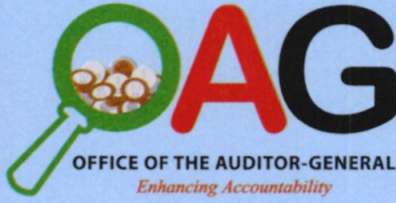


REPUBLIC OF KENYA



REPORT

PARLIAMENTARY ASSEMBLY
PAPERS LAID
DAY.

DATE: 12 FEB 2026 Thursday

TABLED BY: Hon. George Ngunjiri
Deputy Speaker of Lom.

CLERK-AT THE TABLE: Kamela T.

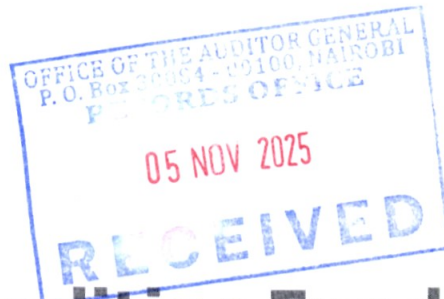
THE AUDITOR-GENERAL

ON

COMMODITIES FUND

FOR THE YEAR ENDED

30 JUNE, 2025



Commodities Fund

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

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

**Commodities Fund
Annual Report and Financial Statements
For the Year ended 30th June 2025**

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1. Acronyms and Definition of Key Terms

A: Acronyms

BOT	-	Board of Trustees
CAJ	-	Commission on Administrative Justice
CBK	-	Central Bank of Kenya
CEO	-	Chief Executive Officer
COMFUND	-	Commodities Fund
CSR	-	Corporate Social Responsibility
DSS	-	Direct Settlement System
GDP	-	Gross Domestic Product
HR	-	Human Resource
ICPAK	-	Institute of Certified Public Accountants of Kenya
IPSAS	-	International Public Sector Accounting Standards
KNBS	-	Kenya National Bureau of Statistics
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
SDG	-	Sustainable Development Goals
SOP	-	Standard Operating Procedure
WB	-	World Bank

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B: Definition of key Terms

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

Comparative Year- Means the prior period.

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.

The ComFund is managed by a Board of Trustees which is appointed in line with requirements of the Crops Act 2013, Section 9(3). The Managing Trustee (MT) is the Secretary to the Board and Chief Executive Officer of the Fund. The MT is supported by a team of management comprising of: Credit, Finance, Legal, ICT and Human Resources functions. Others are Supply Chain, Corporate Communications, Internal Audit and the Planning & Strategy functions.

(b) Principal Activities

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

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

- 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:
 - Finance, Human Resources and General Purpose Committee,
 - Credit & Business Development Committee
 - Audit, Risk & Governance Committee.
- ii) The Managing Trustee, who is the Chief Executive Officer and Secretary to the Board.
- iii) The Management team comprising of the Managing Trustee and nine Heads of Departments and Units.

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No.	Designation	Name
1.	Chairman – Joined in February 2023	Mr. Duke Mainga Ondiba Echate
2.	Independent Trustee – Term ended on 26 th May 2025	Ms. Jane Likimani Gachanja
3.	Independent Trustee – Term ended on 26 th May 2025	Ms. Mary Basweti Nyachae
4.	Independent Trustee – Term ended on 14 th April 2025	Mr. Yunis Ibrahim Sheikh
5.	Independent Trustee - Joined in June 2023	Ms. Edith Wanjiku Kimani
6.	Alternate Director of the Cabinet Secretary- Retired on 3 rd October 2023	Ms. Alice Kwamboka Nyariki, OGW
7.	Alternate Director to the Principal Secretary, State Department for Agriculture, MoALD – Term ended on 31 st August 2024	Mr. Badu Sora Katelo
8.	Alternate Director of the Cabinet Secretary- Joined in June 2024	Ms. Winne Narasha Molonko
9.	Alternate Director to the Principal Secretary, State Department for Agriculture, MoALD - Joined in April 2025	Mr. Stephen Kibet Rono
10.	Independent Trustee - Joined in May 2025	Eng. Edward Musebe Achieng
11.	Independent Trustee - Joined in June 2025	Ms. Rosemary Chelangat Kittony

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Trustee / CEO	Ms. Nancy C. Cheruyiot
2.	Credit Manager	Ms. Roseline Wambura
3.	Finance Manager	Mr. Silas Nyaga Njagi
4.	Legal Manager	Mr. Nesline Okiko
5.	ICT Manager	Mr. Zachary Waweru
6.	Head of Supply Chain Management	Mr. Joseph Muhuthu
7.	Head of HR and Administration	Ms. Rose Ndiritu

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No.	Designation	Name
8.	Head of Corporate Communication	Mr. James Singa
9.	Head of Planning and Strategy	Ms. Jane Kimani
10	Head of Internal Audit	Mr. Edwin Muchiri

(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 areas of operation 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 (NT) 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 a 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 on credit administration. Credit approvals are vested in Committees for collective decision making process. The Committees are the Management Credit Committee and the Board Credit & Business Development Committee.

iii) Overall Supervision/ Policy Direction: The Board

The Board of Trustees has constituted three Committees which meet at least once every quarter, 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

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(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

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Email: info@creditbankltd.co.ke

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

(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

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3. Board Members

Name/ Profession/ Academic Qualifications	Profile: Director's date of birth, key qualifications and work experience
<p>Mr. Duke Mainga Ondiba Echate</p>  <p><i>(Tenure: From 10th February 2023 to date)</i></p> <p>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><i>Name:</i> Duke Mainga Ondiba Echate, Chairman of the Board of Trustees</p> <p><i>Date of Birth:</i> 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>Mr. Stephen Kibet Rono</p>  <p><i>(Tenure: From 29th April 2025 to date)</i></p> <p>MBA in Strategic Management (JKUAT) Bachelor in Agribusiness Management (Egerton University).</p> <p>CCNA-qualified ICT specialist with an advanced training in GIS for Resource Mapping and Planning CETRAD (Univ. of Berne Switzerland)</p>	<p><i>Name:</i> Mr. Stephen Kibet Rono</p> <p><i>Date of Birth:</i> 25th January 1970</p> <p>Representative of the Principal Secretary (The Agriculture); ComFund Board of Trustees</p> <p>For the last 28 years, Stephen Rono has built a performance portfolio in the public sector by using his expertise in agribusiness to support positive agricultural performance.</p> <p>He is credited for managing various integrated agricultural programmes and projects, including NALEP</p>

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<p>Ms. Rosemary Chelangat Kittony</p>  <p><i>(Tenure: From 5th June 2025 to date)</i></p> <p>MBA (USIU) and BA (Central College, Pella, Iowa, USA).</p>	<p><i>Name:</i> Ms. Rosemary Kittony Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 1st January 1970</p> <p>Management specialist with over 33 years' experience, both in the public and private sectors. She has specific competences in Human Resource Management, institutional administration and operations management as well as performance management. She is a results-oriented professional who has always ensured growth and improvement in all public and private institutions she has worked for.</p> <p>When not engaged in professional duties, she is occupied in community-beneficial charity events.</p>
<p>Ms. Jane Likimani Gachanja</p>  <p><i>Tenure: From 27th May 2022 to 26th May 2025</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><i>Name:</i> Ms. Jane Nkini Likimani-Gachanja Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 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>


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<p>Ms. Mary Basweti Nyachae</p>  <p><i>Tenure: From 27th May 2022 to 26th May 2025</i></p> <p>Masters Degree in Project Management (Salford University at Robert Kennedy College in Zurich, Switzerland) - (Ongoing)</p>	<p><i>Name:</i> Ms. Mary Basweti Nyachae Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 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>Tenure: From 14th April 2022 to 14th April 2025</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><i>Name:</i> Mr. Yunis Ibrahim Sheikh Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 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>Tenure: From 9th June 2023 to date</i></p> <p>Master in Business Administration (Edith Cowan University Perth, Australia); Bachelor of Business in Hotel Management (Australian International Hotel School Canberra)</p>	<p><i>Name:</i> Ms. Edith Wanjiku Kimani Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 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 an entrepreneur with interests in the Hospitality and Tourism Sector.</p>

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<p>Ms. Winnie Narasha Molonko</p>  <p><i>Tenure: From June 2024 to Date</i></p> <p>Masters of Law (LLM), University of Nairobi; Bachelor of Laws (Moi University); Diploma in Law; Certified Secretary (KASNEB)</p>	<p><i>Name:</i> Ms. Winnie Narasha Molonko</p> <p><i>Date of Birth:</i> 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>
<p>Eng. Edward Musebe Achieng</p>  <p><i>Tenure: From 23rd May 2025 to Date</i></p> <p>PhD in Business Administration (UoN); MBA in Business Administration (USIU); Bachelor of Science in Mechanical Engineering – Hons (UoN).</p>	<p><i>Name:</i> Eng. Edward Musebe, PhD Independent Member, ComFund Board of Trustees</p> <p><i>Date of Birth:</i> 4th February 1966</p> <p>Dr. Edward Musebe has used his Engineering and Business Management backgrounds to drive performance in various public and private institutions. He is a strategic thinker who has been credited for turning low-performing organizations into top revenue-generators / service providers. As a corporate governance specialist, Dr. Musebe has been a member of the Board of Directors and C-suite Management in various public and private institutions for the last 35 years. He is also an Assistant Professor at USIU</p> <p>He is a registered Engineer with Engineers Board of Kenya (EBK) and the Institute of Engineers of Kenya (IEK) as well as a member of British Safety Council</p>

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<p>Ms. Nancy Chelangat Cheruiyot, FCCA</p>  <p><i>Tenure: From 1st February 2022 to Date</i></p> <p>PhD in Business Administration (on-going).</p> <p>MBA-Financial Management (Catholic University)</p> <p>Bachelor of Arts - Economics & Sociology (University of Nairobi)</p>	<p><i>Name: Ms. Nancy Chelangat Cheruiyot, FCCA</i></p> <p><i>Managing Trustee / CEO and Secretary to Board</i></p> <p><i>Date of Birth: 3rd January 1978</i></p> <p>Ms. Nancy has over 18 years of experience in Financial Management, Fund Management and administration, Microcredit Management, Market Development, Policy Formulation, and Strategic Planning. She has previously served as the Executive Director of the Africa Fine Coffees Association, a membership-based organization present in fourteen countries in Africa, charged with creating market linkages between African coffee producers and coffee buyers from all over the world. She is a qualified Chartered Certified Accountant (ACCA).</p>
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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; PhD in Business Administration (on-going).</p> <p>Professional Qualification: ACCA.</p>
<p>2. Ms. Roseline Wambura</p> 	<p>Area of Responsibility: Credit.</p> <p>Academic Qualification: Bachelor of Commerce, MBA in 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 - Institute of Certified Public Accountants of Kenya</p>

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<p>4. Mr. Nesline Gechuki Okiko</p> 	<p>Area of Responsibility: Legal Services.</p> <p>Academic Qualification: Bachelor of Laws.</p> <p>Professional Qualification: Diploma in Law.</p>
<p>5. Ms. Rose Ndiritu</p> 	<p>Area of Responsibility: Human Resources & Administration.</p> <p>Academic Qualification: MBA – HR (KU), Bachelor of Education (Arts) KU,</p> <p>Professional Qualification: CHRP, Higher Diploma HR (KNEC)/IHRM; Certified Public Secretary-CPS (K), Certified Professional Mediator</p> <p>Professional Membership: Full Member - Institute of Human Resources Management with Practising Certification</p>
<p>6. 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: Project management, Cyber security & Networking</p> <p>Membership: Computer Society of Kenya</p>
<p>7. Mr. Joseph Muhuthu</p> 	<p>Area of responsibility: Supply Chain</p> <p>Academic Qualification: MBA - Kenyatta University (Ongoing), Bachelor of Purchasing and Supplies Management (Meru University of Science and Technology)</p> <p>Professional Qualification: MCIPS</p> <p>Membership: Kenya Institute of Supplies Management</p>

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<p>8. 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 the Kenya Institute of Bankers (AKIB)</p>
<p>9. Mr. Edwin Muchiri</p> 	<p>Area of Responsibility: Internal Auditor</p> <p>Academic Qualification: MBA (Finance); Bachelor of Commerce (Accounting).</p> <p>Professional Qualifications: CPA (K),</p> <p>Membership: ICPAK; IIA</p>
<p>10. Mr. James Singa</p> 	<p>Area of responsibility: Corporate Communications</p> <p>Qualifications: MA in Communication Studies (UoN); BA (Communications/ Media Technology) - HONS (Maseno University); Bachelor of Laws (UoN-Ongoing);</p> <p>Professional Qualifications: Certificate: Web 2.0 and social media (EU-ACP); Certificate: Corporate Governance (Centre for Corporate Governance); Certified ISO systems internal Lead Auditor;</p> <p>Professional bodies: Full Member; Public Relations Society of Kenya.</p>

5. Chairman’s Statement

5.1 Introduction

It is with much pleasure that I present the Commodities Fund’s Annual Report and Financial Statement for the year ending 30th June 2025. During the year, the Agricultural sector continued to perform a central role in powering the growth of the Kenya’s economy. In this, the Commodities Fund (ComFund or the Fund) continued to fulfil her mandate to finance the crops sector in Kenya.

5.2 Overview: The Global and National Economy

World Bank Group’s *Kenya Economic Update, June 2025* described the global economy as resilient in 2024. Similarly, the sub-Saharan Africa’s economy held steadily, with its growth driven by private consumption and investment. However, Kenya’s national economic growth rate slowed down in 2024, compared to a similar period in the previous year, despite several improving macroeconomic indicators. Nevertheless, the agricultural sector remained strong, supported by good weather and low inflation.

5.3 Economic Performance: Agriculture Sector

The 2025 Economic Survey report by KNBS indicates that the agriculture sector exhibited an overall improved performance in 2024, which was attributable to increased crop yields, increased livestock production, coupled with increased government support to the sector. Key Agricultural subsectors, including tea, sugar and coffee posted increased growth, while the horticultural subsector had a marginal decline.

5.4 ComFund’s Business Environment

Going forward, the Economic Survey 2025 forecasts that Kenya’s economy will remain resilient and stable, with growth being supported by, among other factors, the enhanced agricultural productivity. The inflation is expected to remain within the government’s target ranges. These are some of the factors that give me confidence that will favour Comfund’s operating environment by enabling our customers to service their loan facilities, while developing new avenues for business growth. As an agency entrusted with the mandate to support agriculture, ComFund will continue to support the crops sector with accessible and affordable credit and advances.

5.5 ComFund’s Strategic Plan (2023-2028)

The Comfund continued to implement its 2023-2028 with focus on the following strategic objectives: Credit Management, Resource Mobilization, legal framework & Corporate Governance, price stabilization, and institutional capacity.

5.6 Corporate Performance Overview

The Commodities Fund continued to support the crops sector with exemplary performance, where our disbursements and recoveries maintained an upward trend. During the year, the Fund operationalized financing for two new subsectors: Cashew Nuts and Banana value chains. In addition, the Fund continued to review its business model in order to improve its ability to deliver its services efficiently and effectively. In this, it reviewed the credit policy by introducing the ‘line

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of credit' lending model. This is meant to support new and repeat borrowers by reducing the turn-around time for access to credit facilities.

5.7 Government Policy: Mergers of State Agencies

The Commodities Fund is among the government agencies and state corporations targeted for merger. While awaiting further directives on this, the ComFund remains committed to fulfilling its mandate in the coming financial year(s). In this, service delivery towards financing the crops sector will continue smoothly.

5.8 The Board Composition

During the year under review, we have had the following members exiting the Board: Jane Likimani Gachanja, Mary Basweti Nyachae, Yunis Ibrahim Sheikh and Badu Sora Katelo (alternate to PS- State Department for Agriculture). On the other hand, three Trustees joined the Board including: Mr. Stephen Kibet Rono (alternate to PS- State Department for Agriculture), Ms. Rosemary Kittony and Eng. Edward Musebe.

The Board membership is as set out on page viii-xii.

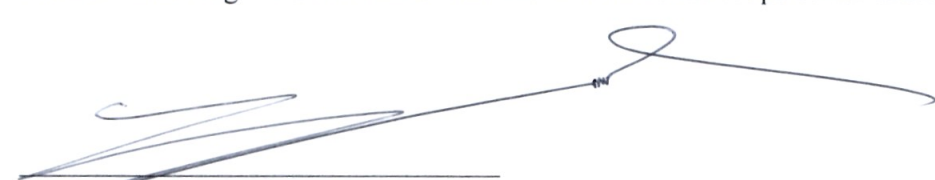
5.9 Challenges

The Fund continues to experience a shortage of financial resources to enable it to expand its services to more sub-sectors. I am hopeful that going forward the Government will provide more funds. At the same time, the ComFund will continue seeking strategic partnerships to supplement internal resources to grow its portfolios. Also, during the financial year, the Comfund received a ministerial directive to transfer Sugar Loan book to the newly formed Kenya Sugar Board. This may affect the Fund's resources to effectively finance the sub-sector.

5.10 Conclusion

I am greatly indebted to the Cabinet Secretary (Ministry of Agriculture and Livestock Development) and the Principal Secretary (State Department for Agriculture) for providing a supportive environment for the Fund to fulfil its mandate. Much appreciation is also 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

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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 on 30th June, 2025.

This Performance is presented within a year where the global economy remained steady, as per the *Kenya Economic Survey (2024)* report, with global real GDP growing by 3.2 per cent in 2024 compared to 3.3 per cent in 2023. In a similar trend, the Sub-Saharan Africa (SSA) real GDP grew by 3.8 per cent.

In the East Africa Community, The KNBS's Economic Survey reports that the real GDP is estimated to have expanded by 5.4 per cent, up from 5.3 per cent growth in 2023 in the five EAC Countries, including Kenya, Uganda, Tanzania, Burundi and Rwanda real, due to robust performances in agriculture, services, and manufacturing sectors, increased foreign direct investment, as well as favourable global commodity prices and a rebound in tourism. Also, the inflation within the bloc eased to 4.4 per cent in 2024, from 6.7 per cent in 2023.

At the national level, Kenya's economy has slowed despite several improving macroeconomic indicators. Real gross domestic product (GDP) grew by 4.7 percent in 2024, a decline from 5.7 percent in 2023, according to the World Bank's Kenya Economic Update (May 2025) report. This growth was powered by Agriculture, Forestry/ Fishing, Financial & Insurance, Transport and Real Estate sectors, where the KNBS economic survey 2024 report indicates that the Agriculture, Forestry and Fishing sector expanded by 4.6 per cent in 2024, largely a resultant of varied weather patterns during the year under review.

Specific performance within the agriculture sector was that while some subsectors' production declined, the cash crop sectors generally posted an improved performance. Coffee production increased from 48,700 tonnes in 2023 to 49,500 tonnes in 2024, with earnings rising by 48.6 per cent to Kshs. 29.6 billion. Tea production rose by 4.9 per cent to 598,500 tonnes in 2024, while the sugarcane production increased from 5.6 million tonnes in 2023 to 9.4 million tonnes in 2024.

The Dominance of Agriculture/ forest & Fishing as the top contributors to the national economy continues, with the sectors contributing 22.5 per cent of the GDP by activity in 2024, up from 21.5 per cent in 2023, justifying the Government continued 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

Overall, the Commodities Fund (ComFund or the Fund) performed well in its Financial Year's targets. In the Performance Contract evaluations for the year 2023/24, the Fund was rated "VERY GOOD". In the core business, the Fund surpassed disbursement / recoveries targets to Coffee and Sugar, while it had average performance in Coconut sub-sector (*See the review of the Credit Portfolio below*). The credit disbursement was aimed at supporting production, processing and value addition initiatives. The Fund also operationalized portfolios to finance the Cashew Nut and Banana sub-sectors.

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2.1 Strategic Plan 2023-2028

During the Financial year, the ComFund continued to implement its 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).

Coffee Debts Waiver

During the financial year, the ComFund anticipated the conclusion of a process to actualize Kenya Kwanza's programme for debt waiver, for the coffee sub-sector in Kenya. Among the facilities anticipated to benefit from the waiver were loan facilities advanced to cooperative societies and unions from the Commodities Fund. By the end of the financial year, the process was still ongoing. If actualized, the initiative will give the entire coffee sector a good standing to implement more sustainable programmes, including availing further financing to support this crucial sub-sector aimed at achieving an annual production of 150,000 MT of coffee every year. 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 35% to **Kshs. 226 million** from **Kshs. 349 million** recorded in 2023/24. This decline is attributed to withdrawal of Government funding from **Kshs. 117 million** to mere **Kshs.7.7 million** in 2024/2025. Secondly, the write off of the historical sugar debts amounting to **Kshs. 12.335 billion** effected on 30th June 2023 without any compensation reduced the capital of the Fund in a big way. Additionally, Fund in its effort to support the Government incentive of making credit more affordable, reduced the upper interest limit from 10 per cent to 7.5 per cent *per annum*, which further impacted the interest income.

Our operational expenses in the financial year under review amounted to **Kshs. 294 million** (compared to **Kshs. 315 million** incurred in 2023/24, representing a decrease of 7 per cent. The decline was occasioned by withdrawal of Government support more so for the projects which have now stalled. During the year, the loan loss provision declined by **Kshs. 118 million** compared to **Kshs. 85 million** in 2023/2024. The decline is attributed to the monthly repayment of the loan by one of the customers whose loan had been fully provided in past years. The Fund ended the year with a surplus totaling **Kshs. 50 million** compared to **Kshs. 119 million** in the previous year. The key driver of the surplus was the reported reversal of loss provision as a result of the customer coming forward to repay the debt that had been defaulted.

6.4 Credit Portfolio

In our continuance to fulfill our mandate to provide affordable financing, Commodities Fund disbursed a total of **Kshs. 918 million** compared to a disbursement of **Kshs. 1,457 million** in 2023/2024. The disbursement comprised of **Kshs. 376 million** and **Kshs. 539 million** for sugar and coffee respectively. Coconut sub-sectors received **Kshs. 2 million** while the Cashew Nut received **Kshs. 1 million**. The funds were meant for farm inputs, crop establishment, processing and purchase of machinery geared towards increasing coffee, coconut and sugar productivity. The Fund is working on fund raising strategies to match loan demand to resource mobilization.

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During the Financial year, a record-breaking loan recovery totalling to **Kshs. 991 million**, was realized compared to **Kshs. 656 million** reported in 2023/2024. The repayments comprised of **Kshs. 469 million**, **Kshs. 501 million** and **Kshs. 21 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, the Fund continued to engage with relevant institutions, including the line Ministry, PSC and the SRC to finalize the process, to implement the new organizational structure (see details in “*iii. Employee Welfare*” under ‘*Environmental and Sustainability reporting statement*’). Meanwhile, 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 scorecard as a 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 to 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 quarterly internal audits, on top of continuous monitoring, 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

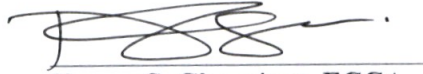
During the Financial year, the ComFund achieved ISO 9001:2015 certification. This certification is multi-site, covering not only the Head Office, but also ComFund's regional offices. Attaining this certification is a demonstration and proof to all ComFund's stakeholders and partners of continued quality 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

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only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates, and especially, considering the social well-being of the community and public it serves, while promoting national values, national cohesion and human dignity. *(A detailed CSR report is under the environmental and sustainability reporting statement).*



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

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7 Statement of Performance against Predetermined Objectives for FY 2024/2025

Commodities Fund Strategic Plan for the period 2023/24 – 2027/28 is aimed at transforming the Fund into a reliable financial partner for the crops sector in Kenya through provision of sustainable, affordable and accessible financial services for the development of the crops sector through efficient resource mobilization and service delivery. Our strategy focuses on five key result areas, namely:

- Key Result Area I: Credit management;
- Key Result Area II: Legal framework and corporate governance;
- Key Result Area III: Price Stabilization;
- Key Result Area IV: Resource mobilization; and
- Key Result Area V: Institutional capacity.

The Fund develops its annual work plans based on the above five key result areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the Financial Year 2024/2025 period for its 2023-2028 strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Key Result Area I: Credit management	To increase loan portfolio from Kshs 1.544 billion in 2023 to Kshs 6.458 billion by 2028	<ul style="list-style-type: none"> • Increased efficiency in loan processing. • Increased loan portfolio. • Reduced loan default 	<ul style="list-style-type: none"> • Streamline loan appraisal process. • Review credit policy • Aggressive marketing of loan products 	<ul style="list-style-type: none"> • Reviewed credit policy to make it accommodative of the market trends. • Disbursement of Kshs 918 million to four value chains. • Conducted various capacity building events
	To reduce NPLs from current 59% (for Coffee and sugar) to 10% for all loans		<ul style="list-style-type: none"> • Strengthen loan monitoring. • Review of the Debt recovery policies • Implementation of debt recovery mechanisms 	<ul style="list-style-type: none"> • Reviewed Debt recovery policy and debt recovery procedural manual. • Recovery of Kshs 991 million • Interest rates are aligned to government agenda for subsidized agricultural financing under BETA Agenda One (Agricultural Transformation). • Expanded models of securitization to enhance credit accessibility through adopting models likes DSS, warehouse receipting, credit line model.
Key Result Area III: Price Stabilization	To facilitate reduction of commodities price volatility	<ul style="list-style-type: none"> • Farmers easily accessing market information e.g., input costs, commodity prices 	<ul style="list-style-type: none"> • Fund value addition ventures • Enhance access to market information 	<ul style="list-style-type: none"> • A working relationship with the Warehouse Receipt Council was initiated and an MOU signed.

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			<ul style="list-style-type: none"> • Collaboration with stakeholders on warehouse receipting system 	<ul style="list-style-type: none"> • A loan product compatible with warehouse receipt financing was developed
Key Result Area IV: Resource mobilization	To mobilize Kshs. 3.7 billion by 2028	<ul style="list-style-type: none"> • Increased funding of scheduled crops 	<ul style="list-style-type: none"> • Build capacity for resource mobilization. • Seek National Government funding for various crops in line with MTP IV and BETA priorities 	<ul style="list-style-type: none"> • Select members of staff were trained in capacity mobilization. • Two concept paper notes were developed and submitted for consideration.
Key Result Area V: Institutional capacity	To enhance operational efficiency and reduce operational cost to revenue ratio from 85% in 2023 to below 70% by 2028	<ul style="list-style-type: none"> • Reduced operational costs 	<ul style="list-style-type: none"> • Streamline operational processes. • Enhanced ICT systems capacity and usage. • Enhanced prudent management of financial resources 	<ul style="list-style-type: none"> • The Fund complied with the government's austerity measures. • Resources were absorbed as budgeted. • Income generation targets were surpassed • Most of the critical processes of the Fund are fully automated

The Fund's strategic objectives not only inform the performance contract but also are an integral part of the annual performance contract targets. During the financial year 2024/2025, the Key Result areas (I), (III), (IV) and (V) (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 (July 2024- June 2025 Financial Year), the Fund committed to disburse loans amounting to **Kshs 448 million** to value chain players, collect and recover **Kshs 750 million**, monitor **200 projects**, enhance resource mobilization by preparing and submitting concept paper notes to the national government and overhaul its processes and procedures to improve efficiency. As at the close of the financial year, the Fund had disbursed and collected **Kshs 918 million** and **Kshs 991 million** respectively thereby surpassing both the disbursement and recovery targets. In addition, **204 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 fiscal stewardship, the fund had pledged to absorb the allocated Kshs 742 million, generate Kshs 929 million from loan recoveries, investments and loan processing fees and close the financial year without any pending bill. As at 30th June 2025, the Fund had absorbed **Kshs. 1.214 billion**, generated **Kshs 1.1 billion** and did not have any pending bill. These commendable achievements were realized on the foundation of heightened demand for accessible agricultural credit, optimized credit administration procedures, and rigorous measures for the recovery of loans.

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 (viii) to (xi). 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. 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

The new Trustees to the ComFund are inducted to office by existing Trustees and the Management, and thereafter 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

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Board discusses the results of its evaluations and uses the process to constructively improve its effectiveness.

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 the 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 risk.

8.9 Board Meeting Attendance

During the year ended 30th June 2025, the number of meetings held by both Full Board and Board Committees is tabulated below:

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No.	Trustee Name	Meetings Required to Attend	Meeting Attended	%
1	Full & Special Board Meetings	5	5	100
2	Credit & Business Development Committee	4	4	100
3	Finance, Human Resource & General-Purpose Committee	6	6	100
4	Audit, Risk Committee & Governance Committee	4	4	100

8.1 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 aggregate of expenditures including none-allowances expenditures is Kshs.15.974 million, as broken down under Note 11 of financial statement.

8.2 Related Party Transactions

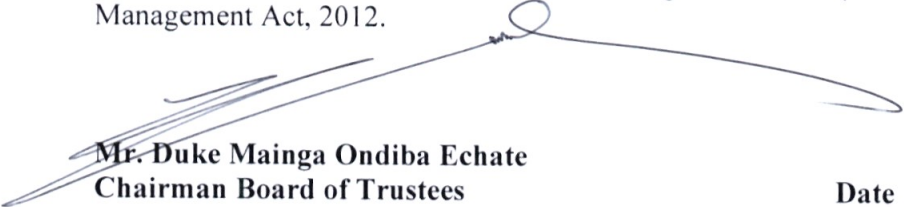
There have been no related party transactions, pecuniary transactions or relationships between the Fund and its Trustees or Management except those disclosed under note 29(c) to the financial statements.

8.12 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.

8.13 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.

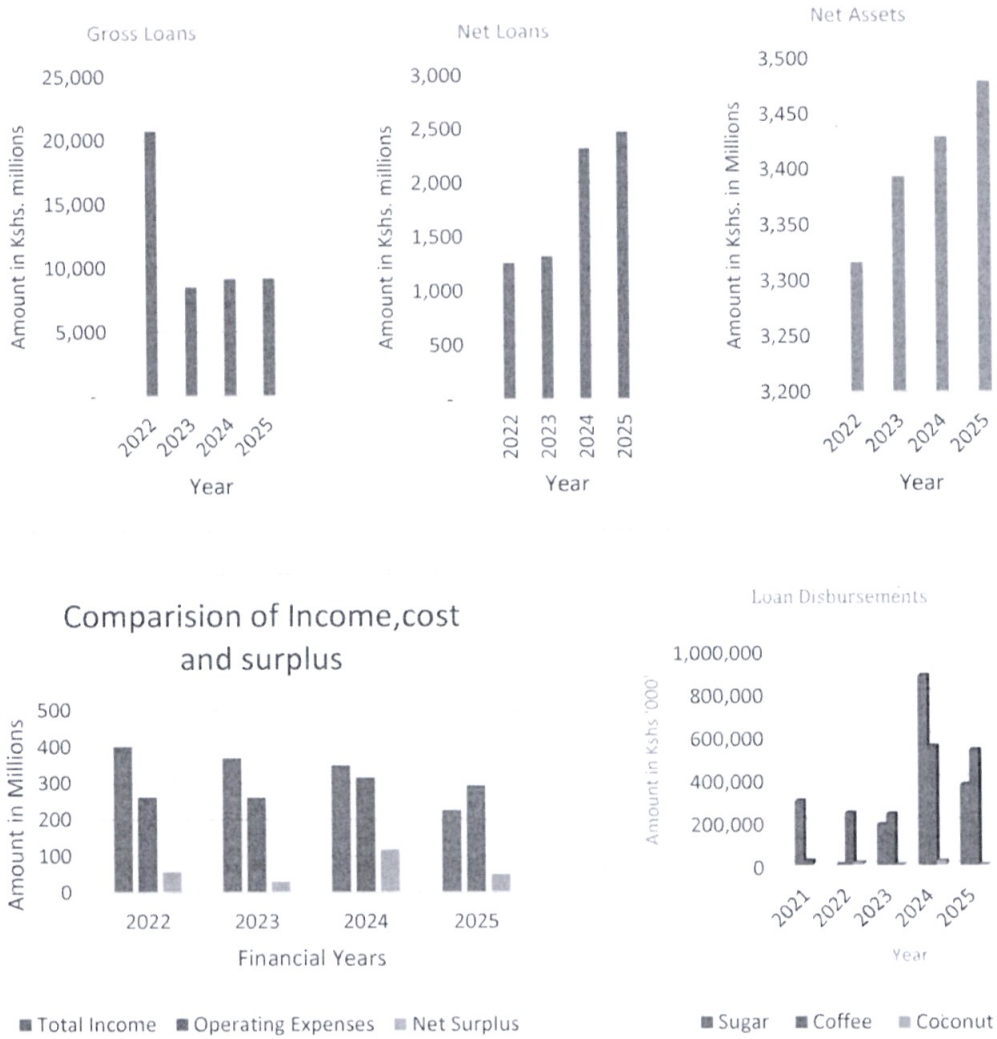

Mr. Duke Mainga Ondiba Echate
Chairman Board of Trustees

Date 25/08/2025.....

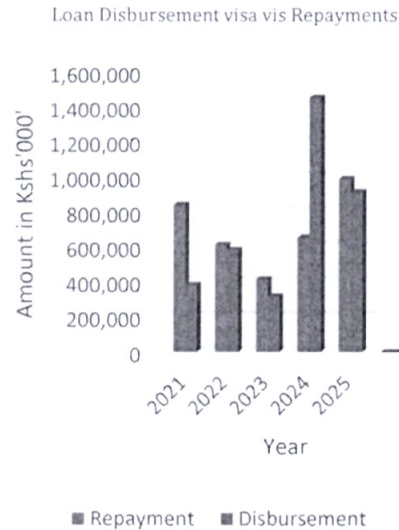
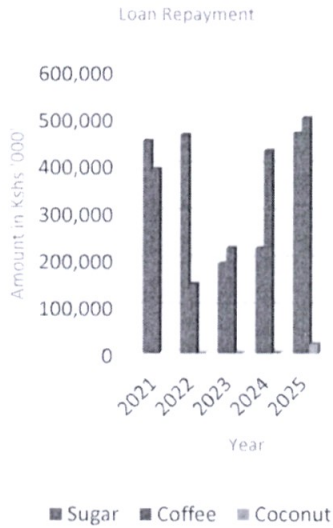
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9 Management Discussions and Analysis

Key Financial Parameters



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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.

During the period under review, the Fund availed financing to coffee, sugar coconut, cashew nut and Banana sub-sectors through a combined capital fund of Kshs.8,221 million with corresponding gross loan portfolio amounting to Kshs.9,214 million. The Sugar Fund is made up of sugar levies collected by Kenya Sugar Board prior to year 2016. Capital for other Commodities was built through development grant from the Government. Cumulative provision for non –performing loans stood at Kshs.6,742 million leaving net loans amounting to Ksh.2,472 million compared to Kshs.2,320 million reported in 2023/2024. The growth is attributed to increased loan uptake.

Summarized Financial Performance

Details	2021	2022	2023	2024	2025
	Ksh'000'	Ksh'000'	Kshs '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	9,213,875
Provisions on Non-Performing Loans	(19,399,662)	(19,481,441)	(7,213,867)	(6,860,232)	(6,741,681)
Net Loans and Interest	1,481,923	1,260,318	1,319,624	2,320,470	2,472,194
Other Assets	1,754,489	2,070,178	2,031,605	1,074,142	979,040
Property plant and Equipment	53,085	42,453	69,829	49,758	36,602
Total Assets	3,289,497	3,372,949	3,421,060	3,444,370	3,487,836
Total Liabilities	63,825	55,852	26,906	13,914	7,058
Net Assets	3,225,672	3,317,097	3,394,102	3,430,456	3,480,778
Capital Reserves	15,264,852	15,298,805	8,212,300	8,257,631	8,257,631
Revenue Reserves	(12,039,181)	(11,981,708)	(4,818,198)	(4,827,256)	(4,776,853)

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Total Net Reserves	3,225,672	3,317,097	3,394,102	3,430,456	3,480,778
Summarized Performance Statement					
Income from Lending Activities	360,357	218,930	170,595	129,017	114,414
Income from Non-Credit Activities	89,870	113,593	153,102	103,119	103,733
Recurrent Grants from GoK	48,289	69,737	45,396	117,397	7,769
Total Income	498,516	402,260	369,093	349,533	225,916
Expenditure					
Operating Expenses	255,151	262,221	260,161	314,909	293,956
Increase /(Decrease) in Provision	(593,118)	81,779	78,190	(85,330)	(118,551)
Gain /(loss) on disposal				472	89
Total Expenditure	(337,967)	344,000	338,351	229,107	175,494
Net Surplus (Deficit)	836,483	58,260	30,742	119,481	50,423

During the year, ComFund disbursed loans amounting to Kshs.918 million compared to Kshs. 1,456 million disbursed in 2023/2024. Disbursement for the current year comprised of Kshs.376million, Kshs,539 million, Kshs.2 million and Kshs.1 million for coffee, sugar, coconut and cashew nut respectively. The previous year disbursement comprised of Kshs.881 million, Kshs.554 million and Kshs.20million for Sugar, Coffee and Coconut respectively. The 37% decline from Kshs.1,456 million disbursed in 2023/2024 was as a result of low uptake in the current year.

Total assets held by the Fund amounted to Kshs.3,488 million being 1% growth from Kshs.3,444 million reported in 2023/2024.

Liabilities of the Fund amounted to Kshs.7 million being 50% drop from Kshs.14 million reported in 2023/ 2024. Included in the liabilities for 2023/2024 was Kshs. 7.7 million deferred grant income for cashew nut and banana projects.

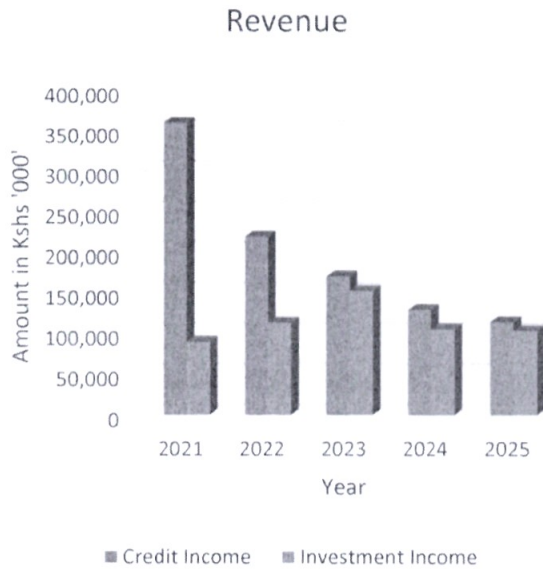
The capital reserves of the Fund have declined from Kshs. 15,298,805 reported in 2022/2023 to Kshs. 8,257,631 in 2024/2025. The decline in capital reserves, was due to write-off of loans held by the government owned sugar mill in June 2023. Revenue reserves (Accumulated Deficits) has been improving due to surpluses the Fund has been reported over the last five years.

Revenues from core business recorded a drop of **10%** from Kshs.129 million in 2023/2024 to Kshs. 114 million in 2024/2025. The decline is attributable to loss of interest on some of the sugar loans write-off in 2022/2023 as well reduction of lending rate from maximum of 10% to 7.5% pa.

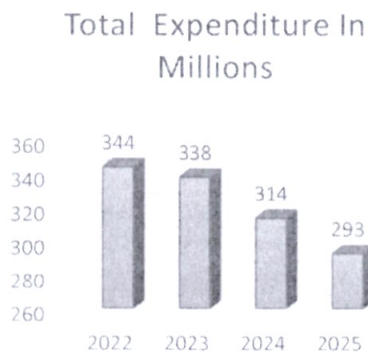
Non-credit revenues remained at par at Kshs.103 million. Market interest rate for call deposits and treasury bills declined from a high 16% pa, beginning of the year to around 9% in June 2025. Demand for credit was very high thus reducing funds available for investment.

During the year, the Fund did not receive any recurrent grants from Government but expended a deferred development grant amounting to Kshs.7.7 million.

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The Operating cost of the Fund decreased to Kshs. 293 million from Kshs. 314 million reported in 2023/2024. The 7% decrease is attributed to reduction in government funding which largely stalled the projects activities. Notable improvement was recorded in provisions for non-performing debts where provisions declined by Kshs.118 million compared to increase of Kshs. 85 million reported in 2023/2024.The reduction was attributed to repayment of one loan that had been provided wholly previously.



Net surplus of Kshs. 50.4 million was reported compared to Kshs. 119 million in 2023/2024. The drop is attributed to reduction in Government funding and interest income.

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 sub-sector 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 a 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 is scheduled to run for five years to 2025.

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Additionally, the Fund operationalized lending to Cashew Nut and Banana sub-sectors in 2023/2024 under the Cashew Nut Revitalization Project and Banana Financing Projects, whose total costs are Kshs. 850 million and Kshs. 500 million, respectively. The first loans to the Cashew Nut subsector were disbursed in 2024/2025 while loans to Banana Subsector were under way by the end of financial year.

9.3 Compliance with Statutory Requirements

The Commodities Fund has fully complied with statutory requirements 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.

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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 National 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) Resource Mobilization from the Government

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, considering their financial position, past credit experience, and other factors.

c) Debt collection

The Fund has engaged the 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 the loan application and appraisal process to identify threats that may lead to default and corresponding mitigation factors put in place to prevent such an eventuality.

iii) Interest rate risk

Interest rate risk is the potential of the Fund being forced to charge unsustainable interest rate on its loan products 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 a 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 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

The global economy remained steady, as per the *Kenya Economic Survey 2024* report. The global real GDP grew by 3.2 per cent in 2024 compared to 3.3 per cent in 2023. In a similar trend, the Sub-Saharan Africa (SSA) real GDP grew by 3.8 per cent.

In the East Africa Community, the KNBS's Economic Survey reports that the real GDP is estimated to have expanded by 5.4 per cent, up from 5.3 per cent growth in 2023 in the five EAC countries, including Kenya, Uganda, Tanzania, Burundi, and Rwanda. The key drivers of growth was agriculture, services, manufacturing, increased foreign direct investment, as well as favourable global commodity prices and a rebound in tourism. In addition, the Inflation within the bloc eased to 4.4 per cent in 2024, from 6.7 per cent in 2023.

At the national level, Kenya's economy has slowed despite several improving macroeconomic indicators. Real gross domestic product (GDP) grew by 4.7 percent in 2024, a decline from 5.7 percent in 2023, according to the World Bank's Kenya's Economic Update (May 2025) report. This growth was powered by Agriculture, Forestry/ Fishing, Financial & Insurance, Transport and Real Estate sectors, where the KNBS Economic Survey 2024 report indicates that the Agriculture, Forestry and Fishing sector expanded by 4.6 per cent in 2024, largely a result of varied weather patterns during the year under review.

Specific performance within the agriculture sector was that while some subsectors' production declined, the cash crop sectors generally posted an improved performance. Coffee production increased from 48,700 tonnes in 2023 to 49,500 tonnes in 2024, with earnings rising by 48.6% to Kshs. 29.6 billion. Tea production rose by 4.9% to 598,500 tonnes in 2024, while the cane production increased from 5.6 million tonnes in 2023 to 9.4 million tonnes in 2024.

The Dominance of Agriculture/ Forest & Fishing as the top contributors to the national economy continues, with the sectors contributing 22.5% of the GDP by activity in 2024, up from 21.5% in 2023, justifying the Government continued 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.

9.7 Sector

The agriculture sector continues to play a critical role in Kenya, accounting for 20 percent of Gross Domestic Product (GDP) and 27 percent indirectly through its linkages with other sectors. The sector also employs over 40 percent of the total population and more than 70 percent of the rural populace.

The sector recorded growth of 4.4% in 2024 compared to 7.1% recorded in 2023. The overall growth in the sector was attributed to favourable weather conditions and especially sufficient long rains in the April-May season, as well as government support in terms of subsidized fertilizer.

Commodities Fund has continued to support farmers and the entire value chain in coffee, sugar, coconut and cashew nut subsectors through affordable loans and advances.

The Coffee output raised by 1.6% to 49.5 thousand tonnes, signalling gradual recovery in the sub-sector. A standout performer was the sugar sector, where production surged by 68.7% to 9.4

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million tonnes. Earlier in 2024, President William Ruto announced a Ksh.150 million bonus payment to sugarcane farmers supplying Mumias Sugar Factory, the first bonus payment of its kind in the industry's history.

The sugar industry is a major economic pillar, supporting over 8 million Kenyans and directly benefiting more than 300,000 small-scale farmers, who contribute over 90 percent of the cane milled locally. Kenya's sugar production currently stands at around 800,000 metric tonnes annually, against a national demand of 1 million metric tonnes, necessitating imports to fill the gap.

In our continuance to fulfill our mandate to provide affordable financing to coffee, sugar, coconut, cashew nut and banana sub-sectors, Commodities Fund disbursed a total of Kshs. 918 million which comprised of: Kshs.376 million and Kshs.539 million to sugar and coffee sub-sectors respectively. In addition, Kshs.2 million and Kshs.1 million was disbursed to coconut and cashew nut 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. 991 million comprising of Kshs. 468 million and Kshs. 501 million for sugar and coffee sub-sectors respectively. Additionally, Kshs. 21 million was collected from Coconut portfolio.

In 2024, Kenya's Coconut and Cashew Nut sub-sectors exhibited mixed performance. While the Coconut sub-sector saw increased export prices, the Cashew Nut sub-sector faced challenges with low production and reduced exports. Government initiatives are underway to boost cashew production and revitalize both subsectors

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, commenced lending to Cashew Nut and Banana sub-sectors. However, lending to the two sub-sectors is being faced with huge challenge of capital, given the fact that the two have accumulated lending capital amounting to Kshs 28.5 million which is a drop in the ocean.

Further, approval by the government to transfer the sugar loan book to Kenya Sugar Board, effective 30th June 2025 has opened sustainability risk. The sugar portfolio amounting to Ksh.7,536 million forms 81 % of the Commodities Fund loan portfolio and contributes 64% of the revenues.

The Fund will therefore, seek recurrent support and lending capital from the Government to rebuild its loan portfolio in other sectors and more in coffee, where the demand for credit is very high.

10 Environmental and Sustainability Reporting

Commodities Fund Environmental, Sustainability goals (ESGs) are structured and implemented with an understanding of its (Fund's) responsibility to carry its mandate is to deliver financial services to the crops sector in Kenya in a manner that not only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates sustainably. To ensure this, we implemented the following organizational policies and activities:

i) Sustainability Strategy and Profile

During the financial year, the Commodities Fund, continued to implement its 2023-2028 strategic Plan under the vision of the ComFund being a '*reliable financial partner for the crops sector in Kenya*'. Under the strategy, the Fund has been to analyze and map out its stakeholders, who form our business support system in fulfilling the mandate to finance the crops sector in Kenya. The Strategy is focused on the following strategic Objectives: Credit Management; Resource Mobilization, legal framework & Corporate Governance, price stabilization, and Institutional capacity.

During the Financial Year, the Fund reviewed the credit policies for efficiency and effectiveness in delivering financial services. The outcome included operationalizing 'the credit line' lending model that is expected to reduce the process to access credit for new and repeat borrowers, thus reducing overall turnaround time. This is expected to increase customer satisfaction, hence leading to sustainable business growth.

Affirmatively, the ComFund continues to finance the marginalized groups, including the Youth, Women and Persons with Disabilities. Also, the credit facilities to this category are advanced at a favourable rate of 3% for coconut, cashew nut and banana subsectors.

The Fund intends to continue refining its service delivery models and building great relationships with the stakeholders to entrench trust, confidence, and support. This includes building a common interest in caring for the environment and its sustainability.

In addition, as part of 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 the need to support tree planting initiatives. Thus, to date, through direct activities and partnerships, the Fund has facilitated planting of over 198, 000 seedlings as indicated in (v) below.

iii) Employee Welfare

To support its mandate of providing sustainable and affordable credit and advances to the agricultural sector, Commodities Fund requires the requisite skills and expertise. The Fund is guided by relevant laws concerning governing its Human Resources. The HR Policies align with the Constitution, Employment laws, as well as with SDG No 8 on Employee Involvement (that is: Decent work, economic growth, and employee involvement). The ComFund's Strategic Plan, budgeting process, and risk management framework give priority to matters relating to staff wellness and welfare. The policies in place ensure fairness and equal opportunities, including in recruitment, selection and placement, staff development, and career progression.

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The Fund has approved Human Resource Instruments (Policies & Procedures Manual, Organization Structure and Staffing, Career Guidelines). The policy manual provides all-around guidelines for the management of the Funds Human Resources. Despite having been approved in the year 2024, the Career Guidelines and Organization Structure, Staffing and approved establishment are yet to be actualized pending recommendation of a corresponding salary structure by the Salaries and Remuneration Commission. The requisite Job Evaluation and grading has been concluded by the SRC. The full implementation of these approved instruments will ensure optimum staffing levels to drive the Fund's mandate as well as assure seamless career development and progression for the employees.

The Fund promotes free and fair recruitment practices, ensuring gender balance, affirmative action and other requirements as per the policies in place. The Fund is an equal opportunity employer. It has also provided elaborate policies to support performance management, capacity enhancement and training, to ensure continuous capacity building and sustained performance. Each employee signs a performance target cascaded from the corporate Performance Contract. This is supported by a rewards and sanctions policy to ensure a positive performance culture is maintained.

To promote the well-being of employees, the Fund has in place occupational and medical insurance covers for its employees. The Fund's offices, including its Regional offices, are registered as workplaces and there is a detailed mechanism to ensure compliance with the Occupational Safety and Health Act of 2007, (OSHA). For economic empowerment, the Fund has mortgage and car benefit schemes aligned with the public service and the Salaries and Remunerations Commission guidelines.

iv) Market Place Practices

a) Responsible Competition Practice

The Fund has mainstreamed integrity and transparency principles in its functions, including a 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 work plans.

In addition, The Fund has in place a Human Resource manual (and respective Standard Operating Procedure (SOP) manuals) that guide on, among other areas, the conduct of its staff (including political and ethical behaviors) during and outside the work environment, with an expectation for political neutrality and ethical service delivery. Every staff member signs a code of conduct upon entering in contractual employment obligations with the Fund.

During the financial year, there were no complaints either internally or externally tendered regarding improper staff conduct, improper political involvement, unfair competition practices or corrupt practices.

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

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Procurement Information Portal (PIIP) - www.tenders.go.ke . As a result, the Fund did not register any supplier complaint regarding to the tenders awarded. In addition, during the financial year, all supplier information inquiries received were successfully processed and responded to. Relevant quarterly reports were developed and statutorily submitted to the Commission for Administrative Justice (CAJ).

The ComFund commits to continue undertaking supply chain processes in a transparent manner as demanded by, among other standards, the constitutional requirements of Article 227 of the Kenya constitution.

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 three (3) customer complaints recorded with regard to services offered. In addition, the Fund provided information to the stakeholders on 21 (Twenty-one) 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 with 92% 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 facilitated tree planting 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. These tree planting events were undertaken Kiambu, Bomet and Embu Counties. These tree planting events were reported on the Jaza Miti portal (<https://environment.go.ke/state-department-for-forestry/>). Cumulatively, the ComFund has facilitated planting of over 198,000 new tree seedlings across various counties in the country.

In addition, the ComFund has implemented an initiative that requires clients financed by the Fund to engage in tree planting for every project benefiting from credit facilities by Comfund. The initiative is included in letters of offer (for approved loan facilities) in order to ensure implementation and monitoring.

In the next financial year, the ComFund intends to augment these environmental support programmes

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11 Report of the Trustees

The Board of Trustees submits their report together with the audited financial statements for the year ended 30th June 2025, 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 outgrower 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, 2025 are set out on page 1.

iii) Trustees

The Trustees who served during the year are shown on pages viii- xi. The three-year tenure for Trustee Mr. Ibrahim Yunis ended in April 2025 while that of Ms. Jane Likimani and Ms. Mary Nyachae ended in May 2025. Further, the representative of the parent ministry Mr. Badu Sora Katelo left in the month of August 2024 and was replaced by Mr. Stephen Rono in April 2025. Additionally, Eng. Edward Musebe and Ms. Rosemary Kittony were appointed to the Board of Trustees in June 2025. Two additional positions in the Board of Trustees remained vacant as at 30th June 2025.

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: 28/08/2025

**Commodities Fund
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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*.

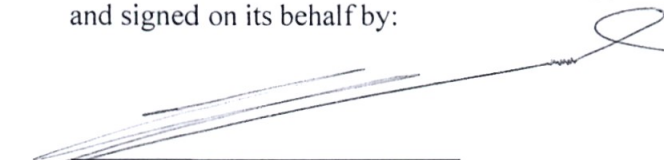
The Trustees are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the *ComFund* for and as at the end of the financial year ended 30th June 2025. This responsibility includes: (i) maintaining adequate financial management 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, 2025, 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 28th August, 2025 and signed on its behalf by:


Mr. Duke Mainga Ondiba Echate
Chairman, Board of Trustees


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

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REPORT OF THE AUDITOR-GENERAL ON COMMODITIES FUND FOR THE YEAR ENDED 30 JUNE, 2025

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 30 June, 2025 and the statement of performance, statement of changes in net assets, statement of cash

Report of the Auditor-General on Commodities Fund for the year ended 30 June, 2025

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.

Basis for Qualification

Long Outstanding Non-Current Receivables

The statement of position and as reflected under Note 20 reflects Kshs.9,213,875,000 in respect to gross loans and advances which includes Kshs.7,536,265,000, Kshs.1,658,540,000, Kshs.18,167,000 and Kshs.903,000 in relation to sugar, coffee, coconut and cashew nut respectively. The loans have remained outstanding for an extended period, resulting in provision for doubtful debts of Kshs.6,860,232,000. In addition, a review of the non-performing loan portfolio report discloses balance of Kshs.6,584,527,373, 1,129,438,670 and Kshs.16,047,263 in relation to sugar, coffee and coconut loan portfolio respectively totalling Kshs.7,730,013,306 classified as non-performing loans in the system. Therefore, the recoverability of the outstanding loan balance is in doubt and the Fund is highly exposed to credit risk due to potential losses of its portfolio as a result of non-payment.

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.

The audit was conducted in accordance with International Standards of 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.

Emphasis of Matter

1. Sustainability of Loans

As previously reported, the Fund wrote-off long outstanding loans amounting to Kshs.12,355,764,000 owed by Sugar Companies and the 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. Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.311,100,000 and Kshs.225,916,000 respectively, resulting in underfunding of Kshs.85,184,000 or 28% of the budget. Similarly, the Fund spent Kshs.293,955,000 against actual receipt of Kshs.225,916,000 resulting to over expenditure of Kshs.68,039,000 or 22% of the budget.

In the circumstances, the underfunding affected the planned activities and may have impacted negatively on service delivery

My opinion is not modified in respect of these matters.

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 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, Management has not resolved some of the issues or given any explanation for failure to resolve them as at 30 June, 2025.

- i. Sustainability of Loans
- ii. Long Outstanding Receivables
- iii. Due from Related Parties
- iv. Transitioning of Coffee Development Fund and Sugar Development Fund
- v. Lack of Regulations for the Commodities Fund
- vi. Dependence on Annual Funding from the Exchequer
- vii. Staff Under Establishment

Other Information

The Management is responsible for the Other Information set out on page iv. to xi which comprise of Key Fund Information and Management, The Board of Trustees, Management Team, Chairman's Statement, Report of the Managing Trustee, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees, Statement of Trustees Responsibilities, 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, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

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 effect(s) of the matter(s) 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. Non- Compliance with Fiscal Responsibility of Wage Bill

During the year under review, Commodities Fund had a wage bill of Kshs.141,097,000 in relation to staff costs and total revenue of Kshs.225,916,000 as at 30 June, 2025. The analysis revealed that staff costs accounted for 63% of total revenue, contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that national government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the national government's equitable share of the revenue raised nationally plus other revenues generated by the national government pursuant to Article 209 (4) of the Constitution.

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

2. Deficiency in Post Debt Recovery Unit Collections Against Portfolio

Statement of financial position and Note 20 to the financial statements reflects Kshs.1,601,575,000 in respect to long term receivables from exchange transaction-Loans. An analysis of the debt recovery unit portfolio reveals a critically low collection rate following the handover of files from credit department. Despite the debt recovery unit's mandate for intensive recovery, the total amount collected of Kshs.20,772,585 represents only a small fraction of the outstanding balances indicating a challenge in converting recovery efforts into cash.

In the circumstances, the low collection rate may impact negatively the Funds loan portfolio.

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

As previously reported, 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.

4. Lack of Regulations for the Commodity Fund

As previously reported, 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.

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 effects of the matters 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

Failure to Appoint Board Member Registered with Professional Body

A review of the Trustees qualifications revealed that the Commodities Fund Trustees did not have a member with financial expertise who is registered with a professional body contrary to Paragraph of 1.1 of Chapter 1(6) of Mwongozo Code of Governance, 2015 which states that at least one Board member should be a financial expert meaning that he or she should have necessary qualification and expertise in financial management or accounting and is a bonafide member of a professional body regulating the Accountancy profession and in compliance with the requirements thereof.

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

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.

The Trustees 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 of 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 ISSAIs 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

14 November, 2025

Commodities Fund
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14 Statement of Financial Performance for the Year Ended 30th June 2025

	Notes	2024/25 <u>Kshs '000'</u>	2023/24 <u>Kshs '000'</u>
Revenue			
Revenue from non-exchange transactions			
GoK Grant	6	7,769	117,397
Total Revenue from non-Exchange transactions		7,769	117,397
Revenue from exchange Transactions			
Rendering of Services	8(i)	114,414	129,017
Finance income - External investments	9(i)	<u>103,733</u>	<u>103,119</u>
Total Revenue from Exchange Transactions		<u>218,147</u>	<u>232,135</u>
Total revenue		<u>225,916</u>	<u>349,533</u>
Expenses			
Use of goods & Services	10	111,360	143,573
Employee cost	11	141,097	122,592
Remuneration of Trustees	12	15,974	14,169
Depreciation and amortization expense	13	16,049	18,925
Repairs and maintenance	14	8,613	11,234
Contracted Services	15	861	4,416
Total Cost		<u>293,956</u>	<u>314,910</u>
Other Gains / (Losses)	16	(89)	(473)
Provisions for doubtful debts	17	118,551	85,330
Surplus/(Deficit) for the period		<u>50,422</u>	<u>119,481</u>

The notes set out on pages 6 to 34 form an integral part of these Financial Statements. The Financial Statements set out on the pages 1 to 5 were signed on behalf of the Board of Directors by:


Ms. Nancy C. Cheruiyot
Managing Trustee/CEO

Date... 28/08/2025


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

Date... 29/8/2025


Mr. Duke Mainga Ondiba Echate
Chairman of the Board

Date... 28/08/2025

**Commodities Fund
Annual Report and Financial Statements
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15 Statement of Financial Position as at 30 June 2025

	Notes	2024/2025 Kshs '000'	2023/2024 Kshs '000'
Assets			
Current assets			
Cash and cash equivalents	18	872,179	937,375
Receivables from exchange transactions-Interest Receivable on Investment	19	25,373	41,819
Current portion of Receivables from Exchange Transactions-Loans and Interest	20	870,619	685,463
Receivables from non-exchange transactions	23	32,644	45,489
Inventory- Consumables	25	748	1,086
Total Current Assets		<u>1,801,563</u>	<u>1,711,233</u>
Non-current assets			
Property, plant and equipment	26	20,471	30,680
Intangible Assets- Software	27	16,131	19,078
Investments	28	48,095	48,372
Loan Term Receivables from Exchange Transaction -Loans	20	<u>1,601,575</u>	<u>1,635,006</u>
Total non-current assets		<u>1,686,273</u>	<u>1,733,137</u>
Total assets		<u>3,487,836</u>	<u>3,444,370</u>
Liabilities			
Current liabilities			
Trade, other payables and provisions from exchange transactions (Creditors and accruals)	29	7,058	6,226
Differed Income	31	0	7,769
Total liabilities		<u>7,058</u>	<u>13,995</u>
Net assets		<u>3,480,778</u>	<u>3,430,375</u>
Reserves	32	8,257,631	8,257,631
Accumulated Deficit	33	<u>(4,776,853)</u>	<u>(4,827,256)</u>
Total net assets and liabilities		<u>3,480,778</u>	<u>3,430,375</u>

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




**Ms. Nancy C. Cheruiyot
Managing Trustee/CEO**

Date... 28/08/2025



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

Date... 28/8/2025



**Mr. Duke Mainga Ondiba Echate
Chairman of the Board**

Date... 28/08/2025

Commodities Fund
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16 Statement of Changes in Net Assets for the Year Ended 30th June 2025

	Notes	Revolving fund Sugar Ksh	Revolving Fund Coffee Ksh	Revolving Fund Coconut Ksh	Revolving Fund Cashew nut Ksh	Revolving Fund Banana Ksh	Revaluation Reserve Ksh	Revenue Reserve Ksh	Total Ksh
Opening 1st July 2023		13,554,514	1,675,206	80,268			36,527	(11,952,413)	3,394,102
Prior Year Adjustment		(7,134,218)						7,134,173	(45)
Transfer of Mortgage and Car loan Fund								(128,497)	(128,497)
Capital Grant				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
Opening 1st July 2024		6,420,296	1,675,206	97,102	8,500	20,000	36,527	(4,827,257)	3,430,374
Prior Year Adjustment	NOTE 33							(19)	(19)
Surplus for the year								50,422	50,422
Balance as at 30th June 2025		6,420,296	1,675,206	97,102	8,500	20,000	36,527	(4,776,853)	3,480,778

**Commodities Fund
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17 Statement of Cash Flows for the year ended 30th June 2025

Cash generated from operations	Notes	2024/2025 <u>Kshs '000'</u>	2023/2024 <u>Kshs '000'</u>
<u>Receipts:</u>			
Transfers from Government Agencies	6	0	110,166
Rendering Services	8(ii)	1,004,259	670,108
Finance Income	9(ii)	120,179	71,468
Totals Receipts		1,124,438	851,742
<u>Payment</u>			
Use of Goods & Service	10	111,360	143,573
Employee Cost	11	141,097	122,593
Remuneration of Trustees	12	15,974	14,168
Repairs and Maintenance	14	8,613	11,234
Contracted Services	15	861	4,416
Payments to suppliers and other payable	30(ii)	18	5,160
Cash Received from Customers	24	(12,844)	(4,946)
Decrease in Inventory	25(i)	(338)	(310)
Disbursement of Loans	21	917,694	1,456,754
Clients Refund	22	4,493	122
Total Payments		<u>1,186,929</u>	<u>1,752,763</u>
Net Cash flow from Operating Activities	34	(62,491)	(901,021)
<u>Cash flow from Investing Activities</u>			
Purchase of Property, Plant, Equipment & Intangible Assets	26	(3,714)	(4,408)
Proceeds from disposal of Assets		731	230
Decrease/(Increase) in Investments	28	<u>277</u>	<u>(48,628)</u>
Net Cash Flows Used in Investment Activities		<u>(2,705)</u>	<u>(52,806)</u>
<u>Cash Flow from Financing Activities</u>			
Capital Grants from Government-Coconut Revitalization	6	0	45,334
Net Cash Flow Used in Financing Activities		45,334	45,334
Net Increase /(Decrease) in Cash and Cash Equivalents		(65,197)	(908,494)
Cash and Cash Equivalents as at Date		<u>937,375</u>	<u>1,845,870</u>
Cash and Cash Equivalent as at Date		<u>872,179</u>	<u>937,375</u>

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18 Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2025

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	128,178	0	128,178	114,414	(13,764)	(11)
Government Grants- Recurrent	0	7,769	7,769	7,769	0	0
Finance Income	170,353	4,800	175,153	103,733	(71,420)	(41)
Total Revenue	298,531	12,569	311,100	225,916	(85,184)	(27)
Expenses						
Use of Goods and Services	87,338	22,879	110,217	113,785	(3,568)	3
Employees Costs	150,019		150,019	142,256	7,763	5
Remuneration to Trustees	15,637		15,637	15,973	(337)	(2)
Depreciation and Amortization Expenses	16,425		16,425	16,049	376	2
Repairs and Maintenance Costs	5,584		5,584	5,030	554	2
Contracted Services	3,288		3,288	861	2,427	71
Total Expenditures	278,837	22,879	301,170	293,955	7,215	2
Other Gains/(Losses)						
Gain/(Loss) on Disposal of Asset			0	(89)	(89)	100
Loan Provisions	6,423	(6,001)	422	(118,551)	118,973	28,192
Surplus/(Deficit) For the Period	14,459	(4,309)	9,508	50,422	40,914	430

**Commodities Fund
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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 budgeted to generate Kshs. 128,178 from lending services but the actual result was Kshs. 114,416, thus falling short of the budget by Kshs. 14,163 (11%). The deficit is largely attributed loan write-offs and reduction of loan interest from the high of 10% to 7.5%.

2.0 Finance Income

Surplus liquid cash held by the Fund is normally invested in call 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. 175,153 from the investment of surplus funds and the actual result was Kshs. 103,733 resulting to negative variance of Kshs. 71,420 (41%). The huge deficit was as attributed to high loan disbursement amounting to Kshs. 918 million which reduced cash available for investments. Additional market interest rates for both treasury bills and call deposits reduced from a high of about 16% at the beginning of the year to about 9.5% by the end of the year.

3.0 Contracted Services

The Fund had budgeted to spend Kshs. 3,288 for various contracted services among them being legal services for ongoing court matters. The Actual expenditure was Kshs.861 resulting to favorable variance of Kshs.2,427 (71%). The variance was due to ongoing legal matters that were not concluded during the year.

**Commodities Fund
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19. 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 direct method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2025

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>

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<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> 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:</p> <p>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.</p> <p>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> 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.</p> <p>This IPSAS will have no impact to Commodities Fund.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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.</p> <p>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> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange</p>

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	<p>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 statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Implementation of the IPSAS 47 will result to additional disclosures in the financial information.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p>The IPSAS is not relevant to operations of ComFund.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p>The IPSAS is not relevant to ComFund.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2024/2025

4. 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 Financial Performance 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 to measure the recoverable amount.

Interest Income and Expense

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

**Commodities Fund
Annual Report and Financial Statements
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Notes to the Financial Statements (Continued)

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 2024. Subsequent revisions and additional appropriations were made to the approved budget following specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the ComFund upon receiving the respective approvals to conclude the final budget. The Commodities Fund recorded additional appropriations of Kshs. 4.80million being Insurance compensation, 7.769 million deferred income from FY2023/2024. The expenditures side of the budget was adjusted upwards by Kshs. 10 million to take care of merger costs. The adjustments were ratified by the Board of Trustees.

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 the same basis as in the approved budget and do 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 the amount recovered in the 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. Costs include 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 for the recognition.

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Notes to the Financial Statements (Continued)

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.

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 until the day they are either disposed of 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.

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Notes to the Financial Statements (Continued)

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 a 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.

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.

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Notes to the Financial Statements (Continued)

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, an outflow of resources embodying economic benefits or service potential will probably be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

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Notes to the Financial Statements (Continued)

The Fund's obligation under the scheme is limited to the specific contributions legislated by the 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 a 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 2024, and were necessary restated to conform to the requirements of IPSAS.

o) Subsequent Events

There have been no subsequent events after the financial year ended with a significant impact on the financial statements for the year ended June 30, 2024.

5.0 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's 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 adjustments 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 have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year:

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Notes to the Financial Statements (Continued)

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 to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Management estimates 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.

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.

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Notes to the Financial Statements (Continued)

6.0 Transfers from Other Government Entities

Description	2024-2025	2023-2024
	Kshs`000`	Kshs `000`
Unconditional grants		
Operational Grant	0	67,000
Total Unconditional Grants	0	67,000
Conditional grants		
Coconut Revitalization Project Grant	0	14,166
Cashew Nut Revitalization Project Grant	1,688	22,317
Banana Enterprising Financing Project Grant	6,081	13,913
Total government grants and subsidies	7,769	117,397

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

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Notes to the Financial Statements (Continued)

7. 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 2024/2025	Prior year 2023/2024
			KShs`000`	KShs`000`	KShs`000`	KShs`000`
Ministry of Agriculture and Livestock Development			7,769			155,500
Total			7,769			155,500
Less Accrued Income						
Actual Total Receipts 2022/23			7,769			155,500

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 11.

8(i) Rendering of Services	2024/2025 Kshs `000`	2023/2024 Kshs `000`
Interest Income Loans Debtors- Coffee Portfolio	37,194	46,839
-Sugar Portfolio	62,999	66,663
- Coconut	1,414	2,072
-Cashew nut	3	
Loan Processing Fee and Miscellaneous	12,804	13,442
Total Revenue from rendering of Services	<u>114,414</u>	<u>129,017</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 declined significantly because of write off loans for state-owned sugar mills during the period.

8(ii) Receipts From Rendering of Services	2024/2025 Kshs `000`	2023/2024 Kshs `000`
SOURCE	Loan Receipts	Loan Receipts
Coffee Loan Repayments	505,565	430,984
Sugar Loan Repayments	464,612	224,589
Coconut Loans Repayments	21,278	1,093
Loan Processing Fee	<u>12,804</u>	<u>13,442</u>
Sub Total	<u>1,004,259</u>	<u>670,108</u>

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Notes to the Financial Statements (Continued)

	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
9.(i) Finance Income		Restated
Interest income from Treasury bills	11,816	212
Cash investment and short-term deposits-Received Income	91,917	102,907
Total Finance Income	<u>103,733</u>	<u>103,119</u>
9(ii) Finance Income Receipts		
	2024/2025	2023/2024
Opening Balance Accrued Finance Income	41,819	10,168
Add Finance Income Charged in Income Statement	103,733	103,119
Less Closing Accrued Finance Income for the year	<u>(25,372)</u>	<u>(41,819)</u>
Actual Cash for Finance Income Received in Year	<u>120,180</u>	<u>71,468</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.

10. User of Goods & Services	2024/2025	2023/2024
	Kshs '000	Kshs '000
Electricity & Water	156	233
Professional Services-Audit	870	870
Subscriptions	0	26
Printing and Stationery	3,217	3,277
Communication Telephone and Postage	1,643	1,775
Vehicle Running Expenses	9,425	9,788
Insurance Expenses	2,256	2,437
Stakeholder Forum Expenses	1,275	3,697
International Travel	4,762	2,949
Rent and Rates	21,554	20,659
Cleaning, Garbage & Sanitary	230	219
Advertising and Publicity	1,422	2,371
Bank Charges	653	753
Staff Welfare	1,291	1,698
Trainings, Seminar, Retreats and Workshops	10,542	3,540
Shows, Exhibitions & Trade Fairs	0	1,512
Corporate Social Responsibility	128	898
Travel, Accommodation, Subsistence and Other Allowances	43,042	32,906
Project recurrent cost	7,790	50,334
Risk, Corruption prevention and ISO Management Systems	426	2,466
Hire of Transport	155	183
Other General Office Expenses	<u>522</u>	<u>983</u>
Total Use of Goods	<u>111,360</u>	<u>144,032</u>

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Notes to the Financial Statements (Continued)

	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
11 Employee Costs		Restated
Salaries & Wages	72,680	64,968
Employee Related Cost-Pensions Contributions, medical Aids & housing levy	39,496	31,825
Housing benefits and Allowances	<u>28,921</u>	<u>25,800</u>
Total Employee Costs	<u>141,097</u>	<u>122,592</u>
12 Remunerations of Trustees	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
Chairman's Honorarium	960	960
Sitting Allowances	4,540	5,023
Trustees Accommodation & Subsistence Allowances	6,162	5,168
Others) Trainings, Medical, Travel etc)	<u>4,312</u>	<u>3,018</u>
Total Remunerations of Trustees	<u>15,974</u>	<u>14,169</u>
13 Depreciation and Amortization Expense	2024/2025	2023/2024
	Kshs'000'	Kshs'000'
Property, Plant and Equipment	13,102	15,904
Intangible Assets	<u>2,947</u>	<u>3,021</u>
Total Depreciation and Amortization	<u>16,049</u>	<u>18,925</u>
14 Repairs and Maintenance	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
Buildings	410	764
Automobiles	1,893	3,989
Computer and Electronic Equipment	2,726	4,753
Annual Software Licenses	3,583	1,491
Furniture and Fittings	<u>1</u>	<u>237</u>
Total Repairs and Maintenance	<u>8,613</u>	<u>11,234</u>
15 Contracted Services	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
Contracted services	<u>861</u>	<u>4,416</u>
Total contracted services	<u>861</u>	<u>4,416</u>
16 Gain on Disposal of Assets	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
Loss on disposal of Assets	(89)	(473)
Total loss on Disposal of Assets	<u>(89)</u>	<u>(473)</u>

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Notes to the Financial Statements (Continued)

Loss reported above resulting from disposal of variety of assets including office partitions, computer equipment and furniture.

17 Loan Loss Provision

Summary of Loans Provisions As At 30th June 2025

CATEGORY	OUTSTANDING LOAN AND INTEREST KSHS'000'	PROVISION RATE KSHS'000'	PROVISION JUNE 2025 KSHS'000'	PROVISION JUNE 2024 KSHS'000'	INCREASE IN PROVISION KSHS'000'
Normal (Grade 1) - 1%	1,350,110	1%	13,501	12,128	1,377
Watch (Grade 2) - 3%	124,576	3%	3,737	3,611	126
Sub-Standard (Grade 3) - 20%	9,179	20%	1,836	4,228	(2,392)
Doubtful (Grade 4) - 100%	10,639	100%	10,639	21,142	(10,503)
Loss (Grade 5) - 100%	7,719,374	100%	7,719,374	7,805,683	(86,309)
TOTAL	9,213,878		7,749,087	7,846,788	(97,700)
Securities	-		(1,007,406)	(986,556)	(20,851)
Net Provisions	9,213,878		6,741,681	6,860,232	(118,551)

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)

18 (i) Cash and Cash Equivalents	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
a) Bank		
Current Accounts	39,062	80,375
On Call Deposits	833,117	857,000
Short Term Deposits	-	-
Others	-	-
Total Cash and Cash Equivalents	<u>872,179</u>	<u>937,375</u>

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Notes to the Financial Statements (Continued)

18 (ii) Detailed Analysis Cash and Cash Equivalents	Account Number	2024/2025 Kshs '000'	2023/2024 Kshs '000'
a) Current Accounts			
Co-operative Bank (a)	01136030994600	(1,569)	28,205
Co-operative Bank (b)	01136030994601	5,982	18,790
Cooperative Bank (c)	01136035349800	14,993	27,889
Cooperative Bank (d)	02100309946007	7	2
National Bank	7700360421	18,949	3,682
Equity Bank	01330299214184	675	30
Family Bank	014000033336	5	3
Kenya Commercial Bank	01132784905	15	13
Credit Bank	0021007000774	5	7
NCBA	1470230057	0	1,755
Sub Total		39,062	80,375
(b) On Call Deposits Account			
National Bank		0	200,174
Coop Bank		0	50,000
Development Bank		211,697	115,016
Equity		340,036	220,000
Family Bank		281,384	271,809
Sub-Total		833,117	857,000
(C) Short Term Deposits Account			
NCBA Bank		-	-
Cooperative Bank		-	-
Family Bank		-	-
Kenya Commercial Bank		-	-
National Bank		-	-
Equity Bank		-	-
Credit Bank		-	-
Development Bank		-	-
Sub-Total		-	-
Grand Total		<u>872,179</u>	<u>937,375</u>

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Notes to the Financial Statements (Continued)

19	(i) Current Receivables from Investments	2024/2025 Kshs '000'	2023/2024 Kshs '000'
	Interest Receivable from Investments	25,373	41,819
	Total Current Receivables	<u>25,373</u>	<u>41,819</u>
20	Receivable from exchange transactions- Loans		

Gross Loans & Advances	2024/2025				Total Kshs '000'
	Sugar Kshs '000'	Coffee Kshs '000'	Coconut Kshs '000'	Cashew nut	
Gross Loans & Advances	7,536,265	1,658,540	18,167	903	9,213,875
Provisions					
Provisions B/Fwd	6,089,603	768,539	2,090		6,860,232
Charge for the year	(124,082)	4,323	1,207		(118,551)
Total Provisions as at 30.06.25	<u>5,965,521</u>	<u>772,862</u>	<u>3,297</u>		<u>6,741,681</u>
Net Loans 30.6.25	<u>1,570,744</u>	<u>885,677</u>	<u>14,870</u>	<u>903</u>	<u>2,472,194</u>
Current portion of receivable	<u>584,676</u>	<u>284,477</u>	<u>1,302</u>	163	<u>870,619</u>
Total non-current receivables	<u>986,067</u>	<u>601,200</u>	<u>13,568</u>	<u>740</u>	<u>1,601,575</u>

Gross Loans & Advances	2023/2024				Total Kshs '000'
	Sugar Kshs '000'	Coffee Kshs '000'	Coconut Kshs '000'	Cashew nut	
Gross Loans & Advances	7,561,971	1,582,877	35,856		9,180,705
Provisions					
Provisions B/fwd	6,080,171	865,392	-		6,945,563
Charge for the year	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 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 of Receivable	<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>

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21	Disbursement of Loans	2024/2025 Kshs '000'	2023/2024 Kshs '000'
	Coffee Disbursement	538,765	554,550
	Sugar Disbursement	375,892	881,633
	Coconut Disbursement	2,137	20,570
	Cashew nut	<u>900</u>	<u>0</u>
	Total disbursement	<u>917,694</u>	<u>1,456,753</u>
22	Client Refunds	2024/2025 Kshs '000'	2023/2024 Kshs '000'
	Refunds of Overpayments	4,493	122
	Total Clients Refunds	<u>4,493</u>	<u>122</u>

23 Receivables from Non-Exchange Transactions

Items	2024/2025 Kshs'000'		2023/2024 Kshs'000'	
Prepayments	2,511		10,655	
Staff Debtors	126		26	
Trade Receivable	7		4,808	
Other Debtors-Parent Ministry	40,000		40,000	
Total	42,644		55,489	
Less: Impairment allowance	(10,000)		(10,000)	
Total	32,644		45,489	
Ageing analysis (Trade and other Receivables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	440	1	13,404	17
1-2 Years	120	0	1,600	3
2-3 years	1,600	4	8i90	0
Over 3 Years	40,484	95	40,484	95
Total	42,644	100	55,630	100

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Notes to the Financial Statements (Continued)

24 Cash Received from Customers

Items	2024/2025 Kshs'000'	2023/2024 Kshs'000'
Prepayments	(8,144)	8,459
Staff Debtors	100	26
Trade Receivable	(4,800)	4,808
Utility Deposit	-	2,196
Accrued GOK Transfer	-	-
Total	(12,844)	15,489

Inventories	2024/2025 Kshs '000'
Consumables Stores	748
Total Inventories at lower of cost and net realizable Value	748

25 (i) Decrease in Inventory amounts to Kshs. 338

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Notes to the Financial Statements (Continued)

26 Property, plant and equipment as at 30 June 2025

	Motor Vehicles	Computer and Electronic Equipment	Generator, Office and Communication Equipment	Furniture and Fittings	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS
Cost					
At 1 July 2023	88,740	75,621	8,046	35,309	207,716
Additions	-	3,365	39	1,004	4,408
Disposals	- 15,105	- 4,900	- 72	- 23,690	- 43,767
Transfers/adjustments	-	-	-	-	-
Cost	-	-	-	-	-
At 30 June 2024	73,636	74,086	8,012	12,624	168,358
Additions	-	2,494	-	1,220	3,714
Disposals	-	- 29,043	- 4,121	- 104	- 33,259
Transfer/adjustments	-	-	-	-	-
At 30th June 2025	73,636	47,538	3,891	13,739	138,813
Depreciation and impairment	-	-	-	-	-
As At 1st July 2023	- 59,891	- 65,742	- 5,543	- 28,860	- 160,037
Depreciation	- 9,158	- 4,920	- 597	- 1,228	- 15,904
Impairment	10,980	4,629	62	22,593	38,264
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 June 2024	- 58,070	- 66,033	- 6,078	- 7,496	- 137,677
Depreciation	- 6,990	- 4,452	- 537	- 1,124	- 13,103
Disposals	-	29,004	3,334	109	32,438
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 31st March 2025	- 65,060	- 41,481	- 3,281	- 8,511	- 118,341
Net book values	-	-	-	-	-
At 30th June 2024	15,566	8,053	1,934	5,128	30,680
At 30 June 2025	8,575	6,057	610	5,229	20,471

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Notes to the Financial Statements (Continued)

27. Intangible Assets –Software	2024/2025	2023/2024
Cost	Kshs '000	Kshs '000
At the beginning of the Year	41,174	41,174
Additions	0	0
At end of year	41,174	41,174
Transfer/ Adjustments	<u>(2,772)</u>	-
At end of the year	38,402	41,174
Amortization and Impairment		
At the beginning of the Year	(22,096)	(19,075)
Amortization for the year	(2,947)	(3,022)
At end of the year	<u>(25,043)</u>	<u>(22,096)</u>
Impairment Loss		
Transfer/Adjustment	2,772	
At end of the year	(22,271)	
NBV	<u>16,131</u>	<u>19,078</u>

Assets amounting to Kshs. 24,141,888 included in the historical costs of intangibles are fully depreciated.

28. Investments	2024/2025	2023/2024
	Kshs '000'	Kshs '000'
a) Investments Treasury Bill		
CBK-Treasury bills	48,095	48,372
Grand Total	<u>48,095</u>	<u>48,372</u>

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Notes to the Financial Statements (Continued)

29. Trade, other payables and provisions for contracted services

Items	2024/2025		2023/2024	
	Kshs'000'		Kshs'000'	
Trade Payable	3,801		4,180	
Payment Received in advance	200		173	
Payroll Liabilities	0		82	
Third Parties Payables	3,057		1,792	
Total	7,058		6,227	
Ageing analysis (Trade and other Payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	5,206	74	3,612	58
1-2 Years	1,265	18	1,492	24
2-3 years	527	7	1,123	18
Over 3 Years	59	1	-	
Total	7,058	100	6,227	100

30 (i) Provision for Contracted Services

Items	2024/2025		2023/2024	
	Kshs'000'		Kshs'000'	
Bureau Veritas	535		722	
Ian soft Technologies	1,814			
Total	2,349		722	

30 (ii) Payments to Suppliers

Items	2024/2025		2023/2024	
	Kshs'000'		Kshs'000'	
Trade and Other Payable	779		(3,451)	
VAT Outstanding	(8)		(6)	
Capacity Building Levy	(1)		-	
Gratuity	(1,265)		(1,792)	
Payment of Pension Liability	82		172	
Payment of Agency Collection Fee	431			
Total	18		(5,422)	

31 Deferred Income

Items	2024/2025		2023/2024	
	Kshs'000'		Kshs'000'	
Deferred Income	0		7,231	
Totals	0		7,231	

**Commodities Fund
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Notes to the Financial Statements (Continued)

32 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'	
Balance As At 30 June 2024	6,420,296	1,675,206	97,102	8,500	20,000	36,527	8,257,631
Changes during the year							
Coconut Grant							
Cashew Nut Grant							
Banana Grant							
Balance As At 30 June 2025	6,420,296	1,675,206	97,102	8,500	20,000	36,527	8,257,631

33 Revenue Reserve

Balance as at 1 July 2024
Prior Year Adjustment
Surplus for the period
Balance as at 30 June 2025

Revenue Reserve
Kshs '000'
(4,827,257)
(19)
50,423
(4,776,853)

34 Cash generated from operations

Item	Bal C/Down Kshs'000'	Bal B/Fwd Kshs.'000'	2025 Kshs'000'	2024 Kshs'000'
Surplus for the year before Tax			50,423	119,481
Adjusted for:			-	-
Depreciation	-	-	16,049	18,925
Non-Cash Adjustment to Equity			(19)	(45)
Gains and Losses on Disposal of Assets	-	-	89	473
Contribution to Provisions	6,741,791	6,860,348	(118,552)	(85,330)
Working Capital Adjustments	-	-	-	-
Decrease/(Increase) in Non-Current receivables from Exchange Transaction- Loans	9,213,874	9,180,705	(33,170)	(915,915)
(Increase)/ Decrease in receivables	58,017	87,308	29,291	(26,410)
(Decrease) in Deferred Income	0	7,769	(7,769)	(7,231)
(Decrease) in Trade & Other Payables from Exchange Transaction (Creditors/Accrual	7,058	6,227	831	(5,679)
Increase/Decrease in Inventory- Consumables	748	1,086	338	311
Net Cash flows from Operating Activities	-	-	(62,491)	(901,021)

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Notes to the Financial Statements (Continued)

35 Financial Risk Management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Fund's financial risk management objectives and policies are detailed below:

(i) Credit Risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

	Total Kshs 000	Amount Fully Kshs 000	Performing	Past Due Kshs 000	Impaired Kshs 000
As at 30.06. 2025					
Receivables from exchange transactions	9,213,875		1,350,110	133,755	7,730,013
Receivables from non-exchange transactions	42,644		2,644	40,000	-
Bank balance	872,179		872,179	-	-
Total	10,128,698		2,224,933	173,755	7,730,013
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

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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 30.06.2025				
Trade Payables & Other Payables	584	551	3,575	4,710
Current portion of borrowings	-	-	-	-
Provisions	-	987	1,361	2,348
Deferred income	-	-	-	-
Employee benefit obligations	-	-	-	-
Total	584	1,538	4,936	7,058
As At 30.06.2024				
Trade Payables & Other Payables	590	354	4561	5,505
Current portion of borrowings				
Provisions			722	722
Deferred income				
Employee benefit obligations				
Total	590	354	5,283	6,227

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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 Internal 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 in 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:

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	2024-2025		2023-2024
	Kshs '000'		Kshs '000'
Revaluation reserve	36,527		36,527
Revenue Reserve	(4,776,853)		(4,827,257)
Capital reserve	8,221,104		8,221,104
Total funds	3,480,778		3,430,374
Total borrowings	0		0
Less: Cash and bank balances	(872,179)		(937,375)
Net debt/(excess cash and cash equivalents)	872,179		937,375
Gearing	100%		100%

36 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, the Ministry of Agriculture, Livestock Development, and Agriculture and Food Authority (AFA) were regarded as related parties.

a) Grants from the Government	2024/2025	2023/2024
Grants from the National Govt.	7,769	155,500
Grants from County Government	-	-
Donations in kind	-	-
Total	7,769	155,500
b)Key Management Compensation		
Trustees emoluments	15,974	14,169
Compensation to Key Management	40,350	25,776
Total	39,945	39,945

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Notes to the Financial Statements (Continued)

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:

	2024/2025	2023/2024
	<u>Kshs 000</u>	<u>Kshs 000</u>
Trustees Emolument	14,974	14,169
Key Management compensation	40,350	25,776
	<u>55,324</u>	<u>39,945</u>

c) Due from related parties

	2024/2025	2023/2024
	<u>Kshs 000</u>	<u>Kshs 000</u>
Due from Ministry of Agriculture and Livestock Development	40,000	40,000
	<u>40,000</u>	<u>40,000</u>

The then Ministry of Agriculture and Livestock Development requested to be advanced a total of Kshs. 40 million in 2017, which was to be reimbursed immediately when the Ministry received its funds from the National Treasury but the advance has never been reimbursed to date.

37 Contingent Liabilities

	2024/2025	2023/2024
	<u>Kshs 000</u>	<u>Kshs 000</u>
One court case against the ComFund	18,998	18,998
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.

38 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:

	2024/ 2025	2023/2024
	Kshs'000'	Kshs'000'
The Fund as a lessee:		
Within one year	21,688	16,370
In the second to end of lease	71,380	46,372
	<u>93,068</u>	<u>62,742</u>

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Notes to the Financial Statements (Continued)

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.

39 Prior Year Adjustment

During the year, a loan to a customer was noted to have erroneously accrued excess interest and upon correction, the revenue reserve declined by Kshs.19,000. The overall movement in revenue reserve are as follows;

Description	Amount Kshs "000"
Opening revenue reserve	(4,827,257)
Overstatement of interest on loan	(19)
Surplus for the Year	50,423
Revenue Reserve as at 30.06.2025	(4,776,583)

40 Material Uncertainty

The Government of Kenya, through the National Treasury, has approved the transfer of the entire Sugar loan book to the newly formed Kenya Sugar Board as at 30th June 2025. The value of the said loan book as at 30th June 2025 was Kshs. 7,536,265,000 (81%) of the entire Commodities Fund loan portfolio. The remaining loan portfolio will not be sufficient to sustain the Fund and its projected Kshs. 3.75 billion will be required to enhance the lending capital of the Fund.

41 Events after the reporting period

Following the assent of the Sugar Act No.11 of 2024 on 1st November 2024 and the operationalization of the Kenya Sugar Board on 21st of November 2024, Commodities Fund was directed to transfer the Sugar Development Fund Loan Book as at 30th June 2025 to Kenya Sugar Board. Consequently, the loan book amounting to Kshs 7,536,265,000 was handed over to Kenya Sugar Board effective 1st July 2025.

42 Ultimate and Holding Entity

Commodities Fund is a State Agency under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

43 Currency

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

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20. 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. Sustainability of Loans	<p>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.</p> <p>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.</p> <p>The write-off represents a direct reduction in the Fund's reserves, potentially limiting its capacity to extend future financial</p>	<p>It is true the Government wrote off the non-performing historical debts owned by the public sugar companies amounting to Kshs.12,355,763,897 in 2023/2024. The amount were among the loans inherited from the former Sugar Development Fund. This amount being about 60% of the entire loan portfolio of the Fund, is expected to have serious financial implications to operations of the Fund. While the Commodities Fund expected Compensation for the sake of continuity of the Fund, this did not happen and is not factored in the current year budget.</p> <p>To ensure sustainability of the Fund, management will continue to lobby for injection of new capital not only for sugar but for all other scheduled crops which the Commodities Fund is mandated to fund. The Fund is already receiving funding for Coconut, Cashew nut and Banana subsectors and plans to bring more crops every year.</p> <p>Further, the Fund has strengthened its lending structures from governance, management, policies and loan securities. This ensures loans are properly vetted at different levels and adequately secured. In addition, the Credit Department has been strengthened by employment highly qualified personnel who manages the entire process and lead collection.</p>	Roseline Wambura - Credit Manager	Not Resolved	

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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)
	<p>support to agricultural stakeholders or other sectors.</p> <p>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.</p>	<p>To further enhance restoration of the written off reserves, the Fund investing every free funds awaiting disbursement process to ensure generation of its own income. Secondly, the Fund through its 2023-2028 Strategic Plan aims to reduce it cost to revenue to 75 % by year 2028. Reserves generated will be ploughed to revolving capital.</p>			
2. Variances in the Loans Due for Write-Off	<p>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 totalling 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:</p>	<p>The Commodities Fund received a letter from the National Treasury which indicated the amount approved by the national assembly was Kshs. 12,336,003,135 against Commodities Fund loan balances of Kshs. 12,335,763,896 with the two figure differing by Kshs. 239,239. However, the discrepancy was noted, communicated the National Treasury and correction was done. Following the approval by the TNT, all loans earmarked for write-off were written off and no balance was left outstanding.</p>	<p><i>Roseline Wambura - Credit Manager</i></p>	<p><i>Resolved</i></p>	

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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)
3. Long Outstanding Receivables	<p>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.</p> <p>In the circumstances the recoverability of the debtors balance of Kshs.7,561,971,000 is doubtful.</p>	<p>It is true the reinstated 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 Kshs 35,856,000 in other loans. 80% of the long outstanding loans are in the sugar sector and were inherited from the former Sugar Development Fund the bulk of which were secured by floating debentures. On the other hand the remaining 20% are coffee loan inherited from the former Coffee Development Fund and were secured by social guarantees.</p> <p>All sugar Loans are being transferred to the newly reconstituted Kenya Sugar Board which implies a bout 80% of the receivable under question will be resolved. On the other hand, the government has plans of waiving debts in the coffee sub-sector which if implemented will sort out the unsecured historical debts thus bring matter to close.</p> <p>To improve recovery strategies management is actively engaging the borrowers to service their loans for instance in the sugar sector the Fund entered into repayment agreement with AFC and the loan is currently being serviced. Further, the Fund is currently in the process of disposing a number of securities to recover the loans. Conclusion of the sale will result to settlement of a number of a number.</p> <p>In the case of the coffee loans repayment agreements and restructuring are being entered into with some of the borrowers to enhance recovery efforts.</p>	Roseline Wambura– Credit Manager	Resolved	

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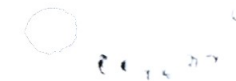
Paragraph	Key Issues	Management Response	Focal Point to Resolve the issue (Name and Designation)	Status: Resolved/ Not Resolved	Time Frame: (Put a date when you expect the issue to be resolved)																								
4. Loan Loss Provision	<p>Note 17 indicates an increase in the loan loss provision 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.</p> <p>In the circumstances, 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 fulfil its objectives effectively.</p>	<p>Loans are classified into Normal, Watch, Sub-standard, Doubtful and Loss. The applicable provision rate for each of the five categories are: Normal (Grade 1) - 1%, Watch (Grade Two) - 3%, Substandard (Grade 3) - 20%, Doubtful (Grade 4) - 100%, Loss (Grade 5) - 100%.</p> <p>The gross provision stood at Kshs. 7,846,788,000 as at June 2024 having risen from Kshs. 7,785,416,000 reported in 2023. This increase is attributed to continual accrual of interest on the loan facilities until the facility is either repaid in full or interest accrual suspended five years after the due date of the facility. However, loan securities were also enhanced and the value of securities at the end of the year was Kshs.986,555,699 compared to Kshs. 839,853,837 in 2023. Consequently, the net provision as at June 2024 was Kshs. 6,860,232,110 compared to Kshs 6,945,562,566 in June 2023 resulting to an overall decline of Kshs.85,330,456 as tabulated below:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Outstanding Loan</th> <th>Provision Rate</th> <th>Provision June 2024</th> <th>Provision June 2023</th> <th>Increase in Provision</th> </tr> </thead> <tbody> <tr> <td>Normal (grade 1) - 1%</td> <td>1,212,371,619</td> <td>1%</td> <td>12,123,716</td> <td>4,490,864</td> <td>7,632,853</td> </tr> <tr> <td>Watch (grade 2) - 3%</td> <td>120,369,361</td> <td>3%</td> <td>3,611,081</td> <td>1,003,878</td> <td>2,607,202</td> </tr> <tr> <td>Sub-standard</td> <td>21,138,788</td> <td>20%</td> <td>4,227,758</td> <td>679,803</td> <td>3,547,954</td> </tr> </tbody> </table>	Category	Outstanding Loan	Provision Rate	Provision June 2024	Provision June 2023	Increase in Provision	Normal (grade 1) - 1%	1,212,371,619	1%	12,123,716	4,490,864	7,632,853	Watch (grade 2) - 3%	120,369,361	3%	3,611,081	1,003,878	2,607,202	Sub-standard	21,138,788	20%	4,227,758	679,803	3,547,954	Roseline Wambura – Credit Manager	Resolved	
Category	Outstanding Loan	Provision Rate	Provision June 2024	Provision June 2023	Increase in Provision																								
Normal (grade 1) - 1%	1,212,371,619	1%	12,123,716	4,490,864	7,632,853																								
Watch (grade 2) - 3%	120,369,361	3%	3,611,081	1,003,878	2,607,202																								
Sub-standard	21,138,788	20%	4,227,758	679,803	3,547,954																								

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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)
		(grade 3) - 20%								
		Doubtful (grade 4) - 100%	21,142,013	100%	21,142,013	4,434,365	16,707,647			
		Loss (grade 5) - 100%	7,805,683,242	100%	7,805,683,242	7,774,807,493	30,875,749			
		Total	9,180,705,022		7,846,787,809	7,785,416,404	61,371,406			
		Securities	-		986,555,699	839,853,837	146,701,862			
		Net Provisions	9,180,705,022		6,860,232,110	6,945,562,566	85,330,456			
		<p>To reduce the non-performing loans the Fund has reviewed its Debt Recovery Policy and introduced a Debt Recovery Manual and has taken note of the need to review the client appraisal evaluation to minimize high-risk loans early. The Fund is also actively engaging the borrowers to reschedule their facilities and come up with repayment agreements.</p> <p>Additionally the loan provision has further declined to Kshs. 6,741,681,000 in FY 2024/2025. Provisions have declined further by Kshs.5,965,521,000 as a result of handing over the sugar loan</p>								

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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)
		book to Kenya Sugar Board. The remaining provision of Kshs.772,862,000 will be sorted by the planned debts waiver in coffee sector.			
5. Due from Related Parties	<p>As disclosed in Note 30(c) to the financial statements, a sum of Kshs.40,000,000 is outstanding from the Ministry of Agriculture Livestock, Fisheries 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 honoured to date.</p> <p>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.</p>	<p>Management acknowledges that the Fund is owed Kshs.40,000,000 by the Ministry of Agriculture and Livestock Development. The funds were requested on two different dates vide letter Ref. MOA/SDA/SC/40A dated 18th January 2017(Annex 5A) and Letter Ref. MOALF/CORP/11/23/2 dated 9th May, 2017. (Annex 5B). The first request was meant to facilitate the Coffee Sub-Sector Task Force commence its work with a promise to refund the entire amounts when the National Treasury releases funds earmarked for task force.</p> <p>The second disbursement was meant to bail out Chemilil Sugar Company that at the time was in financial crises. The Parent Ministry had promised to reimburse the funds to Commodities Fund when it receives its allocation from the National Treasury and Planning.</p> <p>The Fund did not have any direct lending arrangement with either the Coffee Subsector Task Force or Chemelil Sugar over the debts but was a matter between the Fund and the parent ministry. As such there was no agreement existed between the Fund and the Ministry. In an effort to seek reimbursement, commodities Fund has written many demand letters but the Ministry has not committed as to when the debt will be reimbursed.</p>	<i>Silas Nyaga – Finance Manager</i>	<i>Not Resolved</i>	



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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)
6. House Allowance over Payment	<p>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.</p> <p>In the circumstances it was not possible to confirm the accuracy and completeness of Kshs.122, 592,000 for employee cost.</p>	<p>The structure in use for the Salaries and Benefits of Employee including House Allowances for all, is of the defunct Coffee Development Fund. The reason for continued use of this structure is that Commodities Fund has not had a structure of its own since its coming to being in 2014 and the Fund has been following up with the relevant authorities. The SRC house allowance guidelines were issued in August 2015 and with no corresponding salary structure for Commodities Fund by SRC, the Fund has continued to rely on the Coffee Development Structure which stipulates the Basic Salary and other benefits including House Allowance for each job group.</p> <p>In January 2024, the Commodities Fund Human Resource Instruments were approved by the Public Service Commission and a job evaluation was conducted in collaboration with the Salaries and Remuneration Commission (SRC). The SRC graded the jobs of Commodities Fund and for SRC to recommend a corresponding salary structure, they required a confirmation from the National Treasury on implementation budget availability. This has since been request and being followed up with the National Treasury and Planning. Receipt of a recommended salary structure by SRC will assist the Fund to align its staff salaries and benefits.</p>	<p><i>Rose Ndiritu – Human Resources and Administration Officer</i></p>	<p></p>	<p></p>
7. Transitioning of Coffee Development Fund and Sugar Development Fund and to	<p>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</p>	<p>The Fund's in question were not being wound up when the Fund came in to being. Contrary to that was that the funds were being transitioned in compliance with the new laws is the AFA Act and the Crops Act, 2013. At the time, the Fund was managed through the Interim Management Committee that was appointed by the Cabinet Secretary in-charge of Ministry of Agriculture and Livestock Development to ensure seamless</p>	<p><i>Nesiline Okiko Legal Manager</i></p>	<p><i>Not Resolved</i></p>	<p></p>

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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)
Commodities Fund.	<p>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.</p> <p>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.</p> <p>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.</p> <p>In the circumstances, Management is in breach of the law.</p>	<p>transition of the entities from the previous repealed legislation. The situation as is did not warrant winding up but transitioning which the ministry has been overseeing.</p> <p>The Fund has even consulted the AG on the same with advisories on record as to our standing.</p> <p>The transitional clauses of the AFA act 2013 warranted that all assets and liabilities including contracts and obligations transition to the Authority. Ideally, the position should be that the legislations be amended and or improved to ensure that a seamless transition be overseen and implemented for purposes of enabling the Commodities Fund enforce and manage the existing contracts, loan books, and collaterals as though they were the primary parties to the same.</p> <p>The recommendations to ensure that the tenets of sections 1,2,3,5,6,7 and 8 of the AFA Act 2013 should ideally be implemented with the help of the Parent Ministry with regulations as articulated under section 10 of the Crops Act realized for prudent Fund management going forward.</p>			

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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)
8. Lack of Regulations for The Commodity Fund	<p>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.</p> <p>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.</p> <p>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.</p> <p>Further, the Fund does not have existing regulations guiding its operations and administrative management as expected and</p>	<p>The position on regulations is true .The Fund has however been facing technicalities on the issue. This is because the Crops Act, 2013 mandates the AFA as the one tasked with developing regulations for the Fund. That said, the Authority has since inception lacked a board which has hampered the development, deliberation and passing of the regulations. None the less, the Board of Trustees at the Fund in a bid to unlock the delay have attempted to seek amendment of the law to allow for the Minister to develop the regulations. The Fund has even gone a step further and developed draft regulations which have been shared with the parents ministry, Attorney general’s office and the National Treasury. This are yet to bear fruit since the Law is yet to be amended but constant stakeholders engagement is being done in an attempt to address the situation. It is, however, important to note that the Fund is however utilizing internal administrative and credit/lending policies in ensuring the law and diligence is upheld.</p>	Nesline Okiko-Legal Manager	Not Resolved	

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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)
	<p>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.</p> <p>In the circumstances the Management is in breach of the law</p>				
9. Existence of a Public Fund beyond the Maximum Period without Approval of Cabinet and Parliament	<p>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.</p> <p>In the circumstance, the approval of the Cabinet Secretary and Parliament should be sought for the continued existence of the Fund</p>	<p>Our position on the matter is such that the creation of the Fund is statutory through legislation (Crops Act section 9 and 10). In the circumstances, it would be best to handle the existence or non-thereof through legislative amendment or pronouncement and not through the Ministry or parliament.</p>	<p><i>Nesline Okiko- Legal Manager</i></p>	<p><i>Not Resolved</i></p>	
10. Over dependance on exchequer for financing	<p>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</p>	<p>It is true that the commodities Fund budgeted to receive Kshs. 45,396,000 and Kshs. 51,000,000 for the FY 2022/2023 and 2023/2024 respectively. The formation of Commodities Fund in 2014 came with expanded mandate compared to the defunct institutions which were folded to former Commodities Fund. The expanded mandate included financing development of all</p>			

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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)
	<p>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.</p>	<p>regulated crops as contained in schedule II of the Crops Act, 2013. To deliver on this expanded mandate, the Government was expected to inject initial capital for all scheduled crops. However, this did not happen till FY 2020/2021 when the Government started giving some funding for Coconut, followed by Cashew Nut in 2022/2023 and Bananas in 2023/2024. Further, it will be noted the capital received for the three sub-sectors is very little to generate income capable of sustaining operations of the Fund.</p> <p>Further, it is important to note the Former Sugar Development Fund was fully funded by the sugar levy that was scrapped immediately after formation of Commodities Fund. Scrapping of levy left the sugar sector without any source funding. On the other hand the former Coffee Development Fund was built through capital grants from the Government and the same had been terminated before the formation of the Commodities Fund.</p> <p>Loans inherited from the two defunct institutions were non-performing and majority were not secured by tangible securities. Vast majority of loans especially in the sugar sector, were secured by debentures which are not easily enforceable in event of defaults.</p> <p>With the recent write –off loans owned the public-owned sugar mills to a tune of Kshs. 12.334 Billion, the Commodities Fund lending capital was significantly reduced and Government needs to inject a substantial amount of capital to enable the Fund to carry out its mandate and generate its income. Given</p>			

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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)
		adequate lending capital, the Commodities Fund cannot generate adequate revenue for its operations hence the need for operational grants from the Government.			


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

Date: ...28/08/2025.....



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Appendix II: Projects Implemented by the Commodities Fund

Projects

The sole project being implemented by ComFund in 2024/2025 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

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Status of completion is as follows:

S. No	Project	Total project Cost Kshs '000'	Total expended to date Kshs '000'	Completion % to date	Budget Kshs '000'	Actual Kshs '000'	Sources of funds
1.	Coconut Revitalization Project	1,000,000	151,000	15.1%	0	0	GOK
2.	Cashew Nut Revitalization Project	850,000	32,500	0%	0	0	GOK
3.	Banana Enterprising Financing Project	500,000	40,000	8%	0	0	GOK