne Makabongo who was unable to take up the position and later replaced by Mrs. Win Molonko in June 2024. Hon Dr. Julius Kones, independent member of the Board of Trustees is yet to be replaced.

v) Auditors

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

By order of the Board.



Ms. Nancy C. Cheruiyot, FCCA
Secretary To The Board of Trustees / CEO

Date: 05/12/2024.....

12. STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

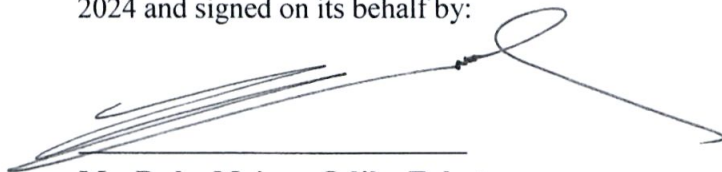
The Trustees are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the *ComFund* for and as at the end of the financial year ended June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *ComFund*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *ComFund's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *ComFund's* financial statements give a true and fair view of the state of *ComFund's* transactions during the financial year ended June 30, 2024, and of the *ComFund's* financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the *ComFund*, which have been relied upon in the preparation of the *ComFund's* financial statements as well as the adequacy of the systems of internal financial control.

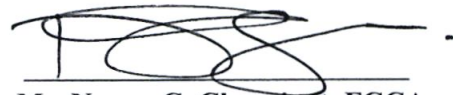
Nothing has come to the attention of the Trustees to indicate that the *ComFund* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *ComFund's* financial statements were approved by the Board of Trustees on 25th September, 2024 and signed on its behalf by:



Mr. Duke Mainga Odiba Echate
Chairman, Board of Trustees



Ms. Nancy C. Cheruiyot, FCCA
Managing Trustee / CEO

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON COMMODITIES FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Commodities Fund set out on pages 1 to 46, which comprise of the statement of financial position as at

Report of the Auditor-General on Commodities Fund for the year ended 30 June, 2024

30 June, 2024. The statement of Financial Performance, statement of 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Commodities Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with [International Financial Reporting Standards/International Public Sector Accounting Standards (Accrual Basis) and comply with the Crops Act 2013 amended 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Sustainability of Loans

During the period under review the Fund wrote-off long outstanding loans amounting Kshs.12,355,764,000 owed by Sugar Companies. While due process was followed, obtaining necessary approvals from Parliament and The National Treasury through National Treasury Letter Ref. No TNT/CONF 114/04"A" dated 27 March, 2024.

However, this substantial loan write-off raises significant financial implications for the Fund, Management and The National Treasury have not provided an assessment of how the elimination of these loans without compensation affects the Fund's financial reserves and overall sustainability of the Fund.

The write-off represents a direct reduction in the Fund's reserves, potentially limiting its capacity to extend future financial support to agricultural stakeholders or other sectors.

In the circumstances, the impact on the Fund's ability to operate as a going concern may be greatly affected and its objective to support agricultural development may not be achieved.

2. Variances in the Loans Due for Write-Off

The statement of financial position reflects long term receivables of Kshs.1,635,006,000 and current portion of receivables from exchange transactions of Kshs.685,463,000 as disclosed in Note 19(ii) to the financial statements which comprise of Gross loans of Kshs.9,180,705,000 and total provisions of Kshs.6,860,233 as at 30 June, 2024. Included in the loan figures are loans due from 5 sugar mills as included in the table below totaling to Kshs.12,335,763,897. However, The National treasury vide a letter dated 27 March, 2024 approved write-off of loans amounting to Kshs.12,336,003,133. Analysis of the amount for write off against the amounts due revealed some discrepancies amounting to Kshs.239,235 as analyzed below:

Entity	Approved for Write Off Kshs.	Loan Balance as per Commodities Fund Kshs.	Variance Kshs.
Nzoia Sugar Company	2,805,165,569	3,024,787,556	-219,621,989
Chemilil Sugar Company	3,466,198,521	3,647,977,903	92,890,559
Muhoroni Sugar Company Limited	3,466,198,521	3,473,544,680	-7,346,159
Miwani Sugar Company	1,820,525,811	1,686,123,254	134,402,557
South Nyanza Sugar Company Limited	503,244,772	503,330,504	-85,732
Total	12,336,003,133	12,335,763,897	239,235.80

In the circumstances, the accuracy and completeness of the receivables from exchange transactions gross loans and advances of Kshs.1,635,006,000 could not be confirmed.

3. Long Outstanding Receivables

As disclosed in Note 19(ii), the restated gross loans and advances amount to Kshs.9,180,705,000, which includes Kshs.7,561,971,000 for the Sugar Sector, Kshs.1,582,877,000 for the Coffee Sector, and Ksh.35,856,000 in other loans. These loans have remained outstanding for an extended period, resulting in a restated provision for doubtful debts of Kshs.6,945,563,000. This reflects the growing concern over the recoverability of these loans and highlights the need for improved credit risk management and more effective debt recovery strategies.

In the circumstances the recoverability of the debtors balance of Kshs.7,561,971,000 is doubtful.

4. Loan Loss Provision

Note 17 indicates an increase in the loan loss provision for Grade 5 loans, classified as 100% doubtful. The provision stood at Kshs.7,846,788,000 as of June, 2024, rising from Kshs.7,785,416,000 reported in 2023. This increase highlights significant weaknesses in the fund's credit risk management practices, such as inadequate borrower vetting, lack of effective monitoring of loan performance, and inefficient loan recovery systems.

In the circumstance, these may further expose the organization to financial risks and increase the likelihood of continued loan defaults. In addition, the decreased loan provisions reduce available funds for public projects and essential services, impacting the entity's ability to fulfill its objectives effectively.

5. Due from Related Parties

As disclosed in Note 30(c) to the financial statements, a sum of Kshs.40,000,000 is outstanding from the Ministry of Fisheries, Livestock, and Cooperatives, which is classified as a related party transaction. However, management provided correspondences requesting for reimbursement of the fund which the Parent Ministry has not honored to date.

In the circumstances, there is a risk of non-collection or delayed payments, given that the amount is due from a related party, which could negatively affect liquidity and financial stability.

6. House Allowance over Payment

Statement of financial performance reported Kshs.122,592,000 as employee cost which included housing benefits and allowance of Kshs.25,800,000 as disclosed under Note 11 to the financial statements. However, employees in Job Group M were paid monthly House Allowance of Kshs.35,000 contrary to the approved Salaries and Remuneration Commission (SRC) approved rate of Kshs.28,000. This resulted to a total overpayment of Kshs.742,000 without approval from Salaries Remuneration Commission.

In the circumstances it was not possible to confirm the accuracy and completeness of Kshs.122, 592,000 for employee cost.

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved some of the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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.

Other Information

The Management is responsible for the other information set out on page iii to xxxv which comprise of Key Fund Information and Management, Management Team, Report of the Management trustee and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Transitioning of Coffee Development Fund and Sugar Development Fund and to Commodities Fund.

The Commodities Fund is an Agency under the Ministry of Agriculture and Livestock Development established under Section 9 of the Crops Act of 2013 and operationalized on 1 August, 2014. Coffee Development Fund and Sugar Development Fund were wound up in the process. However, the winding up procedures did not conform to Section 24(9) of the Public Finance Management Act, 2012 on the winding up of a National Public Fund and neither did the Crops Act articulate the transition of the functions, assets and liabilities of the Funds therein.

The Commodities Fund Management failed to provide evidence that the Fund was directly under the control of the Agriculture and Food Authority as per Section 10(2) of Crops Act which states that the Authority shall, from time to time, make rules for the better management of the Fund in the best interest of farmers where by the Authority refers to Agriculture and Food Authority established under the Agriculture and Food Authority Act, 2013.

Further, the Fund does not have existing regulations guiding its operations and administrative management as expected and articulated in section 10(2) of the Crops Act,

2013. Further, specific guidelines on the establishment of the Board, appointment and or establishment of the office of the Managing Trustee, the term, duties and operations have not been articulated in law.

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

2. Lack of Regulations for The Commodity Fund

Section 9 of the Crops Act, 2013 established the Commodities Fund which was to provide sustainable affordable credit and advances to farmers for all or any of the following purposes; farm improvement, farm inputs, farming operations, price stabilization and any other lawful purpose approved by the Authority. The Fund was to be financed by monies paid as License Fees, Commission, Export or Import Agency.

Fees and fees that may accrue to or vest in the Authority in the course of exercise of its functions under the Act, funds from any other lawful source approved by the Trustees; and funds appropriated by Parliament for this purpose.

The Fund has no regulation contrary to Section 24(11) of the Public Finance Management Act, 2012 which provides for the management, governance, structure, operation, scope, winding up procedures and functionality and other provisions including financial for the fund since its inception in 2013.

Further, the Fund does not have existing regulations guiding its operations and administrative management as expected and articulated in Section 10(2) of the Crops Act, 2013. Further, specific guidelines on the establishment of the Board, appointment and or establishment of the office of the Managing Trustee, the term, duties and operations have not been articulated in law.

In the circumstances the Management is in breach of the law.

3. Existence of a Public Fund beyond the Maximum Period without Approval of Cabinet and Parliament

The Commodities Fund was established by the Crop Act of 2013 and operationalized on 1 August, 2014. As at the time of audit in August 2024, no cabinet and parliament approval had been sought for continued existence of the fund even though had been in existence beyond the legal period of ten years.

In the circumstance, the approval of the Cabinet Secretary and Parliament should be sought for the continued existence of the Fund.

4. Dependence on Annual Funding from the Exchequer

The previous year budget of the Fund indicated that it budgeted to receive Kshs.45,396,000 as Government Grants - Recurrent. For the 2023/2024 Financial Year, the Fund had budgeted to receive recurrent grant of Kshs.125,166,000. This indicates that the Fund's existence depends on the continuous funding from the exchequer after being in existence for ten years contrary to Regulation 207(1)(e) of the Public Finance

Management (National Government) Regulations, 2015 which states that the Cabinet Secretary responsible for the National Government entity functions shall confirm in writing that the establishment of the Fund and its continued existence will not depend on annual financing from The National Exchequer.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Establish Audit Committee as Per the Requirements of the Law

During the year under review, the Audit Committee for Commodities Fund composed of only two (2) Board Members and a Representative from The National Treasury contrary to Section 174(4) of the Public Finance Management (National Government) Regulations, 2015.

Additionally, there was no evidence of the Audit Committee undergoing a performance assessment of its effectiveness by a recognized professional body or institution as required in regulation 166(3) of the Public Finance Management (National Government) Regulations, 2015.

Further an Audit Work Plan to carry out detailed audit projects/work as documented in the Strategic Plan and approved by Audit Committee was not provided for audit review.

In the circumstances, the Fund did not benefit from the oversight role and advice from the Audit Committee and the Internal Audit Function.

2. Staff under-establishment

During the year under review, Human Resource records provided for audit, revealed that the Fund had a staff establishment of one hundred and thirty-nine (139) against sixty-two

(62) staff members in post resulting in an overall under establishment of seventy-seven (77) personnel as shown in the table below:

Category	Approved staff Establishment	In post staff	Variance
Technical Services	91	44	47
Support Services	48	18	30
Total	139	62	77

In the circumstance, the Fund may not be able to effectively apply its mandate.

3. Non-Integration of the Dynamics 365-Business Central System (ERP) and the Bank

The Commodities Fund operates an ERP system with nine modules namely, Financial Management, Credit Management, Administration, Payment Processes, Supply Chain Management, Advanced HR, Common Requisitions, Fleet Management, and Payroll Management. However, during the system walkthrough and review of the Credit Management module, it was observed that the ERP System is not integrated with the bank. After Loan repayments are made to the bank, personnel from the Credit Department manually retrieve the bank statements and record all transactions in an Excel file. This file is then transferred to the Finance Department, where it is manually uploaded into the system, a process that is prone to errors.

In the circumstances, the Fund operations are prone to inefficiencies and errors.

4. Non-automation of loan appraisal and loan application processes

During the audit, it was observed that when a borrower intends to borrow money from the Fund, they fill out an application form with the required details. An appraisal of the client's inquiry is then done on the creditworthiness and viability of the project and an appraisal fee of 1.5% of the approved loan amount is charged. A report is then presented to the Management Credit Committee and then to the Credit Board Committee for approval. The above process is manually done, a process that is prone to errors and inefficiencies.

In the circumstances, the Fund loan processing is prone to errors and inefficiencies.

5. Use of Generic User Account

A review of the credit and finance log files revealed the use of the Generic User ID "ADMINISTRATOR" within the system. This ID can be accessed by multiple users, making it challenging to track and assign specific actions to individual users, thus undermining accountability and traceability.

Additionally, it was observed that the Commodities Fund lacks a standardized naming convention for user accounts, This absence of a clear naming convention further complicates user management.

In the circumstances, Data integrity of the Fund may be compromised.

6. Lack of Enough Details on the Audit Logs

A review of the database logs revealed that they lacked sufficient detail to capture all user activities while logged into the system. Missing information included system activities, records of both successful and failed access attempts, attempts to access data and other resources, changes to system configurations, files accessed, and the type of access, as well as records of transactions executed by users within the applications.

In the circumstances, unauthorized access and modification of transaction may not be easily traced.

The audit was conducted in accordance with 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 the Management and those charged with governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards/Accrual Basis and for maintaining effective internal 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 , Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


24 December, 2024

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

	NOTES	2023/24	2022/23
		<u>Kshs '000'</u>	<u>Kshs '000'</u>
Revenue			
Revenue from exchange transactions			
GoK Grant	5	117,397	45,396
Total Revenue from Non-Exchange transactions		117,397	45,396
Revenue from Exchange Transactions			
Rendering of Services	7(i)	129,017	170,595
Finance income - External investments	8(i)	103,119	152,735
Other income	9	0	301
Total Revenue from Exchange Transactions		232,135	323,631
Total revenue		349,533	369,027
Expenses			
User of Good & Service	10	143,573	105,869
Employee cost	11	122,592	110,630
Remuneration of Trustees	12	14,169	17,786
Depreciation and amortization expense	13	18,925	10,550
Repairs and maintenance	14	11,234	9,927
Contracted Services	15(i)	4,416	5,399
Total Cost		314,910	260,161
Other Gains / (Losses)	16	(473)	66
Provisions for doubtful debts	17	85,330	(78,190)
Surplus/(Deficit) for the period		119,481	30,742

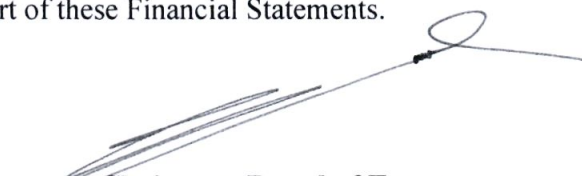
The notes set out on pages 7 to 36 form an integral part of these Financial Statements.


Managing Trustee / CEO
Ms. Nancy C. Cheruiyot

Date: 05/12/2024


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

Date: 05/12/2024



Chairman, Board of Trustees
Mr. Duke Mainga Odiba Echate


Date: 05/12/2024

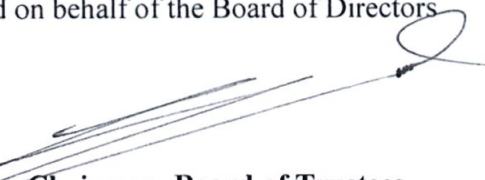
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	2023/2024 <u>Kshs '000'</u>	2022/2023 <u>Kshs '000'</u>
Assets			
Current assets			
Cash and cash equivalents	18	937,375	1,845,870
Receivables from exchange transactions-Interest Receivable on Investment	19(i)	41,819	10,168
Current portion of Receivables from Exchange Transactions-Loans and Interest	19(ii)	685,463	348,743
Receivables from non-exchange transactions	20	45,489	45,930
Inventory- Consumables	21	1,086	1,397
Total Current Assets		<u>1,711,233</u>	<u>2,252,108</u>
Non-current assets			
Property, plant and equipment	22	30,680	47,729
Intangible Assets- Software	23	19,078	22,100
Investments	24	48,372	128,242
Loan Term Receivables from Exchange Transaction -Loans	19(ii)	1,635,006	970,881
Total non-current assets		<u>1,733,137</u>	<u>1,168,951</u>
Total assets		<u>3,444,370</u>	<u>3,421,058</u>
Liabilities			
Current liabilities			
Trade, other payables and provisions from exchange transactions (Creditors and accruals)	25	6,226	11,906
Differed Income	26	7,769	15,000
Total liabilities		<u>13,995</u>	<u>26,906</u>
Net assets		<u>3,430,375</u>	<u>3,394,102</u>
Reserves	27	8,257,631	8,212,298
Accumulated Deficit	28	(4,827,256)	(4,818,198)
Total net assets and liabilities		<u>3,430,375</u>	<u>3,394,102</u>

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


Managing Trustee / CEO
Ms. Nancy C. Cheruiyot


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078


Chairman, Board of Trustees
Mr. Duke Mainga Odiba Echate

Date.. 05/12/2024


Date.. 05/12/2024

Date.. 05/12/2024...


Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2024

	Notes	Revolving fund Sugar Kshs	Revolving Fund Coffee Kshs	Revolving Fund Coconut Kshs	Revolving Fund Cashew nut Kshs	Revolving Fund Banana Kshs	Revaluation Reserve Kshs	Revenue Reserve Kshs	Total Kshs
Balance as at 30 June 2022		13,554,514	1,675,206	65,664	-	-	3,421	(11,981,926)	3,316,879
Capital Grant		-	-	14,604	-	-	-	-	14,604
Revaluation of Fixed Assets		-	-	-	-	-	33,106	-	33,106
Prior year adjustments		-	-	-	-	-	-	(1,230)	(1,230)
Surplus for the period		-	-	-	-	-	-	30,742	30,742
Balance as at 30 June 2023		13,554,514	1,675,206	80,268	-	-	36,527	(11,952,413)	3,394,102
Opening as 1 st July 2024		13,554,514	1,675,206	80,268	-	-	36,527	(11,952,413)	3,394,102
Prior year adjustments	NOTE 33	(7,134,218)	-	-	-	-	-	7,134,173	(45)
Transfer of Mortgage and Car loan Fund	NOTE 34	-	-	-	-	-	-	(128,497)	(128,497)
Capital Grant	App III	-	-	16,834	8,500	20,000	-	-	45,334
Surplus for the year		-	-	-	-	-	-	119,481	119,481
Balance as at 30th June 2024		6,420,296	1,675,206	97,102	8,500	20,000	36,527	(4,827,257)	3,430,375


 Managing Trustee / CEO
 Ms. Nancy C. Cheruiyot

Date: 05/12/2024


 Finance Manager
 Mr. Silas N. Njagi


ICPAK No. 5078
 Date: 05/12/2024


 Chairman, Board of Trustees
 Mr. Duke Mainga Odiba Echate


Date: 05/12/2024

17. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2024

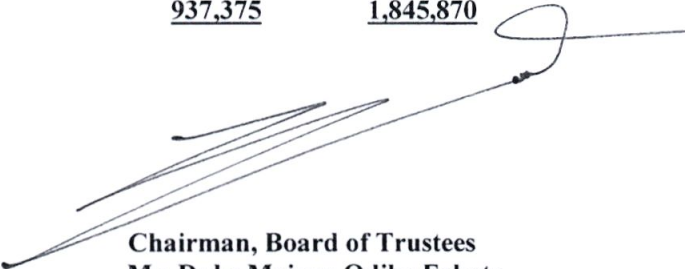
Cash generated from operations	Notes	2023/2024 <u>Kshs '000'</u>	2022/2023 <u>Kshs '000'</u>
Receipts:			
Transfers from Government Agencies	6	110,166	56,785
Rendering Services	7(ii)	670,108	434,327
Finance Income	8(ii)	71,468	159,788
Other Incomes	9		301
Totals Receipts		851,742	651,200
Payment			
Use of Goods & Service	10	143,573	105,869
Employee Cost	11	122,593	110,630
Remuneration of Trustees	12	14,168	17,786
Repairs and Maintenance	14	11,234	9,927
Contracted Services	15(i)	4,416	5,399
Payments to suppliers and other payable	25(ii)	5,160	(6,835)
Cash Received from Customers	20(ii)	(4,946)	7,065
Increase in Inventory	21	(310)	135
Disbursement of Loans	19(iii)	1,456,754	430,142
Clients Refund	19(iv)	<u>122</u>	<u>13,493</u>
Total Payments		<u>1,752,763</u>	<u>693,611</u>
Net Cash flow from Operating Activities		(901,021)	(42,411)
Cash flow from Investing Activities			
Purchase of Property, Plant, Equipment & Intangible Assets	22	(4,408)	(4,687)
Proceeds from disposal of Assets		230	66
(Increase) /Decrease in Investments	24	<u>(48,628)</u>	<u>(1,905)</u>
Net Cash flows Used in Investments Activities		<u>(52,806)</u>	<u>(6,526)</u>
Cash Flow from Financing Activities			
Proceeds from Borrowings			
Repayments of Borrowings		<u>0</u>	<u>0</u>
Capital Grants from Government-Coconut Revitalization	6(ii)	45,334	14,604
Net Cash flow used in Financing Activities		45,334	14,604
Net Increase /(Decrease) in Cash and Cash Equivalents		(908,494)	(34,332)
Cash and Cash Equivalents as at Date		<u>1,845,870</u>	<u>1,880,202</u>
Cash and Cash Equivalent as at Date		<u>937,375</u>	<u>1,845,870</u>


Managing Trustee / CEO
Ms. Nancy C. Cheruiyot

Date: 05/12/2024


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

Date: 05/12/24



Chairman, Board of Trustees
Mr. Duke Mainga Odiba Echate


Date: 05/12/2024

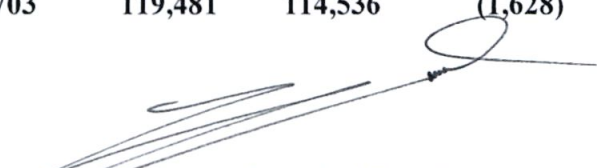
Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30TH JUNE 2024**

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Variance	% Variance
ITEM DESCRIPTION	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	
INCOME						
Rendering of Services	104,844		104,844	129,017	(25,173)	(24)
Government Grants- Recurrent	109,166	16,000	125,166	117,397	7,769	6
Finance Income	122,433		122,433	103,118	19,315	16
Total Revenue	336,443	16,000	352,443	349,533	(922)	8
Expenses						
Use of Goods and Services	157,252		157,252	148,564	8,688	5
Employees Costs	138,107		138,107	122,592	15,514	11
Remuneration to Trustees	14,186		14,186	14,169	17	0
Depreciation and Amortization Expenses	9,558	9,400	18,958	18,925	33	0
Repairs and Maintenance Costs	6,783	3,119	9,902	9,743	159	2
Contracted Services	1,180		1,180	916	264	22
Total Expenditures	327,067	12,519	339,586	314,910	24,676	7
Other Gains/(Losses)						
Gain/(Loss) on Disposal of Asset				(473)	(473)	100
Loan Provisions	4,154		4,154	(85,330)	(81,061)	(1,951)
Surplus/(Deficit) For the Period	5,222	3,481	8,703	119,481	114,536	(1,628)


Managing Trustee / CEO
Ms. Nancy C. Cheruiyot


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078


Chairman, Board of Trustees
Mr. Duke Mainga Odiba Echate

Date: 05/12/24

Date: 05/12/24

Date: 05/12/24

NOTES EXPLAINING THE VARIANCES BETWEEN THE BUDGET AND THE ACTUAL AMOUNTS ROUNDED IN THOUSANDS

Figure are rounded in Thousands ('000')

1.0 Rendering of Services

The Fund's mandate is to provide sustainable and affordable credit and advances to farmers. The Fund had budgeted to generate Kshs. 103,844 from lending but the actual result was Kshs. 129,417 thus exceeding the budget by Kshs. 25,173 (24%). The surplus is largely attributed to under budgeting whose appeal to revise the budget upwards through supplementary one and two was unsuccessful.

2.0 Finance Income

Surplus liquid cash held by the Fund is normally invested in short term deposits and treasury bills to earn some income to supplement income from credit. During the period under review, the Fund had budget to generate Kshs. 122,433 from investment of surplus funds and actual result was Kshs. 103,118 resulting to negative variance of Kshs. 19,350 (16%). The performance was as a result of unprecedented loan disbursement which reduced cash available for investments.

3.0 Employment Cost

The Fund budgeted to spend Kshs. 138,107 on employee related costing such as salaries, and medical insurances. Actual expenditure was Kshs.122,552 resulting to under-utilization by Kshs.15,514 (11%) . This was attributed to vacant position in the organization which were filled in the last quarter of the year

4.0 Contracted services

The Fund had budgeted to spend Kshs.1,180 for various contracted services among them being debt collect and legal service for ongoing court matters. The Actual expenditure was Kshs.916 resulting to variance of Kshs.264 (22%) The variance was due to ongoing legal matters that were not concluded during the year.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Commodities Fund is established by and derives its authority and accountability from Crops Act 2013 Section 9 (Amended in May 2016). Commodities Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund’s principal activity is to provide sustainable, affordable and accessible credit and advances to farmers.

2. Statement of Compliance and Basis of Preparation

The Fund’s financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, Plant and Equipment, Marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Commodities Fund accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the ComFund.

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.

The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43: Leases	<p><i>Applicable 1st January 2025</i></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>Implementation of the standard will not have major impact given the only leases operated by the commodities Fund are those of rented premises and the impact is already disclosed.</p>

<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>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. Implementation of IPSAS 44 will have negligible impacts since assets that may be held for sale are likely to be obsolete and low value.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. This IPSAS will have no impact to Commodities Fund.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value. Implementation of the new standard will not have much impact to the fund since the only leases held by the Commodities Fund are for rented premises.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial</p>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. Implementation of the IPSAS 47 will result to additional disclosures in the financial information.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The IPSAS is not relevant to operations of ComFund.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. The IPSAS is not relevant to ComFund.

Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2023/2024

5. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and Commission Income

Fees and commission income is generally recognized on an accrual basis.

ii) Revenue from exchange transactions

Interest income

Interest income is recognized on an accruals basis in the Statement of Comprehensive Income using the effective yield on the loan. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

Interest Income and Expense

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest-bearing Instrument on an accrual basis taking into account the effective yield on the assets.

Interest Computation

ComFund loans are on lent to coffee, sugar and Coconut subsectors at a rate of between 4 and 10 % per annum depending on loan type.

b) Budget information

The original budget for the Current FY was approved by the National Treasury in July 2023. Subsequent revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the ConFund upon receiving the respective approvals to conclude the final budget. The Commodities Fund recorded additional appropriations of Kshs. 16 million on 26th June 2024 budget that was subsequently approved by the Board of Trustees on 31st July 2024.

Commodities Fund budget is prepared on the accrual basis same as the financial statements. This is informed by the fact that much of the Fund's income is derived from loans which accrue interest daily and have specific repayment date which does not necessarily correspond with the reporting date. Secondly, as a credit institution, provision for non-performing loans form sizeable part of expenses which by its very nature does not involve movement of cash. The amounts in the financial statements are therefore on same basis as in the approved budget and does not require a reconciliation.

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.

c) Taxation

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 ComFund operates and generates taxable income or consumes taxable goods and services.

Current tax obligation is amount recovered in process of payment for goods and services attracting taxes which the ComFund is required to recover and submit to tax authority.

d) Property, plant and equipment

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

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

Depreciation is calculated on a straight-line basis so as to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor Vehicles	- 25%
Equipment	- 20%
ICT Equipment	- 33 ¹ / ₃ %
Furniture and Fittings	- 12.5%
Plant- Generator	- 10%
Intangibles	- 8%

Assets are depreciated from the day they are inspected and accepted till the day they are either disposed or fully depreciated whichever comes earlier. Property and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

e) Leases

The Commodities Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Commodities Fund holds operating leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased offices to the Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Financial Instruments

Financial Assets

Initial Recognition

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition

Loans and receivables

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

Impairment of financial Asset

Originating loans and provision for loans impairment

Loans are originated by the ComFund by providing money to the coffee farmers and sugar companies/sugarcane out growers' institutions and are categorized as loans originated by the ComFund.

Specific provision is made against loans and advances at different rates applicable to each of the five loan categories. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows discounted at the effective interest rate of loans.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The provisioning rates adopted from 2018/19 are as follows:

Performing	(No instalment in arrears)	- 1%
Watch	(1-3 instalment in arrears)	- 3%
Substandard	(Above 3-6 Instalments in arrears)	- 20%
Doubtful	(Above 6-12 Instalment in arrears)	- 100%
Loss	(Above 12 Instalments in arrears)	- 100%

Where a loan or an advance in loss category is declared irrecoverable, authority is sought from the National Treasury to write off the debts against the related provision for impairments.

Subsequent recoveries of amount previously written off are credited to the Statement of Financial Performance in the year of recovery. Loans and advances are stated net of provisions in the statement of financial position.

Financial Liabilities-Payables

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The ComFund determines the classification of its financial liabilities at initial recognition.

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

g) Inventories

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

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

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

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

h) Provisions

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

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 30th June 2023 ComFund did not have any present obligation to warrant provision.

i) Nature and purpose of reserves

The ComFund has created and maintained reserves in terms of specific requirements. For this purpose, the ComFund maintains capital reserves where all capital grants meant for loans disbursement are accumulated. In addition the ComFund maintains revaluation reserves where appreciation in value of assets is credited. An accumulated surplus reserve is also maintained where the surpluses/deficits resulting from the performance are accumulated.

j) Changes in accounting policies and estimates

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

k) Employee Benefits Obligations

Retirement benefit plans

The Fund sponsors a defined contribution pension scheme for its employees funded partly by the Employer 20% and staff 10% and administered by Jubilee Fund Managers. The Fund's obligation towards the scheme is limited to its 20% contribution which if not wholly remitted the unremitted portion is accrued in the financial statements at the year end.

The Fund also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF) a national retirement benefit scheme. This is a defined contribution scheme registered under the National Social Security Act.

The Fund's obligation under the scheme is limited to the specific contributions legislated by government from time to time and is currently at Kshs.200 per employee per month. Fund's contribution towards the two schemes is charged in the financial statements during the year.

l) Related Parties

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or vice versa. Within the Fund, Trustees and members of key management are viewed as related parties while outside the Fund, Agriculture and Food Authority (AFA) was taken as related party.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

n) Comparative figures

Comparative figures represent figures for the (12) months period ended 30th June, 2022 and were necessary restated to conform to the requirement of IPSAS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) 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.

4.0 Significant Judgements and Sources of Estimation Uncertainty

Estimates and Assumptions

In the process of applying Fund's accounting policies, management makes certain judgments, estimates and assumptions that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Management best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in these notes to the Financial Statements.

a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

b) Equipment

Critical estimates are made by the Management in determining depreciation rates of equipment.

c) Impairment

At each statement of financial position date, the management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, managements estimate the recoverable amount of the cash generating unit to which the asset belongs.

d) Provisions and contingent liabilities

Management reviews Fund's obligations at each balance sheet date to determine whether provisions need to be made. Where it is determined provisions are required, estimation is based on existing internal policy of the Fund. The expense relating to any provision is charged in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Fund 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 ascertained in line with IPSAS19.

Contingent assets

The ComFund 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 ComFund in the notes to the financial statements.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 in line with requirement of IPSAS 19.

5.0 Transfers from Other Government Entities

Description	2023-2024	2022-2023
	Kshs `000`	Kshs `000`
Unconditional grants		
Operational Grant	67,000	40,000
Total Unconditional Grants	67,000	40,000
Conditional grants		
Coconut Revitalization Project Grant	14,166	5,396
Cashew Nut Revitalization Project Grant	22,318	-
Banana Enterprising Financing Project Grant	13,913	-
Total government grants and subsidies	117,397	45,396

Cashew nuts and Banana Projects are in their first year of Implementation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs`000`	Amount deferred under deferred income KShs`000`	Amount recognised in Statement of Financial Performance	Amount recognised in capital fund.	Total transfers 2023/2024	Prior year 2022/2023
			KShs`000`	KShs`000`	KShs`000`	KShs`000`
Ministry of Agriculture and Livestock Development	102,397	7,769	110,166	45,334	155,500	75,000
Total	102,397	7,769	110,166	45,334	155,500	75,000
Less Accrued Income	-	-	-	-	-	3,611
Actual Total Receipts 2022/23	102,397	7,769	110,166	45,334	155,500	71,784

A total of Kshs.7,769 for banana and cashew nuts projects as shown above could not utilized fully since it was received a bit late and was treated as deferred income. The details of the reconciliation have been included under appendix 111.

7(i) Rendering of Services	2023/2024 Kshs `000`	2022/2023 Kshs `000`
Interest Income Loans Debtors- Coffee Portfolio	46,839	36,971
-Sugar Portfolio	66,663	115,282
- Coconut	2,072	1,173
Loan Processing Fee and Miscellaneous	13,442	17,169
Total Revenue from rendering of Services	<u>129,017</u>	<u>170,595</u>

Loan processing fee of 1.5% of the approved loan amount is charged on all loans issued by the ComFund .Loan income from sugar has decline significantly because of write off loans for state owned sugar mills during the period.

7(ii) Receipts From Rendering of Services	2023/2024 Kshs `000`	2022/2023 Kshs `000`
SOURCE	Loan Receipts	Loan Receipts
Coffee Loan Repayments	430,984	225,059
Sugar Loan Repayments	224,589	191,567
Coconut Loans Repayments	1,093	532
Loan Processing Fee	<u>13,442</u>	<u>17,170</u>
Sub Total	<u>670,108</u>	<u>434,327</u>

Commodities Fund**Annual Report and Financial Statements for the Year ended 30th June 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2023/2024	2022/2023
	Kshs '000'	Kshs '000'
8.(i) Finance Income		Restated
Interest income from Treasury bills	212	0
Cash investment and short-term deposits-Received Income	102,907	150,447
Interest Earned Staff Mortgage Scheme	0	1,321
Interest Earned on Car Loan Scheme	0	789
Total Finance Income	<u>103,119</u>	<u>152,658</u>

8(ii) Finance Income Receipts

	2023/2024	2022/2023
Opening Balance Accrued Finance Income	10,168	17,221
Add Finance Income Charged in Income Statement	103,119	152,735
Less Closing Accrued Finance Income for the year	<u>(41,819)</u>	<u>(10,168)</u>
Actual Cash for Finance Income Received in Year	<u>71,468</u>	<u>159,788</u>

ComFund invests its surplus liquid cash in treasury bills and call deposits with the approved financial institutions to generate income pending disbursement of loans. Interest on charged on loan facilities ranges between 3- 10% p.a depending on the purposes of the loan.

9. Other income

	2023/2024	2022/2023
	Kshs '000	Kshs '000
Miscellaneous Income	<u>0</u>	<u>301</u>
Other Income Total	<u>0</u>	<u>301</u>

10. User of Good & Service

	2023/2024	2022/2023
	Kshs '000	Kshs '000
Electricity & Water	233	547
Security	0	578
Professional Services-Audit	870	870
Subscriptions	26	61
Printing and Stationery	3,277	2,572
Communication Telephone and Postage	1,775	1,756
Vehicle Running Expenses	9,788	8,792
Insurance Expenses	2,437	2,617
Stakeholder Forum Expenses	3,697	2,574
International Travel	2,949	7,024
Rent and Rates	20,659	16,370
Cleaning, Garbage & Sanitary	219	193
Newspapers, Periodicals, Journals and Subscriptions	0	0
Advertising and Publicity	2,371	4,232
Bank Charges	753	626
Staff Welfare	1,698	329
Trainings, Seminar, Retreats and Workshops	3,540	11,063
Shows, Exhibitions & Trade Fairs	1,512	1,481
Corporate Social Responsibility	898	1,814
Travel, Accommodation, Subsistence and Other Allowances	32,906	32,953

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Project recurrent cost	50,334	5,396
	Risk, Corruption prevention and ISO Mgt Systems	2,466	1,490
	Hire of Transport	183	1,394
	Other General Office Expenses	<u>983</u>	<u>1,137</u>
	Total Use of Goods	<u>144,032</u>	<u>105,869</u>
		2023/2024	2022/2023
11	Employee Costs	Kshs '000'	Kshs '000'
			Restated
	Salaries & Wages	64,968	59,947
	Employee Related Cost-Pensions Contributions , medical Aids & housing levy	31,825	24,909
	Housing benefits and Allowances	<u>25,800</u>	<u>25,400</u>
	Total Employee Costs	<u>122,592</u>	<u>110,256</u>
12	Remunerations of Trustees	2023/2024	2022/2023
		Kshs '000'	Kshs '000'
	Chairman's Honorarium	960	950
	Sitting Allowances	5,023	5,960
	Trustees Accommodation & Subsistence Allowances	5,168	7,239
	Others) Trainings, Medical, Travel etc)	<u>3,018</u>	<u>3,638</u>
	Total Remunerations of Trustees	<u>14,169</u>	<u>17,786</u>
13	Depreciation and Amortization Expense	2023/2024	2022/2023
		Kshs'000'	Kshs'000'
	Property, Plant and Equipment	15,904	7,478
	Intangible Assets	<u>3,021</u>	<u>3,072</u>
	Total Depreciation and Amortization	<u>18,925</u>	<u>10,550</u>
14	Repairs and Maintenance	2023/2024	2022/2023
		Kshs '000'	Kshs '000'
	Buildings	764	358
	Automobiles	3,989	4,643
	Computer and Electronic Equipment	4,753	4,207
	Annual Software Licenses	1,491	644
	Furniture and Fittings	<u>237</u>	<u>75</u>
	Total Repairs and Maintenance	<u>11,234</u>	<u>9,927</u>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15	Contracted Services	2023/2024	2022/2023
		Kshs '000'	Kshs '000'
	Contracted services	<u>4,416</u>	<u>5,399</u>
	Total contracted services	<u>4,416</u>	<u>5,399</u>
16	Gain on Disposal of Assets	2022/2023	2021/2022
		Kshs '000'	Kshs '000'
	Loss on disposal of Assets	(473)	66
	Total loss on Disposal of Assets	(473)	66

Loss reported above resulting from disposal of variety of assets including office partitions, computer equipment, furniture and motor vehicles lost through accident.

17 Loan Loss Provision

Summary of Loans Provisions As At 30th June 2024

CATEGORY	OUTSTANDING LOAN AND INTEREST KSHS'000'	PROVISION RATE KSHS'000'	PROVISION JUNE 2024 KSHS'000'	PROVISION JUNE 2023 KSHS'000'	INCREASE IN PROVISION KSHS'000'
Normal (Grade 1) - 1%	1,212,372	1%	12,128	4,491	7,633
Watch (Grade 2) - 3%	120,369	3%	3,611	1,004	2,607
Sub-Standard (Grade 3) - 20%	21,139	20%	4,228	680	3,548
Doubtful (Grade 4) - 100%	21,142	100%	21,142	4,434	16,708
Loss (Grade 5) - 100%	7,805,683	100%	7,805,683	7,774,807	30,876
TOTAL	9,180,705		7,846,788	7,785,416	61,371
Securities	-		986,556	839,854	146,702
Net Provisions	9,180,705		6,860,232	6,945,563	(85,330)

Summary of Loans Provisions As At 30th June 2023

CATEGORY	OUTSTANDING LOANS AND INTEREST KSHS'000'	PROVISION RATE KSHS'000'	PROVISION JUNE 2023 KSHS'000'	PROVISION JUNE 2022 KSHS'000'	INCREASE IN PROVISION KSHS'000'
NORMAL (GRADE 1) - 1%	449,086	1%	4,491	3,890	601
WATCH (GRADE 2) - 3%	33,463	3%	1,002	1,657	-653
SUB-STANDARD (GRADE 3) - 20%	3,399	20%	680	1,251	-571
DOUBTFUL (GRADE 4) - 100%	4,434	100%	4,434	57,881	-53,446
LOSS (GRADE 5) - 100%	7,774,811	100%	7,774,811	7,629,370	145,438
TOTAL	8,265,193		7,785,418	7,694,049	91,369
Less Loan Securities			839,854	816,675	23,179
Net Provisions			6,945,564	6,877,374	68,190

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18(i) Cash and Cash Equivalents		2023/2024	2022/2023
		Kshs '000'	Kshs '000'
a) Bank			
Current Accounts		80,375	113,061
On Call Deposits		857,000	0
Short Term Deposits		-	1,732,476
Others		-	332
Total Cash and Cash Equivalents		<u>937,375</u>	<u>1,845,870</u>
18(ii) Detailed Analysis Cash and Cash Equivalents	Account Number	2023/2024	2022/2023
		Kshs '000'	Kshs '000'
a) Current Accounts			
Co-operative Bank (a)	01136030994600	28,205	14,497
Co-operative Bank (b)	01136030994601	18,790	88,553
Cooperative Bank (c)	01136035349800	27,889	3,077
Cooperative Bank (d)	02100309946007	2	0
National Bank	7700360421	3,682	6,701
Equity Bank	01330299214184	30	43
Family Bank	014000033336	3	174
Kenya Commercial Bank	01132784905	13	13
Credit Bank	0021007000774	7	5
NCBA	1470230057	1,755	0
Sub Total		80,375	113,061
(b) On Call Deposits Account			
National Bank		200,174	
Coop Bank		50,000	
Development Bank		115,016	0
Equity		220,000	
Family Bank		271,809	
Sub-Total		857,000	0
(C) Short Term Deposits Account			
NCBA Bank		-	0
Cooperative Bank		-	516,334
Family Bank		-	253,093
Kenya Commercial Bank		-	106,780
National Bank		-	257,570
Equity Bank		-	521,477
Credit Bank		-	0
Development Bank		-	77,202
Sub-Total		-	1,732,476
e) Others			

Commodities Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Safaricom-Mkahawa	552601	-	2
Safaricom-Paybill	552600	-	331
<u>Sub Total</u>		<u>-</u>	<u>333</u>
<u>Grand Total</u>		<u>937,375</u>	<u>1,845,870</u>

19 (i) Current Receivables from	2023/2024	2022/2023
(i) Investments	Kshs '000'	Kshs '000'
Interest Receivable from Investments	41,819	10,168
Total Current Receivables	<u>41,819</u>	<u>10168</u>

Receivable from exchange transactions- Loans				
19 (ii)			2023/2024	
Gross Loans & Advances	Sugar	Coffee	Coconut	Total Kshs
	Kshs '000'	Kshs '000'	Kshs '000'	'000'
Restated -Gross Loans & Advances				
	7,561,971	1,582,877	35,856	9,180,705
Provisions				
Restated Provision B/fwd				
Charge for the year	6,080,171	865,392	-	6,945,563
	9,432	(96,853)	2,090	(85,330)
Total Provisions as at 30.06.24	<u>6,089,603</u>	<u>768,539</u>	<u>2,090</u>	<u>6,860,233</u>
Net Loans and Advances as at 30.06.24				
	<u>1,472,368</u>	<u>814,338</u>	<u>33,766</u>	<u>2,320,472</u>
Current Portion transferred to Current receivables				
	<u>282,779</u>	<u>379,762</u>	<u>22,921</u>	<u>685,461</u>
Total non-current receivables	<u>1,189,589</u>	<u>434,576</u>	<u>10,846</u>	<u>1,635,011</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Gross Loans & Advances	Sugar Kshs''000''	Coffee Kshs''000''	2022/2023	
			Coconut Kshs''000''	Total Kshs''000''
Gross Loans & Advances	19,442,328	1,412,619	14,308	20,869,255
Adjustment For Loans Written Off	12,604,068	-	-	12,335,764
Restated Balance 30.6.23	6,838,260	1,412,619	14,308	8,265,187
Provisions				
Provisions B/F 01.07.22	18,603,370	878,071	-	19,481,441
Adjustment For Provision Loans Written Off	12,604,068	-	-	12,335,764
Restated Balance 30.6.23	5,999,302	878,071	-	6,877,373
Charge for the year	80,869	(12,679)	-	68,190
Total Provisions as at 30.6.23	6,080,171	865,392	-	6,945,563
Net loan and advances as at 30.6.23	758,089	547,227	14,308	1,319,624
Current portion	116,670	227,643	4,430	348,743
Non -current portion	641,419	319,584	9,878	970,881

19(iii) Disbursement of Loans	2023/2024 Kshs '000'	2022/2023 Kshs '000'
Coffee Disbursement	554,550	239,782
Sugar Disbursement	881,633	190,000
Coconut Disbursement	<u>20,570</u>	<u>360</u>
Total disbursement	<u>1,456,753</u>	<u>430,142</u>

19(iv) Client Refunds	2023/2024 Kshs '000'	2022/2023 Kshs '000'
Coffee Disbursement	122	12247
Sugar Disbursement	-	1,246
Total Clients Refunds	<u>122</u>	<u>13,493</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (i) Receivables from Non-Exchange Transactions

Items	2023/2024 Kshs'000'		2022/2023 Kshs'000'	
			Restated	
Prepayments	10,655		12,277	
Staff Debtors	26		17	
Trade Receivable	4,808		3,336	
Other Debtors- Parent Ministry	40,000		40,000	
Total	55,489		55,630	
Less: Impairment allowance	(10,000)		(10,000)	
Total	45,489		45,630	
Ageing analysis (Trade and other Receivables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	13,404	17	9,868	18
1-2 Years	1,600	3		
2-3 years				
Over 3 Years	40,484	80	45,762	82
Total	55,489		55,630	

20(ii) Cash Received from Customers

Items	2023/2024 Kshs'000'	2022/2023 Kshs'000'
Prepayments	8,459	5,557
Staff Debtors	26	17
Trade Receivable	4,808	3,325
Utility Deposit	2,196	1,477
Accrued GOK Transfer	-	(3,611)
Total	15,489	6,765

Commodities Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21(i) Inventories	2023/2024	2022/2023
	Kshs '000'	Kshs'000'
Consumables Stores	1,086	1,397
Total Inventories at lower of cost and net realizable Value	1,086	1,397

21(ii) Increase in Inventory amounts to Kshs. 310

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Property, plant and equipment as at 30th June 2024

	Motor Vehicles and Cycles KSHS'000'	Computer and Electronic Equipment KSHS'000'	Generator, Office and Communication Equipment KSHS'000'	Furniture and Fittings KSHS'000'	TOTAL KSHS'000'
Cost					
At 1 July 2022	88,740	67,880	6,624	30,460	170,172
Additions		3,005	74	1,609	4,687
Disposal	23,532	(249)	-	-	(249)
Transfers/adjustments	-	4,986	1,348	3,240	33,106
At 30th June 2023	88,740	75,621	8,046	35,309	207,716
Additions	-	3,365	39	1,004	4,408
Disposals	(15,104)	(4,900)	(72)	(23,690)	(43,767)
Adjustments-Valuation					
At 30th June 2024	73,636	74,086	8,012	12,624	168,358
Depreciation and impairment					
As At 1st July 2022	(56,616)	(62,924)	(5,136)	(28,132)	(152,808)
Depreciation	(3,275)	(3,067)	(407)	(729)	(7,478)
Transfer/adjustments	-	249	-	-	249
At 30 June 2022	(59,891)	(65,742)	(5,543)	(28,860)	(160,037)
Disposal	10,980	4,629	62	22,593	(38,264)
Charge for the year	(9,158)	(4,904)	(597)	(1,228)	(15,904)
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2023	(58,070)	(66,033)	(6,078)	(7,496)	(137,677)
Net book values					
At 30th June 2023	28,849	9,879	2,502	6,449	47,679
At 30th June 2024	15,566	8,053	1,934	5,128	30,680

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

The Assets were valued by Crystal Valuers professional valuers on 30th June 2024 and adopted by the Board on 29th September 2023.

23. Intangible Assets –Software	2022/2023	2021/2022
	Kshs '000	Kshs '000
Cost		
At the beginning of the Year	41,174	41,174
Additions	0	0
At end of year	41,174	41,174
Transfer/ Adjustments	=	-
At end of the year	41,174	41,174
Amortization and Impairment		
At the beginning of the Year	(19,075)	(16,002)
Amortization for the year	(3,022)	(3,077)
At end of the year	<u>(22,096)</u>	<u>(19,075)</u>
NBV	<u>19,078</u>	<u>22,099</u>

Assets amounting to Kshs. 2,772,169 included in the historical costs of intangibles are fully depreciated.

24 Investments	2023/2024	2022/2023
	Kshs '000'	Kshs '000'
a)Investments Treasury Bill		
CBK-Treasury bills	48,372	-
b) Investment in Staff Mortgage-		
Staff Mortgage Deposit-HFC	0	85,358
Staff Mortgage Deposit- Coop Bank	0	30,806
c) Investments in Staff Car loan		
Staff Car Loan Deposit-Family bank	<u>0</u>	<u>12,078</u>
 Grand Total	 <u>48,372</u>	 <u>128,242</u>

Commodities Fund has from FY2023/2024 prepared separate financial statements for staff mortgage and car loan fund. Consequently, the comparative figures reported above in Housing Finance Corporation, Co-operative bank and Family bank were moved to Staff Mortgage and Car loan Fund financial statements.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Trade, other payables and provisions for contracted services

Items	2023/2024 Kshs'000'		2022/2023 Kshs'000'	
Trade Payable	4,180		8,947	
Payment Received in advance	173		442	
Payroll Liabilities	82		375	
Third Parties Payables	1,792		527	
Loan Security Deposit	0		1,240	
Total	6,227		10,291	
Ageing analysis (Trade and other Payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	3,612	58	7,923	77
1-2 Years	1,492	24	2,368	23
2-3 years	1,123	18		
Over 3 Years	-			
Total	6,227	100	10,291	100

25 (ii) Provision for Contracted Services

Items	2023/2024 Kshs'000'	2022/2023 Kshs'000'
Bureau Veritas	722	0
Total	722	1,616

25 (iii) Payments to Suppliers

Items	2023/2024 Kshs'000'	2022/2023 Kshs'000'
Trade and Other Payable	(3,451)	(6,000)
VAT Outstanding	(6)	(9)
Payroll Liabilities	-	(299)
Gratuity	(1,792)	(527)
Over payments by customers	172	-
Total	(5,422)	(6,835)

26. Deffered Income

Items	2023/2024 Kshs'000'	2022/2023 Kshs'000'
Differed Income	7,231	15,000
Totals	15,000	15,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Capital Reserves

Item	Capital Reserves						Total
	Sugar	Coffee	Coconut	Cashe w Nut	Banana	Revaluation	
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Re-stated Balance As At 30 July 2023	6,420,296	1,675,206	80,268	0	0	36,527	8,212,297
Changes during the year							
Coconut Grant			16,834				16,834
Cashew Nut Grant				8,500			8,500
Banana Grant					20,000		20,000
Balance As At 30 June 2024	6,420,296	1,675,206	97,102	8,500	20,000	36,527	8,257,631

Revenue Reserve	Restated Revenue Reserve Kshs '000'
Restated Balance as at 1 July 2023	(4,818,240)
Surplus for the period	119,481
Transfer of Mortgage Fund	(128,497)
Balance as at 30 June 2024	(4,827,256)
Opening 30 th June 2023	(11,952,413)
Prior year adjustment of Loan Provisions on loans write-off and other items	7,134,173
Restated Balance as at 30th June 2023	<u>(4,818,240)</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024
NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Cash generated from operations

Item	Bal C/Down Kshs'000'	Bal B/Fwd Kshs.'000'	2024 Kshs'000'	2023 Kshs'000'
Surplus for the year before Tax			119,481	30,743
Adjusted for:			-	-
Depreciation	-	-	18,925	10,550
Non-Cash Adjustment to Equity			(45)	(1,230)
Gains and Losses on Disposal of Assets	-	-	473	(66)
Contribution to Provisions	6,945,563	6,860,348	(85,330)	68,190
Working Capital Adjustments	-	-	-	-
Decrease/(Increase) in Non-Current receivables from Exchange Transaction-Loans	9,180,705	8,265,189	(915,915)	(127,495)
(Increase)/ Decrease in receivables	82,508	56,098	(26,410)	6,376
(Decrease) in Deferred Income	7,769	15,000	(7,231)	15,000
(Decrease) in Trade & Other Payables from Exchange Transaction (Creditors/Accrual	6,226	11,906	(5,679)	(44,345)
Increase/Decrease in Inventory-Consumables	1,086	1,397	311	(135)
Net Cash flows from Operating Activities	-	-	(901,021)	(42,412)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Financial Risk Management

The Fund's activities expose it to a variety of financial risks. Risk management is carried out by the finance function under policies approved by the Board of Trustees. The Finance function identifies, evaluates and hedges against the financial risk.

(i) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. The Fund has no significant concentrations on credit risk. The Fund has policies in place to ensure loans are given to farmers with an appropriate credit history. The credit department assesses the credit quality of each farmer, taking into account their financial position, past credit experience and other factors.

The carrying amount of loans recorded in the financial statements that represents the Fund's maximum exposure to credit risk is as follows:

	Total Amount Kshs 000	Fully Performing Kshs 000	Past Due Kshs 000	Impaired Kshs 000
As at 30.06. 2024				
Receivables from exchange transactions	9,180,705	1,212,772	141,508	7,826,825
Receivables from non-exchange transactions	55,489	15,489	40,000	-
Bank balance	937,375	937,375	-	-
Total	10,173,569	2,165,636	181,508	7,826,825
As at 30.06. 2023				
Receivables from exchange transactions	8,533,491	449,086	41,296	8,043,109
Receivables from non-exchange transactions	55,630	15,630	40,000	-
Bank balance	1,845,870	1,845,870	-	-
Total	10,434,991	2,310,586	81,296	8,043,109

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities

is fundamental to the Fund's management. It is unusual for a lending institution's maturities and interest rates of assets and liabilities to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Ability to replace, at an acceptable cost, interest-bearing liabilities, as they mature are important factors in assessing the liquidity of the Fund and its exposure to interest rates. The Fund does not maintain cash resources to meet all liabilities as they fall due as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 5 month Kshs 000	Total Kshs 000
As At 30.06.2023				
Trade Payables & Other Payables	5,433		4,858	10,291
Current portion of borrowings	-	-	-	-
Provisions	-	-	1,616	1,616
Deferred income	-	-	-	-
Employee benefit obligations	-	-	-	-
Total	5,433		6,474	11,907
As At 30.06.2022				
Trade Payables & Other Payables	380		53,970	54,350
Current portion of borrowings				
Provisions			1,711	1,711
Deferred income				
Employee benefit obligations				
Total	380		55,681	56,251

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit, Risk and Governance Committee of the Board) and for the day-to-day implementation of those policies.

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

a) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from changes in market interest rates which affect the projected interest income from investment. This exposes the Fund to cash flow risk.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to invest with institutions that offer favorable interest rates and invest on fixed deposits whose rates are ascertained in advance.

Capital Risk Management

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

	2023-2024		Restated 2022-2023
	Kshs '000'		Kshs '000'
Revaluation reserve	36,527		36,527
Revenue Reserve	(4,827,257)		(4,818,198)
Capital reserve	8,221,105		8,175,770
Total funds	3,430,375		3,394,099
Total borrowings	0		0
Less: Cash and bank balances	(937,375)		(1,845,870)
Net debt/(excess cash and cash equivalents)	937,375		1,845,870
Gearing	100%		100%

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Related Party Balances

(a) Nature of related party relationship

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or Vice Versa. Within the ComFund, Directors and members of key management are viewed as related parties while outside the ComFund, Ministry of Agriculture, Livestock, Fisheries and Co-operatives and Agriculture and Food Authority (AFA) were regarded as related parties.

a) Grants from the Government		
Grants from the National Govt.	155,500	75,000
Grants from County Government	-	-
Donations in kind	-	-
Total	155,500	75,000
b)Key Management Compensation		
Directors' emoluments	14,169	17,786
Compensation to Key Management	25,776	25,306
Total	39,945	43,092

b) Key management remuneration

Transactions with related parties are summarised as follows:

The aggregate remuneration to directors and key management including allowances, salaries and benefits were as follows:

	2023/2024	2022/2023
	<u>Kshs 000</u>	<u>Kshs 000</u>
Trustees Emolument	14,169	17,786
Key Management compensation	<u>25,776</u>	<u>25,306</u>
	<u>39,945</u>	<u>43,092</u>

c) Due from related parties

	2023/2024	2023/2023
	<u>Kshs 000</u>	<u>Kshs 000</u>
Due from Ministry of Agriculture, Livestock, Fisheries & Co-operatives	<u>40,000</u>	<u>40,000</u>
	<u>40,000</u>	<u>40,000</u>

The Ministry of Agriculture, Livestock, Fisheries and Co-operatives requested to be advanced a total of Kshs. 40 million in 2017 that was to be reimbursed immediately when the ministry received its funds from the National Treasury but is yet to be reimbursed.

31 Contingent Liabilities

	2023/2024	2022/2023
	Kshs 000	Kshs 000
One court case against the ComFund	<u>18,998</u>	<u>18,998</u>
Total	<u>18,998</u>	<u>18,998</u>

The ComFund has litigation against it which involves a spousal consent dispute on a property secured against a loan with the exposure estimated at around **Kenya shillings Eighteen Million Nine Hundred Ninety-Eight Thousand (Kshs 18,998,000)**. However, management is of opinion that the case will be judged in its favour hence no need for provision in the financial statements.

32. Operating Lease commitments

Rental expenses incurred during the year was Kshs.20,659 (2023– Kshs.16,370). At the reporting date, the Fund had contracted with landlords for the following minimum future lease payables:

	2023/ 2024	2022/2023
	Kshs'000'	Kshs'000'
The Fund as a lessee:		
Within one year	21,844	16,370
In the second to end of lease	<u>85,342</u>	<u>46,372</u>
	<u>107,186</u>	<u>62,742</u>

Operating leases relate to the office spaces that are negotiated for a maximum period of 5 years, with the rentals being reviewed every two years and hence classified as operating leases. The leases are cancellable with a penalty when the landlord is not given notice to vacate the premises in accordance with lease agreement. The Fund as a lessee does not have an option to purchase the property at the expiry of the lease period.

33. Prior Year Adjustment

Following the write off of the historical non-performing debts for public owned sugar companies on 30th June 2023, adjustment was made and the impact was as follows:

a) Sugar Capital Reserves

The Government of Kenya wrote-off sugar loans owed to Commodities Fund by the public sugar mills amounting to Kshs. 12,334,764,000. Communication on write-off was received in October 2023 but the write-off was back dated to June 2023. Further, the Special Funds Committee of the National Assembly directed a reconciliation of inter-fund sugar debts between AFC and Commodities Fund which revealed the AFC sugar loan inherited by ComFund in 2018 was overstated by Kshs. 268,304,000 and needed correction.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Descriptions	Amount Kshs"000"
Opening Balance as at 1 st July 2023	13,554,514
Add back loan provision for the written off sugar loans which upon inheriting them from Sugar Fund in 2018 loan reserves were recognized less provisions	4,388,404
Less Actual sugar loans written off Principal and Interest	(12,335,764)
Less- The overstated AFC sugar loan after reconciliation recommended by Special Funds Committee of the National Treasury and approved by the parent ministry	(268,304)
Add back Loan interest write off in excess of the inherited loan interest	1,081,447
Total Prior Year Adjustment	(7,134,217)
Restated balance as at June 2024	6,420,297

Resulting from all above adjustments, the sugar capital reserves were reduced by Kshs 7,134,217 leaving reserve amounting to Kshs. 6,420,297,000.

b) Revenue Reserves

As a result of loans write off, the revenue reserve of the Fund was amended to reverse the various items that went into it relating to the written –off loans. Other than loans write-off, some other four operational items were adjusted to revenue reserves over change of Kshs. 7,134,172,000. The breakdown is as follows:

Description	Amount Kshs "000"
Opening Balance As At 1st July 2023	(11,952,413)
Reversal of loans provisions inherited from Sugar Fund in 2018 which was charged to revenue serves.	(4,388,404)
Reversal of accumulated loan loss Provision on GOK loans written off which was accumulated in the revenue reserves over the years provisioning was being done.	12,335,764
Reversal of provision on AFC sugar loans removed from the books after reconciliation directed by the Special Funds Committee of National Assembly and approved by the parent ministry.	268,304
Reversal on excess interest write off from the inherited loans interest	(1,081,447)
Reversal of accrued salary cost for a summarily dismissed employee	375
Charging of Pension benefits not awarded to Staff in FY 2022/2023	(42)
Expensing of Medical prepayment not expensed in prior years when it was utilized	(300)
Reversal of interest on utility deposits treated as additional deposit in FY 2022/2023	(78)
Total Prior Year Adjustments	7,134,172
Restated Revenue Reserve Balance	(4,818,241)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The net effect of all the above adjustments was to increase revenue serves by Kshs. 7,134,172,000 from Kshs (11,952,413,000) to Kshs (4,818,241,000).The change comprise of mainly the reversal of loss provisions and accrued loans interest charged and accumulated in revenue reserves over the years.

34 Transfer of Staff Mortgage and Car Loan Fund Commodities Fund

The Commodities Fund Staff Mortgage and Car Loan Fund financial statements were prepared separately from those of Commodities Fund as an entity. Consequently, the entire Fund was transferred from Commodities Fund book. Reconciliation of the transfer was as follows:

Accounts transfers	<u>Kshs'000'</u>
Staff Mortgage Deposit with HFC as at 30 th June 2023	85,358
Interest receivable from HFC as at 30 th June 2023	171
Mortgage Deposit with Co-op Bank as at 30 th June 2023	30,806
Staff Car Loan with Family Bank as at 30 th June 2023	12,078
Interest receivable from Family bank as at 30 th June 2023	<u>84</u>
Total Transfer to Staff Mortgage and Car loan Fund	<u>128,497</u>

35. Material Uncertainty

Part of the historical non-perming debts amounting to Kshs. 12,335,764,000 owned to Commodities Fund by government owned sugar companies were written off on 30th June 2023. The write off did not come with compensation to Commodities Fund and this is expected to affect the ability of the Commodities Fund to finance the sugar sector in future. Loan written off are as follows:

Loanee	Principal Balance	Interest	Total Loan	Book Provision	Write off
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Chemilil Sugar Company	2,586,917	1,061,061	3,647,978	3,647,978	3,647,978
Miwani Sugar Company	1,199,658	486,465	1,686,123	1,686,123	1,686,123
Muhoroni Sugar Company	2,584,819	888,725	3,473,545	3,473,545	3,473,545
Nzoia GoK Loan	262,817	65,740	328,557	328,557	328,557
Nzoia Sugar Company	2,009,878	686,352	2,696,231	2,696,231	2,696,231
South Nyanza Sugar Company	420,476	82,855	503,331	503,331	503,331
	9,064,565	3,271,199	12,335,764	12,335,764	12,335,764

Commodities Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. Events after the reporting period

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

37. Ultimate and Holding Entity

Commodities Fund is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Irrigation. Its ultimate parent is the Government of Kenya.

38. Currency

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

19. APPENDICES

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL’S RECOMMENDATIONS

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

Paragraph	Key Issues	Management Response	Focal Point to Resolve the issue(Name and Designation)	Status: Resolved/ Not Resolved	Time Frame: (Put a date when you expect the issue to be resolved)															
1.Receivables from Exchange Transactions-Loans and Interest	The statement of financial position reflects long-term receivables from exchange transactions amounting to Kshs.970,881,000 and current portion of long term receivables from exchange transactions amounting to Kshs.348,743,000 all totaling to Kshs.1,319,624,000. The amounts comprises of gross loans totalling to Kshs.20,869,255,000 less provisions totaling to Kshs.19,549,631,000 as disclosed in Note 19 (ii) to the financial statements. Review of records revealed the following anomalies:		<i>Roseline Wambura - Credit Manager</i>																	
1.1. Variances in the Loans Due for Write Off	Included in the gross loans amount are loans due from five (5) sugar mills due for write off totalling to Kshs.12,335,763,897. Review of records revealed that the National Treasury vide letter dated 12 October, 2023 approved write-off of loans amounting to Kshs.13,167,893,786 resulting to a variance of Kshs.832,129,889 as shown below:	A consultative meeting was held at the Fund’s Boardroom between the National Treasury, Commodities Fund and the Five State Owned Sugar Mills on 5 th January 2024 to address the discrepancies noted between the approved loan write-off amounts and the Commodities Fund loan balances. Commodities Fund as the custodian of the loan book that was inherited from the defunct Kenya Sugar Board and Agriculture and Food Authority (AFA) as the subject matter of the debt write-off was not involved in the confirmation of the loan amounts owed by State Owned Sugar Companies to Commodities Fund. The total loan book for the State Owned Sugar Mills per the Commodities Fund books as at 30 th June 2023 stood at Kshs. 12,335,763,897.20 compared to the total amount approved for debt write off of Kshs. 12,366,003,133.00. This shows that the State Owned Sugar Mills loan balances if looked at holistically	<i>Roseline Wambura - Credit Manager</i>																	
	<table border="1"> <thead> <tr> <th>Entity</th> <th></th> <th>Approved for write off (Kshs)</th> <th>Due for write off as per Commodities Fund Records (Kshs)</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Nzoia company</td> <td>sugar</td> <td>3,637,056,220</td> <td>3,024,787,556</td> <td>612,268,664</td> </tr> <tr> <td>Chemilil Company</td> <td>Sugar</td> <td>3,740,868,462</td> <td>3,647,977,903</td> <td>92,890,559</td> </tr> </tbody> </table>	Entity		Approved for write off (Kshs)	Due for write off as per Commodities Fund Records (Kshs)	Variance (Kshs)	Nzoia company	sugar	3,637,056,220	3,024,787,556	612,268,664	Chemilil Company	Sugar	3,740,868,462	3,647,977,903	92,890,559				
Entity		Approved for write off (Kshs)	Due for write off as per Commodities Fund Records (Kshs)	Variance (Kshs)																
Nzoia company	sugar	3,637,056,220	3,024,787,556	612,268,664																
Chemilil Company	Sugar	3,740,868,462	3,647,977,903	92,890,559																

Commodities Fund

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	Muhoroni Sugar Company Limited	3,466,198,521	3,473,544,680	(7,346,159)	<p>are within the approved loans write-off figure attributable to Commodities Fund.</p> <p>The National Treasury vide a letter of Ref. No. TNT/CONF/114/04 A dated 27th March 2024 granted approval for Commodities Fund to proceed and write off the loans as per their reconciled balances with the State Owned Sugar Companies as at 30th June 2023 as proposed in line with the spirit of the Action Plan to revive an commercialize State Owned Sugar Companies</p>											
	Miwani Sugar Company	1,820,525,811	1,686,123,254	134,402,557												
	South Nyanza Sugar Company Limited	503,244,772	503,330,504	(85,732)												
	Total	13,167,893,786	12,335,763,897	832,129,889												
<p>1.2. Long Outstanding Receivables</p>	<p>In addition, review of loan records revealed that the receivables from exchange transactions amount includes Kshs,5,556,427,877, Kshs,726,190,316.96 and Kshs,6,386,234.60 for Sugar, Coffee, and Coconut respectively all totalling to Kshs.6,289,008,765 which have been outstanding for long. The recoverability of the amount could not be confirmed.</p>				<table border="1"> <thead> <tr> <th data-bbox="792 623 873 709">S. No</th> <th data-bbox="873 623 966 709">Product</th> <th data-bbox="966 623 1148 709">Principal in arrears as at 30th June 2023</th> <th data-bbox="1148 623 1473 709">Remarks</th> </tr> </thead> <tbody> <tr> <td data-bbox="792 709 873 1224">1</td> <td data-bbox="873 709 966 1224">Sugar</td> <td data-bbox="966 709 1148 1224">5,556,427,877</td> <td data-bbox="1148 709 1473 1224"> <p>The bulk of the loan book was attributed to those inherited from the defunct Kenya Sugar Board and Agriculture and Food Authority. Debt write off for the inherited outgrower loans has been sort in conjunction with AFA and feedback is awaited</p> <p>Debt collectors have also been brought on Board and will commence the recovery process for Kibos Sugar & Allied Industries, Muhoroni Outgrowers Company, Muhoroni Multipurpose Co-op Union, Kisumu Sugarbelt Co-operative Union and Mumias Sugar Company in Receivership in the month of September 2024</p> </td> </tr> </tbody> </table>	S. No	Product	Principal in arrears as at 30 th June 2023	Remarks	1	Sugar	5,556,427,877	<p>The bulk of the loan book was attributed to those inherited from the defunct Kenya Sugar Board and Agriculture and Food Authority. Debt write off for the inherited outgrower loans has been sort in conjunction with AFA and feedback is awaited</p> <p>Debt collectors have also been brought on Board and will commence the recovery process for Kibos Sugar & Allied Industries, Muhoroni Outgrowers Company, Muhoroni Multipurpose Co-op Union, Kisumu Sugarbelt Co-operative Union and Mumias Sugar Company in Receivership in the month of September 2024</p>	<p><i>Roseline Wambura- Credit Manager</i></p>		
S. No	Product	Principal in arrears as at 30 th June 2023	Remarks													
1	Sugar	5,556,427,877	<p>The bulk of the loan book was attributed to those inherited from the defunct Kenya Sugar Board and Agriculture and Food Authority. Debt write off for the inherited outgrower loans has been sort in conjunction with AFA and feedback is awaited</p> <p>Debt collectors have also been brought on Board and will commence the recovery process for Kibos Sugar & Allied Industries, Muhoroni Outgrowers Company, Muhoroni Multipurpose Co-op Union, Kisumu Sugarbelt Co-operative Union and Mumias Sugar Company in Receivership in the month of September 2024</p>													

		2	Coffee	726,190,316.96	<p>The bulk of these loans were inherited from the defunct Coffee Development Fund and were unsecured which has made it difficult to fully recover the facilities. The Fund has sort debt waiver of the historical inherited loans from the Commissioner of Co-operatives as well as those for societies that were outstanding upto 30th September 2023 and feedback is awaited.</p> <p>Debt Collectors have been on-boarded to assist in the debt recovery process and some of the securities have been forwarded to the legal department for security realization</p>				
		3	Coconut	6,390,570.73	The file for Silas Mazera Mwatela's has been escalated to debt collectors for recovery measures				
			TOTALS	6,289,008,765					

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024**

<p>1.3. Unsecured and Inadequately Secured Loans</p>	<p>Analysis of Coffee and Sugar loan records revealed that loans totalling to Kshs.19,026,215,925 had no security. Further, loans totalling to Kshs.311,695,972 had securities which were less than the outstanding loan balances.</p>	<p>Kshs. 11,692,849,800.58 of the Kshs. 19,026,215,925.48 relates to loans issued to State Owned Sugar Mills whose loans have been written off by the National Treasury vide their letter of Ref. No. TNT/CONF/114/04 A dated 27th March 2024.</p> <p>The sugar portfolio was inherited from the defunct Kenya Sugar Board and Agriculture and Food Authority (AFA). The securities pertaining to the loan book inherited were secured by debentures, logbooks, farmers arrears agreements, titles deeds where applicable etc which are in favour of the defunct Kenya Sugar Board and AFA. The loans were fully secured under the defunct Kenya Sugar Board/AFA through the Crops Act, 2013. ComFund is currently unable to enforce any liquidation of the securities due to the existing legislative gaps and discrepancies in the Crops Act, 2013</p> <p>The bulk of the Coffee loans were inherited from the defunct Coffee Development Fund and there was no tangible security since they were in the form of social guarantees which was allowable at that point in time. The Fund has sort debt waiver of these inherited coffee debts and those issued to societies and feedback is awaited.</p> <p><u>Securities less than outstanding balances</u></p> <p>After revaluation the market value for the securities were as follows:</p> <table border="1" data-bbox="813 1112 1456 1341"> <thead> <tr> <th>Member Name</th> <th>Loan Balance</th> <th>Market value after revaluation</th> </tr> </thead> <tbody> <tr> <td>Amos Ndolo Mwangangi</td> <td>1,339,313.49</td> <td>2,000,000.00</td> </tr> <tr> <td>Catherine Mwaniki /Gladys Warue Simon</td> <td>2,870,924.46</td> <td>loan cleared in March 2024</td> </tr> <tr> <td>Embu Coffee Mills</td> <td>162,950,752.11</td> <td>143,463,000.00</td> </tr> </tbody> </table>	Member Name	Loan Balance	Market value after revaluation	Amos Ndolo Mwangangi	1,339,313.49	2,000,000.00	Catherine Mwaniki /Gladys Warue Simon	2,870,924.46	loan cleared in March 2024	Embu Coffee Mills	162,950,752.11	143,463,000.00	<p>Roseline Wambura – Credit Manager</p>		
Member Name	Loan Balance	Market value after revaluation															
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Catherine Mwaniki /Gladys Warue Simon	2,870,924.46	loan cleared in March 2024															
Embu Coffee Mills	162,950,752.11	143,463,000.00															

		<table border="1"> <tbody> <tr> <td>Gakundu Co-Operative Society</td> <td>38,496,305.86</td> <td>84,000,000.00</td> </tr> <tr> <td>James Gakuru Ngobia</td> <td>2,168,909.59</td> <td>8,000,000.00</td> </tr> <tr> <td>Machakos District Co Union</td> <td>12,630,608.22</td> <td>11,000,000.00</td> </tr> <tr> <td>Martin Gichuhi Mamicha</td> <td>2,712,739.73</td> <td rowspan="3">12,000,000.00</td> </tr> <tr> <td>Martin Gichuhi Mamicha</td> <td>1,326,465.75</td> </tr> <tr> <td>Martin Gichuhi Mamicha</td> <td>507,547.95</td> </tr> <tr> <td>Rose Mumbi Mimano</td> <td>49,399,452.35</td> <td>90,000,000.00</td> </tr> <tr> <td>Susan Wanjiku Ngare</td> <td>673,317.90</td> <td>7,500,000.00</td> </tr> <tr> <td>Urban Coffee Limited</td> <td>23,939,770.32</td> <td rowspan="2">4,000,000.00</td> </tr> <tr> <td>Urban Coffee Limited</td> <td>9,093,150.68</td> </tr> <tr> <td>Wanyiri Kihoro</td> <td>3,870,000.00</td> <td>5,000,000.00</td> </tr> <tr> <td>Wilson Ruto Kibitok</td> <td>1,035,939.86</td> <td>3,500,000.00</td> </tr> </tbody> </table>	Gakundu Co-Operative Society	38,496,305.86	84,000,000.00	James Gakuru Ngobia	2,168,909.59	8,000,000.00	Machakos District Co Union	12,630,608.22	11,000,000.00	Martin Gichuhi Mamicha	2,712,739.73	12,000,000.00	Martin Gichuhi Mamicha	1,326,465.75	Martin Gichuhi Mamicha	507,547.95	Rose Mumbi Mimano	49,399,452.35	90,000,000.00	Susan Wanjiku Ngare	673,317.90	7,500,000.00	Urban Coffee Limited	23,939,770.32	4,000,000.00	Urban Coffee Limited	9,093,150.68	Wanyiri Kihoro	3,870,000.00	5,000,000.00	Wilson Ruto Kibitok	1,035,939.86	3,500,000.00			
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1.4. Loans Secured by Tripartite Agreements	Included in the loans balance are loans totaling to Kshs.9,200,000 secured by tripartite agreement between Societies and Marketers who were not licensed by Capital Markets Authority. This is contrary to a Public notice by the Capital Markets Authority, hence the security of the coffee loans are doubtful.	<p>At the time the loans were issued the said coffee marketers had valid licenses and therefore the tripartite agreements entered into with the coffee societies were valid at the point of disbursement of the facilities. The loans were issued prior to the Public notice by Capital Markets Authority which was issued on 20th June 2023.</p> <p>Kaliluni FCS and Mirichi FCS cleared their loans in the months of December 2023 and April 2024 respectively.</p> <p>The outstanding loan is that of Thima FCS whose repayment has been affected by the pronouncement of the coffee debt waiver. The Fund has sort debt waiver of this debt from the Commissioner of Co-operatives and feedback is awaited.</p>	<i>Roseline Wambura – Credit Manager</i>																																			

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

<p>1. Irregular Payment of House Allowances</p>	<p>The statement of financial performance reflects employee costs amounting to kshs.110,630,000 as disclosed in Note 11 to the financial statement. The amount includes housing benefits and allowances totaling to Kshs.25,452,000. However review of the payroll records revealed that some employee were paid house allowance totaling to Kshs.3,839,300 which exceeded the approved rate by the salaries and remunerations commission (SRC) as per their respective job grades and location. No evidence was provided to confirm if approval for the payments of allowances was granted by SRC. Further, uniform house allowance was paid for different towns. This is contrary to SRC Circular Referenced SRC/TS/MDP/3/1/2 (2) of 11 August, 2015 which details the house allowance rates for all civil servants according to their job grades and location of posting. In the circumstances, Management is in breach of the law.</p>	<p>Since its inception, the Fund has continued to use the remuneration policy of its predecessor; Coffee Development Fund owing to the fact that the Fund is yet to receive a recommended salary structure from the Salaries and Remuneration Commission. The SRC requires a staff emoluments budget confirmation from the National Treasury. The current remuneration structure including the House Allowances paid are based on the 2012 CoDF remuneration structure which was implemented before the 2014 SRC House Allowance guidelines. In the absence of and SRC recommended salary structure for Commodities Fund, the Fund has continued to rely on the 2012 Coffee Development Fund remuneration structure since it is the one employees transitioned on to Commodities Fund. On the recommendation of the Commodities Fund Salary Structure by SRC The Fund will restructure the employees' salaries and benefits as per the given guidelines.</p> <p>Never the less, the staff grading at Commodities Fund as per the remuneration policy are in numerical basis from grade I to grade VI. Grade I being the highest. The grading are mapped to the public service grading system as follows:</p> <table border="1" data-bbox="813 967 1238 1295"> <thead> <tr> <th><i>Public Service Grade Bands</i></th> <th><i>Commodities Fund Grades</i></th> <th><i>Respective positions</i></th> </tr> </thead> <tbody> <tr> <td><i>UV</i></td> <td><i>I</i></td> <td><i>Managing Trustee</i></td> </tr> <tr> <td><i>ST</i></td> <td><i>II</i></td> <td><i>Managers</i></td> </tr> <tr> <td><i>PR</i></td> <td><i>III</i></td> <td><i>Senior Officers</i></td> </tr> <tr> <td><i>MN</i></td> <td><i>IV</i></td> <td><i>Officers</i></td> </tr> <tr> <td><i>KL</i></td> <td><i>V</i></td> <td><i>Assistant</i></td> </tr> <tr> <td><i>FGJ</i></td> <td><i>VI</i></td> <td><i>Support Staff</i></td> </tr> </tbody> </table> <p>Given this grading systems, the Commodities Fund House Allowances are therefore within the SRC guidelines with most</p>	<i>Public Service Grade Bands</i>	<i>Commodities Fund Grades</i>	<i>Respective positions</i>	<i>UV</i>	<i>I</i>	<i>Managing Trustee</i>	<i>ST</i>	<i>II</i>	<i>Managers</i>	<i>PR</i>	<i>III</i>	<i>Senior Officers</i>	<i>MN</i>	<i>IV</i>	<i>Officers</i>	<i>KL</i>	<i>V</i>	<i>Assistant</i>	<i>FGJ</i>	<i>VI</i>	<i>Support Staff</i>	<p><i>Rose Ndiritu – Human Resources and Administration Officer</i></p>		
<i>Public Service Grade Bands</i>	<i>Commodities Fund Grades</i>	<i>Respective positions</i>																								
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		<p>of the employees getting below the set upper limit. For instance, the assistants on grade KL are currently receiving a house allowance of Kshs. 20,000 against the set SRC limit of Kshs. 28,000.00 while as the Senior officers draw a housing allowance lower than that on SRC guidelines.</p> <p>The Fund has been responsive to the SRC requirement of Job Evaluation and submitted its Job Description Manual to the Salaries and Remuneration Commission for Job Evaluation and recommendation of a salary and grading structure. As stated, the Fund awaits budget confirmation from the National Treasury for submission to the SRC.</p> <p>The Fund has further participated in the disclosure of all the allowances paid to its staff; including housing allowances to SRC as required in November 2021, in an exercise carried out by SRC for the harmonization of allowances in the Public Service. The amounts paid by Commodities Fund are therefore disclosed and done with no ill motive.</p> <p>In the absence of any other recommended salary and grading structure to transit to, the Fund has continued to operate with the defunct Coffee Development Fund Remuneration Structure. Ordinarily, the salary and grading structure includes both the basic salary and corresponding remunerative allowances, and the Fund has been looking forward to the recommendation of a suitable salary structure by SRC.</p> <p>Further, the proportion of basic salary to gross salary for all Commodities Fund employees is within the required 60 percent (SRC Allowances Policy Guideline for the Public Service – October 2021)</p>			
<p>2. Irregular Investment of Surplus Funds in Fixed Deposits at</p>	<p>Kshs.1,845,870,000.The amount includes short term deposits totalling to Kshs.1,732,476,000 invested in the local banks as disclosed in statements. This is contrary to The National Treasury Circular Referenced DMD 4/02 'H' Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries.</p>	<p>It is It true that the National Treasury Circular Ref. DMD 4/02 'H' (63) dated 26th March 2018 directed all state corporations and semi-autonomous Government Agencies to (SAGA) to invest surplus funds in treasury bills/or treasury bonds directly through the Central Bank of Kenya. Prior to this circular and after the circular, the Commodities Fund sought special authority to invest it's surplus funds in short term and call deposits with commercial banks and</p>	<p><i>Silas Nyaga-Finance Manager</i></p>	<p><i>Resolved</i></p>	<p><i>30th May 2024</i></p>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

<p>Commercial Banks</p>	<p>In the circumstances, Management was in breach of the law.</p> <p>Kshs.1,845,870,000.The amount includes short term deposits totalling to Kshs.1,732,476,000 invested in the local banks as disclosed in statements. This is contrary to The National Treasury Circular Referenced DMD 4/02 'H' Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>authority was granted on 13th November, 2017 Vide letter reference CONF/MOF/63/01/ 'T Y'. and on 17th June 2020 vide letter Ref:AG.3/88/1Vol/ (12). It was on the basis of the two approvals that the Fund continued to invest funds on short term and call deposits with Commercial Banks.</p> <p>However, following the audit 2021/2022 that questioned the practise, steps were taken to seek new mandate. Resulting from this effort, the Fund was advised to invest a portion of its surplus funds not likely to be disbursed within three months in treasury bills and the rest of funds in short term and call deposits with the approved commercial banks. This directive was implemented and some of the funds not likely to be disbursed within three months are already invested in treasury bills.</p>			
<p>3.3.Committee with Members Exceeding One Third of Full Board</p>	<p>Review of board documents indicated that the full board had eight (8) members, out of which three committees namely, finance, human resource and general-purpose committee; credit and business development committee; and audit and risk and governance committees were established. However, these committees had a membership of four (4), six (6) and four (4) members respectively which exceeds the one third (3 members) of the full board members. This was contrary to the Paragraph 4 of the Office of the President circular No. OP/CAB.9/1A of 11 March, 2020 which states that the number of members to any Committees should be no more than one third (1/3) of the full Board to obviate the risk of a Committee conducting its business within the framework of a full Board structure.</p> <p>In the circumstances, Management was in breach law.</p>	<p>It is true that the Finance, HR and General-Purpose Committee and Credit and Business Development Committees of the Board had more numbers than the requirements. This was mainly due to the numbers of independent members appointed to the substantive board. Further, in constituting the membership, the Board had to adhere to the need to have the independents participating in the core functions of the Fund hence the need to include them in the Credit and business development committee of the Board. The extra number involved the Government (Parent Ministry) representative for purposes of guidance.</p> <p>The Fund must however state that the difficulty in balancing the numbers arose as a result of ensuring independent members did not participate in more than two committees with also the need to ensure those in the Finance, Human Resource and General Purpose Committee did not appear also in the Audit committee creating a conflict.</p> <p>Following your observation, the committees were reconstituted and now within the 1/3 rule as required of Mwongozo guidelines and various Government circulars specifically Number OP/CAB.9/1A of 11th March 2020.</p>	<p><i>Nesline Okiko-Legal Manager</i></p>	<p><i>Resolved</i></p>	<p><i>30th January 2024</i></p>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

<p>4.Lack of Performance Evaluation for the Board</p>	<p>The statement of financial performance reflects remuneration of trustees amounting to Kshs.17,786,000 as disclosed in Note 12 to the financial statements. However, performance evaluation for the Board was not done for the year under audit. This was in contravention of the Mwongozo Chapter 1 (4) which states that the performance of the Board, its committees and individual directors should be evaluated annually. In circumstances, the board is in breach of law.</p>	<p>The Board has always conducted evaluation up to and including financial year 2020/2021. The inspectorate of State corporations declined to evaluate the board due to the gaps in its law establishing the Fund.</p> <p>Attempts to have amendments to address the Fund's corporate status during the period 2022/2023 and 2023/2024 and the push to have draft regulations accented to was not successful. Further, the Fund had several changes in the membership of the board and evaluation was also impractical. Management however undertakes to ensure the board evaluation takes place in the financial year 2023/2024.</p>	<p><i>Nesline Okiko-Legal Manager</i></p>		
<p>5.Non-Preparation of Car and Mortgage Funds Financial Statements</p>	<p>The statement of financial position reflects total investments of Kshs.128,242,000. The amount includes staff mortgage loan and car loan deposits amounting to Kshs.116,164,000 and Kshs.12,078,000 respectively. However, the Fund did not prepare financial statements for the schemes and submit them for audit as required by the Salary and Remuneration Commission (SRC) Circular Ref. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 on Car Loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>It is true the Commodities Fund did not prepare separate financial statements for Car Loan and Mortgage schemes. The omission was as a result of the Fund not having gazetted regulations for Car and Mortgage schemes which are the basis of preparing separate financial statements. The Fund has prepared separate financial statements for mortgage and Car loan for the FY 2023/2024.</p>	<p><i>Silas Nyaga-Finance Manager</i></p>	<p><i>Resolved</i></p>	<p><i>30.9.2024</i></p>


Ms. Nancy C Cheruiyot, FCCA
Managing Trustee / CEO

Date: 05/12/2024.....

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024**

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMFUND

Projects

The sole project being implemented by ComFund in 2022/2023 was as follows:

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Coconut Revitalization Project	1169108400	GOK	5 Years	N/A	No	Yes
Cashew Nut Revitalization Project	1169108400	GOK	5 Years	N/A	No	Yes
Banana Enterprise Financing Project	1169108400	GOK	5 Years	N/A	No	Yes

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024

Status of completion is as follows:

	Project	Total project Cost Kshs '000'	Total expended to date Kshs '000'	Completion % to date	Budget Kshs '000'	Actual Kshs '000'	Source s of funds
	Coconut Revitalization Project	1,000,000	151,000	15.1%	92,000	31,000	GOK
	Cashew Nut Revitalization Project	850,000	32,500	0%	65,000	17,500	GOK
	Banana Enterprising Financing Project	500,000	40,000	8%	40	40	GOK

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2024

APPENDIX III: TRANSFERS FROM OTHER ENTITIES

Name of the Entity Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Reserve	Deferred Income	Receivables	Others - must be specific	
State Department of Crops Development	8/8/2023	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	9/13/2023	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	10/16/2023	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	10/31/2023	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	12/11/2023	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	1/5/2024	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	2/15/2024	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	2/26/2024	Development	17,500,000	7,317,626	8,500,000	1,682,374			17,500,000
State Department of Crops Development	2/26/2024	Development	31,000,000	14,166,200	16,833,800				31,000,000
State Department of Crops Development	2/26/2024	Development	5,000,000	5,000,000					5,000,000
State Department of Crops Development	3/12/2024	Recurrent	2,125,000	2,125,000					2,125,000
State Department of Crops Development	4/2/2024	Development	35,000,000	8,913,250	20,000,000	6,086,750			35,000,000
State Department of Crops Development	4/15/2024	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	5/8/2024	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	6/12/2024	Recurrent	4,250,000	4,250,000					4,250,000
State Department of Crops Development	6/26/2024	Recurrent	22,375,000	22,375,000					22,375,000
Total			155,500,000	102,397,076	45,333,800	7,769,124	-	-	155,500,000

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2024



Ministry of Agriculture &
Livestock Development



Commodities Fund



Confirmation of amounts received by Commodities Fund as at 30th June 2024

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT23220TH55V	08/08/2023	4,250,000.00		4,250,000.00	
FT23256T5DR0	13/09/2023	4,250,000.00		4,250,000.00	
FT23289BMQVP	16/10/2023	4,250,000.00		4,250,000.00	
FT23304G6N6N	31/10/2023	4,250,000.00		4,250,000.00	
FT23345H6VT2	11/12/2023	4,250,000.00		4,250,000.00	
FT24005W4WR5	05/01/2024	4,250,000.00		4,250,000.00	
FT240461SCJY	15/02/2024	4,250,000.00		4,250,000.00	
FT24057B8XBY	26/02/2024	9,000,000.00	8,500,000.00	17,500,000.00	
FT24057XKX7X	26/02/2024	8,000,000.00	23,000,000.00	31,000,000.00	
FT24057XBP1R	26/02/2024	5,000,000.00		5,000,000.00	
FT24072CNVHR	12/03/2024	2,125,000.00		2,125,000.00	
FT24093MPRCX	02/04/2024	15,000,000.00	20,000,000.00	35,000,000.00	
FT24106CBFK4	15/04/2024	4,250,000.00		4,250,000.00	
FT241294HCZ7	08/05/2024	4,250,000.00		4,250,000.00	
FT24164B91YR	12/06/2024	4,250,000.00		4,250,000.00	
FT24178VTBK3	26/06/2024	22,375,000.00		22,375,000.00	
Total		104,000,000.00	51,500,000.00	155,500,000.00	

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

Head of Accounts Department - Beneficiary Entity:

Name SILAS NYAGA Sign [Signature] Date 28/7/2024