

REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 08 MAR 2023

OF

TABLED BY: Hon. Owen Baya, CES, MP
Deputy Majority Leader
Christine Ndlovu

CLERK-AT-THE-TABLE: **THE AUDITOR-GENERAL**

ON

**KENYA TRADE NETWORK AGENCY
(KENTRADE)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

KENYA TRADE NETWORK AGENCY



Your G2B trading partner

KENYA TRADE NETWORK AGENCY (KENTRADE)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2021**

**Prepared in accordance with the accrual Basis of Accounting method under the
International Public Sector Accounting Standards.**

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For The Year Ended June 30, 2021

| Table of Contents | Page |
|---|-------------|
| KEY ENTITY INFORMATION AND MANAGEMENT | iv |
| CHAIRMAN'S STATEMENT | xviii |
| REPORT OF THE CHIEF EXECUTIVE OFFICER | xx |
| REVIEW OF KENYA TRADE NETWORK'S KENYA REGULATORY & NON – COMMERCIAL ENTERPRISE 'S PERFORMANCE FOR FY 2020/2021 | xxiv |
| CORPORATE GOVERNANCE STATEMENT | xxxii |
| MANAGEMENT DISCUSSION AND ANALYSIS | xxxvii |
| ENVIRONMENTAL AND SUSTAINABILITY REPORTING..... | xli |
| REPORT OF THE DIRECTORS | xlvi |
| STATEMENT OF DIRECTORS' RESPONSIBILITIES..... | xlvii |
| REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TRADE NETWORK AGENCY..... | xlix |
| STATEMENT OF FINANCIAL PERFORMANCE | 1 |
| STATEMENT OF FINANCIAL POSITION..... | 2 |
| STATEMENT OF CHANGES IN NET ASSETS | 3 |
| STATEMENT OF CASH FLOWS..... | 4 |
| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS..... | 5 |
| NOTES TO THE FINANCIAL STATEMENTS | 19 |
| APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | 52 |
| APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY | 54 |
| APPENDIX III: INTER ENTITY TRANSFERS..... | 55 |
| APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES..... | 56 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

LIST OF ABBREVIATIONS

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

KEY ENTITY INFORMATION AND MANAGEMENT

a. Background information

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

b. Principal Activities

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

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

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

Our vision

“Making a difference in Trade Facilitation”

Mission statement

“To facilitate trade by simplifying, harmonizing and automating business processes through effective and efficient management of the TradeNet System and provision of related services for Kenya's global competitiveness.”

c. Key Management

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

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| | Name | Position |
|---|----------------|---|
| 1 | Amos Wangora | Chief Executive Officer |
| 2 | Rose Ronoh | Director Trade Facilitation |
| 3 | Ann Waweru | Director IT Infrastructure, Innovation & Information Security |
| 4 | Chrispus Mbogo | Director Corporate Services |
| 6 | David Ngarama | Director Strategy, Compliance and Business Development |
| 7 | Bernard Milewa | Corporation Secretary and Legal Affairs Manager |
| 8 | Paul Mwaura | Manager, Internal Audit |
| 9 | Joanne Kweyu | Manager, Supply Chain Management |

e. Fiduciary Oversight Arrangements

The following are the Board committees and members who provided fiduciary oversight over the financial year. The CEO is a member of every committee except the Audit and Risk Committee.

i. Audit & Risk Committee

- | | |
|----------------------|--|
| 1. Ms. Wambui Namu | Chairman |
| 2. Mr. Joseph Ngugi | Member (Alternate Director CS NT) |
| 3. Mr. George Wanjau | Member (Alternate Director PS MOTIHUD) |
| 4. Ms Rose Masita | Member (Alternate Director to PS SDT) |

ii. Finance & General Purposes Committee

- | | |
|----------------------|--|
| 1. Mr. Ernest Kamau | Chairman |
| 2. Mr. Joseph Ngugi | Member (Alternate Director to CS NT) |
| 3. Mr. George Wanjau | Member (Alternate Director PS MOTIHUD) |

iii. Human Resource and Compliance Committee

- | | |
|----------------------------|----------|
| 1. Mr. Gilbert Langat | Chairman |
| 1. Mr. Ernest Kamau | Member |
| 2. Mr Christopher Koisikir | Member |

iv. Strategy and Business Committee

- | | |
|-----------------------------|---------------------------------------|
| 1. Mr. Christopher Koisikir | Chairman |
| 2. Ms. Wambui Namu | Member |
| 3. Mr. Gilbert Langat | Member |
| 4. Ms Rose Masita | Member (Alternate Director to PS SDT) |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

f. Entity Headquarters

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

g. Entity Contacts

Telephone: (254) 20 464 5000
E-mail: info@Kentrade.go.ke
Website: www.Kentrade.go.ke

h. Entity Bankers

Equity Bank Limited.
Equity Centre Branch
P.O. Box 75104 – 00200
Nairobi

Co-operative Bank of Kenya Limited
KUSCO Centre Branch
P.O. Box 48231 – 00100
Nairobi

KCB Bank Limited
Upperhill Branch/KICC Branch
P.O. Box 48400 – 00100
Nairobi

i. Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084, 00100
Nairobi, Kenya

j. Principal Legal Adviser

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

THE BOARD OF DIRECTORS

Mr. Suleiman Said Shahbal **Chairman**



Mr Shahbal has a Master of Business Administration from the University of Illinois at Urbana and has over 20 years' experience in Banking. Mr. Shahbal previously worked with Bank Muscat, the largest investment and commercial bank in Oman, where he served as Deputy General Manager of International Operations. Prior to Bank Muscat, Mr. Shahbal served as Vice President of Citibank in the Middle East and Europe.

Mr Shahbal served as the Chairman of Gulf African Bank (Kenya) until September 2012. He served as a Director of Dalma Energy LLC until June 21, 2016. Mr. Shahbal is a Member of Investment Committee at Mid-East Division of The Novati Group. Mr Shahbal served the Agency up to June 4, 2021 when his term of office expired.

Mr. Gilbert Langat **Independent Member (Human resource and Compliance Committee Chairman)**



Mr. Langat has an Executive MBA from Copenhagen Business School, Bachelor of Arts from Moi University, Eldoret, graduate in Public Policy Executive Program from Strathmore Business School, Infrastructure Financing and Development from Birmingham University, He also has a Certificate in Corporate Governance from International Centre for Leadership and Development (ICLAD). He has worked as a Trainer of Trainers, Freight logistics and management at KRA Training, Mombasa.

Mr. Langat currently serves as the Chief Executive Officer at Shippers Council of Eastern Africa. Board and Member of National Standards Council (NSC) and Chair, Technical, Trade and Permits Approval Committee of the Board of Kenya Bureau of Standard (KEBS), Member of the Executive Committee and Board of Northern Corridor Transit Transport Coordination Authority (NCTTCA), Chair Mombasa Port and Corridor Community Charter (MPCCC). He has also been a Board Member, Kenya National Highway Authority (KeNHA), Member Railway Consultative

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Committee, Member Chief Executives Forum -National Business Agenda and Member, Board of Governors -Railways Training Institute

Ms. Wambui Namu

Independent Member (Audit & Risk Committee Chairman)



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

Commissioner of Customs Services.

She has extensive experience in international trade matters as well as taxation policies and practices. She has also engaged in tax advisory services, capacity building and management consultancy for various national and international institutions such as the World Customs Organization (WCO), Kenya Institute of Management (KIM), AFRALTI, Kenya Trade Network Agency (KENTRADE), Blue chip private sector companies. She has served as a Board Director at the Export Processing Zone Authority and chaired various Private Sector Boards. Ms. Namu was awarded National/State Honors [Head of State Commendation (HSC) & Moran of the Burning Spear (MBS) recognitions by His Excellency the President of the Republic of Kenya in 2009 and 2010 respectively for significant contribution in domestic revenue mobilization in the context of the wider state building efforts.

Mr. Ernest Kamau Muchina (Finance and General-Purpose Chairman)

Independent Member



Mr. Kamau studied Business Administration and media services at The Kenya Polytechnic. He has a wealth of knowledge in management, coordination and communication of project activities and output, including planning and budgeting to realize the organization's objectives. He is currently the Chief executive at Real Capital Insurance. Mr. Kamau previously worked as the Unit manager and the Agency manager at AAR

Health Services. He also worked as the operations director at Medigen Insurance. Mr. Kamau has a

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

passion for humanitarian activities and community mobilization; he has been a Rotarian from 1996 to date.

Mr. Koisikir M. Christopher (Strategy and Business Committee Chairman) **Independent Member**



Mr. Koisikir is a graduate teacher by profession. He is a holder of a BSc degree in mathematics and Biology from Kampala University, Uganda and a MBA holder of Education, Planning, Administration, and Management from Mount Kenya University. Mr. Koisikir has a wealth of knowledge of how various government entities operate having worked with the government in various capacities over the years. He worked as a Principal Clerk Assistant at the Kajiado County Assembly between the years 2014-2017. He was also a presiding officer for the Electoral Commission in 2005 and for IEBC during the 2013 elections. He has served as a head teacher for over 9 years.

Mr. Koisikir has a passion for community mobilization having assisted to start six primary schools at Meto Location and established and registered Meto Secondary in conjunction with other community members.

Mr. Joseph Zacharia Ngugi **Alternate Member for the Cabinet Secretary, The National Treasury & Planning**



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

He is currently the Deputy Director Micro and Fiscal Affairs. He has served as a Principal Economist at The National Treasury. He also worked with the Ministry of Planning and National Development. He has served as a Member of the Board of Trustees of the Coffee Development Fund (Alternate to Principal Secretary for the National Treasury). Mr Ngugi left the Agency in May 2021.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Mr. George Wanjau

Alternate Member to the Principal Secretary, State Department for Transport



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

He is the Director, Planning at the Ministry of Transport, Infrastructure, Housing and Urban Development. He has over 30 years' experience in the Civil Service with considerable experience in regional, sectorial and national planning, including poverty reduction strategies, health sector reforms and project preparations and implementation, monitoring and evaluation, policy formulation for the transport sector and urban transport planning.

Mr. Samuel K. Chemisto

Alternate Member for the Principal Secretary, State Department for Trade



Mr. Chemisto represents the Principal Secretary for the state Department of Trade. He is currently the Deputy Head, Multilateral Trade and International Trade Organizations Division Ministry of Industry, Trade and Cooperatives, State Department for Trade. He is responsible for trade matters relating to World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), and International Trade Centre (ITC) including trade related technical assistance activities. Mr. Chemisto holds a Bachelor of Arts (BA) (Economics & Sociology) from Egerton University. He also holds a diploma in Trade Policy from the WTO Institute for Training and Technical Cooperation, and various management and development training courses by the Government of Kenya and WTO regional training programmes. He left the Agency in September 2020.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Ms. Rose Masita Onkoba

Alternate Member for the Principal Secretary, State Department for Trade



Ms. Onkoba currently serves as an Assistant Director, External Trade in the Ministry of Industry, Trade and Cooperatives. She has previously served as a Senior Foreign Service Officer in the Ministry of Foreign Affairs and International Trade attached to the Directorate of Economic & international Trade, Division of Economic Affairs where she was posted to Pretoria South Africa as the officer in Charge of Trade at the Kenya High Commission.

Ms. Onkoba has a Master of Science Degree in Entrepreneurship (MSc Entrepreneurship, a Bachelor of Arts in Anthropology and a BA (Anthropology and Economics). She also has a Certificate from UNCTAD on Trade Facilitation in the East African Community. Ms. Onkoba has vast experience in matters Trade facilitation,

Amos Wangora

Chief Executive Officer



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

He has over Twenty-Five years work experience in the Trade and Logistics sector with specialization in C-Suite Strategic Management, Maritime Affairs and Project Management in Port, Customs and Trade sector automation. He has vast experience in the designing, development and implementation of ICT interventions for Trade and Transport facilitation.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Mr. Bernard Milewa
Corporation Secretary & Legal Affairs Manager



Mr. Bernard Milewa is an Advocate of the High Court of Kenya, Commissioner for Oaths and a Governance Auditor. He holds a a Master of Business Administration (MBA) Strategic Management from the University of Nairobi, Bachelor's Degree in Law from Moi University and Post-Graduate Diploma in Law from Kenya School of Law. He is also a Certified Secretary (CS) and a Certified Public Accountant (CPA-K). He is a member of the Institute of Certified Secretary of Kenya, Institute of Certified Public Accountant (ICPAK) and Chartered Institute of Arbitrators (Clarb). Mr. Milewa has 15 years' legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Compliance and Legal Officer at the Postal Corporation of Kenya. Mr. Milewa joined the Agency in January 2018.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

MANAGEMENT TEAM

Amos Wangora
Chief Executive Officer



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

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

Anne Waweru
Director IT Infrastructure Innovation & Information Security



Ms. Waweru joined the Agency in June 2019 as Director IT Infrastructure, Innovations & Information Security. She has extensive experience in the ICT profession mainly from the private sector. Before joining the Agency, she worked as Business Manager, ICT at Eagle Africa Insurance Brokers. Prior to this she was the Assistant Divisional Director, ICT at Eagle Africa.

She holds an MSc in Management Information Systems from the University of Nairobi and Bachelor of Education (Science) degree from Kenyatta University. She has certification in ITIL Foundation in IT Service Management, is a Certified Information Systems Auditor and a member of Information Systems Audit and Control Association and the Institute of Internal Auditors. She has done various other courses in the field of IT Management & Security.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Ms. Rose Ronoh

Director Trade Facilitation



Ms. Ronoh is currently a candidate for Doctor of Philosophy in Business Management (Strategic Management Specialization) at Moi University. She holds Masters in Business Administration, (Strategic Management Option) from Moi University, Masters of Arts in Communications from Daystar University, Bachelor of Science in International Business Administration (Marketing Option) from United States International University (USIU). Rose also holds a Post Graduate Diploma in International Trade Law and Trade Policy from Lund University Sweden, a Professional Certificate in International Trade from University of Adelaide-Australia, a Certificate in Trade Policy from Trade Law Centre for Africa-South Africa, a Certificate in Trade Facilitation from UNCTAD, an Executive Diploma in Marketing from Marketing Society of Kenya, Professional Qualifications in Prince 2 (Project Management). She has also attended several courses and seminars in Trade Facilitation, Regional Integration, Monitoring and Evaluation, Trade and Gender, Leadership, Customer Service Excellence, Entrepreneurship, Budgeting and Financial Management.

She has a wealth of experience in Trade Facilitation, Trade Policy, Gender Economics, Customer Service, Marketing Management, Project Management Strategic Communication, Strategic Management and Stakeholder Engagement in Public and Private Sector. Rose has previously worked as a Corporate Communications Manager at The Catholic University of Eastern Africa, Regional Marketing and Communications Officer at Kenya Power & Lighting Company Ltd and a Brand Manager at The Standard Group. She is a Member of the Marketing Society of Kenya, an advisor to Organization of Women in International Trade and an advisor to Commonwealth Businesswomen Network-Kenyan Chapter. Rose delights in building capacity of women and youth in Kenya to empower themselves economically.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

David Ngarama

Director, Strategy, Compliance and Business Development



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

Prior to his appointment as a Director Strategy, Compliance and Business Development, he had served in the same position in an acting capacity for about two years. Before this appointment, he had served for over eight years as the Manager Strategy and Planning at the Agency. He joined KenTrade in 2013 having served as a Transaction Manager with the Privatization Commission, a parastatal under The National Treasury and Planning, for four years where he was in charge of various privatization transactions in the country. He has also served as a Principal Economist in the Office of the Deputy Prime Minister and Minister for Finance where he doubled as a Technical Assistant to the Deputy Prime Minister.

Mr. Ngarama has over 23 years' experience in public sector operations and has worked as a Senior Economist at the Ministries of Planning, Finance, International Trade and Industry. In addition, he has wide exposure in regional trade and integration matters and has represented Kenya in many trade negotiations within and outside the Common Market for East and Southern Africa (COMESA) Region and EAC.

Over and above the Bachelors and Masters degrees in Economics, Mr. Ngarama has been trained in Senior Management related courses including the Strategic Leadership Development Programme at the Kenya School of Government and Senior Managers Leadership Programme at the Strathmore Business School; Project Monitoring and Evaluation; Project Management; Financial modeling and a host of other areas. Mr. Ngarama is currently the Director in Charge of Trade Facilitation at the Agency.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Mr. Chrispus Mbogo
Director, Corporate Services



Mr. Mbogo holds a Master of Business Administration in Finance degree from the University of Nairobi and a Bachelor of Commerce degree in Finance from the Catholic University of Eastern Africa. He is a Certified Public Accountant of Kenya. He holds various certificates in management and leadership as well as other aspects of management including pension administration, ISO and corporate governance.

He worked for the Kenya Agricultural Research Institute (KARI) for ten years as an Accountant and Internal Auditor. Before joining the Agency, he worked with the Coffee Development Fund as Head of Internal Audit and Acting Finance & Administration Manager. Mr. Mbogo is an active member of ICPAK and serves in the ICPAK Council Committee for Public Sector Accountants.

Mr. Bernard Milewa
Corporation Secretary & Legal Affairs Manager



Mr. Bernard Milewa is an advocate of the High Court of Kenya. He holds a Bachelors degree in law from Moi University and an MBA (Strategic Management) from the University of Nairobi. He is also a member of the Chartered Institute of Arbitrators and is a Certified Public Secretary of Kenya, CPS (K). Mr. Milewa has 12 years legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Legal Officer at the Postal Corporation of Kenya. Mr. Milewa joined the Agency in January 2018.

Mr. Paul Mwaura
Manager, Internal Audit



Mr. Mwaura joined the Agency in June 2019 as Manager Internal Audit. He has extensive experience in the audit profession both in public and private sectors. Before joining the Agency, he worked as Manager, Audit & Risk Management at the National Transport and Safety Authority. Prior to this he

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

was the Head of Audit at Kenya Investment Authority, an investment promotion agency.

He holds an MSc in Finance & Investments, an MBA in Accounting, and a Bachelor of Commerce Accounting degree all from the University of Nairobi. He is a Certified Public Accountant of Kenya, a Certified Information Systems Auditor and a member of the Institute of Certified Public Accountants of Kenya, Information Systems Audit and Control Association and the Institute of Internal Auditors.

Ms. Joanne Kweyu
Manager, Supply Chain Management



Ms. Joanne Kweyu is a Supply Chain Management expert with a wealth of experience in public sector procurement. She joined the Agency in July 2012, having worked in the civil service in various capacities under the National Treasury, Government Information Technology Services (GITS), Ministries of Public Health, Lands, Agriculture and Livestock Development and the Office of the President.

Ms. Kweyu holds Executive MBA degree from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce degree in Business Administration from the University of Nairobi and a Graduate Diploma in Purchasing & Supply (CIPS).

Ms. Kweyu is a licensed Supply Chain Management practitioner and a member of the Kenya Institute of Supplies Management (KISM), where she also serves as a co-opted member of the Disciplinary Committee. She is also a member of the Chartered Institute of Purchasing and Supply (UK),

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

CHAIRMAN'S STATEMENT

I am delighted to present our 2020/21 Financial Statement, which is a testament to how KenTrade has made progress in the execution of our mandate. We are proud of the achievements as we continue to grow the Agency into a successful and reputable Agency making significant contribution in the trade facilitation arena and also to the wider public.

We are all operating at a time of global uncertainty and unpredictability driven by the Covid – 19 pandemic and the importance of secure, virtual networks has never been so acutely clear. The Agency has for a longtime been advocating for business solutions that encourage non - physical interactions and today we see more and more people embracing ICT platforms to conduct business. The Agency believes that it has an important role to innovate solutions that will enable business continuity to our stakeholders in such difficult periods.

The Board of Directors has done its best to provide an oversight role to Management to ensure that the Agency achieved the goals that we set for ourselves for the year 2020 - 2021. I wish to appreciate the Board of Directors for being flexible, with considerable commitment and adaptability to virtual meetings and on-line platforms for conducting business. We are also pleased with progress that has been made towards the Kenya TradeNet system Upgrade and the continued work on the InfoTrade portal which saw the mapping of additional procedures for commodities import and export.

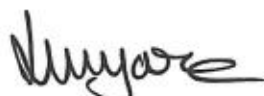
The implementation of Maritime Single Window System was finalized to ensure the country complies with the Convention on Facilitation of International Maritime Traffic as well as pushing the country's Blue Economy agenda. The Agency continues to play a key role in supporting the delivery of the Vision 2030 System by implementing and enabling projects that enhance efficiency. Towards

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

this end, we gained new customers and partners, expanded our workforce, and continued to deliver to our customers as per our commitment on the service delivery charter.

I am glad to note the implementation of the 2020/2021 – 2022/23 Strategic plan is on track and with goodwill from the government and the support of our stakeholders, I am confident that the Agency will meet the set objectives.

Finally, I would like to thank the staff and management led by the CEO, Mr. Amos Wangora and to my Board colleagues for their enormous contribution during my tenure. As our terms come to an end, we can be proud of the part we have played in growing this organization towards making the difference in Trade Facilitation. Thank you to our loyal stakeholders and customers for their unwavering support.



FOR: CHAIRMAN

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

REPORT OF THE CHIEF EXECUTIVE OFFICER

The impact of the Covid-19 pandemic has been felt at KenTrade, as it has across the world, which has necessitated a new approach to the way we all work. I would like to thank everyone within KenTrade for the remarkable adaptability and resilience they have shown in continuing to perform to the best of their abilities in such challenging circumstances.

I echo the Chairman's sentiments and pay testament to those involved in ensuring the IT infrastructure was in place to facilitate working from home across the Agency in such a short time. One of the key strengths, which I believe has enabled the Agency to grow is its consistent focus on investing in ICT infrastructure and the innovative platforms and services.

The financial year 2020/2021 saw KenTrade spearhead various activities in the trade facilitation sector in Kenya. We prioritized our activities premised on the resources that were made available and demonstrated impact towards the achievement of the Government's transformational agenda as envisaged in Vision 2030. We have always been committed to continuing this path to tap into the vast opportunity. At the same time, we will stay true to who we are to society in Kenya and as we work towards implementing regional trade facilitation initiatives.

In this regard, we have worked with relevant stakeholders in exerting our efforts towards enhancing trade facilitation, we have actively participated in the African Alliance for e-Commerce (AAEC) a grouping of countries implementing the Electronic Single Window System in Africa in compliance with recommendations of international institutions. We are represented in all the three committees in the revamped Mombasa Port and Northern Corridor Community Charter (MPNCCC), to ensure realization of the Northern Corridor's full trade facilitation potential. We have continued to

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

work closely with the National Trade Facilitation Committee (NTFC) Secretariat and identified ways in which traders can be assisted to get relevant information required to enable seamless export and import trade in Kenya.

Integration between the Kenya TradeNet System and other Partner Government Agencies (PGAs) Systems progressed well. the System has now largely been adopted by most PGA's with the number of PGAs on the system rising to 37. We also finalized integration with the Kenya Revenue Authority (KRA) Integrated Customs Management System (iCMS). Integration with the Export Management Process was also completed. The integration with the Agriculture and Fisheries Authority system was finalise in the FY.

We managed to onboard 1,638 more users and at the close of the FY we had a total of 15,270 users compared to 13,632 registered users in the previous year. Exporters and Importers now account for 54.77% of the total users. As of June 2021, the TradeNet system had assisted PGAs collect a total revenue of KES 430,869,746.43 as compared to KES 354,438,253.21 in FY 2019/20, an increase of 21.56%.

The implementation of the Trade Facilitation Platform (TFP) upgrade has progressed well despite unforeseen delays, key being delays in delivering the TFP hosting infrastructure due to global Covid - 19 related challenges. Despite these challenges, we finalized the User Acceptance Testing (UAT) of key modules and with the GO-LIVE planned for August 2021. The Agency has planned a phased approach in the roll-out with the initial rollout commencing in August 2021 and other phases to follow in September 2021.

The Information for Trade in Kenya (InfoTradeKE) portal continues to be the source of accurate and clear information on Kenya's international trade procedures with increased compliance levels by

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

traders as reported by regulators. At the close of the financial year, we had mapped procedures for eighty-eight (88) commodities which included all procedures of export, import and transit. The portal is continuously being enriched to include a Trade Facilitation Repository that aims at consolidating trade-facilitation measures adopted by key stakeholders within the Kenyan context as documented on the portal, making access to this information user-friendly, and easily accessible.

To complement the TradeNet System, the Agency launched the Watch List Screening Services (i-Screen) as a value-added service to the trading community. The i-Screen has now been revamped and piloting was successfully completed and a planned launch is slated in FY2021/22. In our efforts to continue enhancing the ease of doing business the Agency has been offering optional premium services (augmented services) which comes as support to our customers in lodging their documentation on the Single Window. During the FY 2019/20 the Board approved the development of the Digital Logistics Market Place, which will be designed as a one stop shop for various logistic services in the market.


We closed the year on a celebratory note with the official launch of the Maritime Single Window System (MSWS) after successfully implementing the e - maritime module on the Kenya TradeNet System. MSW is currently used by licensed Shipping Agents operating in Kenya and the relevant Government agencies involved in ships, crew and passenger clearance at the Port of Mombasa. The Agency is expected to commence integration of the MSWS with the KRA iCMS in the financial year 2021/2022. I would like to express my gratitude and on behalf of the Board to our partner Kenya Maritime Authority and to all other stakeholders who were in one way or another involved in this project. I cannot hesitate to mention Trademark East Africa (TMEA) for their relentless and financial support to ensure that the project was completed and launched.

KENYA TRADE NETWORK AGENCY **Annual Reports and Financial Statements** **For the Year Ended June 30, 2021**

Looking ahead, my focus remains on building a long-term sustainable business where every customer, partner, supplier, and employee can benefit in the shared value of our business success. I'm confident that the change accelerated over the last year only creates more opportunities for KenTrade to both empower (through products) and (through solutions) to our customers and our wider society to not only survive in the 'new normal', but thrive in a way that helps the company, our partners, and our customers achieve higher levels of success. That notwithstanding the interventions we have put in place as an Agency directly impacts the Kenyan economy by creating a conducive business environment, promoting job creation, and reducing poverty.

And finally, we are grateful to our parent ministry, The National Treasury, Partner Government Agencies, development partners and private sector associations for believing in us during these difficult and unprecedented times. I thank our Board of Directors for the unwavering support that has enable us to achieve the notable milestones. To the management and staff, just to say once again, thank you to all for your incredible hard work, commitment, and positivity, during a particularly challenging period

Thank you.



Amos S. Wangora

CHIEF EXECUTIVE OFFICER

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

REVIEW OF KENYA TRADE NETWORK'S KENYA REGULATORY & NON – COMMERCIAL ENTERPRISE 'S PERFORMANCE FOR FY 2020/2021

During that last Financial Year 2020/2021, KenTrade had six (6) strategic pillars and eight (8) strategic objectives within its Strategic Plan for the period 2018/2019- 2022/2023. These Strategic Pillars are as discussed below:

Pillar 1: Legal and regulatory framework

The main objective under this theme is to strengthen the legal and corporate governance framework for the Agency. The National Electronic Single Window System Bill was presented before the Parliament and has already gone through the 1st reading stage of the legislative process. The enactment of the Bill will provide a strong legal framework for the establishment and operations of the Agency. This legal framework will address the challenges posed by conflicting legal mandates and legislative provisions which have negatively affected KenTrade's operations in the past.

In addition, the Agency is working with the Kenya Law Reform Commission to develop Regulations which will operationalize the National Electronic Single Window System Bill once the same is enacted.

In terms of corporate governance requirements, the Agency contracted an independent consultant to carry out a governance audit to review the extent of the Agency's conformity to the required standards of corporate governance principles and practices as stipulated in the Code of Governance for State Corporations, 2015 ("Mwongozo"). The Agency received recommendations from the 2019/2020 legal audit report and has been tracking these well into the FY 2020/2021 to fully comply with the said recommendations. The Agency is committed to full compliance with the framework of the laws, regulations, and policies under which it operates.

Pillar 2: Management of the TradeNet System and other business systems

The target for Single window availability for the period 2020-2021 was 99.82%, The agency managed an availability of 99.97%, The variance of -0.02 was attributed to the fact that the Agency did not have a secondary hosting site to facilitate a failover whenever the primary site is under maintenance

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

or experience technical problem. KenTrade acquired a new Primary and Secondary hosting site and upgraded the underlying infrastructure to Open Compute Platform (OCP). The agency is in the process of upgrading the Single window system application to the Trade Facilitation Platform (TFP), a more versatile application that leverages on emerging technologies. In response to the ever-changing dynamic complex cyber-threat landscape coupled with stringent data privacy regulations, the Agency has implemented various security solutions that include NAC, SIEM, PAM and adopted ISO/IEC 27001:2013 as its information security management framework. KenTrade is in the process of being ISO/IEC 27001:2013 certified.

The second objective under this theme was to facilitate reduction in cargo documentation time to maximum average of one day by 2020. Several Government Agencies were able to achieve this target while others fell short. Under this objective the Agency was able to carry out all the necessary work to fully operationalize the Kenya TradeNet System. By the end of the year, thirty-seven government agencies were on board the TradeNet System with over 15,000 users using the system with annual transactions running to a high of 700,000 per year. During the year, the Agency finalized integrations with KRA iCMS, including end to end automation of the exports process. The Agency rolled out the Cargo release module for Partner Government Agencies, heralding a new era of paperless cargo clearance. This is anticipated to reduce time taken to process documents & clear goods at all points of entry overall reducing the cost of doing business in the country. The Agency rolled-out the Duty Remission module in the system, which automated the manual process of application for exemption of import of raw materials by manufacturers. The Agency conducted training and sensitized over 600 stakeholders on the second-generation Single Window System (SWS), Duty Remission and the Cargo release module.

Pillar 3: Customer service

The Strategic Objective under this pillar was to increase quality and efficiency of service delivery to stakeholders. During the FY/2020/21 period the Covid 19 had hit the country at a concerning rate that the Government put a hold on movement across the country resulting to an uncertain business environment. The Agency arrived at innovative ways of continuing to service customers and quickly implemented a working from home-formula to allow for business continuity, through this initiative the Agency was able to achieve a customer satisfaction score of 81.4% The customer service by ensuring optimal service delivery to its customers, a process governed by the Service Charter

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

received and resolved an average of Fifty Thousand cases (50,000) in the FY 20/21 we continue to ensure the services our customers receive are timely and the customer remains satisfied with our product and service offering.

Pillar 4: Financial Stability

The main objective under this theme was to raise internally generated funds to finance at least 20% of the Agency's operating budget by end of the financial year (FY 20/21). The Agency made efforts to achieve this from the introduction of new products and services (Value Add services VAS) that saw the launch of the Augmented Services (optional premium service) the main aim of this product was to offer assistance to customers at a nominal fee, through this the Agency was able to raise Kes. 100,624 (One Hundred Thousand, Six Hundred and Twenty-Four Shillings).

Through the development and implementation of the business pricing model, the Agency has been offering stakeholders training on the Single Window System to build their capacity in being able to navigate the system flawlessly, this saw the Agency collect Kes. 7,814,051 (Seven Million, Eight Hundred and Fourteen Thousand and Fifty-One Shillings).

The Agency aims to give focus into generating products and services that will be useful to our customers by providing solutions that will not only be beneficial to their way of doing business but will have a significant role in uplifting the Kenyan economy in the long run.

Pillar 5: Institutional capacity strengthening

The Agency's focus remains ensuring we are eliminating organizational inefficiencies both internally and externally by improving business processes, enhancing the use of ICT based solutions, strengthening the risk management and internal controls, research and development to ensure there's continuous innovation and growth within the ecosystem we exist in.

The initiatives instituted enhanced productivity within the Agency, where a more agile way of working during the COVID-19 pandemic was adopted. During the FY 20/21 the Agency implemented the Enterprise Resource Planning (ERP) system to assist in the seamless lodging of

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

documentation and approvals therefore significantly improving the Agency's way of working and moving to a paperless environment.

Pillar 6: Trade facilitation

The strategic objective under this theme was to establish stakeholder collaboration through sharing data and increasing trade across the Northern Corridor. This was to be achieved through three main strategies, establishment of an information for Trade Portal which was implemented successfully with support from UNCTAD, ITC and TMEA. The Agency managed to document and publish 89 commodities for both export & import procedures and simplified 6 procedures by the end of the FY 2020-21. The Agency through the support of TMEA, implemented the Maritime Single System enabling the country to comply with IMO FAL convention.

KenTrade develops its annual work plans based on the above six (6) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2020/2021 period for its six strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Activities | Key Performance Indicators | Achievements |
|---------------------------------|---|---|-----------------------------------|---|
| Pillar I: Trade Facilitation | Objective: Establish stakeholder collaboration through sharing of data and increasing trade across the Northern Corridor | Establish an Information for Trade Portal | Number of simplified processes | Information portal established and 89 commodity procedures documented and published. Documented procedures for five commodities as below: - spices, miraa, second-hand clothes, animal oils, and |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Strategic Pillar | Objective | Activities | Key Performance Indicators | Achievements |
|--|---|--|--|---|
| | | | | vegetable oils. |
| | | Implement the Maritime Single Window System (MSWS) | Automate and enhance the shipping business process | MSWS developed and User Acceptance Testing carried out. The system rolled-out in May 2021 |
| | | Implement the Logistics Coordination Platform | Working LCP and an efficient logistics chain | This was not developed due to lack of funds. The Agency has secured commitment from TMEA, for funding in 2021/22 |
| Pillar 2: Management of the National Electronic Single Window System | To maintain at least 99.982% availability of the Kenya TradeNet System. | Develop and implement the second-generation Kenya TradeNet system. | Operational Second-Generation Single Window System | Work commenced on developing the Second Generation Single Window System with following activities completed, Customization of modules, Testing and Training of users. |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Strategic Pillar | Objective | Activities | Key Performance Indicators | Achievements |
|---|--|---|--|---|
| | To facilitate reduction cargo documentation time to maximum average of one day by 2020 | Roll out the Single Window System in more borders across the country | Increased Utilization of the TradeNet system | Users were over 15,000 by end of year and 37 Government Agencies on board the TradeNet System. |
| | | Integrate the Kenya TradeNet System with stakeholder systems every year | Streamlined, simplified and harmonized processes with more PGAs and end users enrolled to use system | Over 600 stakeholders sensitized on the system. |
| Pillar 3 Customer service | To increase quality and timeliness of service delivery to stakeholders by 2% annually from the current baseline of 74% | Enhance Communication to stakeholders | Systems improvement and Customer satisfaction level | CRM System enhanced and most modules utilized. Activities for upgrade of CRM commenced. system Customer satisfaction level of 81.4% achieved as at the end on the year |
| Pillar 4: Business Development and Marketing | To raise internally generated funds to finance at least 20% of the Agency's operating budget by year | Introduce new products and services (Value Add services VAS) | New products and services offering | Raised Kes. 100,624 from augmented services. |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Strategic Pillar | Objective | Activities | Key Performance Indicators | Achievements |
|--|--|--|--|---|
| | 2020/2021 | Develop and implement a business pricing model. | Revenue raised. | Raised 7,814,051 from TFP training |
| Pillar 5: Institutional capacity building | To increase operational efficiency in service delivery | Improve business processes | Increased quality in service delivery | Maintained the Quality Management System and transitioned to ISO 9001:2015 |
| | | Enhance use of ICT based solutions | Improved productivity | All internal and external systems maintained during the year |
| | | Strengthen risk management and internal controls | Effective risk management and reduced risk exposure for the agency | Risk monitoring carried out on a quarterly basis |
| | | Expenditure control | Increased efficiency and Expenditure control | Budget Implementation Committee monitored all expenditures on a monthly basis |
| | | Research and development | Increased efficiency and information based decisions | Currently implementing the MOU with Strathmore through the DLMP implementation. |
| To ensure | Institutionalize | Increased staff | Performance | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Strategic Pillar | Objective | Activities | Key Performance Indicators | Achievements |
|---|--|---|---|---|
| | optimum productivity and enhanced service delivery by continuously developing the human capital of the Agency. | the performance management framework | productivity and Improved employee morale and staff | management framework maintained. Staff motivation Employee of the quarter program. |
| | | Implement effective HR policies | Best practices in HR management | All HR policies maintained and new policies developed. |
| Pillar 6: Legal and regulatory framework | To strengthen the legal and corporate Governance frameworks in place by 2020. | Facilitate enactment of the Act on the National Electronic Single Window System | Draft bill | Draft bill finalized and submitted to the Cabinet. Currently in parliamentary committee level |
| | | Facilitate enactment of regulations on the National Electronic Single Window System | Draft regulations | Draft regulations in place pending enactment of the Bill. |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For The Year Ended June 30, 2021

CORPORATE GOVERNANCE STATEMENT

The Kenya Trade Network Agency (KenTrade) recognizes Corporate Governance as key to the success of its business operations and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its customers/shareholders and relevant stakeholders. At KenTrade, the purpose of corporate governance is to support value creation and accountable management and thus contributes to the long term success.

The Agency's Corporate Governance framework provides a framework for monitoring and ensuring statutory compliance fosters a culture of values, rewards the highest ethical standards and personal integrity. KenTrade strives to ensure that the principles of good Corporate Governance are applied by the Board of Directors in their dealings in respect and on behalf of KenTrade to enable them provide strategic guidance, leadership and effective management oversight.

Roles and Functions of the Board of Directors

The Agency is run through the general direction of the Board of Directors, which is responsible for: Administration, management and development of the Agency; Administering the assets and funds of the Agency in such manner and for such purposes as shall promote the best interests of the Agency and Committing to the underlying principles of good governance

The Board of KenTrade is committed to the principles of Good Corporate Governance as stipulated in the Mwongozo Code of Governance for State Corporations and ensures attainment of the Agency's mandate through:

1. Determining the business strategies and plans that underpin the Corporate strategy and provide strategic advice to Management;
2. Reviewing the financial statements and overseeing compliance with applicable audit, accounting and reporting requirements;
3. Monitoring and evaluating Corporate Performance;
4. Regularly reviewing systems, processes, procedures and policies to ensure the effectiveness of internal control;

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

5. Monitoring compliance with legal and regulatory requirements and ethical standards and policies;
6. Establishing a sound system of risk oversight, Management and internal controls;
7. Ensuring that the rights of stakeholders that are protected by law are respected;
8. Ensuring that a comprehensive system of policies and procedures is operative;
9. Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the institution's own governing documents and Codes of Ethics

Board Structure and Processes

The Board of Directors of the Agency consists of:

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

The Cabinet Secretary - the National Treasury & Planning appoints the Board while the Chair is appointed by HE. The President.

The Board reflects a diversity of talent and experience. The Board is exposed to seminars and workshops on Corporate Governance issues to enhance their knowledge and skills. Board induction was also done in October 2018 following appointment of the Board Members to appraise them on the Agency's operations. The Agency ensures that it provides the necessary resources and expertise to the Board of Directors to assist them in their decision- making processes and as such, they are regularly consulted on key policy matters.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

The Board is governed by a Board Charter as required by Section 1.11 of the Mwongozo Code. The Board Charter defines the role, responsibilities and functions of the Board in governance of the Agency. It guides the Board in execution of its roles and functions to ensure conformity with best Corporate Governance practices. Evaluation of the Board Members is carried out annually as dictated by the Charter and is supported by the State Corporations Advisory Committee (SCAC). The Annual Evaluation reviews the effectiveness of the Board, individual and collective roles of Board Directors and the duties and responsibilities of the Board of Directors.

Board Committees

The Board continued to ensure that proper standards of corporate governance were maintained and continued to have oversight over the management of the Authority, not only through the Board meetings but also through the various Board Committees. In its governance, the Board has established four Committees as per section 8 of the Legal Notice No. 6 of 2010 and in line with Section 1.7 of the Mwongozo Code. The Committees are all chaired by Independent Board Members. The members of each Board Committee are as shown on page IV. Membership to these committees is based on the relevant skills, expertise and experience required to handle respective functions. The Committees execute their functions in accordance with terms of reference which defines its mandate, roles and responsibilities. These Committees main functions are described below:

1. Audit and Risk Committee

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

2. Strategy and Business Committee

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

3. Finance and General Purpose Committee

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

4. Human Resource and Compliance Committee

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

Board Meetings

The Board meets quarterly or as necessary, in accordance with the Business requirements, the Board Work-Plan and Calendar (Almanac) as prepared in the beginning of the year. The Board held 6 meetings in the financial year 2020/2021 while the Committees held their meetings as scheduled. The Board and Committee attendance was as follows:

| Board Member | Full Board Meetings | Board committees | | | |
|-----------------------|---------------------|------------------|---------------------|---------------------------|-----------------------------|
| | | Audit & Risk | Strategy & Business | Finance & General Purpose | Human Resource & Compliance |
| Hon. Suleiman Shabhal | 5/6 | - | - | - | - |
| Gilbert Langat | 5/6 | - | 5/5 | 3/6 | 10/12 |
| Christopher Koiskir | 5/6 | 2/4 | 2/5 | 3/6 | 12/12 |
| Wambui Namu | 5/6 | 2/4 | 3/5 | 3/6 | 1/12(Ad-Hoc) |
| Joseph Z. Ngugi | 5/6 | 1/4 | | 5/6 | 1/12(Ad-Hoc) |
| Ernest Kamau | 6/6 | 2/4 | | 5/6 | 12/12 |
| George Wanjau | 3/6 | 4/4 | 3/5 | 3/6 | - |
| Rose Masita | 4/6 | 2/4 | 2/5 | | |
| Amos Wangora | 6/6 | - | 5/5 | 6/6 | 12/12 |

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

Legal Audit

The Agency recognizes the need to conduct its business and operations with integrity and in accordance with generally accepted corporate governance practices, and endorses internationally developed principles of corporate governance. The Agency engaged the firm of Munyao, Muthama & Kashindi Advocates during the financial year to carry out a legal audit. The general objective for the audit was to determine whether the Agency, in its operations, processes and procedures comply with the Constitution of Kenya 2010, the State Corporations Act, and the requirements under the various other applicable Acts of Parliament and instruments made under the Act.

The specific objectives of the audit were:

- i. Identify and document the current framework of laws, regulations and policies under which the Agency operates;
- ii. Assess the extent of KenTrade's compliance with statutory obligations;
- iii. Identify the gaps in compliance, the existing risks and propose a compliance strategy to boost compliance levels of the Agency;
- iv. Evaluate existing policies and procedures that support the legal and compliance functions to assess their adequacy in supporting the Agency's regulatory and other compliance requirement and assist Management to design and develop additional compliance policies and procedures as may be necessary;
- v. Develop a compliance check matrix and implementation framework that will ensure all regulatory and reporting requirements are met and that is in line with best practices and in agreement with the Agency's strategic plan and overall mandate;
- vi. Generate a Legal Audit report of the compliance findings and recommendations.

The legal Audit report will be out in end of quarter I of the current financial year and will gauge the Agency's compliance with the requirements of the State Corporations Act, the various other relevant Acts, regulations, policies and guidelines applicable.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

In the FY 2020/21, the Agency embarked on stabilizing and enhancing the Single Window System by integrating with relevant Partner Government Agency systems. Further to this, the Agency focused on improving the functionality and user experience of the SWS by implementing the Second-Generation Single Window System. The Agency aims to launch the new system in August 2021. The Agency similarly implemented various projects that complement the Single Window System services, the projects include TLIP project, Maritime Single Window and Business Intelligence Project. This effort will continue in FY 2021/22 by implementing Trade Finance, Digital Market Place, TradeLens among other projects.

In terms of finances, the Agency still overwhelmingly relies on the support of the National Government. During the year, Kshs **961,550,000/=** was provided by the Exchequer representing **Kshs 588,250,000** for development and **Kshs 373,300,000** for recurrent expenditure. **Kshs 14,570,395 /=** was generated from other sources, primarily interest income from call accounts, training fees for single window users, augmented fees and other miscellaneous sources. In comparative terms, GOK funding was **99 %** while other sources accounted for about **1%**.

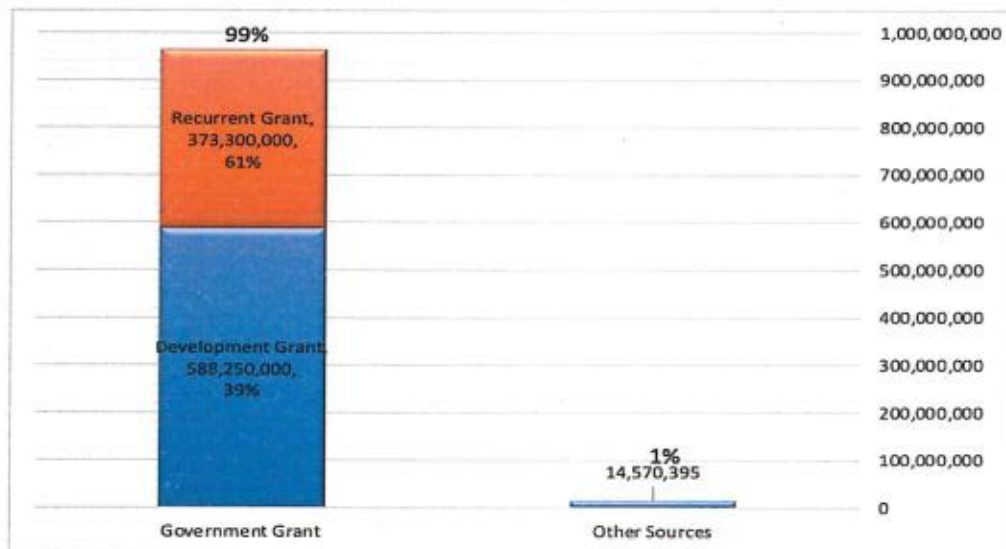


Figure I. Sources of Funding

KENYA TRADE NETWORK AGENCY Annual Reports and Financial Statements For the Year Ended June 30, 2021

In terms of recurrent expenditure, the Agency spent **Kshs 670,545,847 /=-** with **Kshs 455,009,093/-** being direct cash items and the balance of **Kshs 215,536,754 /=-** being provisions for depreciation and amortization.

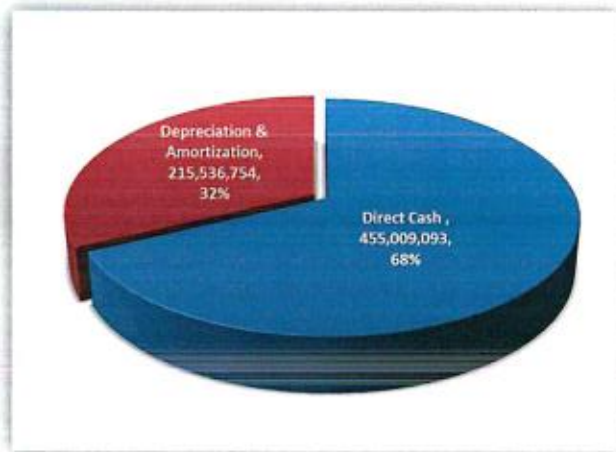


Figure 2. Agency recurrent expenditure

As indicated on the chart below, Staff Costs (Salaries and Wages) account for **46%** of the total recurrent expenditure. Use of goods include various expense lines, with the biggest item being computer expense (repairs, internet, licenses and other recurrent items such as vendor maintenance and support for the single window and other systems) at **Kshs 62,135,257/-**. On its own, this would account for **13.5%** of the total direct cash items expenditure. This is because the Agency's main business is ICT driven.

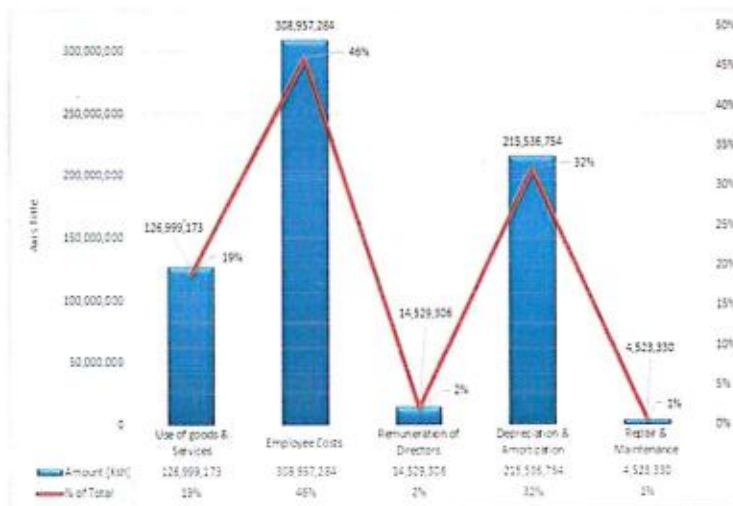


Figure 3. Recurrent Expenditure Comparison

KENYA TRADE NETWORK AGENCY Annual Reports and Financial Statements For the Year Ended June 30, 2021

In terms of capital expenditure, the Agency spent **Kshs 366,272,977** on purchase of Assets. Kshs **94,859,541** was spent on fixed assets while **Kshs 271,413,436** was spent on intangible assets.

In terms of total assets, the Agency has a total asset base of Kshs **1,479,989,758/=**. This compares favorably with total liabilities of **Kshs 279,960,211/=**. The assets are made up of Kshs **448,657,437/=** in current assets and **Kshs 1,031,332,321/=** in Non-Current Assets.



Figure 4. Agency Assets vs. Liabilities

Cash and cash equivalents of **Kshs 51,499,954 /=** were available for use at the end of the year. These amounts are mainly funds set aside to pay for maintenance contracts for the Trade-net System and other software systems operated by the Agency in its business functions.

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

KENYA TRADE NETWORK AGENCY


Annual Reports and Financial Statements

For the Year Ended June 30, 2021

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

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

The Financial statements for year 2020/2021 show that the Agency has a sound operation base but there is need for continued and increased government funding. KenTrade Management is committed to running an organization that complies with all applicable laws, is an empowering employer and is a dependable business partner for all who rely on our services.



Amos S. Wangora,
Chief Executive Officer

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KenTrade exists to transform lives. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering our mandate, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability. KenTrade is fully committed to the principle of CSR and intends that it should become embedded, where appropriate, into its policies and practices, to the benefit of staff as well as the wider community. KenTrade has therefore put in place a CSR policy that defines objectives and programs undertaken by the Agency to fulfil its obligations as a responsible corporate citizen to achieve its mission. To achieve this, our vision is "Making a difference in Trade Facilitation."

1. Sustainability strategy and profile -

KenTrade has put in place proper strategies that will ensure sustainability by taking into consideration the Agency operations with regards to the social and economic environment. The Agency strive to work in harmony with our stakeholders, minimise negative environmental impacts and support communities that may need its support. To achieve this mainly focuses on stakeholder and community engagements, environment and health. The management ensures that these strategies are aligned to the Agency's operations. This has been done on the assumption that developing such strategies will foster the Agency's continuity. The strategies include;

- ensuring compliance with environmental regulations
- e – waste policy
- environmental sustainability policy
- corporate social responsibility policy
- community engagement
- embedding sustainability in the business processes

2. Environmental performance

The Agency recognizes that it has a responsibility to the environmental beyond legal and regulatory requirements. The Agency is committed to continually improving its environmental performance as an integral part of its business strategy and operating methods. KenTrade encourages customers to do the same. The Agency has put in place a policy which aims at

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

complying with all regulatory requirements, continual improvement of environmental performance, continual improvement of its environmental by incorporating environmental factors in its business decisions, increasing awareness and employee training. The Agency has put in place an e - waste policy to guide on disposal of e – waste. The Agency submits quarterly report to National Environmental Management Authority (NEMA)

3. Employee welfare

The Agency has a HR policy which provides guidance on the approach to be adopted on aspects of recruitment or hiring, career progression, promotion, performance appraisals and trainings. Annually, stakeholder engagement plan is created for implementation by the management. These forums provide provided sufficient opportunity to the stakeholders to voice their opinions and concerns that may influence operations. The plan is updated as necessary as stakeholder communication may change. The Agency complies with OSHA to ensure that all employees work in a safe and healthy environment.

4. Market place practices-

KenTrade has made deliberate efforts to work with her consumer customers and competitors. Over the years it has built strong relationship with all stakeholders not only for loyalty but also for them to understand the Agency's business in order to gain goodwill and support. We gain our competitive advantages through delivering excellent customer services and quality products rather than through unethical or illegal business practices.

The Agency has put in place an Anti – Corruption policy whose objective is to instil honesty, and transparency, maintain appropriate standards of conduct and improve efficiency in service delivery, as well as fairness and equity in decision making, and enhance the reputation of the organization.

KenTrade plays a key role in supporting the delivery of the aspirations of Vision 2030 and the Governments 'Big Four Agenda' The Agency's activities fall under the Economic pillar of the Vision 2030 Economic blue print. KenTrade's contribution is mainly under the manufacturing sector in which the Agency plays a role in improving the cross border trade by eliminating bottlenecks associated with trade documentation.

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

The Agency staff are trained on how to conduct themselves in public and on issues to do with politics to ensure they conduct themselves in a positive manner that is reflective of the Agency's policy guidelines and Government standards

The Agency procurement activities are guided by the Public Procurement and Regulatory Authority (PPRA) which is the regulatory body overseeing the public procurement and asset disposal systems as stipulated in the Act of 2015. The Agency submits quarterly reports to PPRA.

The Agency adheres to the procedures provided by the Government Advertising Agency (GAA) which requires all Ministries, State Corporations, Universities and Semi-Autonomous Government Agencies (SAGAs) to conduct their advertising activities. All its online and offline marketing activities are guided by Government and the Agency's internal policies as well and strictly adhere to the values as stipulated in the 2020/21 – 2022/23 Strategic Plan. The Agency ensures transparency and respect in the content that is disseminated is committed to being truthful in marketing communication while ensuring government regulations and standards are adhered to in undertaking marketing and advertising activities.

The Agency takes a proactive and strategic approach to the company's environmental design and management of products. Our products and operations are mainly IT oriented. Currently the Agency is in the process of upgrading its flagship product the Single Window System to ensure it is more efficient and poses minimal environmental hazards. We also take feedback from stakeholders and also conduct research on how to improve our products. To ensure good product stewardship, the Agency ensures all agency infrastructure such as laptops desktops etc. are regularly serviced to ensure they last longer to be able to serve its public and customers better

5. Community Engagements-

KenTrade has made the commitment 'to be to be recognized as an organization that is ethical in all its dealings as well as making a positive contribution to the community in which it operates'.

In the financial year 20/21 despite the COVID-19 pandemic we aimed to meet our obligation by remaining focused towards ensuring we met our environmental and sustainability goal.

KENYA TRADE NETWORK AGENCY Annual Reports and Financial Statements For the Year Ended June 30, 2021

The Agency had a target of planting 1,400 trees from the performance contract and was able to surpass this target by planting 2100 trees in Mombasa, Kenya. The value of mangrove trees in the coastal area provides stability to the coastline by preventing erosion and protecting the shoreline from storm surges. Mangrove trees have been identified to form a natural breeding ground to marine life. The Agency sourced for the seedlings from the local community, thus providing a source of income and therefore promoted their economical livelihood. KenTrade adopted an area to plant mangrove trees as a commitment towards environmental sustainability.

Participation in the Tree Planting

In December 2020 KenTrade team led by the CEO, Mr. Amos Wangora was joined by our stakeholders in the planting of mangrove trees at Port Reitz in Mombasa. The region has embarked on restoring mangrove trees that were destroyed in maritime pollution.



Participation in the World Environmental Day

The Agency was able to commemorate this annual event, held on June 5, 2021, the team led by CEO. Amos Wangora planted additional mangrove trees at PortReiz, Mombasa. The Environmental Sustainability committee championed this through the theme *Ecosystem Restoration*.

KENYA TRADE NETWORK AGENCY Annual Reports and Financial Statements For the Year Ended June 30, 2021



Staff Sensitization on Environmental Sustainability.

The Agency has offered its commitment to ensure staff are sensitized on the value environmental sustainability, articles addressing this have been written and published on the KenTrade quarterly newsletter.

In December, 2020 the National Environment Management Agency (NEMA) carried out a sensitization highlighting the importance of environmental sustainability policies and action plans where KenTrade was in participation.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

REPORT OF THE DIRECTORS

The Directors hereby submit their Report together with the Audited Financial Statements for the year ended June 30, 2021, which outline the state of the Agency's affairs.

Principal activities

The principal activities of the entity are to:

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

Results

The results of the Agency for the year ended June 30, 2021 are set out on page 1 to 43.

Directors

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

Auditors

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

By Order of the Board

Mr. Bernard Milewa
CORPORATION SECRETARY AND LEGAL AFFAIRS MANAGER

Date:..... 22 / Aug / 2022

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2021. 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) Safe-guarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that these financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2021, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

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

Approval of the financial statements

The Agency's financial statements were approved by the Board on 17th September 2021 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER



DIRECTOR

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TRADE NETWORK AGENCY (KENTRADE) FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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

Opinion

I have audited the accompanying financial statements of Kenya Trade Network Agency set out on pages 1 to 53, which comprise of the statement of financial position as at

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Trade Network Agency as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act Cap 446, the Public Finance Management Act, 2012 and Legal Notice No.6 of 2011.

Basis for Opinion

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

Emphasis of Matter

Material Uncertainty Related to Sustainability of Services

I draw your attention to Note 33 of the financial statements. The statement of financial performance reflects a deficit after taxation of Kshs.239,370,968 increasing the Agency's accumulated deficit from Kshs.1,295,591,886 in the previous year to Kshs.1,534,962,854 in the year under review. Although Management has indicated that The National Treasury is likely to continue funding the Agency, the survival of the Agency is dependent on the continued financial support by the Government and its creditors.

My opinion is not modified with respect to this matter.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.975,900,000 and actual expenditure of Kshs.839,656,188, resulting in an under-expenditure of Kshs.136,243,812 or 14% of the budget.

The underperformance may have negatively affected planned activities and services delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Agency's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of its services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Agency or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Agency'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 September, 2022

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For The Year Ended June 30, 2021

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|-------|----------------------|----------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Government grants | 6 | 421,535,603 | 449,591,223 |
| | | 421,535,603 | 449,591,223 |
| Revenue from exchange transactions | | | |
| Finance income - external investments | 7 | 6,594,414 | 7,160,193 |
| Other income | 8 | 7,975,981 | 544,600 |
| | | 14,570,395 | 7,704,793 |
| Total revenue | | 436,105,998 | 457,296,016 |
| Expenses | | | |
| Use of goods and services | 9 | 126,999,174 | 241,548,868 |
| Employee costs | 10 | 308,957,284 | 297,291,788 |
| Remuneration of directors | 11 | 14,529,306 | 10,834,761 |
| Depreciation and amortization expense | 12 | 215,536,754 | 152,774,769 |
| Repairs and maintenance | 13 | 4,523,330 | 1,634,179 |
| Total expenses | | 670,545,848 | 704,084,365 |
| Other gains/(losses) | | | |
| Loss on disposal of assets | 14 | (560,000) | - |
| deficit before tax | | (234,999,850) | (246,788,349) |
| Taxation | 15 | (4,371,118) | (1,926,198) |
| Deficit for the period/year | | (239,370,968) | (248,714,547) |

The notes set out on pages 14 to 56 form an integral part of the Financial Statements.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|-------|----------------------|----------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 16 | 51,499,954 | 128,548,796 |
| Current portion of receivables from exchange transactions | 17(a) | 8,686,288 | 10,404,217 |
| Current receivables from non-exchange transactions | 18(a) | 388,471,195 | 867,162 |
| | | 448,657,437 | 139,820,175 |
| Non-current assets | | | |
| Property, plant and equipment | 19 | 153,224,276 | 113,440,647 |
| Intangible assets | 20 | 827,943,339 | 718,100,746 |
| Long term receivables from exchange transactions | 17(b) | 8,319,930 | 8,329,930 |
| Long term receivables from non-exchange transactions | 18(b) | 41,844,776 | 32,624,796 |
| | | 1,031,332,321 | 872,496,119 |
| Total assets | | 1,479,989,758 | 1,012,316,294 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 21 | 271,070,164 | 108,957,356 |
| Current Provisions | 22 | 2,112,000 | 1,392,000 |
| Taxation | 29 | 2,859,511 | 852,435 |
| | | 276,041,675 | 111,201,791 |
| Non-Current liabilities | | | |
| Non-Current Provisions | 23 | 3,918,536 | 1,728,386 |
| Total liabilities | | 279,960,211 | 112,930,177 |
| Net assets | | 1,200,029,546 | 899,386,117 |
| Revaluation reserves | | 68,704,634 | 68,704,634 |
| Donor grants | | 95,313,707 | 95,313,707 |
| Accumulated deficit | | -1,534,962,854 | -1,295,591,886 |
| Capital reserves | | 2,570,974,059 | 2,030,959,662 |
| Owners' Equity | | 1,200,029,546 | 899,386,117 |
| Total net assets and liabilities | | 1,479,989,758 | 1,012,316,294 |

The Financial Statements set out on pages 1 to 51 were signed on behalf of the Board of Directors by:

C.E.O
 Name: Amos Wangora

Director Corporate Service
 Name : Chrispus Mbogo
 ICPAK Member Number:7470

Board Member/Director
 Name:

Date: 22nd August 2022

Date: 22nd August 2022

Date: 22nd August 2022

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

| | Capital Reserve | Donor Grants | Revaluation reserve | Accumulated surplus | Total |
|---|----------------------|-------------------|---------------------|------------------------|----------------------|
| At July 1, 2019 | 1,866,150,885 | 90,814,872 | 9,030,000 | (1,045,842,915) | 920,152,842 |
| Capital grants received during the year | 300,000,000 | - | - | - | 300,000,000 |
| Additional grants by donors | - | 4,498,835 | - | - | 4,498,835 |
| Prior year | - | - | - | (1,034,423) | (1,034,423) |
| Revaluation | | | 59,674,634 | - | 59,674,634 |
| Realignment during the year | (135,191,223) | - | - | | (135,191,223) |
| Deficit for the year | | - | - | (248,714,547) | (248,714,547) |
| At June 30, 2020 | 2,030,959,662 | 95,313,707 | 68,704,634 | (1,295,591,886) | 899,386,117 |
| At July 1, 2020 | 2,030,959,662 | 95,313,707 | 68,704,634 | (1,295,591,886) | 899,386,117 |
| Capital/Development grants received during the year | 588,250,000 | | | | 588,250,000 |
| Realignment during the year | (48,235,603) | | | | (48,235,603) |
| Deficit for the year | | | | (239,370,968) | (239,370,968) |
| At June 30, 2021 | 2,570,974,059 | 95,313,707 | 68,704,634 | (1,534,962,854) | 1,200,029,546 |

1. The Capital reserve is the Cumulative cost of Development Funds contributed by the Government of Kenya to the Agency.
2. The Development grant disbursed in 2020/2021 was **Kshs 588,250,000** out of which **Ksh 48,235,603** was disbursed as development grant for maintenance of the Single window system which is recurrent in nature and hence the realignment.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

| | | 2020-2021 | 2019-2020 |
|--|----|----------------------|---------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Net surplus/deficit for the year | | (234,999,850) | (246,788,349) |
| Adjustments: | | | |
| For items not involving movement of cash | | | |
| Depreciation | 12 | 53,965,911 | - |
| Amortization | 12 | 161,570,843 | 152,774,769 |
| Loss on disposal: | | 560,000 | - |
| Operating surplus before working capital | | (18,903,095) | (94,013,580) |
| Working capital adjustments: | | | |
| Decrease/(Increase) in inventories | | - | 1,287,053 |
| Decrease/(Increase) in accounts receivable | | (106,846,084) | (3,322,479) |
| (Decrease)/Increase in creditors and accruals | | 165,022,959 | 70,831,628 |
| Working Capital prior year Adjustment | | - | (1,034,423) |
| Tax paid | 29 | (2,364,042) | (2,906,002) |
| Working Capital changes | | 55,812,833 | 64,855,777 |
| | | | |
| Total cash generated from operations | | 36,909,737 | (29,157,803) |
| Investing Activities | | | |
| Purchase of Fixed Assets | 19 | (94,859,541) | - |
| Purchase of intangible assets | 20 | (271,413,436) | (88,149,510) |
| Proceeds from disposed assets | | 550,000 | |
| Net cashflows from investing activities | | (365,722,976) | (88,149,510) |
| | | | |
| Financing Activities | | | |
| Increase in development grants | | 251,764,397 | 164,808,777 |
| Amortized ICF Grants | | - | - |
| Decrease in Deferred grants | | | |
| Net cash in financing activities | | 251,764,397 | 164,808,777 |
| | | | |
| Net increase/decrease in cash and cash equivalents | | (77,048,842) | 47,501,464 |
| | | | |
| Movement in cash and cash equivalents | | | |
| Cash and cash equivalents at 1 July | | 128,548,796 | 81,047,333 |
| Cash and cash equivalents at 30 June | 16 | 51,499,954 | 128,548,796 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| Recurrent Budget Item | Original Budget | Reallocation | A-I-A | Final Budget | Actual on | | Performance Difference | Performance Difference in % |
|--------------------------|--------------------|--------------|----------|--------------------|--------------------|-------------------|------------------------|-----------------------------|
| | | | | | Comparable basis | 2020/2021 | | |
| | 2020/2021 | | | | 2020/2021 | 2020/2021 | 2020/2021 | |
| | Kshs | | | | Kshs | Kshs | % | |
| Revenue | | | | | | | | |
| Government Grant | 364,400,000 | - | | 364,400,000 | 373,300,000 | 8,900,000 | 2.44 | |
| Training Fees | 5,000,000 | - | | 5,000,000 | 7,814,051 | 2,814,051 | 56.28 | |
| Miscellaneous Income | 3,250,000 | - | | 3,250,000 | 161,930 | (3,088,070) | (95.02) | |
| Interest Income | 5,000,000 | - | | 5,000,000 | 6,594,414 | 1,594,414 | 31.89 | |
| Donor Funding | - | - | | - | - | - | - | |
| Cash Reserves | 10,000,000 | - | | 10,000,000 | 10,000,000 | - | - | |
| Total Revenue | 387,650,000 | - | - | 387,650,000 | 387,870,395 | 10,220,395 | 0.06 | |
| Expenditure | | | | | | | | |
| Staff costs | 290,000,000 | - | | 290,000,000 | 278,110,079 | 11,889,921 | 4.10 | |
| Entertainment | - | - | | - | - | - | - | |
| Pension Support Expenses | - | - | | - | - | - | - | |
| CTC Expenses | - | - | | - | - | - | - | |
| Local Travel | 2,300,000 | 2,500,000 | | 4,800,000 | 5,001,275 | (201,275) | (4.19) | |
| International Travel | 2,300,000 | (1,300,000) | | 1,000,000 | 264,675 | 735,325 | 73.53 | |
| Training Expenses | 3,500,000 | | | 3,500,000 | 3,527,720 | (27,720) | (0.79) | |
| Subscriptions | 550,000 | | | 550,000 | 603,544 | (53,544) | (9.74) | |
| Corporate Subscriptions | 850,000 | | | 850,000 | 765,050 | 84,950 | 9.99 | |
| Office Rent | 36,000,000 | | | 36,000,000 | 31,460,505 | 4,539,495 | 12.61 | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Recurrent Budget Item | Original Budget | Reallocation | A-I-A | Final Budget | Actual on Comparable basis | Performance Difference | Performance Difference in % |
|-------------------------------------|-----------------|--------------|-------|--------------|----------------------------|------------------------|-----------------------------|
| | 2020/2021 | | | | 2020/2021 | 2020/2021 | 2020/2021 |
| | Kshs | | | | Kshs | Kshs | % |
| Repairs and Maintenance | 500,000 | | | 500,000 | 111,900 | 388,100 | 77.62 |
| Printing and Stationery | 900,000 | | | 900,000 | 695,049 | 204,951 | 22.77 |
| Staff Welfare | 3,500,000 | | | 3,500,000 | 2,380,741 | 1,119,259 | 31.98 |
| Club Membership | 1,000,000 | | | 1,000,000 | 976,500 | 23,500 | 2.35 |
| Legal | 1,000,000 | | | 1,000,000 | - | 1,000,000 | 100.00 |
| ISO Expenses | 500,000 | 500,000 | | 1,000,000 | 713,560 | 286,440 | 28.64 |
| Risk Management | 1,000,000 | | | 1,000,000 | 290,000 | 710,000 | 71.00 |
| Change Management | 1,000,000 | (1,000,000) | | - | - | - | - |
| Consultancy Fees | 7,000,000 | | | 7,000,000 | 3,183,991 | 3,816,009 | 54.51 |
| Fuel | 1,000,000 | | | 1,000,000 | 1,049,200 | (49,200) | (4.92) |
| Motor Vehicle Repairs & Maintenance | 1,000,000 | | | 1,000,000 | 1,220,405 | (220,405) | (22.04) |
| Motor Vehicle Insurance | 1,000,000 | | | 1,000,000 | 914,468 | 85,532 | 8.55 |
| Cleaning | 2,100,000 | | | 2,100,000 | 1,869,421 | 230,579 | 10.98 |
| Security | 2,500,000 | | | 2,500,000 | 1,499,690 | 1,000,310 | 40.01 |
| Publicity & Advert | 4,500,000 | 1,000,000 | | 5,500,000 | 2,941,050 | 2,558,950 | 46.53 |
| Telephone expenses | 1,500,000 | | | 1,500,000 | 1,413,857 | 86,143 | 5.74 |
| Postage | 100,000 | | | 100,000 | 87,190 | 12,810 | 12.81 |
| Internet | 2,500,000 | | | 2,500,000 | 1,788,679 | 711,321 | 28.45 |
| Computer Repairs & Maintenance | 5,000,000 | (550,000) | | 4,450,000 | 3,191,025 | 1,258,976 | 28.29 |
| ICT recurrent Expenses | 40,000,000 | (1,900,000) | | 38,100,000 | 36,133,908 | 1,966,092 | 5.16 |
| Licenses | 82,000,000 | (52,200,000) | | 29,800,000 | 21,031,645 | 8,768,355 | 29.42 |
| Maintenance of Single | | | | | | | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Recurrent Budget Item | Original Budget | Reallocation | A-1-A | Final Budget | Actual on Comparable basis | Performance Difference | Performance Difference in % |
|----------------------------|--------------------|---------------------|----------|--------------------|----------------------------|------------------------|-----------------------------|
| | 2020/2021 | | | | 2020/2021 | 2020/2021 | 2020/2021 |
| | Kshs | | | | Kshs | Kshs | % |
| window base software | | | | | | | |
| Utilities | 3,500,000 | | | 3,500,000 | 1,812,435 | 1,687,565 | 48.22 |
| Board Expenses | 14,500,000 | 1,000,000 | | 15,500,000 | 14,529,306 | 970,694 | 6.26 |
| Insurance General | 2,000,000 | | | 2,000,000 | 1,054,855 | 945,145 | 47.26 |
| Bank Charges | 800,000 | | | 800,000 | 628,797 | 171,203 | 21.40 |
| stakeholders' seminars | 1,500,000 | 750,000 | | 2,250,000 | 2,417,219 | (167,219) | (7.43) |
| Conference & Workshops | 2,000,000 | 750,000 | | 2,750,000 | 2,765,632 | (15,632) | (0.57) |
| Audit fees | 720,000 | | | 720,000 | 720,000 | - | - |
| Corp Social Responsibility | 500,000 | 450,000 | | 950,000 | 437,525 | 512,475 | 53.94 |
| Research & Development | - | | | - | | - | - |
| Newspapers and Periodicals | 150,000 | | | 150,000 | 94,230 | 55,770 | 37.18 |
| DSTV Subscription | 80,000 | | | 80,000 | 56,806 | 23,194 | 28.99 |
| Staff Medical | 29,000,000 | | | 29,000,000 | 29,267,161 | (267,161) | (0.92) |
| Corporation Tax | 4,000,000 | | | 4,000,000 | 4,371,118 | (371,118) | (9.28) |
| Monitoring & Evaluation | | | | | | | |
| Forex Exchange loss | | | | | | | |
| Total Recurrent | 553,850,000 | (50,000,000) | - | 503,850,000 | 459,380,211 | 44,469,789 | 8.83 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Development Budget Item | Original Budget | Reallocation | A-I-A | Final Budget | Actual on Comparable basis | Performance Difference | Performance Difference in % |
|--------------------------------------|--------------------|--------------------|----------|--------------------|----------------------------|------------------------|-----------------------------|
| | 2020/2021 | | | | 2020/2021 | 2020/2021 | 2020/2021 |
| | Kshs | | | | Kshs | Kshs | % |
| Development Grant | 300,000,000 | 288,250,000 | - | 588,250,000 | 588,250,000 | - | - |
| Total | 300,000,000 | 288,250,000 | - | 588,250,000 | 588,250,000 | - | - |
| Expenditure | | | | | | | |
| Acquisition of Office Space | 24,000,000 | | | 24,000,000 | 22,489,610 | 1,510,390 | 6.29 |
| Motor vehicles | 6,000,000 | (1,000,000) | | 5,000,000 | 4,690,000 | 310,000 | 6.20 |
| Furniture and Fittings | 2,000,000 | | | 2,000,000 | 1,555,400 | 444,600 | 22.23 |
| Office Equipment | 120,000 | | | 120,000 | 113,850 | 6,150 | 5.13 |
| Office Partitions | 2,000,000 | | | 2,000,000 | - | 2,000,000 | 100.00 |
| Computer Hardware | 7,500,000 | 2,000,000 | | 9,500,000 | 6,478,951 | 3,021,049 | 31.80 |
| Single Window Base Software | 28,680,000 | 158,250,000 | | 186,930,000 | 170,657,953 | 186,930,000 | 8.70 |
| system software | 42,000,000 | (1,000,000) | | 41,000,000 | 43,594,774 | (2,594,774) | (6.33) |
| Support S/W-Upgrade of Single Window | | 60,000,000 | | 60,000,000 | 55,282,502 | 4,717,498 | 7.86 |
| Site hosting | | 120,000,000 | | 120,000,000 | 59,531,730 | 60,468,270 | - |
| System Change Request | 1,500,000 | | | 1,500,000 | | 1,500,000 | 100.00 |
| Staff Loans | 15,000,000 | | | 15,000,000 | 14,003,000 | 997,000 | 6.65 |
| Product devt and marketing | 5,000,000 | | | 5,000,000 | 1,878,206 | 3,121,794 | 62.44 |
| Total | 133,800,000 | 334,750,000 | - | 472,050,000 | 380,275,976 | 262,431,977 | 19.44 |
| Total Budget | 687,650,000 | 288,250,000 | - | 975,900,000 | 839,656,188 | 306,613,153 | 13.93 |
| Surplus/Deficit | - | - | - | - | 136,464,207 | | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

Reconciliation of Statement of Budget with the Statement of Financial Performance

| | Original Budget | Adjustments | Final Budget | Actual |
|-------------------------------------|--------------------|--------------------|--------------------|----------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Income | | | | |
| Recurrent Grant | | | | 373,300,000 |
| Realignment of grants | | | | 48,235,603 |
| Internally generated funds | | | | 14,570,395 |
| Total | | | | 436,105,998 |
| Expenditure | | | | |
| Total Expenditure | 687,650,000 | 288,250,000 | 975,900,000 | 839,656,188 |
| Deficit | - | - | - | (403,550,190) |
| Deficit as per F.S | | | | (239,370,968) |
| Add/Less: Non-Cash Items | | | | |
| Loss on disposal | | | | 560,000 |
| Depreciation | | | | 53,965,911 |
| Amortization | | | | 161,570,843 |
| Written off receivable | | | | - |
| Cost of Assets & Soft Ware | | | | (380,275,796) |
| | | | | |
| Reconciled Amounts | | | | (403,550,190) |

The bigger percentage of the deficit in the Statement of Financial Performance is as a result of **Ksh 53,965,911** depreciation of assets and **Kshs 161,570,843** Amortization of Intangible Assets. Also included in the Statement of Financial Performance is the loss on disposal. The Budget comparison figures include cost of assets of **Kshs. 380,275,976**

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

Explanations of differences between actual and budgeted amounts (10% over/ under)

Development budget

| Description | Original budget | reallocation | Final budget | % variance | Explanation of material variances |
|--|-----------------|--------------|--------------|------------|-----------------------------------|
| Acquisition of office Space | 24,000,000 | 0 | 24,000,000 | 0.00 | |
| Motor vehicles | 6,000,000 | -1000,000 | 5,000,000 | -16.67 | 1 |
| Furniture and Fittings | 2,000,000 | 0 | 2,000,000 | 0.00 | |
| Office Equipment | 120,000 | 0 | 120,000 | 0.00 | |
| Office Partitions | 2,000,000 | 0 | 2,000,000 | 0.00 | |
| Computer Hardware | 7,500,000 | 2,000,000 | 9,500,000 | 26.67 | 2 |
| Single Window Base Software | 28,680,000 | 158,250,000 | 186,930,000 | 551.78 | 3 |
| System software | 42,000,000 | (1,000,000) | 41,000,000 | -2.38 | |
| Support S/W - Upgrade of Single Window | | 60,000,000 | 60,000,000 | -100.00 | 4 |
| Site hosting | | 120,000,000 | 120,000,000 | -100.00 | 5 |
| System Change Request | 1,500,000 | 0 | 1,500,000 | 0.00 | |
| Staff Loans (Car Loan & Mortgage) | 15,000,000 | 0 | 15,000,000 | 0.00 | |
| Product devt and marketing | 5,000,000 | 0 | 5,000,000 | 0.00 | |
| | | 334,750,000 | | | |

1. **Motor vehicles** -The budget was reduced following the market survey that indicated the cost would be around Ksh 4,600,000.
2. **Computer hardware:** This amount was enhanced to acquire more laptops for staff in order to facilitate working from home during the COVID -19 Season.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

3. **Single Window Base Software:** Allocation that had been made for this vote was based on the resources that were available at the time of Budget Rationalization and Approval. After the National Treasury and Planning committed to give more funding to the Agency upon its request for the same, this amount was enhanced to provide for the upgrade of the single window whose cost was Kshs 186,930,000 inclusive of taxes for the first year. This expenditure is mandatory for the Single Window/TradeNet system to be in operation.
4. **Support S/W -Upgrade of Single Window:** No allocation had been made for this vote based on the resources available at the time of Budget Rationalization and Approval. After the National Treasury and Planning committed to give more funding to the Agency, this amount was enhanced to provide for current SWS supporting software and TFP new supporting software licenses at estimated cost of Kshs 60 Million.
5. **Site hosting:** No allocation had been made for this vote based on the resources available at the time of Budget Rationalization and Approval. After the National Treasury and Planning committed to give more funding to the Agency, this amount was enhanced to provide for site hosting of the SWS estimated cost of Kshs 120 Million.

Explanations of differences between original budget and final budget amounts (10% over/ under)

Recurrent Budget

| Description | Original budget | Reallocation | Final budget | % variance | Explanation of material variances |
|--------------------------------|-----------------|--------------|--------------|------------|-----------------------------------|
| Local Travel | 2,300,000 | 2,500,000 | 4,800,000 | 108.7 | 1 |
| International Travel | 2,300,000 | (1,300,000) | 1,000,000 | -56.52 | 2 |
| ISO Expenses | 500,000 | 500,000 | 1,000,000 | 100.00 | 3 |
| Change Management | 1,000,000 | (1,000,000) | - | -100.00 | 4 |
| Publicity & Advert | 4,500,000 | 1,000,000 | 5,500,000 | 22.22 | 5 |
| Computer Repairs & Maintenance | 5,000,000 | 450,000 | 4,450,000 | -11 | 6 |
| ICT Recurrent Expenses | 40,000,000 | (1,900,000) | 38,100,000 | -4.75 | |
| Licences | 82,000,000 | (52,200,000) | 29,800,000 | -63.66 | 7 |
| Board Expenses | 14,500,000 | 1,000,000 | 15,500,000 | 6.90 | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Description | Original budget | Reallocation | Final budget | % variance | Explanation of material variances |
|----------------------------|-----------------|--------------|--------------|------------|-----------------------------------|
| stakeholders' seminars | 1,500,000 | 750,000 | 2,250,000 | 50.00 | 8 |
| Conference & Workshops | 2,000,000 | 750,000 | 2,750,000 | 37.50 | 9 |
| Corp Social Responsibility | 500,000 | 450,000 | 950,000 | 90.00 | 10 |
| | | (50,000,000) | | | |

1. **Local Travel:** This budget line was reviewed with the increased travel activities after scaling down of the tight Covid-19 restrictions (that had included a travel ban in and out of the zone including Nairobi). The Agency was required to support and engage in activities in its field areas of Mombasa and the borders.
2. **International travel:** This budget was reduced due to operational realities with regard to international travel restrictions due to the ongoing covid-19 pandemic and measures instituted to control it.
3. **ISO expenses:** This budget line required enhancement as the scaling down of Covid-19 restrictions enabled training and audit activities to be planned for in the third and fourth quarters of the FY. The enhancement enabled the Agency to facilitate maintenance of ISO 2008:2015 status through engagements with certifying bodies such as KEBS.
4. **Change Management:** This budget was reduced due to operational realities with regard to physical meetings restrictions due to the ongoing covid-19 pandemic and measures instituted to control it. All Agency change management activities have largely moved to online platforms.
5. **Publicity & Advertising:** This reallocation was made to enable branding activities for the Agency, especially as the Agency was attaining ten years of establishment to enable strategic positioning of the Agency and allow for better change management and acceptance of Agency programs by all stakeholders.
6. **Computer Repairs & Maintenance:** This vote was reduced as cost savings on repairs were expected with the planned replacement of old desk tops with new laptops so as to facilitate remote working.
7. **Licences:** This vote was reduced because of a change in the hosting arrangement which will reduce the cost of supporting software in the financial year.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

8. **Stakeholder workshops:** This vote line required enhancement to enable the Agency engage with stakeholders in consultative and sensitisation workshops that were possible in Quarter three and four due to scaling down of the strict Covid-19 restrictions, especially on travel.
9. **Conference & Workshops:** This enhancement catered for costs associated with staff involvement in conferences and workshops on trade facilitation.
10. **Corporate Social Responsibility:** This amount was allocated for activities planned in the 4th quarter including tree planting in the Mombasa Port catchment area, a key operational area for the Agency. This was possible in Quarters Three and Four due to easing of Covid-19 restrictions on travel.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

Explanations of differences between actual and budgeted amounts (10% over/ under)

Variance Explanations for the Recurrent Vote

| Item | Performance Difference 2020/2021 (Ksh) | Variance Explanations |
|-------------------------------------|--|---|
| Training fees income | 2,814,051 56.28% | The Agency had a positive variance since the training requests from Stakeholders were more than anticipated at the beginning of the year. |
| Miscellaneous income | (3,088,070) -95% | Miscellaneous income had a negative variance due to the following reasons: <ul style="list-style-type: none"> Augmented services had a negative variance as service requests from Stakeholders were fewer than anticipated. Most users of the single window system preferred to undertake the augmented services themselves rather than pay a small fee in order to be assisted. Income from I-Screen was budgeted for under this vote however, this income was not realized as I - Screen was being revamped during the year. This income is expected to be realized in the next financial year. |
| Interest income | 1,594,414 31.89% | Interest income was more than anticipated as the Agency was able to negotiate better rates with the banks. |
| International travel | 735,235 73.53% | International travel had a positive variance due to travel restrictions attributed to the COVID 19 Pandemic. |
| Repair and Maintenance of equipment | 388,100 77.62% | Repair and Maintenance of equipment had a positive variance as the Agency staff were working from home most of the financial year hence fewer breakdowns of equipment. |
| Office Rent | 4,539,495 12.61% | Office rent had a positive variance because the Agency relinquished the Mombasa office during the financial year thus reducing the rent amount that had been budgeted for the whole year for the Mombasa office. The Agency plans to relocate to the new KMA building. However, the new KMA building had not been completed by the end of the financial year. |
| Printing and Stationery | 204,951 22.77% | Printing and stationery had a positive variance due to the following reasons: <ul style="list-style-type: none"> The Agency went digital and distributed e-flyers to stakeholders instead of printing brochures |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Item | Performance Difference 2020/2021 (Ksh) | Variance Explanations |
|--------------------------|--|---|
| | | <ul style="list-style-type: none"> The Agency going paperless and most staff working from home during the Covid 19 season thus reduced cost of stationery. |
| Staff Welfare | 1,119,259 | Staff Welfare had a positive variance as staff welfare related activities were affected by the restrictions on in-person office working in the COVID 19 Pandemic. |
| | 31.98% | |
| Legal expenses | 1,000,000 | Legal expenses had a positive variance because of the following reasons: <ul style="list-style-type: none"> The Agency complied to the directive to use internal resources(lawyers) hence no need arose to procure external lawyers. The Agency also negotiated some cases out of court hence saving on legal fees. |
| | 100% | |
| ISO expenses | 286,440 | ISO expenses had a positive variance as some ISO trainings and meetings were undertaken via online platforms as opposed to physical meetings that would have required facilitation. |
| | 28.40% | |
| Risk management expenses | 710,000 | Risk management expenses had a positive variance as the business continuity plan implementation was still in the early years of implementation as at the end of the year. This will be included in the next financial year. |
| | 71% | |
| Consultancy fees | 3,816,009 | Consultancy services had a positive variance due to an unresponsive procurement for the customer service survey and has been budgeted for in the 2021/2022 FY. |
| | 54.51% | |
| Motor Vehicle repairs | (220,405) | Motor Vehicle repairs had a negative variance because the Agency vehicles have aged. <ul style="list-style-type: none"> There were increased repairs due to wear and tear of the vehicles increasing as the vehicles aged. Routine maintenance was also higher than anticipated due to replacements of parts that were wearing out. |
| | -22.04% | |
| Security | 1,000,310 | Security vote had a saving as the Agency relinquished the ground floor office and Mombasa office thus reducing the number of security personnel and receptionist. |
| | 40.01 | |
| Publicity & Advertising | 2,558,950 | Publicity & Advertising had a positive variance due to an unresponsive procurement for a public relations (PR) services provider due to budgetary constraints. |
| | 46.53% | |
| Postage | 12,810 | Postage vote had a saving as the Agency went paperless during the Covid 19 season and embraced use of technology by sharing its letters via email instead of sending hard copy letters. |
| | 12.81% | |
| Internet expenses | 711,321 | Internet expenses had a positive variance as this budget vote included internet expenditure for the new ICD office. |
| | 28.45 | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Item | Performance Difference 2020/2021 (Ksh) | Variance Explanations |
|----------------------------------|--|--|
| | | However, refurbishment works had not yet been completed by end of the financial year hence this budgeted amount was not used. |
| Computer repairs and maintenance | 1,258,976 | Repair and Maintenance of computers had a positive variance because: <ul style="list-style-type: none"> The Agency staff have been working from home most of the financial year hence fewer breakdowns of desk top machines. Replacement of old desk tops with new laptops so as to facilitate remote working has also reduced the costs attributed to this vote. |
| | 28.29% | |
| Licences | 8,768,355 | Licences had a positive variance because of unavoidable delays in the procurement of Avaya and CRM systems support and renewal. This will be undertaken in the next financial year. |
| | 29.42% | |
| | 20.81% | |
| Utilities | 1,687,565 | Utilities vote had savings due to the following reasons: <ul style="list-style-type: none"> The Agency relinquished the ground floor office and Mombasa office thus reduction in the cost of electricity. Refurbishment works during the year on one wing of the First-floor offices thus reduction in the cost of electricity. The Agency staff have been working from home during this Covid season thus saving on electricity. |
| | 48.22% | |
| Insurance general | 918,519 | Insurance general had a positive variance because the budgeted figure included provision for insurance for new assets after the refurbishment of the offices. The refurbishment experienced delays thus procurement and payment of the insurance premium for the new assets was delayed. This will be catered for in the next financial year. |
| | 47.26 | |
| Bank Charges | 171,203 | Bank charges had a positive variance because of reduced bank transactions due to delays in disbursement and also reduced activities during the Covid 19 season. |
| | 21.4% | |
| | 10.34% | |
| Corp Social Responsibility | 512,475 | CSR expenses had a positive variance because: <ul style="list-style-type: none"> The Agency had included partitioning of Shippers Council as a CSR activity; however, this was not undertaken due to challenges in procurement as the bids were higher than the amount budget for and also delays with the process due to consultation with AG's Office. |
| | 53.94% | |
| Newspapers and periodicals | 55,770 | This was due to cost control measures on this vote. |
| | 37.18 | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Item | Performance Difference 2020/2021 (Ksh) | Variance Explanations |
|-----------------|--|---|
| TV subscription | 23,194 | TV subscription had a positive variance as the subscription was only done for the CEO's office. Subscription was not paid for the TVs in the Mombasa office reception and head office reception as the Agency preferred to broadcast Kentrade documentary and videos. |
| | 28.99% | |
| Cleaning | 230,579 | Cleaning vote had a saving as the Agency relinquished the ground floor office and Mombasa office thus reducing the number of cleaning. |
| | 10.98% | |

Explanations of differences between actual and budgeted amounts (10% over/ under)

Variance Explanations for the Development Votes

| Capital Items | Performance Differences 2020/2021 Kshs. | Variance Explanation |
|-----------------------------|---|---|
| Acquisition of office Space | 5,472,892 | This vote had a positive variance as structured cabling and electricals for both premises had not been done as refurbishment works had not yet been completed by end of the financial year hence this budgeted amount was not used. |
| | 22.8% | |
| Furniture and fittings | 444,600 | This vote had a positive variance as purchase of furniture and fittings, could not be bought as refurbishment works had not yet been completed by the end of the financial year hence this budgeted amount was not used. |
| | 22.23% | |
| Office Partitions | 2,000,000 | This amount was set aside for partitions for the Mombasa office as the Agency expected to relocate to new KMA Complex but the building is yet to be completed. |
| | 100% | |
| Computer Hardware | 3,021,049 | This vote had a positive variance as structured cabling and electricals for Embankment office and ICD offices had not been done as refurbishment works had not yet been completed by end of the financial year hence this budgeted amount was not used. |
| | 31.8% | |
| System change request | 1,500,000 | This vote was not spent as the Agency suspended all improvements of the old system as it planned migration to the trade facilitation platform (TFP). |
| | 100% | |
| Product | 3,121,794 | This vote had a positive variance due to the following: |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Capital Items | Performance Differences 2020/2021 Kshs. | Variance Explanation |
|---|--|---|
| development and marketing | 62.44% | <ul style="list-style-type: none"> • Proposal on Trade lens value add service was still at development stage. • Trade financing proposal at proof of concept stage. |
| | 64.80% | |
| The above will be undertaken next financial year. | | |

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the PM act, the state corporations act and International public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied all the three presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Standard | Impact |
|-----------------------------|---|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. |
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

| Standard | Effective date and impact: |
|--|---|
| IPSAS41: Financial Instruments | <p>Applicable: 1st January 2022</p> <p>The objective of IPSAS41 is to establish principles for the Financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial Statements for their assessment of the amounts, timing and Uncertainty of an entity's future cash flows. IPSAS41 provides users of financial statements with more useful information than IPSAS29, by:</p> <ul style="list-style-type: none"> •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective or which the asset is held; •Applying a single forward-looking expected credit loss Model that is applicable to all financial instruments Subject to impairment testing; and •Applying an improved hedge accounting model that Broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| IPSAS42: Social Benefits | <p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a)The nature of such social benefits provided by the entity; (b)The key features of the operation of those social benefit (c)The impact of such social benefits provided on the entity's Financial performance, financial position and cashflows.</p> |
| Amendments to Other IPSAS resulting from IPSAS 41, | <p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Standard | Effective date and impact: |
|-----------------------|--|
| Financial Instruments | <ul style="list-style-type: none"> b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Revenue from non-exchange transactions

Grants

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

Transfers from other government entities

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

Interest income

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

ii) Budget information

The original budget for FY 2020-2021 was approved by the National Treasury & Planning on 26th September 2020. Subsequent revisions on additional appropriations were made to the approved budget on accordance to the specific approval from the appropriate approvals. The revisions were done to the original budgets by the entity upon receiving the respective approvals in order to conclude the final budget.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page II of these financial statements.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Taxes

Current income tax

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

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

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

Deferred tax

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

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

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

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

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

iv) Property, plant and equipment

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

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

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

Depreciation is calculated on a straight-line basis, at the following annual rates:

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

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

v) Intangible assets (Single Window and Supporting software)

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

vi) Financial instruments

a) Financial assets

Initial recognition and measurement

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

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

Receivables

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

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

vii) Provisions

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

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

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

viii) Contingent liabilities

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

ix) Nature and purpose of reserves

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

x) Changes in accounting policies and estimates

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

xi) Employee benefits

Retirement benefit plans

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

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

KENYA TRADE NETWORK AGENCY

Annual Reports and Financial Statements

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

xii) Foreign currency transactions

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

xiii) Related parties

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

xiv) Budget Information

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

xv) Cash and cash equivalents

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

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

xvi) Comparative figures

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful lives and residual values

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

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

Provisions

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

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. GOVERNMENT GRANTS

| Description | 2020-2021 | 2019-2020 |
|-----------------------------|--------------------|--------------------|
| | KShs | KShs |
| Recurrent-Government grant | 373,300,000 | 314,400,000 |
| Realigned development grant | 48,235,603 | 135,191,223 |
| Total other income | 421,535,603 | 449,591,223 |

The grants received of **Ksh 373,300,000** cater for recurrent expenses. **Kshs 48,235,603** is disbursed as development grant for maintenance of the Single window system which is recurrent in nature and hence the realignment.

7. FINANCE INCOME - EXTERNAL INVESTMENTS

| Description | 2020-2021 | 2019-2020 |
|---|------------------|------------------|
| | KShs | KShs |
| Interest income -cash investments and Call deposits | 6,594,414 | 7,160,193 |
| Total finance income – external investments | 6,594,414 | 7,160,193 |

The interest income was as a result of investments in call accounts during the times that the funds were awaiting payment. Included in interest income was **Ksh.517,341** received from mortgage and car loan revolving funds. Out of this amount, interest earned from the mortgage fund was **Ksh.299,516** while interest earned from car loan fund was **Ksh.217,825**.

8. OTHER INCOME

| Description | 2020-2021 | 2019-2020 |
|---------------------------|------------------|----------------|
| | KShs | KShs |
| Training fees income | 7,814,051 | 290,000 |
| Augmented fees | 100,624 | - |
| Miscellaneous Income | 61,306 | 254,600 |
| Total other income | 7,975,981 | 544,600 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

9. USE OF GOODS

| Description | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | KShs | KShs |
| International Travel | 264,675 | 1,205,617 |
| local Travels | 5,001,275 | 3,442,391 |
| Training expenses | 3,527,720 | 500,000 |
| Entertainment | - | - |
| Organisational Membership subscription | 765,050 | 711,850 |
| Lease Expenses | 31,460,505 | 32,031,951 |
| Printing and Stationery | 695,049 | 866,207 |
| Staff welfare expenses | 2,380,741 | 3,309,316 |
| Consultancy Fees | 3,183,991 | 36,350 |
| Motor Vehicle Insurance | 914,468 | 912,891 |
| Postage Services | 87,190 | 95,285 |
| Fuel | 1,049,200 | 800,839 |
| CTC Expenses | - | - |
| Cleaning services | 1,869,422 | 2,007,310 |
| Security | 1,499,690 | 2,059,999 |
| Publicity & Advertisement | 2,941,050 | 1,920,692 |
| Telephone | 1,413,857 | 1,453,945 |
| Utilities | 1,812,435 | 3,167,667 |
| Internet Expenses | 1,788,679 | 2,051,024 |
| ICT Recurrent expenses | 36,133,908 | 105,944,236 |
| Licences | 21,031,645 | 72,953,061 |
| Conference & Workshops | 2,765,632 | 896,615 |
| Stakeholders expenses | 2,417,219 | 1,345,072 |
| Insurance General | 1,054,855 | 2,366,983 |
| Corporate Social Responsibilities | 437,525 | 260,000 |
| Newspapers and Periodicals | 94,230 | 73,884 |
| legal expenses | - | 245,979 |
| ISO Expenses | 713,560 | - |
| Change management | - | - |
| TV subscriptions | 56,806 | 48,129 |
| Bank charges | 628,797 | 645,577 |
| Audit fees | 720,000 | 696,000 |
| Risk management expenses | 290,000 | - |
| | 126,999,174 | 241,548,868 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE COSTS

| | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Basic Salaries | 182,752,721 | 172,412,242 |
| House Allowance | 38,583,074 | 35,914,591 |
| Wages | 1,393,503 | 725,898 |
| Other Staff Allowance | 10,717,350 | 8,802,320 |
| Acting & Responsibility Allowance | 1,310,333 | 4,875,859 |
| Commuter Allowance | 11,813,240 | 10,629,634 |
| Leave Allowance | 3,414,010 | 3,433,830 |
| Pension Contributions | 25,681,797 | 23,891,559 |
| Fringe benefit tax | 204,151 | 202,771 |
| NITA | 49,750 | 45,650 |
| Gratuity Expense | 2,190,150 | 2,097,150 |
| Staff Medical Insurance | 29,267,161 | 32,733,069 |
| Club Membership | 976,500 | 500,000 |
| Training Expenses (Seminars & Workshops) | - | 500,000 |
| Membership Prof subscription | 603,544 | 527,215 |
| | 308,957,284 | 297,291,788 |

The amount of Kshs. **1,393,503** for wages related to payments made to Interns and casuals who were engaged during the 2020-2021 financial year.

11. REMUNERATION OF DIRECTORS

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Chairman's Honoraria | 1,759,467 | 1,885,714 |
| Directors retainer | 2,400,000 | 2,400,000 |
| Directors emoluments | 4,212,000 | 3,920,000 |
| Other related expenses | 6,157,839 | 2,629,046 |
| Total director emoluments | 14,529,306 | 10,834,760 |

The amount of **Ksh. 6,157,839** for other related expenses comprises of cost of travelling, medical insurance and training expenses during the year under review.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. DEPRECIATION AND AMORTIZATION

| Description | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Property, plant and equipment | 53,965,911 | - |
| Intangible assets | 161,570,843 | 152,774,769 |
| Total depreciation and amortization | 215,536,754 | 152,774,769 |

13. REPAIRS AND MAINTENANCE

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|------------------|------------------|
| | KShs | KShs |
| Equipment and machinery | 111,900 | 490,722 |
| Vehicles | 1,220,405 | 995,289 |
| Computers and accessories | 3,191,025 | 148,168 |
| Total repairs and maintenance | 4,523,330 | 1,634,179 |

14. LOSS ON SALE OF ASSETS

| Description | 2020-2021 | 2019-2020 |
|-------------------------------------|----------------|-----------|
| | KShs | KShs |
| Property, plant and equipment | 560,000 | - |
| Intangible assets | - | - |
| Other assets not capitalised | - | - |
| Total loss on sale of assets | 560,000 | - |

This amount arose from the difference between the sale-by-auction value set by the Chief mechanical Officer that values government vehicles for sale, the final price realised at the sale auction and the net book value based on the accounting value for the assets disposed.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. TAXATION

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Current income tax charge | 4,371,118 | 1,926,198 |
| Income tax expense reported in the statement of financial performance | 4,371,118 | 1,926,198 |

No provision of tax has been made on income from grants received from Government of Kenya however, a tax charge of **Kshs 4,371,118 /=** has been provided on income from investment interest on call account with banks and other incomes generated from operations. The tax liabilities are Kshs 852,435 after adjusting for Withholding tax of Kshs 1,074,029 in the year. See note 29 on taxation payable.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH AND CASH EQUIVALENTS

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|--------------------|
| | KShs | KShs |
| Current account | 46,094,829 | 123,538,258 |
| On - call deposits | - | - |
| Fixed deposits account | - | - |
| Staff car loan/ mortgage | 4,397,106 | 4,777,931 |
| Others-Cash | 179,499 | 232,607 |
| Others-Mpesa paybill | 828,520 | - |
| Total cash and cash equivalents | 51,499,954 | 128,548,796 |

16. (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

| Financial institution | Account number | 2020-2021 | 2019-2020 |
|--|----------------|-------------------|--------------------|
| | | KShs | KShs |
| a) Current account | | | |
| Equity bank –Main account | 0810298272422 | 49,658 | 113,520,673 |
| Equity bank –gratuity account | 0810260715303 | 3,914,555 | 1,629,596 |
| Equity bank –Collection account | 0810279618173 | 35,376 | 34,940 |
| Co-operative bank-Main account | 01141162178000 | 36,025,926 | 7,918,320 |
| Co-operative bank-Collection account | 01141162178002 | 6,069,313 | 434,729 |
| Sub- total | | 46,094,828 | 123,538,258 |
| b) On - call deposits | | | |
| Co-operative bank | | - | - |
| Equity Bank | | | |
| Sub- total | | - | - |
| c) Staff car loan/ mortgage | | | |
| Kenya Commercial bank-Mortgage account | 1220622605 | 76,462 | 2,836,871 |
| Kenya Commercial bank-Car Loan account | 1220944998 | 4,320,644 | 1,941,060 |
| Sub- total | | 4,397,106 | 4,777,931 |
| d) Others(specify) | | | |
| cash in hand | | 179,499 | 232,607 |
| M-pesa paybill | | 828,520 | - |
| Sub- total | | 1,008,019 | 232,607 |
| Grand total | | 51,499,954 | 128,548,796 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

17. (a)

| | 2020-2021 | 2019-2020 |
|----------------------------------|------------------|-------------------|
| | KShs | KShs |
| Current receivables | | |
| Prepaid Insurance | 8,686,288 | 8,961,409 |
| Prepaid Office Rent | - | 1,442,808 |
| Total current receivables | 8,686,288 | 10,404,217 |

17. (b)

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Non-current receivables | | |
| Rent Deposits | 3,744,009 | 3,744,009 |
| Other Prepayments | 4,575,921 | 4,585,921 |
| Total non-current receivables | 8,319,930 | 8,329,930 |
| Total receivables (a+b) | 17,006,218 | 18,734,147 |

18. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

18.(a)

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|--------------------|----------------|
| | KShs | KShs |
| Current receivables | | |
| Staff imprests | - | - |
| Staff salary advance | 221,195 | 867,162 |
| Government grant receivable | 388,250,000 | - |
| Total Current receivables | 388,471,195 | 867,162 |

18. (b)

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|--------------------|-------------------|
| | KShs | KShs |
| Non-current receivables | | |
| Staff loans - Mortgage Receivable | 25,877,459 | 16,262,461 |
| Staff loans - Car Loan Receivable | 15,967,318 | 16,362,335 |
| Total non-current receivables | 41,844,777 | 32,624,796 |
| Total receivables (a+b) | 430,315,971 | 33,491,958 |

The Agency has so far facilitated 3 of its staff with mortgage loans of Ksh. **29,658,894** out of which **Ksh.9,900,000** was issued in the current year. A total of **Ksh. 4,581,645** has been recovered as principal out of the mortgage loans issued. The principal recovered has been revolved back to the mortgage scheme.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

The Agency has so far facilitated 19 of its staff with car loans of Ksh. **27,798,813** out of which **Ksh.5,910,372** was issued in the current year. A total of **Ksh. 11,831,492** has been recovered as principal issued. The principal recovered has been revolved back to the car loan scheme.

The mortgage and car loan schemes of the Agency are managed by **KCB**.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)
19. PROPERTY, PLANT AND EQUIPMENT

| Cost | Office Partitions Shs | Office Equipment Shs | Furniture and fittings Shs | Computers & Peripherals Shs | Motor vehicles Shs | Total Shs |
|-------------------------------------|-----------------------|----------------------|----------------------------|-----------------------------|--------------------|--------------------|
| At July 2019 | 34,894,119 | 16,567,977 | 13,692,909 | 91,770,670 | 34,052,250 | 190,977,925 |
| Valuations | (16,759,419) | (5,229,882) | (5,091,398) | (37,931,829) | (12,524,750) | (77,537,278) |
| Disposals | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - |
| At 30th June 2020 | 18,134,700 | 11,338,095 | 8,601,511 | 53,838,841 | 21,527,500 | 113,440,647 |
| Additions | 22,489,610 | 113,850 | 1,555,400 | 66,010,681 | 4,690,000 | 94,859,541 |
| Disposals | - | - | - | - | (1,110,000) | (1,110,000) |
| At 30th June 2021 | 40,624,310 | 11,451,945 | 10,156,911 | 119,849,522 | 25,107,500 | 207,190,188 |
| Depreciation and Impairment | | | | | | |
| At July 2019 | 21,019,592 | 6,351,539 | 7,870,948 | 82,021,233 | 24,447,435 | 141,710,747 |
| Eliminated on valuation | (21,019,592) | (6,351,539) | (7,870,948) | (82,021,233) | (24,447,435) | (141,710,747) |
| Impairment | - | - | - | - | - | - |
| At 30th June 2020 | - | - | - | - | - | - |
| Depreciation | 5,078,039 | 1,431,493 | 1,269,614 | 39,909,891 | 6,276,875 | 53,965,911 |
| Disposals | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| At 30th June 2021 | 5,078,039 | 1,431,493 | 1,269,614 | 39,909,891 | 6,276,875 | 53,965,911 |
| Net book values | | | | | | |
| At 30 th June 2021 | 35,546,271 | 10,020,452 | 8,887,297 | 79,939,631 | 18,830,625 | 153,224,276 |
| At 30 th June 2020 | 18,134,700 | 11,338,095 | 8,601,511 | 53,838,841 | 21,527,500 | 113,440,647 |

The amount of computers and peripherals includes Ksh 59,531,729.66 site hosting hardware cost for the Single window system.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INTANGIBLE ASSETS-SOFTWARE

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|----------------------|----------------------|
| | KShs | KShs |
| Cost | | |
| At beginning of the year | 1,440,110,737 | 1,433,091,098 |
| Additions | 88,149,510 | 7,019,639 |
| At end of the year | 1,528,260,247 | 1,440,110,737 |
| Additions—internal development | 271,413,436 | 88,149,510 |
| At end of the year | 1,799,673,683 | 1,528,260,247 |
| Amortization and impairment | | |
| At beginning of the year | 810,159,501 | 657,384,732 |
| Amortization | 161,570,843 | 152,774,769 |
| At end of the year | 971,730,344 | 810,159,501 |
| Impairment loss | | |
| At end of the year NBV | 827,943,339 | 718,100,746 |

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. TRADE AND OTHER PAYABLES

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|--------------------|--------------------|
| | KShs | KShs |
| Trade payables | 265,259,853 | 108,475,439 |
| Statutory deductions payable | 5,403,694 | - |
| Charging model payables | 406,616 | 481,917 |
| Total trade and other payables | 271,070,164 | 108,957,356 |

Trade and other payables for the current year were **Kshs 271,070,164** attributed to late disbursement of government grant. The Agency had not received a government grant of **Kshs 388,250,000** as per the end of the financial year. This amount was however received in July 2021 and the above payables were paid.

22. CURRENT PROVISIONS

| Description | Audit fees | Total |
|---|------------------|------------------|
| | KShs | KShs |
| Balance b/d (1.07.2020) | 1,392,000 | 1,392,000 |
| Additional Provisions | 720,000 | 720,000 |
| Provision utilised | - | - |
| Total provisions as at 30.6.2021 | 2,112,000 | 2,112,000 |

23. NON-CURRENT PROVISIONS

| Description | Gratuity provision | Total |
|---|--------------------|------------------|
| | KShs | KShs |
| Balance b/d (1.07.2020) | 1,728,386 | 1,728,386 |
| Additional Provisions | 2,190,150 | 2,190,150 |
| Provision utilised | - | - |
| Total provisions as at 30.6.2021 | 3,918,536 | 3,918,536 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

24. CASH GENERATED FROM OPERATIONS

| | | 2020-2021 | 2019-2020 |
|---|----|---------------------|---------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Net surplus/deficit for the year | | (234,999,850) | (246,788,349) |
| Adjustments: | | | |
| For items not involving movement of cash | | | |
| Depreciation | 12 | 53,965,911 | - |
| Amortization | 12 | 161,570,843 | 152,774,769 |
| Loss on disposal: | | 560,000 | - |
| Operating surplus before working capital | | (18,903,095) | (94,013,580) |
| Working capital adjustments: | | | |
| Decrease/(Increase) in inventories | | - | 1,287,053 |
| Decrease/(Increase) in accounts receivable | | (106,846,084) | (3,322,479) |
| (Decrease)/Increase in creditors and accruals | | 165,022,959 | 70,831,628 |
| Working Capital prior year Adjustment | | - | (1,034,423) |
| Tax paid | 29 | (2,364,042) | (2,906,002) |
| Working Capital changes | | 55,812,833 | 64,855,777 |
| | | | |
| Total cash generated from operations | | 36,909,737 | (29,157,803) |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. FINANCIAL RISK MANAGEMENT

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

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

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

(i) Credit risk

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

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

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

| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------|-----------------------------|---------------------|------------------|
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | 17,006,218 | 17,006,218 | | |
| Receivables from non-exchange transactions | | | | |
| Bank balances | | | | |
| Total | 17,006,218 | 17,006,218 | - | - |
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 18,734,147 | 18,734,147 | | |
| Receivables from non-exchange transactions | - | | | |
| Bank balances | - | | | |
| Total | 18,734,147 | 18,734,147 | | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(ii) Liquidity risk management

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

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

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-------------------------------|----------------------|-----------------------|------------------|--------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | | |
| Trade payables | 270,048,008 | 1,022,156 | - | 271,070,164 |
| Current portion of borrowings | | | | |
| Provisions | | | | |
| Deferred income | | | | |
| Employee benefit obligation | | | | |
| Total | 270,048,008 | 1,022,156 | - | 271,070,164 |
| At 30 June 2020 | | | | |
| Trade payables | 108,957,356 | | | 108,957,356 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | 108,957,356 | | | 108,957,356 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

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

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

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

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

a) Foreign currency risk

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

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

| | Ksh | Other currencies | Total |
|---|------|---------------------|--------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets | | | |
| Investments | | | |
| Cash | | 35,376 | 35,376 |
| Debtors | | | |
| Total financial assets | | | |
| Financial Liabilities | | | |
| Trade and other payables | | | |
| Borrowings | | | |
| Total financial liabilities | | | |
| Net foreign currency asset/(liability) | | | |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Ksh | Other currencies | Total |
|---|------|---------------------|--------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets | | | |
| Investments | | | |
| Cash | | 35,376 | 35,376 |
| Debtors | | | |
| Total financial assets | | | |
| Financial Liabilities | | | |
| Trade and other payables | | | |
| Borrowings | | | |
| Total financial liabilities | | | |
| Net foreign currency asset/(liability) | | | |

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 581,240 (2019/2020: Kshs 563,393). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 3,085,298 (2019/2020 – Kshs 4,767,642)

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Risk Management

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

| | 2020/2021 | 2019/2020 |
|---|----------------------|--------------------|
| | Kshs | Kshs |
| Revaluation reserve | 68,704,634 | 68,704,634 |
| Retained earnings | -1,534,962,854 | -1,295,591,885 |
| Donor Grant | 95,313,707 | 95,313,707 |
| Capital reserve | 2,570,974,059 | 2,030,959,662 |
| Total funds | 1,200,029,546 | 899,386,117 |
| Total borrowings | | - |
| Less: cash and bank balances | | - |
| Net debt/(excess cash and cash equivalents) | | - |
| Gearing | | - |

26. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external. Other related parties include:

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Sales to related parties | | |
| Sales of goods to staff | - | - |
| Sales of services staff | - | - |
| Total | - | - |
| b) Grants from the Government | | |
| Grants from National Govt | 961,550,000 | 614,400,000 |
| Grants from County Government | - | - |
| Donations in kind | | - |
| Total | 961,550,000 | 614,400,000 |
| c) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for employees | | - |
| Payments for goods and services | | - |
| Total | | |
| d) Key management compensation | | |
| Directors' emoluments | 14,529,306 | 10,834,760 |
| Compensation to the CEO | 9,839,000 | 9,539,000 |
| Compensation to key management | 108,210,779 | 89,337,388 |
| Total | 132,579,085 | 109,711,148 |

27. CONTINGENT LIABILITIES

| Contingent liabilities | 2020-2021 | 2019-2020 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Court case—(Mweha Enterprise Court case) against the entity | 13,858,266 | 13,858,266 |
| Total | 13,858,266 | 13,858,266 |

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. CAPITAL COMMITMENTS

| Capital commitments | 2020-2021 | 2019-2020 |
|-------------------------------|------------------|-----------|
| | Kshs | Kshs |
| Authorised for Partitioning | 2,000,000 | - |
| Authorised and contracted for | - | - |
| Total | 2,000,000 | - |

The Agency committed to undertake office partitioning for Mombasa in the next financial year. This had been authorised by the Board but had not been contracted at the end of the year.

29. TAXATION

| | 2020-2021 | 2019-2020 |
|--|------------------|----------------|
| | KShs | KShs |
| At beginning of the year | 852,435 | 1,832,239 |
| Income tax charge for the year (note 16) | 4,371,118 | 1,926,198 |
| Withholding tax paid during the year | (989,162) | (1,074,029) |
| Under/(over) provision in prior year/s (note 16) | - | - |
| Income tax paid during the year | (1,374,880) | (1,831,973) |
| At end of the year | 2,859,511 | 852,435 |

*The total tax paid to KRA in 2020/2021 was **Ksh 2,364,042**. This is a total of tax withheld by banks and paid directly to KRA, **Ksh 989,162** and income tax paid directly by the Agency to KRA of **Ksh 1,374,880***

30. EVENTS AFTER THE REPORTING PERIOD

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

31. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the National Treasury and Planning. Its ultimate parent is the Government of Kenya.

32. CURRENCY

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

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

33. GOING CONCERN

The Agency relies on the National Treasury for funding and despite the deficits in the Statement of Financial Performance, nothing has come to the attention of Management to suggest that the National Treasury will not continue to fund the Agency as a going concern.

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue/ Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|--|
| 1.0 | <p>Material Uncertainty Related to Going Concern-</p> <p>Analysis of the Agency performance reflects losses in its operations over the years. Since inception, the Agency has been overwhelmingly relying on the support of the National Government. However, the Agency requested for changes of status to enhance revenue collection from the Single Window services. The status as an authority was granted in December 2019 but was withdrawn due to wider national interests as per consultations in February 2020.</p> | <p>The Agency's Management notes that the Auditor General's observation is correct. The Agency is currently fully funded by the National Government through its line ministry, the National Treasury. The Agency continues to seek additional funding from Government. Adequate funding of the Agency will enable the reversal of the deficit trend, which is also partly caused by the fact that a key item of accrual accounting reporting,</p> | MF | Not resolved- | 30.06.2021 |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

| Reference No. on the external audit Report | Issue/ Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|--|---|--|-----------------------------------|---|
| | <p>In the year under review and as reported in the statement of financial performance the Agency recorded a deficit of Kshs 329,909,333 (Kshs 178,839,425: 2017/18) an increase of Ksh 151,069,908 or 84.4% from previous performance. Similarly the net assets of the Agency declined from Kshs 1,359,417,943 in 2017/2018 to Kshs 920,152,842 in the year 2018/19.</p> | <p>depreciation and amortisation cost, is not ordinarily factored into the budget or funded by actual funds transfer to the Agency.</p> | | | |

The Agency had not received the audit report financial year 2019/2020

CHIEF EXECUTIVE OFFICER
 DATE: *22nd August 2022*

FOR: CHAIRMAN OF THE BOARD
 DATE: *22nd August 2022*

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|---|---------------------------|-------------------------------|-----------------------------|---------------|---------------|-------------------------|
| 1 | Partitioning of KenTrade offices at Embankment Plaza 1 ST Floor and Inland Container Depot | 24,000,000 | 8,657,452 | 90% | 24,000,000 | 22,489,61 | Government Grant |

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

APPENDIX III: INTER ENTITY TRANSFERS

| Breakdown of Transfers from the National Treasury | | | |
|--|--------------------|----------------------------|-----------------------|
| FY 2020/2021 | | | |
| a) | Recurrent Grants | | |
| | | Bank Statement Date | Amount (Kshs) |
| | | | Financial Year |
| | | 20/08/2020 | 91,100,000 |
| | | 19/11/2020 | 91,100,000 |
| | | 05/02/2021 | 91,100,000 |
| | | 08/07/2021 | 100,000,000 |
| | | Total | 373,300,000 |
| b) | Development Grants | | |
| | | Bank Statement Date | Amount (Kshs) |
| | | | Financial Year |
| | | 20/08/2020 | 75,000,000 |
| | | 28/10/2020 | 75,000,000 |
| | | 26/01/2021 | 75,000,000 |
| | | 22/04/2021 | 75,000,000 |
| | | 08/07/2021 | 288,250,000 |
| | | Total | 588,250,000 |

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



CHRISPUS MBOGO
 ICPAK MEMBER NUMBER 7470
 DIRECTOR CORPORATE SERVICES
 KENYA TRADE NETWORK AGENCY

NEMWEL M. MOTANYA
 ICPAK MEMBER NUMBER 2367
 HEAD OF ACCOUNTING UNIT
 THE NATIONAL TREASURY

KENYA TRADE NETWORK AGENCY
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received | Various | | | | |
|--|-----------------------|--|--------------------|------------------------------------|--------------|-----------------------------------|
| | As per bank statement | Nature: Recurrent/ Development/ Others | Total Amount - KES | Statement of Financial Performance | Capital Fund | Total realignment during the Year |
| The National Treasury | Various | Recurrent | 373,300,000 | 373,300,000 | - | 48,235,603 |
| The National Treasury | Various | Development | 588,250,000 | - | 588,250,000 | (48,235,603) |
| Total | | | 961,550,000 | 614,400,000 | 588,250,000 | - |

