

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

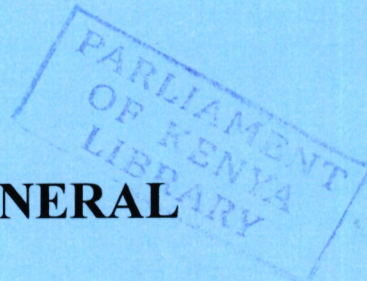
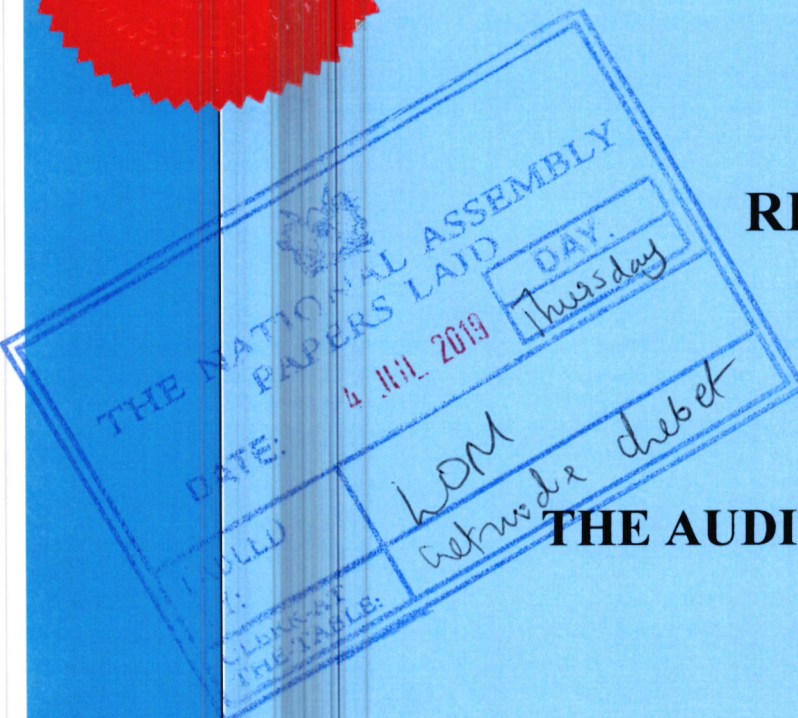
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA MEAT COMMISSION

FOR THE YEAR ENDED  
30 JUNE 2018







OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100 NAIROBI

28 SEP 2018

**RECEIVED**

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**KENYA MEAT COMMISSION**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2018**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)**

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**KEY ENTITY INFORMATION**

**Background information**

The Kenya Meat Commission was established by the Kenya Meat Commission Act Cap 363 of Parliament on 1950. The Kenya Meat Commission is represented by the Cabinet Secretary for Ministry of Agriculture & Livestock who is responsible for the general policy and strategic direction of the Kenya Meat Commission at the cabinet level. The Commission is domiciled in Kenya and has its main factory at Athi River, a branch in Mombasa and a Depot at Ladhies Road, Nairobi

The principal activity of the Kenya Meat Commission is to

- i. Procure quality livestock
- ii. Process and pack high quality meat and meat products
- iii. Market & sell meat and meat products
- iv. Research and development of new products
- v. Buyer of livestock as last resort and participation in drought mitigation programmes

**Directors**

The Directors who served the entity during the year/period were as follows:

Ntoros Ole Senteu	Chairman	Appointed on 22/6/2017
Joseph Learamo	Managing Commissioner	Appointed on 17/8/2015
James Lenayiarra		Appointed on 17/4/2016
Hassan Jelle Hussein		Appointed on 17/4/2016
Chrispus Kariuki Wachira		Appointed on 17/4/2016
Elizabeth Merimug		Appointed on 17/4/2016
Amb. Dr. Rashid Ali		Appointed on 17/4/2016
Permanent Secretary State Department of Livestock		
Permanent Secretary National Treasury		
The Director Veterinary Services		

**Corporate Secretary**

Ms. Ann Kamau  
P.O. Box ...  
Nairobi

**Corporate Headquarters**

P.O. Box 2-00204  
Athi River  
Off Mombasa Road  
Nairobi, Kenya

**Kenya Meat Commission**  
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**KEY ENTITY INFORMATION**

**Contacts**

Telephone: (020) 2424051/ 045 66 26041/2/4  
E-mail: info@kenyameat.co.ke  
Website: www.kenyameat.co.ke

**BANKERS**

Co-operative Bank of Kenya  
P.O Box  
Athi River

First Community Bank  
P.O Box  
South C

National Bank of Kenya  
Harambee Avenue  
P.O Box  
Nairobi, Kenya

Kenya Commercial Bank  
P.O Box  
Kitengela

**AUDITORS**

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

**Principal Legal Advisers**

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

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**BOARD OF DIRECTORS**

<b>No</b>	<b>Name</b>	<b>Academic Qualification</b>	<b>Date of Birth</b>	<b>Work Experience</b>
1.	Ntoros Baari Ole Senteu		2/09/1962	Public Administration
2.	James Jukunye Lenayiarra	Tertiary CPA1	04/04/1952	Finance and strategy
3.	Hassan Jelle Hussein	Diploma	01/01/1958	Public administration
4.	Chrispus Kariuki Wachira	Masters in Entrepreneurship	12/01/1969	Entrepreneurship
5.	Elizabeth Merimug		14/01/1972	Business management
6.	Amb. Dr. Rashid Ali	Phd In Public Administration	6/04/1949	Business administration
7.	Nicholas Ayore	Masters in Meat Science		Animal health
8.	Bernard K. Ngulalu	Masters in finance		Public Administration
9.	Julius Kiptarus	Masters in Animal Health		Animal health

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**MANAGEMENT TEAM**

1.	Name and key qualifications	Main area of responsibility	
2.	Joseph Learamo	MA -Development Studies (Organizational Development Specialization)	Managing Commissioner
3.	Anne Kamau	MBA -Strategic management, LLB (Hons)	Corporate Secretary/ Human Resource Administration
4.	Hosea Muita	Msc (finance), Bcom –Accounting option, CPA(K), CPS(K), CFE, CISA, CIA	Internal Auditor
5.	Davis Kipronoh Cheruiyot	MBA (finance), BCOM –Finance option, CPA	Chief Accountant
6.	Gaudencia Liambila	- MBA- Business Administration - Bsc in Biomedical Technology - Post graduate Diploma in Total Quality Management	Production Manager
7.	Eric Gitonga	Bsc in Analytical Chemistry	Ag, Quality Assurance
8.	Lolokote Sainyingu	Bsc in Veterinary Medicine	Ag, Livestock Manager
9.	Ruby Kivuva	- MBA in Marketing option - BA in Communication (Public Relation)	Sales and Marketing
10.	Paul Koech	Bachelor of Technology in Mechanical & Production Engineering. (Plant Option)	Plant Engineer
11.	Mohammed Bayaan	Bachelor of Business Information Technology Microsoft Certified IT Professional (MCITP)	I.C.T
12.	Richard Leparoya	Rtd. Chief Inspector of Police	Security

**CHAIRMAN'S STATEMENT**

The year 2017/2018 was characterised by tough environment due to drought and prolonged political environment due to the general elections. This had a negative impact on the business which resulted to decreased revenue during the year. However, the Commission managed to retain the key customer in addition to capturing new clients.

**TRADING PERFORMANCE.**

In the year 2017/2018, sale of meat and meat products was Kshs. 284,734,260 compared to subsequent year 2015 – 2016 of kshs.332, 165,635 signifies a 14% decrease from the previous year. In the financial year under review i.e. 2016/2017. The cost of sales remained high mainly due to high power cost and production inefficiencies due to the use of old machinery

The Commission realised Ksh.30, 246,591 from the rental income during the year and received Ksh 97,500,000 from the government for drought mitigation due to harsh weather conditions during the year. This funds went along way in ensuring that affected livestock farmers benefited by selling their livestock to the government through the Commission.

Other operating expenses however went down by 20% as a result of measures put in place to control expenditure for operational efficiency.

The Commission continues to implement the turnaround plan which was anchored on two pillars of staff rationalization and modernization of the factory to improve efficiency. The Commission having successfully separated 119 staff continues to enjoy the benefits of this move by having a 30% drop on staff costs. The Commission had started implementing the next phase of its turnaround plan i.e. modernization of the plant which was done through competitive bidding to identify a contractor to carry out the works.

The National treasury had allocated Ksh 500 million in the year towards modernization of the factory but only Ksh 125 million was received by the Commission during the year. This has negatively impacted on the Commission due to high cost of running the factory hence reporting losses. The current factory setup is labour intensive and consumes much electricity during the operations.

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However, the Commission has a bright future due to increasing market share which it will capitalise on for sustainability.

Towards the year, the term of all the board members expired and therefore the Commission closed the year without a full board. However, through the support of the Managing Commissioner and the management team, the Commission was able to continue with its operations successfully.

May I conclude by sincerely thanking all those who supported the Commission in the financial year 2017/2018 including our customers, the government of Kenya represented by the Ministry of Agriculture, Livestock and fisheries and other stake holders. I wish to thank my fellow Board of Commissioners for their support during the year. God bless.



MR. NTOROS OLE SENTEU

**CHAIRMAN, BOARD OF COMMISSIONERS.**

**REPORT OF THE MANAGING COMMISSIONER.**

The year 2017/2018 was characterized by tough business environment due to heightened political environment and harsh weather conditions during the year which affected the supply of livestock to the Commission. This resulted to decreased revenue but the Commission put in place cost cutting measures during the year resulting to a 20% reduction in costs.

Despite these challenges the Commission recorded a reduction in the loss during the year from 296,012,545 in the previous year to Ksh 228,135,117 in the current year. In the year under review, the Commission put in place various cost cutting measures to ensure continuity of the business.

However, the Commission continues to experience high production cost due to the use of old machinery which are both labour and power intensive. Additionally, there has been loss of business due to frequent breakdowns of the plant hence loss of production hours. We continuously monitor our operations and maintenance costs for each department to ensure the Commission stays on track to achieve sustainable cost of doing business. Our contribution towards creating a favourable economic and competitive environment include making it easier for customers to access our products, customer relations and confidence has also improved with general reduction of inconsistent supplies incidences experienced in the past.

Our business is performing well with a foundation of broad and deep competitive advantage generated from our effective human capital. We have reshaped our organization structure to include a more focused function that drive new levels of productivity and deliver an important financial pivot. The outcome is to generate increased earnings and sales revenue through shared capabilities. Our best days are ahead of us and we remain determined to deliver.

In the year under review, the Commission undertook an offtake programme in support of the government on drought stricken counties. We received Kshs.97.5 million from the National Treasury where we assisted in conducting the programme in 4 counties.

Kenya Meat Commission is committed to sustaining its core business to remain ahead. We have adopted excellent maintenance of assets, optimizing operations, attracting retaining and developing motivated work force .Our business drivers of product availability, reliability, response to customer complaints, safety and customer satisfaction are in use to measure and monitor performance.

**STRATEGY.**

The Commission is committed to reaching the country guaranteeing livelihoods of Kenyans by providing quality meat products and services. We have so far re-established KMC as a strategic national agency for socio economic development. The industry plays a key role in economic

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development and growth. Demand for meat and meat products continue to grow and the quality of supply has improved in the last decade due to investments and expansion of the meat sector.

The capital investments required for the rehabilitation and upgrade of factory plant through modernization is estimated to be kshs.4.5 billion and the Commission is exploring financing opportunities with the government and other interested partners.

**SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT**

KMC recognizes the importance of sustainable management of its customers and the fundamental role it plays in business sustainability. Through established stakeholder's co-ordination, the Commission has built strong partnership and improved relations to mutually benefit in its transformational agenda. We continue to check our management systems against ISO standards through internal and external audits.

**FUTURE OUTLOOK**

We are continuing with the execution of 2015/2020 strategic plan aimed at turning around the operations of the Commission. To sustain our growth we are stepping up market campaigns to drive up our sales revenues and growing it by 25% annually. With our well equipped work force coupled with requisite funding, KMC is well positioned to deliver on purpose and continue to be a market leader in the provision of competitively priced meat and meat products in the country. We are confident that this plan will assure stronger revenue growth and improved profits ahead.

Thank you



**JOSEPH LEARAMO**  
**MANAGING COMMISSIONER.**

**CORPORATE GOVERNANCE STATEMENT.****BOARD MEETINGS**

The Board held meetings regularly and at least in every quarter in accordance with statutory requirements and several Special Meetings as need arose. The attendance for the meetings was as follows:-

**1. FULL BOARD MEETINGS**

Date	Ntoros Ole Senteu	Amb. Dr.Rashid Ali	Hassan Jelle	Joseph Learamo	Chrispus K. Wachira	James Lenayiarra	Francis Kariuki	Bernard K. Ngulalu	Merimug A. Elizabeth	Julius kiptarus	Dr. Nicholus ayore
5/07/17	√	√	√	√	√	√	√	√	√	√	
22/9/17	√	√	√	√	√	√		√	√		√
14/12/17	√	√	√	√	√	√	√	√	√		√
15/1/18	√	√	√	√	√	√		√	√	√	√
16/1/18		√	√	√	√	√		√	√	√	√
17/1/18	√	√	√		√	√		√	√	√	√
25/1/18	√	√	√	√	√	√	√			√	
16/4/18	√	√	√	√	√	√		√	√	√	√

**2. COMMITTEE MEETINGS**

	Ntoros Ole Senteu	Amb. Dr.Rashid Ali	Hassan Jelle	Joseph Learamo	Chrispus K. Wachira	James Lenayiarra	Francis Kariuki	Bernard K. Ngulalu	Merimug A. Elizabeth	Julius kiptarus	Dr. Nicholus ayore
23/8/17		√		√							
28/8/18		√		√				√	√		
13/9/17				√		√	√	√			
13/9/17		√	√	√	√	√					
14/9/17			√		√		√			√	
20/9/17			√		√			√		√	
21/9/17		√		√				√			
8/12/17		√		√				√			
18/1/18				√		√	√	√			
22/1/18		√	√	√	√		√				√
23/1/18			√		√		√			√	
4/4/18			√		√						
9/4/18			√		√	√		√			
9/4/18		√	√		√	√		√			√
10/4/18						√		√	√	√	
11/4/18		√						√		√	
12/4/18			√		√					√	
13/4/18					√	√		√			

**SUCCESSION PLAN**

Under Mwongozo Code of Governance, the appointing authority required to ensure the tenures of the Board members are staggered to ensure a phased transition. The members, the chairman and the Managing Commissioner have different dates of appointment.

**BOARD CHARTER**

The Board has developed and put in place a Board Charter. The Charter has defined the roles, responsibilities and functions of the Board, the Chairman and the committees of the Board to ensure there is clear separation of roles as required under good corporate governance.

**APPOINTMENT AND REMOVAL OF MEMBERS**

Appointment and removal of the Commissioners are made in line with legal and statutory requirements i.e. the constitution of Kenya, 2010, Kenya Meat Commission Act and the state Corporations Act. The appointment takes into consideration the mix of skills and competencies required for the achievement of commission's long term goals.

**INDUCTION AND TRAINING**

The new members are taken through a full and formal induction training organized by the state corporation Advisory Committee (SCAC) as required by Mwongozo to ensure they are provided with knowledge and materials to enable them add value.

**BOARD MEMBER'S PERFORMANCE**

As required by Mwongozo the performance of the Board was evaluated covering the Board as a whole, its committees, individual members, the Chairperson, the Chief Executive which was presided by SCAC.

**CONFLICT OF INTEREST**

The Board members declares and signs on the register of attendance if they have any conflict on the agenda items to be discussed in every meeting. The State Corporation Advisory Committee (SCAC) is required to undertake the Governance Audit in compliance with Mwongozo Code of Governance.

## **MANAGEMENT DISCUSSION AND ANALYSIS.**

The year 2017/2018 was characterized low sales revenue mainly due to low production levels. Due to harsh weather condition; most of the livestock farmers were not able to supply the Commission. This resulted to the Commissions inability to meet customers' orders hence reduced sales volumes. Despite this challenge the Commission witnessed a rise in the number of customers toward the end of the year. We intend to continue building on this as we move towards satisfying our customers.

## **FINANCIAL PERFORMANCE.**

The Commission reported a loss of Kshs 228,135,117 which was a better performance as compared to the previous year's performance of Ksh. 296,012,545. This however was made worse by the fact that the Commission was not able to meet all the customer's orders during the year. The Commission was able to capture a number of customers of whom we intend to build on.

The Commission continued to work on cost cutting measures aimed at minimising operational cost of the Commission.

## **COMPLIANCE WITH BUDGETS**

The commission continues to comply and spend within the budget without exceptions. This is achieved by ensuring that all the head of departments fully understands the departmental budgets which must be followed before procurement. During the year under review all the expenditure was within budget while a number of goods/services were not procured due to cash flow related challenges

## **PENDING BILLS**

the commission has a huge level of unpaid bills which stood at Ksh 407 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general supplies. This has been a big challenge especially for the supply of livestock farmers who have lost confidence in the commission due to the inability to pay them on time.

### **MANAGEMENT SYSTEMS**

The commission currently uses QuickBooks as the accounting software. However, this system has several challenges in terms of controls and integration of production and stocks modules. This has resulted to difficulties in ensuring proper stocks control and capturing of cost of sales. The management therefore plans to invest in a robust management system that will integrate all the accounting operations hence improved controls. Additionally, it will integrate the biometrics systems linked to the payroll to ensure that the staff report to work on time and leave at the appropriate time.

### **PURCHASE OF LIVESTOCK**

The Commission continued to implement the livestock policy aimed at ensuring that livestock are purchased from all counties across the country. A livestock procurement committee hold regular meeting to ensure that the laid down procedures of livestock procurement are followed. This has ensured that there is fair distribution of purchases of cattle especially from the arid and semi arid areas.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

During the FY2017-18 the Commission participated in several CSR activities as highlighted below:

Good Testimony Junior School is our client whom we supply beef and beef products. The School had an annual Sports Day scheduled for July 2017 and requested KMC to partner with them through sponsorship. As part of our marketing and CSR function KMC was able to give Kshs. 20,000 towards the sports event. This was acknowledged by the management and went a long way to ensure the success of the event and enhancement of our business relationship.

In September 2017 one of our loyal and long serving clients, Moi Girls High School was faced by a tragic fire inferno. The incident caused loss of lives and properties. CSR being a part of our mandate, KMC donated 200kgs of goat cubes to the school on 27<sup>th</sup> September 2017 to help with provision of meals for the students. This helped in strengthening our customer relationship with the school.

On November 10<sup>th</sup> 2018, Kitengela Prisons hosted Prison's Family Fun day. The aim of the event was to allow prisoners be able to spend time with their beloved families. The Management of Prison reached out to KMC to partner with them in the above mentioned event. KMC donated 100kgs of beef towards the event. As a result, the event gave KMC a chance to realize market visibility since we were granted an opportunity to pitch a tent and market KMC's products. On the other hand, our contribution helped realize the objectives of the event. The prisoners were able to reunite and bond with their families. This helps in their rehabilitation and acceptance in the society especially when they transition from the Prisons back home.

Following the ban on plastic bags, KMC has put in place measures to ensure NEMA compliance. Among the requirements of NEMA is the need for the Commission to put in place solid waste management guidelines to contain the resultant waste from the plastic bags. This has since been done. In addition, we conducted a thorough clean-up and tree planting exercise to get rid of the paper bags, enhance environmental education and public awareness about the need for sound environmental management and other litter around the Commission to show our institutional commitment in upholding the plastic packaging ban, cleaned up the place and planted trees to conserve the environment

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Kenya Meat Commission affairs.

### **Principal activities**

The principal activities of the entity are the products and marketing of quality meat and meat products both for local market and export

### **Results**

The results of the entity for the year ended June 30, 2018 are set out on page 1 Below is summary of the profit or loss made during the year.

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Total Comprehensive Income/Loss</b>	<b>(228,135,117)</b>	<b>(296,012,545)</b>

### **Dividends**

The Board of Commissioners do not recommend payments of dividend to the national treasury

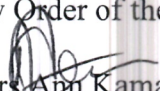
### **Directors**

The members of the Board of Directors who served during the year are shown on page V.

### **Auditors**

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

By Order of the Board

  
Mrs. Ann Kamau  
Corporate Secretary  
Nairobi

Date. 27<sup>th</sup> Sept. 2018.....

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2018, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

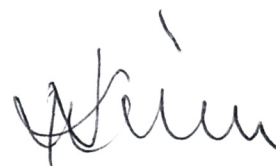
Nothing has come to the attention of the Commissioners to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The financial statements were approved by the Board of Commissioners on 27<sup>th</sup> SEPT, 2018 and signed on its behalf by:



**Mr. Joseph Learamo**  
**Managing Commissioner**



**Mr. Ntoros Ole Senteu**  
**Chairman**

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 1 to 35, which comprise the statement of financial position liabilities as at 30 June 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

##### 1. Non-Disclosure of Material Uncertainty Related to Going Concern

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2018 reflects a loss of Kshs.228,135,117 (2017 – a loss of Kshs. Kshs.296,012,545) which eroded further the accumulated retained earnings from a negative balance of Kshs.398,405,586 as at 30 June 2017 to a negative balance of Kshs.626,540,704 as at 30 June 2018. This material uncertainty casts significant doubt on the ability of the Commission to continue as a going concern. The management has, however, not made any disclosures in the notes to the financial statements regarding the uncertainty or expected continued government financial support in the near future.

##### 2. Incompleteness of Records and Inaccuracies in the Financial Statements

The Commission did not maintain proper records and books of account, respectively during the year under review as highlighted below:

- (i). Various differences were observed between the audited financial statements for 2016/2017 and comparative figures shown in the financial statements for the year ended 30 June 2018 as follows:

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*Report of the Auditor-General on the Financial Statements of Kenya Meat Commission for the year ended 30 June 2018*

Item	2016/2017 Comparative Figures in the Financial Statements for		Variance (Kshs)
	Audited 2016/2017 (Kshs)	2017/2018 (Kshs)	
Staff Cost	88,921,792	76,252,528	12,669,264
Travelling and Accommodation	15,941,728	16,162,828	-221,100
Provision for Audit Fees	2,335,561	812,000	1,523,561
Unclaimed Wages	21,266,118	2,312,498	18,953,620

(ii). In addition, major variances were observed between the general ledger and the financial statements as follows:

Item	Ledger Balance (Kshs)	Financial Statements (Kshs)	Variance (Kshs)
Other Income	(4,900)	63,000	(67,900)
Rental Income	30,066,296	29,863,800	202,496
Staff Costs	88,921,792	76,252,528	12,669,264
Depreciation of Property, plant and Equipment	92,622,108	76,194,108	16,428,000
General Expenses	4,957,001	4,947,197	9,804
Bank Charges	5,757,654	857,654	4,900,000
Factory Repair and maintenance	6,532,873	6,956,914	(424,041)
Travelling and accommodation	16,172,418	16,162,828	9,590
Increase/decrease in provision for doubtful debts	(80,840,503)	1,841,748	(82,682,251)
Auditors remuneration -Current year fees	(1,500,000)	812,000	(2,312,000)
Commissioners' Emoluments	9,626,584	9,620,584	6,000
Stationery	2,196,639	9,018	2,187,621

(iii). In addition, variances were observed between the final budget figures reflected in the statement of comparison of budget and actual amounts and the final approved budget as detailed below:

	Final Budget as per the Statement of Comparison of Budget and Actual Kshs.	Final Budget as per the Approved Budget Document Kshs.	Variance Kshs.
<b>Account Items</b>			
Cost of sales	-	1,510,861,000	(1,510,861,000)
Transfers from the Government	500,000,000	600,000,000	(100,000,000)
Other income	30,000,000	62,000,000	(32,000,000)
Compensation of employees	111,578,331	193,145,000	(81,566,669)
Use of goods and services	1,727,187,457	-	1,727,187,457
Board expenses	-	25,000,000	(25,000,000)
Operating and administrative expenses	-	276,227,000	(276,227,000)
Repairs and Maintenance	-	169,379,000	(169,379,000)
Other payments	565,153,662	-	565,153,662
Depreciation Expenses	-	100,117,000	(100,117,000)
Surplus for the period	144,624,298	405,814,749	(261,190,450)
Capital Expenditure	756,698,000	728,058,000	28,640,000

(iv). Inconsistencies were observed in the disclosures on operating, administration and selling and distribution costs, as detailed below:

Item	Comparative Figures Disclosed in 2017/2018 (Kshs)	Amounts Disclosed in 2016/2017 Audited Financial Statements (Kshs)
Operating Costs	236,555,508	-
Administration Costs	55,108,220	153,263,870
Selling and Distribution Costs	14,491,793	152,891,652
<b>Total</b>	<b>306,155,521</b>	<b>306,155,522</b>

Although the totals remain the same no reasons were provided for the revised figures.

(v). The address of the corporate secretary on page iii and some board of directors details like academic qualifications and dates of birth on page v, respectively of the other information to the financial statements are missing.

(vi). The Chairman's trading performance statement on page viii of the other information to the financial statements erroneously refers to the "previous year" as "subsequent year", "2016/2017" as "2015/2016", and the year under review as "2016/2017" instead of "2017/2018", respectively.

(vii). Further, the Chairman's statement noted above indicates out that the Commission successfully separated with 119 staff and continues to enjoy 30% drop on the staff costs. This statistics and facts were not supported and could not be confirmed as correct. However, Note 10a, Page 17 indicates the total number of employees as 285 down from the previous year's 293 which indicates a difference of 8 but not 119 as indicated above.

Under the circumstances, the completeness, accuracy and validity of the Commission's financial transactions and statements for the year ended 30 June 2018 could not be confirmed.

### 3. Unsupported Balances in the Financial Statements

(i). The following balances disclosed in these financial statements were not supported with relevant documentary evidence:

Item Description	Amount Kshs.
Borrowings	341,528,835
Provision for gratuity	32,670,831
Trade and other payables	407,640,854
Finance cost	6,696,644
Cost of sales	394,211,868
Trade receivables	406,913,120
Receipts from Government grants	222,500,000
Property Plant and equipment	2,116,884,423
Commissioners emoluments	9,620,584
Additional provision at end of year	3,750,821
Leave paid out or utilized during the year	1,875,411
Retirement benefit obligation- Changes in valuation during the year	7,015,362

(ii). In addition, the statement of profit and loss and other comprehensive income cost of sales figure of Kshs. 394,211,868 includes, as disclosed in Note 9 to the financial statements general factory expenses of Kshs.34,996,318 and factory rent and rates of Kshs. 1,659,860, which were not supported with relevant documentation.

(iii). Further, power and fuel costs of Kshs.53,012,202 disclosed under Note 8 to the financial statements differs with the supporting schedule figure of Kshs.54,195,264, resulting in unexplained a variance of 1,183,062.

(iv). The schedule provided for closing stock included hooves and horns valued at Kshs.1,155,117. This was not however considered and included in the determination of the entity's cost of sales for the year under review.

(v). The statement of financial position presented for audit reflects trade and other receivables of Kshs. 406,913,120. Included in this figure is gross trade receivables of Kshs. 360,118,776. However, the documents provided for audit review revealed that gross trade receivables were totalling Kshs.314,661,978 as at 30 June 2018, resulting in unexplained variance of Kshs.45,456,798.

#### **4. Sales**

The statement of comprehensive income for the year ended 30 June, 2018 reflects sales amounting to Kshs.284,734,260 (2017 – Kshs.332,165,635) while the records provided for audit reflects a total of Kshs.283,298,810. The resulting difference of Kshs.1,435,450 was not reconciled or explained. In addition, although the sales figure was indicated to include both meat and other by-products like hides and skins, no documentary evidence was provided to support the sales figures.

#### **5. Other Income**

The other income figure of Kshs. 30,246,591 reflected in the statement of comprehensive differs with the figure of Kshs.30,381,187 reflected in the schedule provided for by Kshs.134,596. The other income figure of Kshs.30,246,591 includes, as disclosed in Note 8 to the financial statements, rent income of Kshs.29,863,800, which is a drop from the previous year's figure of Kshs.30,052,300 by Kshs.188,500. No reason was given for the drop in the rent revenue. In addition, the lease agreements between the Commission and the tenants was not provided for audit review. Consequently, the accuracy and completeness of the rent income could not be confirmed.

#### **6. Government Grant**

The statement of profit and loss and comprehensive income reflects an amount of Kshs.97,500,000 in respect of government grant to the Commission during the year. This amount is additional to an amount of Kshs.125,000,000 capital grant disclosed in Note 7 to the financial statements. However, the performance of the Commission continued to deteriorate during the year under review despite the financial support. No plausible reason was provided for the continued loss making.

#### **7. Cost of Sales**

##### **7.1. Gross Margin Ratio**

The statement of comprehensive income reflects an amount of Kshs.394,211,868 (2017 – Kshs.829,636,979) against cost of sales. The gross margin ratio remained negative at

Kshs.109,477,608 (2017 – Kshs.497,471,344). No reasons were given for this unusual phenomenon. In addition, no supporting documentation was provided for audit scrutiny to indicate how the amount of Kshs.394,211,868 was arrived at.

## **7.2. Offtake Programme**

The cost of sales of Kshs.394,211,868 includes cost of animals procured under the offtake programme. The analysis provided on this programme shows that goats were bought from four suppliers and cows from five suppliers. However, the procurement method used to identify these particular suppliers was not explained.

According to the analysis provided, the total cost of goats and cattle bought during the offtake programme in financial year 2017/2018 amounted to Kshs. 66,000,000. However, the offtake inventory schedule reflects the total cost of Kshs.44,802,000 and thus, resulting in an unexplained variance of Kshs.21,198,000.

Moreover, the amount of Kshs.66,000,000 reported as the total cost of the programme is exclusive of transport and administration costs incurred. The payment schedules and vouchers indicates that an amount of Kshs.58,000,000 was paid to the suppliers, However, from the cash book analysis a total of Kshs.80,500,000 was paid to various suppliers. These anomalies were not explained.

## **8. Operating Costs/Expenses**

The statement of profit and loss and other comprehensive income reflects other operating costs/expenses totalling Kshs.191,327,271 (2017 – Kshs.236,555,508) for the year ended 30 June 2018. The other operating costs/expenses as disclosed in Note 10 to the financial statements includes, staff costs, depreciation charge, travelling and accommodation of Kshs.76,252,528, Kshs.76,194,108 and Kshs.16,162,828 respectively. However, the trial balance reflects amounts of Kshs. 88,921,792, Kshs.92,622,108 and Kshs.16,172,418 under staff costs, depreciation charge and travelling and accommodation expenses, respectively.

In addition, the Commission has disclosed under Note 4(d) to the financial statements that the annual depreciation rate applicable to plant and machinery as 12.5% but Note 14 to the financial statements indicates that a depreciation rate of 4.5% was applied to compute the depreciation charged for the year under review.

Further, it has been disclosed in Note 4(d) to the financial that depreciation charge on plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life, However, a re-computation of the depreciation charge for the year revealed that the depreciation charged was based on cost of the assets and not the net book value.

Under the circumstances, the accuracy of the amount disclosed under the operating costs/ expenses is doubtful.

## **9. Administration Costs/Expenses**

The statement of profit and loss and other comprehensive income reflects an amount of Kshs.35,009,821 under administration costs/expenses. This amount, as disclosed in Note 11 to the financial statements includes a figure of Kshs.9,620,584 disclosed as Commissioners' emoluments. However, supporting documentation on how the Commissioners were appointed and their terms of appointment, attendance registers and other relevant information were not provided for audit review. In addition, the Commissioners' emoluments amount of Kshs.9,620,584 reflected in the financial statements differs with the amount of Kshs.9,626,584 reflected in the general ledger.

Consequently, the completeness, accuracy and validity of the administration costs/expenses of Kshs.35,009,821 could not be ascertained.

## **10. Property, Plant and Equipment**

### **10.1. Unsupported Property, Plant and Equipment Balances**

The statement of financial position reflects under property, plant and equipment a balance of Kshs.2,116,884,423 as at 30 June 2018. As disclosed in Note 14 to the financial statements the balance includes Kshs.381,200,000, Kshs.1,030,668,480, Kshs.478,508,675, Kshs.3,507,268 and Kshs.223,000,000 in respect of freehold land, buildings and civil works, plant and machinery, office equipment, furniture and fittings and capital work in progress. However, as similarly reported in previous years, the balances could not be verified due to absence of a fixed assets register and a detailed analyses and records of property, plant and equipment.

### **10.2. Ownership of Property**

#### **(i). Ownership of Land**

As reported in the previous years, the Commission in 1984 secured a loan from National Bank of Kenya through a debenture and charged 13 parcels of its land as security. The Government in the year 2007 repaid all loans owed by various Government entities, including the Kenya Meat Commission, effectively lifting the charge on the Commission's parcels of land. However, to date, the Commission has not obtained or received back the 13 original title deeds from the bank despite the loans having been settled.

Information available indicates that the bank has acknowledged that it is only holding 10 title deeds, not 13 that the Commission deposited. No explanation has been provided on the whereabouts of the following 3 titles deeds: L.R. No.17/67 – Kitisuru, Nairobi; L.R. No.1504/8 – Beacon Ranch, Mavoko; and L.R. NO.10021 (L.R. 17873) – Sheep and Goat Ranch, Kitengela, Kajiado. Further, L.R. No.17/67-Kitisuru, Nairobi which was alleged to have been sold on 29 October 1999.

In addition, a search carried out at the Ministry of Lands and Physical Planning on 4 August 2016, on the above three titles traced the records for land L.R. No. 10021 (L.R.17873) – Sheep and Goat Ranch, Kitengela, Kajiado only. The records (files) for L.R. No.17167 – Kitsuru, Nairobi and L.R No.1504/08 – Beacon Ranch, Mavoko could not be traced. It was, therefore, not possible to confirm ownership of the two parcels of land. Further, L.R. No. 2787/444-Nanyuki weighbridge parcel has been encroached on.

#### **(ii). Irregular Sale of the Commission's Land**

As was similarly reported in the previous years, the Commission's parcels of land: L.R. No. MN/1/258- Shimanzi, Mombasa; L. R. No. 42/40 – Riverside Drive, Nairobi, and L. R. No.17/67 – Kitisuru, Nairobi, were sold on 2 April 2008, 1 April 2010 and 29 October 1999 at a price of Kshs.12,000,000, annual rent of Kshs.400,000, and Kshs.18,250,000 respectively. However, no documentary evidence has to date been provided to confirm that appropriate approvals by the National Treasury and the parent Ministry were granted as required by Section 13(1)(c) of the State Corporations Act (CAP 446). In addition, it has not been possible to confirm whether proper procedures were followed in the disposal; and that the sales proceeds were received and receipted by the Commission.

#### **(iii). Obsolete Plant, Machinery and Equipment**

The property, plant and equipment balance of Kshs.2,116,884,423 as disclosed in Note 14 to the financial statements includes plant and machinery and office equipment with net book values of Kshs.478,508,675 and Kshs.3,507,268, respectively as at 30 June 2018. A physical verification of the above revealed that unquantified value of plant and machinery were obsolete and not in a working condition. In addition, a large part of plant and machinery were idle due to underutilization and some had broken down without repairs having been initiated.

Further, as disclosed in Note 14 to the financial statements most of the office equipment, all motor vehicles and motor cycles were fully depreciated but were still in use as of 30 June 2018 while equipment of unquantified value was obsolete. However, the fully depreciated equipment with economic value were not revalued to reflect their fair values in the financial statements.

#### **10.4. Capital Work in Progress**

The statement of financial position's property, plant and equipment balance of Kshs.2,116,884,423 includes, as disclosed in Note 14 to the financial statements an amount of Kshs. 223,000,000 indicated as capital work in progress. A review of available documents indicates that a contract for construction, repair, renovation of structures, including design, supply, installation, testing and commissioning of machinery and equipment in Athi River and Mombasa abattoirs was awarded to a company at a price of US\$, 9,418,209.10 vide contract No. KMC/IOT/AW/09/2016-2017 dated 13 October 2017 between Kenya Meat Commission and Sanet Meat Industries Limited of Turkey. However, although the contract provided that foreign bidders were to be secured by a standby letter of credit, offered by a reputable Kenyan bank, the contractor provided a guarantee from M/s African Mercantile Assurance (Armaco).

Further, relevant documents relating to the contract, namely; technical specifications, drawings, designs, implementation plan, warranty and confidential business questionnaire were not provided for audit review. The Commission did not also involve the Public Works Department or any expert of their own to supervise, monitor and ensure that the bill of quantities (BOQ) were adhered to by the contractor. Consequently, the validity of the contract and performance of the works according to the specifications could not be confirmed.

Although an amount of Kshs.223,000,000 is disclosed under work in progress in the financial statements, records available indicates that the contractor has been paid an amount of Kshs.104,694,655.40. The resulting difference of Kshs.118,305,344.60 has not been supported with documentary evidence. In addition, certificates of completion of works to determine what was paid for were not provided for audit review.

A physical inspection and evaluation of the work done on 8 March 2019 revealed that the machinery and equipment installed were not commensurate with the amounts disclosed in the financial statements under work in progress.

#### **11. Trade and Other Receivables**

The statement of financial position reflects trade and other receivables net balance of Kshs.406,913,120 as at 30 June 2018 (2017 – Kshs.387,782,028). As disclosed under Note 15 to the financial statements, the balance includes gross trade and other receivables of Kshs.409,225,619 and rental receivables of Kshs.46,249,970 out of which, trade receivables of Kshs.332,745,205 and rental receivables of Kshs.41,298,702 had been outstanding for over four months. In addition, it was observed that various tenancy leases had expired while in some cases, there were no lease or tenancy agreements. Under the circumstances, the recoverability of the trade and other receivables balance of Kshs.406,913,120 in full could not be confirmed.

#### **12. Inventories**

The statement of financial position reflects a balance of Kshs.72,308,702 under inventories as at 30 June 2018. As disclosed under Note 16 to the financial statements, the balance includes meat and meat products- Kshs.18,205,962, engineering- Kshs.24,437,556, general stores- Kshs.28,450,184 and live animals- Kshs.1,205,000. However, the inventories of by-products like hides, skins and other related by-products were excluded for unexplained reasons. In addition, documentary evidence of stock-take done on 30 June 2018 was not provided for audit review. Under the circumstances, the inventories balance of Kshs.72,308,702 is not fairly stated.

#### **13. Cash and Bank Balances**

- (i). The statement of financial position reflects cash and bank balances of Kshs.20,848,577 as at 30 June 2018. As disclosed in Note 17 to the financial statements, the balances comprised amounts held in fourteen bank accounts (including M-Pesa Account) and cash balances held in three depots as at 30 June 2018. It was observed that seven of the fourteen bank accounts were dormant and one of the dormant bank account, a dollar

account continued to attract bank charges in the year. Further, bank confirmation certificates for the balances as at 30 June 2018 were not provided for audit verification.

- (ii). It was also noted that major variances existed between the figures reported in the financial statements and the cash book balances as shown below:

Item	Financial Statements Kshs	Cash Books	Variance
Working Capital A/c	5,062,625	5,154,955	(92,330)
Dollar A/c	55,690	55,975	(285)
National Bank	0	940	(940)
Guarantee A/c	1,979,279	12,363,970	(10,384,691)

- (iii). In addition, examination of bank reconciliation statements revealed stale dishonored cheques totalling Kshs.1,024,820 that had not been replaced or reversed in the cash books. Further, included in the figure of Kshs.20,848,577 is an amount of Kshs.600,000 relating to Mombasa van sales, for which the M-pesa statement was not provided for audit scrutiny.

- (iv). Further, the cash survey certificate for Kibarani station, Mombasa reflects cash amount of Kshs.14,000 which was indicated as locked in a safe and could not be accessed and Kshs.200,000 which was missing.

In view of the above, the cash and bank balances of Kshs.20,848,577 reflected in the financial statements as at 30 June 2017 are not fairly stated.

#### 14. Trade and Other Payables

The financial statements reflects trade and other payables balance of Kshs.407,640,854 which is an increase of Kshs.170,784,899 over the previous year's balance of Kshs.236,855,955. The increase in trade and other payables as disclosed in Note 22 to the financial statements was mainly in respect of trade payables by Kshs.79,371,435 and other payables by Kshs.92,808,758. However, the increase in trade and other payables was not supported and could not be justified considering that turnover was less than the previous year, and the total expenditure went down by over Kshs.500,000,000 during the year. Under the circumstances, the validity and accuracy of trade and other payables balance of Kshs.445,039,861 as at 30 June 2018 could not be ascertained.

## **15. Capital/Development Grants**

The statement of financial position as at 30 June 2018 still reflects capital/development grants of Kshs.223,000,000, which include an amount of Kshs.98,000,000 brought forward from the previous years and an amount of Kshs.125,000,000 received during the year under review. The whole amount of Kshs.223,000,000 was expended during the year on acquisition of some machinery and equipment that are disclosed under work in progress. The capital/development grants are, therefore, overstated by Kshs.223,000,000.

## **16. Government Loans**

As reported in the previous year and as disclosed in Note 21 to the financial statements, the Government advanced the Commission loans amounting to Kshs.300 million comprising Kshs.200 million in 2009/2010 and Kshs.100 million in 2010/2011, at an interest rate of 2% per annum. The principal amount was to be repaid in twenty semi-annual consecutive instalments commencing 30 June 2010. However, to date, the Commission has not settled either the principal instalments or the interest on the loans as provided for in the loan agreements. In addition, as at 30 June 2017, the accrued interest amounted to Kshs.41,528,835 and had been capitalized in breach of the terms of the loan agreements signed with the Government.

Further, the loan movement schedule from last year's balance of Kshs.334,832,191 to Kshs.341,528,835 as at 30 June 2018, was not provided for audit verification. Consequently, the completeness and accuracy of the outstanding loan balance of Kshs.341,528,835 could not be confirmed.

## **17. Bank Overdraft**

As was reported in the previous year, the Commission operated an overdraft account with the Cooperative Bank under Account 4000029 in the year ended 30 June 2016. No evidence had been provided to show that appropriate authority from the National Treasury was obtained before opening of the overdraft account. Although the account had a nil balance as at 30 June 2017 and 2018, no evidence was provided to show that the account had been closed or ceased operations.

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

### **Conclusion**

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

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

### **Conclusion**

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

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

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

In preparing the financial statements, management is responsible for assessing the ability of Kenya Meat Commission to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

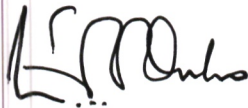
### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the

Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described under Conclusions on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for audit conclusions.

I am independent of Kenya Meat Commission in accordance with ISSAI 30 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**28 May 2019**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	2018 Kshs	2017 Kshs
<b>REVENUES</b>			
Sales/Turnover	6	284,734,260	332,165,635
<b>COST OF SALES</b>			
	9	394,211,868	829,636,979
<b>GROSS PROFIT</b>			
		(109,477,608)	(497,471,344)
<b>OPERATING INCOMES</b>			
Grants from National Government	7	97,500,000	470,000,000
Other Income	8	30,246,591	31,016,803
<b>TOTAL OPERATING INCOMES</b>			
		127,746,591	501,016,803
<b>Operating Costs</b>			
Operating Costs	10	191,327,271	236,555,508
Administration Costs	11	35,009,821	55,108,220
Selling and Distribution Costs	12	13,370,364	14,491,793
<b>OPERATING PROFIT/(LOSS)</b>			
		(221,438,473)	(302,610,062)
Finance Costs	13	6,696,644	6,597,517
<b>PROFIT/LOSS FOR THE YEAR</b>			
		(228,135,117)	(296,012,545)

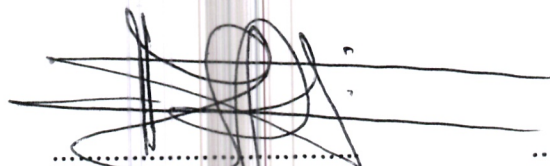
**Annual Reports and Financial Statements  
For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION**

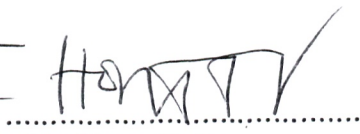
	Note	2018 Kshs	2017 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	2,116,884,423	1,966,843,963
<b>Total Non-Current Assets</b>		<b>2,116,884,423</b>	<b>1,966,843,963</b>
<b>Current Assets</b>			
Inventories	16	72,308,702	61,131,941
Trade and other receivables	15(a)	406,913,120	387,782,028
Bank and cash balances	17(a)	20,848,577	117,959,692
<b>Total -Current Assets</b>		<b>500,070,399</b>	<b>566,873,661</b>
<b>TOTAL ASSETS</b>		<b>2,616,954,822</b>	<b>2,533,717,624</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Reserves		814,150,346	814,150,346
Revaluation reserve		1,419,776,484	1,419,776,484
Fair value adjustment reserve		-	-
Retained earnings		(626,540,704)	(398,405,586)
Capital/Development Grants		223,000,000	98,000,000
<b>Total Capital and Reserves</b>		<b>1,830,386,126</b>	<b>1,933,521,244</b>
<b>Non-Current Liabilities</b>			
Borrowings	21	341,528,835	334,832,191
<b>Total Non-Current Liabilities</b>		<b>341,528,835</b>	<b>334,832,191</b>
<b>Current Liabilities</b>			
Trade and other payables	22	407,640,854	236,855,955
Provision for leave pay	23	4,728,176	2,852,765
Provision for gratuity	24	32,670,831	25,655,469
<b>Total Current Liabilities</b>		<b>445,039,861</b>	<b>265,364,189</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,616,954,822</b>	<b>2,533,717,624</b>

The financial statements were approved by the Board on 27<sup>th</sup> SEPT 2018 and signed on its behalf by:

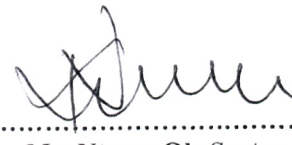
Signatures



Mr. Joseph Learano  
Managing Commissioner



Mr. Hosea Muita  
Ag, Chief Accountant



Mr. Ntoros Ole Senteu  
Chairman of the Board

**Annual Reports and Financial Statements  
For the year ended June 30, 2018**

**STATEMENT OF CHANGES IN EQUITY**

	<b>Capital Reserve</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Capital/ Development Grants/Fund</b>	<b>Total</b>
<b>At July 1, 2016</b>	<b>814,150,346</b>	<b>1,419,776,484</b>	<b>(102,393,041)</b>	<b>98,000,000</b>	<b><u>2,229,533,789</u></b>
Revaluation gain	-	-	-	-	-
Total comprehensive income	-	-	(296,012,545)	-	(296,012,545)
<b>At June 30, 2017</b>	<b>814,150,346</b>	<b>1,419,776,484</b>	<b>(398,405,586)</b>	<b>98,000,000</b>	<b><u>1,933,521,244</u></b>
Total comprehensive income	-	-	(228,135,117)	-	(228,135,117)
Capital/Development grants received during the year	-	-	-	125,000,000	125,000,000
<b>At June 30, 2018</b>	<b>814,150,346</b>	<b>1,419,776,484</b>	<b>(626,540,704)</b>	<b>223,000,000</b>	<b><u>1,830,386,126</u></b>

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**STATEMENT OF CASH FLOWS**

	Note	2018 Kshs	2017 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations			
Interest paid	25 (a)	(9,588,552)	(353,076,017)
Interest Capitalised	25 (d)	-	-
		6,696,644	6,597,517
<b>Net cash generated from/(used in) operating activities</b>		<b><u>(16,285,196)</u></b>	<b><u>(346,478,500)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment	14(a)	(226,234,568)	(7,303,779)
<b>Net cash generated from/(used in) investing activities</b>		<b><u>(226,234,568)</u></b>	<b><u>(7,303,779)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants from the government	3	125,000,000	-
<b>Net cash generated from/(used in) financing activities</b>		<b><u>125,000,000</u></b>	<b><u>45,875</u></b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(117,519,764)</u></b>	<b><u>(339,128,846)</u></b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	17 (c)	117,959,692	401,135,723
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b><u>20,848,577</u></b>	<b><u>62,006,877</u></b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018.**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Actual on comparable basis
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Sale of goods			2,025,081,639	284,734,260		14.06
Sale of services	2,025,081,639	-	-	-	1,740,347,379	
Transfers from the Government	-	-	500,000,000	222,500,000	-	44.50
Other income	500,000,000	-	30,000,000	30,246,591	277,500,000	100.82
	30,000,000	-	-	-	(246,591)	
<b>Total income</b>	<b>2,555,081,639</b>	<b>-</b>	<b>2,555,081,639</b>	<b>537,480,851</b>	<b>2,017,600,788</b>	<b>21.04</b>
<b>Expenses</b>						
Compensation of employees			111,578,331	76,252,528		68.34
Use of goods and services	111,578,331	-	1,727,187,457	394,211,868	35,325,802	22.82
Finance cost	1,813,724,476	86,537,019	6,537,890	6,696,644	1,332,975,590	102.43
Other payments	6,537,890	-	565,153,662	163,454,928	(158,754)	28.92
Grants and subsidies paid	689,091,662	123,938,000	-	-	401,698,734	
	-	-	-	-	-	
<b>Total expenditure</b>	<b>2,620,932,359</b>	<b>210,475,019</b>	<b>2,410,457,341</b>	<b>640,615,968</b>	<b>1,769,841,373</b>	<b>26.58</b>
<b>Surplus for the period</b>	<b>(65,850,720)</b>	<b>(210,475,019)</b>	<b>144,624,298</b>	<b>(103,135,117)</b>	<b>247,759,416</b>	<b>-71.31</b>

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For the year ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kenya Meat Commission is established by and derives its authority and accountability from Act of parliament cap 263 of 1950. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the production of quality meat and meat products for local and export market

**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 Financial Reporting Standards (IFRS) 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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a) Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Commission and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the Commission's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Commission's activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Commission delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- ii) **Grants from National Government** are recognized in the year in which the Commission actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

**b) In-kind contributions**

In-kind contributions are donations that are made to the Commissions in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Commission includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2.5 % or the unexpired lease period
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25%
Computers and related equipment	12.5%
Office equipment, furniture and fittings	12.5 %

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**m) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**n) Taxation**

***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.

**n) Taxation (Continued)**

***Current income tax (Continued)***

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 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.

**Annual Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**n) Taxation (Continued)**

***Deferred tax (Continued)***

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.

**o) Cash and cash equivalents**

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**q) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**r) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

**s) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**t) Budget information**

The original budget for FY 2017-2018 was approved by the board and subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**u) Comparative figures**

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

**v) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

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

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

### **Estimates and assumptions**

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

### **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 assets
- Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SALES/TURNOVER

	2018 Kshs	2017 Kshs
Gross sales of goods	284,734,260	332,165,635
<b>Total</b>	<b>284,734,260</b>	<b>332,165,635</b>

	Kshs	Athi- river
Athi- river		259,555,305
Mombasa		15,439,342
Ladhies		9,739,612
<b>Total</b>	<b>284,734,260</b>	<b>284,734,260</b>

7 GRANTS FROM NATIONAL GOVERNMENT

	2018 Kshs	2017 Kshs
Recurrent grants received	97,500,000	470,000,000
Capital grants realized	125,000,000	98,000,000
<b>Total</b>	<b>222,500,000</b>	<b>568,000,000</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. OTHER OPERATIVE INCOME

	2018	2017
	Kshs	Kshs
Sale of tender documents	308,200	771,600
Interest on staff loans	-	42,138
Discount received	11,591	-
Other income	63,000	150,765
Rental incomes	29,863,800	30,052,300
<b>Total</b>	<b>30,246,591</b>	<b>31,016,803</b>

9. COST OF SALES

	2018	2017
	Kshs	Kshs
Opening stock	61,131,940	62,613,286
Add: livestock purchases	252,890,093	698,110,981
add: Direct Wages	62,830,156	59,146,818
Add: General Factory expenses	34,996,318	18,042,511
Add: power & fuel	53,012,202	50,964,074
Add : factory rent& rates	1,659,860	1,891,249
Less: closing stock	72,308,702	61,131,940
<b>Total</b>	<b>394,211,868</b>	<b>829,636,979</b>

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**10. OPERATING EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff costs (note 10a)	76,252,528	111,782,920
Depreciation of property, plant and equipment(note 14)	76,194,108	75,891,872
General expenses	4,947,197	12,769,175
Bank charges		1,286,902
	857,654	
Factory Repairs & Maintenance	6,956,914	14,499,878
Travelling & accommodation	16,162,828	39,440,874
Increase/Decrease in Provision of Doubtful debts	1,841,748	(34,100,015)
Freight and Transport	7,302,293	14,171,902
Auditors' remuneration - current year fees	812,000	812,000
<b>Total</b>	<b>191,327,271</b>	<b>236,555,508</b>

**10 a STAFF COST**

Salaries and allowances of permanent employees	62,405,356	79,177,161
Compulsory national health insurance schemes	3,200,100	3,091,100
Compulsory national social security schemes	1,756,300	1,693,400
Leave pay and gratuity provisions	8,890,773	27,821,259
<b>Total</b>	<b>76,252,528</b>	<b>111,782,920</b>

**The average number of employees at the end of the year was:**

Permanent employees – Management	-	-
Permanent employees – Unionsable	242	229
Temporary and contract employees	43	64
<b>Total</b>	<b>285</b>	<b>293</b>

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**10. ADMINISTRATION COSTS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Business Licenses and Permits	411,977	1,392,375
Commissioners' emoluments	9,620,584	15,568,389
Security Expenses	2,878,674	3,243,919
Sanitation & Sewerage	2,414,808	2,214,739
Professional & Legal Fees	2,379,884	10,869,252
Medical Expenses	1,975,896	2,994,978
Office Expenses	79,955	3,399,468
Stationery	2,196,639	3,935,473
Telephone Expenses	1,313,880	1,099,553
Motor Vehicle Fuel	4,293,759	4,700,951
Computer and Internet Expenses	1,605,295	1,643,920
Insurance Expenses	5,838,471	4,045,204
<b>Total</b>	<b>35,009,821</b>	<b>55,108,220</b>

**Note 11 (b) Commissioners' Expenses**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Sitting allowance	6234327	12,345,731
Travel expenses	2342257	2,178,658
Chairman's Honoraria	1044000	1,044,000
<b>Total</b>	<b>9620584</b>	<b>15568389</b>

**11. SELLING AND DISTRIBUTION COSTS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and wages of sales personnel	12,669,264	12,638,256
Marketing and promotional expenses	701,100	1,853,537
<b>Total</b>	<b>13,370,364</b>	<b>14,491,793</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. FINANCE COSTS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest expense on loans	6,696,644	6,597,517
<b>Total</b>	<b>6,696,644</b>	<b>6,597,517</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**18. PROPERTY, PLANT AND EQUIPMENT****PROPERTY, PLANT & EQUIPMENT**

	2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>			2.50%	4.50%	25%	12.50%		
At July 1, 2017		381,200,000	1,418,101,853	893,021,722	71,505,998	63,468,417	-	2,827,297,990
Additions		-	-	1,212,142	-	2,022,426	223,000,000	226,234,568
At June 30, 2018		381,200,000	1,418,101,853	894,233,864	71,505,998	65,490,843	223,000,000	3,053,532,558
<b>DEPRECIATION</b>								-
At July 1, 2017		-	351,980,827	375,484,665	71,505,998	61,482,537	-	860,454,027
Charge for the year		-	35,452,546	40,240,524	-	501,038	-	76,194,108
At June 30, 2018		-	387,433,373	415,725,189	71,505,998	61,983,575	-	936,648,135
<b>NET BOOK VALUE</b>								
As at July 1 2017		381,200,000	1,066,121,026	517,537,057	-	1,985,880	-	1,966,843,963
At June 30, 2018		381,200,000	1,030,668,480	478,508,675	-	3,507,268	223,000,000	2,116,884,423

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Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including motor cycles	71,505,998	71,505,998
	<hr/> <b>71,505,998</b> <hr/>	<hr/> <b>71,505,998</b> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. TRADE AND OTHER RECEIVABLES

	2018 Kshs	2017 Kshs
Trade receivables (note 15 (b))	360,118,776	355,510,601
Staff receivables (note 15(c))	2,856,873	179,615
Rental Receivable	46,249,970	33,780,855
Gross trade and other receivables	409,225,619	389,471,071
Other: Provision for bad and doubtful receivable	2,312,498	1,689,043
Net trade and other receivables	<b>406,913,120</b>	<b>387,782,028</b>

15 (b) TRADE RECEIVABLES

	2018 Kshs	2017 Kshs
Gross trade receivables	379,072,396	373,245,928
Provision for doubtful receivables	18,953,620	17,735,327
	<b>360,118,776</b>	<b>355,510,601</b>

At June 30, the ageing analysis of the gross trade receivables was as follows:

	Athi- River	Mombasa
Less than 30 days	2,812,900	1,252,352
Between 30 and 60 days	20,200,665	2,048,418
Between 61 and 90 days	6,996,549	802,907
Between 91 and 120 days	8,128,318	4,085,081
Over 120 days	239,441,857	93,303,348
	<b>277,580,289</b>	<b>101,492,106</b>

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Aged summary

	<b>2018</b>	<b>2018</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At June 30, the ageing analysis of the gross trade receivables was as follows:	Athi-River	Mombasa	Rental
Less than 30 days	2,812,900	-	570,033
Between 30 and 60 days	18,949,363	1,251,302	2,138,058
Between 61 and 90 days	6,904,570	91,979	2,244,702
Between 91 and 120 days	8,075,558	52,760	(1,525)
Over 120 days	192,988,638	46,453,219	41,298,702
	<b>229,731,029</b>	<b>47849260.53</b>	<b>46249969.7</b>

**15 (c) STAFF RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross staff loans and advances	2,856,873	179,615
Less: Amounts due within one year	<b>2,856,873</b>	<b>179,615</b>

**16 INVENTORIES**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Engineering stores	18,205,962	16,866,836
Meat & meat products	24,437,556	16,440,033
Stationery and general stores	28,450,184	9,789,072
<b>Live Animals</b>		
Cows	750,000	7,254,000
Steers	-	702,000
Bulls	-	5,688,000
Hiefers	-	4,122,000
Calves	465,000	270,000
	<b>72,308,702</b>	<b>61,131,941</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

General Store		<b>2018</b>
		<b>Kshs</b>
Processing& Packing		6,626,337
Stationery		3,150,368
General stores		788,577
Empt cans		13,019,053
Protective Clothing		4,865,849
		<u><b>28,450,184</b></u>

Live Animals	No.	Unit	Kshs
Cows	25	30,000	750,000
Calves	31	15,000	465,000
	<b>56</b>		<u><b>1,215,000</b></u>

Products	Kgs	Unit	Kshs
Hooves	27774	9	236,076
Horns	43249	21	919,041
Semi-processed meat & bone meal			14,609,448
Cattles mask	2,000	50	100,000
	<b>73,023</b>		<u><b>15,864,565</b></u>

**16. BANK AND CASH BALANCES**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	17,925,276	111,446,460
Cash in hand	207,210	253,140
Mpesa	2,716,091	6,260,092
	<u><b>20,848,577</b></u>	<u><b>117,959,692</b></u>

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**BANK AND CASH BALANCES (Continued)**

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

Financial institution	Account number	2017-2018	2016-2017
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank		85,315	85,315
Co-operative bank of kenya		-	
Operations account	0112006567800	102,767	381,243
Working capital account	0112006567801	5,062,625	1,516,258
Rental account	0112006567802	53,128	26,504
Landhies rd account	0112006567803	8,844,898	27,059,712
Mombasa account	0112006567804	1,035,014	323,050
Rehabilitation account	0112006567805	214,094	69,135,242
Dollar account		55,690	61,760
Guarantee account		1,979,279	12,363,970
First Community bank Operations		492,466	492,466
National bank		-	940
<b>Sub- total cash at bank</b>		<b>17,925,276</b>	<b>111,446,460</b>
<b>Cash in Hand</b>			
Athi-River -General		24,005	-
Athi-River-Fuel			-
MC- petty cash		1,343	-
Mombasa		21,147	-
Ladhies		61,422	
		99,293	
<b>Sub- total</b>		<b>207,210</b>	<b>253,140</b>
<b>Mpesa</b>			
<b>Minishop</b>			
	117396	1,279,902	-
Kenyatta National Hospital Vansales	117397	634,139	-
<b>Vansales</b>	<b>117398</b>	4,760	-
Ladhies	117415	53,340	
Vansales	117416	143,950	
Mombasa		600,000	
Vansales	closed		
<b>Sub- total</b>		<b>2,716,091</b>	<b>6,260,092</b>
<b>Grand total</b>		<b>20,848,577</b>	<b>117,959,692</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18 REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**19 FAIR VALUE ADJUSTMENT RESERVE**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

**20 RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

**21 BORROWINGS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year	334,832,191	328,234,674
Capitalized Interest	6,696,644	6,597,517
Balance at end of the year	341,528,835	334,832,191
Amounts due after one year (non-current portion)	<b>341,528,835</b>	<b>334,832,191</b>

**22 TRADE AND OTHER PAYABLES**

**TRADE AND OTHER PAYABLES**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	273,624,594	194,253,159
Accrued expenses	2,898,604	4,276,899
Other payables	129,700,162	36,891,403
Rental deposits	1,417,494	1,434,494
	<b>407,640,854</b>	<b>236,855,955</b>

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**Aged summary**

	<b>2018 Kshs</b>	<b>2018 Kshs</b>	<b>2018 Kshs</b>	<b>2018 Kshs</b>
At June 30, the ageing analysis of the gross trade payables was as follows:	Livestock	General supplies	Statutory/other Deduction	Accrued expenses
Less than 30 days	2,857,689	2,759,887	4,944,765	2,877,775
Between 30 and 60 days	30,940,900	3,567,157	15,000	3,990
Between 61 and 90 days	20,663,349	4,625,916	936,366	16,839
Between 91 and 120 days	13,768,815	3,821,152	1,366,745	-
Over 120 days	120,351,863	70,267,867	122,437,285	-
	<b>188,582,614</b>	<b>85,041,980</b>	<b>129,700,162</b>	<b>2,898,604</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**22. PROVISION FOR LEAVE PAY**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year	2,852,765	3,656,687
Additional provision at end of year	3,750,821	1,361,868
Leave paid out or utilised during the year	1,875,411	2,165,790
Balance at end of the year	<b>4,728,176</b>	<b>2,852,765</b>

	Junior Staff	Management
	Kshs	Kshs
July	126,692	0
August	53,141	30,000
September	111,361	0
October	113,076	0
November	188,065	
December	139,120	10,000
January	193,006	
February	100,879	30,000
March	105,960	20,667
April	193,270	
May	267,133	0
June	163,042	30,000
Total	<b>1,754,744</b>	<b>120,667</b>

**23. RETIREMENT BENEFIT OBLIGATIONS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Valuation at the beginning of the year	25,655,469	-
Changes in valuation during the year	7,015,362	25,655,469
Valuation at end of the year	<b>32,670,831</b>	<b>25,655,469</b>

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**NOTES TO THE STATEMENT OF CASH FLOWS**

**2.5 NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)		
	(228,135,117)	(296,012,545)
Depreciation	76,194,108	75,891,872
Operating profit/(loss) before working capital changes	<b>(151,941,009)</b>	<b>(220,120,673)</b>
(Increase)/decrease in inventories	(11,176,761)	1,481,346
(Increase)/decrease in trade and other receivables	(19,131,092)	(60,084,948)
Increase/(decrease) in trade and other payables	170,784,899	(74,351,742)
Increase/(decrease) in provision for staff leave pay	1,875,411	-
Sub-Total		
Cash generated from/(used in) operations	<b>(9,588,552)</b>	<b>(353,076,017)</b>
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	334,832,191	326,894,512
Accrued interest	-	7,937,679
Balance at end of the year	<b>334,832,191</b>	<b>334,832,191</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	17,925,276	111,446,460
Cash in hand	207,210	253,140
Mpesa	2,716,091	6,260,092
Balance at end of the year	<b>20,848,577</b>	<b>117,959,692</b>

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	2,018 Kshs	2,017 Kshs
<b>(d) Analysis of interest paid</b>		
Interest on loans (note 10)	6,696,644	6,597,517
Interest on loans capitalised	<u>6,696,644</u>	<u>6,597,517</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**26. RELATED PARTY DISCLOSURES**

(a) **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:

**27. CONTINGENT LIABILITIES**

	<b>2018</b> <b>Kshs</b>	<b>2017</b> <b>Kshs</b>
Legal claims against the entity	10,000,000	10,000,000
	<b>10,000,000</b>	<b>10,000,000</b>

**28. 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 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

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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:

	<b>Total amount</b> <b>Kshs</b>	<b>Fully performing</b> <b>Kshs</b>	<b>Past due</b> <b>Kshs</b>	<b>Impaired</b> <b>Kshs</b>
<b>At 30 June 2018</b>				
Receivables from non exchange transactions	406,913,120	91,728,332	315,184,789	315,184,789
Bank balances	20,848,577	20,848,577		
<b>Total</b>	<b>427,761,697</b>	<b>112,576,909</b>	<b>315,184,789</b>	<b>315,184,789</b>

**(i) Credit risk (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 company'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 entity'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.

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**(ii) Liquidity risk management (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2018</b>				
Trade payables	13,440,115	60,769,518	332,013,727	406,223,360
Provisions	672,005.77	3,038,475.89	16,600,686.33	20,311,168
Employee benefit obligation	12608495.67	37825487	100867965.4	151,301,948
<b>Total</b>	<b>26,720,617</b>	<b>101,633,481</b>	<b>449,482,378</b>	<b>577,836,476</b>

**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 Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management 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.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FINANCIAL RISK MANAGEMENT (Continued)**

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:

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.

**a) 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.

**iv. 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:

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	1,419,776,484	1,419,776,484
Retained earnings	(626,540,704)	(398,405,586)
Capital reserve	814,150,346	814,150,346
Development grants	223,000,000	98,000,000
<b>Total funds</b>	<b>1830386126</b>	<b>1933521244</b>
Total borrowings	341528834.8	334832191
Less: cash and bank balances	20,848,577	117,959,692
Net debt/(excess cash and cash equivalents)	<b>320,680,258</b>	<b>216,872,499</b>
<b>Gearing</b>	<b>0.18</b>	<b>0.1</b>

**29 INCOPORATION**

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

**30 EVENTS AFTER THE REPORTING PERIOD**

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

**30. CURRENCY**

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

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APPENDIX 1:

Kenya Meat Commission			
ENTITY NAME:			
<b>Break down of Transfers from the State Department of Livestock</b>			
<b>FY 2017/2018</b>			
<b>a. Recurrent Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	19/2/2018	32,500,000	2017/18
	19/2/2018	65,000,000	2017/18
		-	
	<b>Total</b>	<b>97,500,000</b>	
<b>b. Development Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	27/11/2017	125,000,000	2017/18
		-	
		-	
	<b>Total</b>	<b>125,000,000</b>	