

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 15 AUG 2024 Thursday

TABLED
BY:

Hon. Owen Bwalya, MP
Deputy Leader of majority

CLERK AT
THE TABLE

Chelot Kerkei

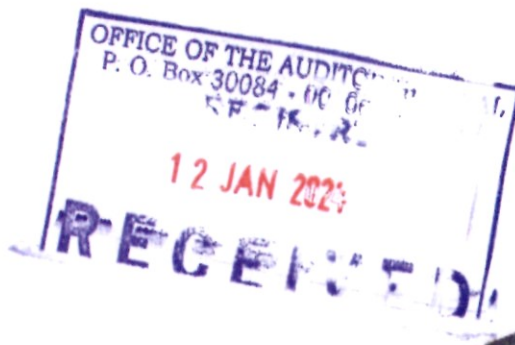
PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

KENYA MEAT COMMISSION

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



REPUBLIC OF KENYA



KENYA MEAT COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

Prepared in Accordance with the International Financial Reporting Standards (IFRS)

Table of Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Key Commission Information.....	iii
3. The Board of Commissioners	v
4. Key Management Team.....	vi
5. Chairman’s Statement.....	vii
6. Report of the Managing Commissioner.....	viii
7. Statement of Performance against Predetermined Objectives for FY 2022/23	xi
8. Corporate Governance Statement	xiii
9. Management Discussion and Analysis	xv
10. Environmental and Sustainability Reporting.....	xviii
Corporate Social Responsibility Statement.....	xviii
11. Report of the Commissioners.....	xx
12. Statement of Commissioners’ Responsibilities	xxi
13. Report of the Independent Auditors on the financial statements for Kenya Meat Commission xxii	
14. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 th June 2023.1	
15. Statement of Financial Position as at 30 June 2023.....	2
16. Statement of Changes in Equity for the year ended 30 June 2023	3
17. Statement of Cash Flows for the year ended 30 June 2023	4
18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023	
19. Notes to the Financial Statements.....	6
20. Appendices 45	

1. Acronyms and Glossary of Terms

<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MC</i>	<i>Managing Commissioner</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFM</i>	<i>Public Finance Management.</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>CPF</i>	<i>County Pension Fund</i>
<i>C.O.S</i>	<i>Cost of Sales</i>
<i>B.E.T.A</i>	<i>Bottom up Economic Transformation Agenda</i>
<i>MT</i>	<i>Metric Tones</i>
<i>MTP</i>	<i>Medium Term Plans</i>
<i>ISO</i>	<i>International Standard Organization</i>
<i>SDG</i>	<i>Sustainable Development Goals</i>
<i>SPS</i>	<i>Sustainable Power Solutions</i>
<i>ERP</i>	<i>Enterprise Resource Planning</i>
<i>CSR</i>	<i>Corporate Social Responsibility</i>
<i>IAS</i>	<i>International Accounting Standards</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>FVTPL</i>	<i>Fair Value Through Profit or Loss</i>
<i>NSSF</i>	<i>National Social Security Funds</i>
<i>MTI</i>	<i>Medical Training Institute</i>
<i>FY</i>	<i>Financial Year</i>

2. Key Commission Information

a) 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 and Livestock Development 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 Landhies Road, Nairobi

b) Principal Activities

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

c) Commissioners

The Commissioners who served the Commission during the year/period were as follows:

1.	Lt. Gen (Rtd) Joseph Kasaon	Chairman	16/10/2019
2	Brig (Rtd) Dr. Charles Otiato	Commissioner	20/11/2020
3	Brig (Rtd) George Esekon Ejalan	Commissioner	20/11/2020
4	Brig (Rtd) Philip Laibon Lepakio	Commissioner	20/11/2020
5	Brig (Rtd) Joseph Benjamin Mutuku Mweu	Commissioner	20/11/2020
6	Dr. Patricia M. Kingori - Mugendi	Commissioner	20/11/2020
7	M/s Mary Mulili	Commissioner	20/11/2020
8	Mr. Patrick Ngicuru -Rep, PS, Min. of Agriculture	Commissioner	11/11/2019
9	Mr. Francis Kariuki – Rep PS, Min. of Finance	Commissioner	14/10/2015
10	Dr. Obadiah Nyaga - DVS	Commissioner	05/03/2018
11	Mr. Victor Momanyi –Rep Scac	Commissioner	-
12	Brig. James N. Githaga	Managing Commissioner	1/04/2021

Key Commission Information (continued)

d) Corporate Secretary

Anthony Omondi Ademba
P.O. Box 2-00204
Nairobi, Kenya

e) Registered Office

Kenya Meat Commission
Athi River, Mavoko
P.O. Box 2-00204
Athi River
Off Mombasa Road

f) Corporate Headquarters

P.O. Box 2-00204
Kenya Meat Commission
Athi River, Mavoko
Off Mombasa Road

g) Corporate Contacts

Telephone: (020) 2424051/ 045 6626041/2/4
E-mail: info@kenyameat.co.ke
Website: www.kenyameat.co.ke

h) Corporate Bankers

1. Co-operative Bank of Kenya
Athi River
2. Kenya Commercial Bank
Kitengela Branch

i) Independent Auditors

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

j) Principal Legal Advisers

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

Kenya Meat Commission
Annual Report and Financial Statements for the year ended June 30, 2023

3. The Board of Commissioners

No	Name	Designation	Highest qualification	Date of Appointment	Expiry Date
1.	Lt. Gen (Rtd) Joseph Kasaon	Chairman	Master Degree	18/11/2022	17/11/2025
2	Brig (Rtd) Dr. Charles Oriato	Commissioner	PHD	06/11/2021	05/10/2024
3	Brig (Rtd) George Esekon Ejalan	Commissioner	Master Degree	06/11/2021	05/10/2024
4	Brig (Rtd) Philip Laibon Lepakio	Commissioner	Master Degree	06/11/2021	05/10/2024
5	Brig (Rtd) Joseph Benjamin Mutuku Mweu	Commissioner		06/11/2021	05/10/2024
6	Dr. Patricia M. Kingori - Mugendi	Commissioner	Master Degree	06/11/2021	05/10/2024
7	M/s Mary Mulili	Commissioner	Master Degree	06/11/2021	05/10/2024
8	Mr. Patrick Ngicuru	Commissioner	-	11/11/2019	PS Rep
9	Mr. Francis Kariuki	Commissioner	Master Degree	14/10/2015	PS Rep
10	Dr. Obadiah Nyaga	Commissioner	PHD	05/03/2018	PS Rep
11	Mr. Victor Momanyi	Commissioner		02/01/2019	IG Rep – State Corporation
12	Brig. James N. Githaga	Managing Commissioner	Master Degree	1/04/2021	31/03/2023
13	Anthony Omondi Ademba	Company Secretary	LLB(Nbi), Dip (Ksl)	01/08/2020	As per Contract

4. Key Management Team

 <p>Br. James Nderitu Githaga – Managing Commissioner BA, Post graduate diploma</p>	 <p>Mr. Anthony Ademba -Head, Legal Affairs & Company Secretary LLB(Nbi), Dip (Ksl)</p>
 <p>Stelah Nyaga – Ag Manager, HR & Administration</p>	 <p>Brian Okeyo – Ag. ICT Manager.</p>
 <p>Mr Joakim Boli – Ag Manager Supply Chain</p>	 <p>Mr. Festus Mutulu - Manager, Internal Audit MSC, BCOM, CPA(K)</p>
 <p>Ms. Lydia Mandila - Sales & Marketing MBA, BBA</p>	 <p>Dr. Cyril Cheruiyot - Manager, Livestock MSC</p>
 <p>Ms. Gaudencia Liambila - Manager, Production MBA, BSC</p>	 <p>Lt Col Kinuthia – Ag Chief Accountant</p>
 <p>Ms. Sarah Chepkoech - Manager, Quality Assurance BSC, FOOD SC</p>	 <p>Maj Ochiel Joel - Ag Manager, Engineering</p>

5. Chairman's Statement

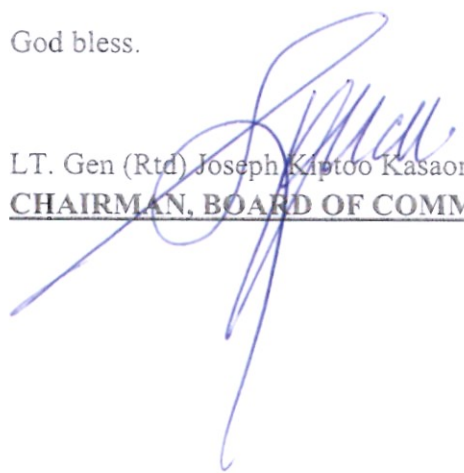
The Financial year 2022/2023 marked the second year of operations under the new management. The Commission continued with implementation of the second phase of KMC Business Plan 2021. During the year, the Commission acquired and installed a new value addition line which has increased capacity and range for value added products. The Commission ventured into franchise business with five (5) new Nyama Haven shops.

The Commission maintained its performance in sales revenue during FY 2022/2023 as compared to FY 2021/2022 despite prolonged drought that adversely affected supply of livestock for eight (8) months from September 2022 to April 2023. In the financial year 2022/2023, revenue from sale of meat and meat products stood at **Ksh. 2,782,236,329** compared to **Ksh. 2,802,538,721** realised in the year 2021/2022 recording a slight decline of **0.72%**. The decline was as a result of stock outs and low quality of meat products as a result of drought. In addition, delayed payments by Government agencies affected the Commission's cash flow impacting negatively on timely payment of bills eroding livestock suppliers' confidence.

The Commission appreciates the National Treasury financial support. The commission received **Ksh. 357,000,000.00** from the government for recurrent expenditure and **Ksh. 307,500,000.00** capital grants for factory modernisation during the year.

The Commission has asserted itself in the market and ready for take-off. To cement the next growth phase, the Commission has developed a new strategic plan 2023/24 to 2027/2028 that will steer the commission as a self-sustaining meat processor without depending on exchequer. May I conclude by sincerely thanking all those who supported the Commission in its recovery plan including our Customers, the Government of Kenya represented by the Ministry of Finance, Ministry of Defence, Ministry of Agriculture and Livestock Development, and other stake-holders. I wish to thank my fellow Board of Commissioners and Management team for their support during the year.

God bless.



LT. Gen (Rtd) Joseph Kiptoo Kasaon
CHAIRMAN, BOARD OF COMMISSIONERS

6. Report of the Managing Commissioner

In the year under review, main focus was implementation of Phase 2 of KMC Business Plan 2021. The Commission continued to grow its markets in both Government institutions and commercial markets. The operating environment was affected by prolonged drought which affected supply of quality raw materials for eight (8) months. Improvement of factory infrastructure continued with repair of terrazzo floor and walling in the cut beef area and cold rooms in Athi River. The Commission acquired, installed and commissioned a new value addition line which has increased capacity and range for value added products. The Commission ventured into franchise business with five (5) new Nyama Haven shops in Kiambu Rd, Nairobi City centre, Lang'ata, Embakasi and Rongai. This has enhanced KMC presence in Nairobi metropolitan area. The Commission finalised rehabilitation of Kibarani factory in Mombasa and commenced slaughter operations in August 2022.

Product description	Achievement 2022/2023		Achievement 2021/2022	
	No.	MT	No.	MT
Large stock slaughtered	51,775	5,748	60,210	6,283.1
Shoats	20,692	256	9,220	120.67
Corned Beef	935,520	280	1,387,506	421.88
Hides	51,775	1,017	60,269	1,131.15
Value Added products	-	1,081	-	-
Animal feeds	15,133	757	7,934	396.56

In the financial year 2022/2023, sale of meat and meat products stood at **Ksh. 2,782,236,329** compared to **Ksh. 2,802,538,721** realised in the year 2021/2022 recording a slight decline of 0.72%. The decline was as a result of prolonged drought that affected supply of livestock and quality of meat in high end markets. The Commission realised **Ksh. 51,571,227** from rental income during the year compared to the previous year of **Ksh. 57,917,581** It is worth noting that rent income decreased by 11% due to repair works which was done on one estate for three Months to improve the houses. In addition, more houses were allocated to staff who pay subsidised rates. The commission received **Ksh. 357,000,000.00** from the government for recurrent expenditure, and **Ksh. 307,500,000.00** capital grants for factory modernisation. The recurrent funds allocated were used to settle historical debts, pending staff gratuities, court awards and legal costs. The bulk of

capital grants were used for rehabilitation of Kibarani factory and procurement of Value addition line.

Contingent liabilities - The Commission has reduced ongoing court cases to sixteen (16) from twenty one (21) in the previous year. Total contingent liability stands at **Kshs. 202,820,741** Pending court cases continue to impact on the Commission negatively due to huge awards especially on wrongful termination of staff.

STRATEGY

The Commission has developed a new five year strategic plan 2023/24 to 2027/28 that aims at making KMC a self-sustaining entity. We are confident that the new strategic plan will assure stronger revenue growth and improved profits in future. The ultimate goal is to ensure the Commission plays its role in economic development by being the main anchor for livestock farmers in Kenya, and guaranteeing livelihoods of Kenyans by providing quality meat products. We have so far re-established KMC as a strategic national agency for socio economic development. Demand for meat and meat products continues to grow and the quality of supply has improved in the last decade due to investments and expansion of the meat sector. The Commission will take advantage of this demand to grow its fortunes in future.

I want to assure all our stakeholders that the Commission has a bright future and will endeavour to fulfil its mandate and contribute to economic well-being of livestock farmers in Kenya. The Commission is in the right track of regaining its position as a market leader in meat industry not only in Kenya but regionally.

SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT

KMC recognizes the importance of continuous key stakeholders' engagement. Frequent meetings with livestock farmers have increased confidence and constant supply of raw materials. Cordial relationships with County governments under which livestock function falls remains critical to improvement of livestock husbandry in major raw material catchment areas. Focus on quality control measures in line with the Commission's mantra 'A cut above the best!' will be the benchmark for market penetration and sustainability of KMC drive to regain its position as a market leader in meat industry. The Commission commits to carry on its operations in an environmental friendly manner through reduction of harmful effluents which were previously contaminating the environment.


Kenya Meat Commission

Annual Report and Financial Statements for the year ended June 30, 2023

FUTURE OUTLOOK

The future looks bright for the Commission. The Commission will focus on optimising its value addition capability, new market penetration strategies through opening more Franchise shops after a successful pilot test with five (5) Nyama haven shops within Nairobi metropolitan area. The Commission is shifting its focus from relying of Government institutions as its main market to commercial customers and export business to improve on its cash flow. The Commission is in the process of acquiring ISO Certification in preparation to venture into export markets. We are confident that these plans will benefit more livestock farmers in the country and strengthen the Commission financial status through revenue growth and improved profits.

Thank you.


BRIG. JAMES N. GITHAGA
MANAGING COMMISSIONER.

7. Statement of Performance against Predetermined Objectives for FY 2022/23

Strategic Objectives

To formulate and successfully implement turnaround strategies in the Commission with a view of boosting operations geared towards the attainment of competitive advantage in order to ensure the commission's survival and profitability. The specific objectives for the period and performance were as tabulated on the below table: -

Key Output	K.P.I	Planned Targets		Achieved Targets		Remarks
		2021/22	2022/23	2021/22	2022/23	
Meat and meat products produced	MT	4,813	7,954	6,283	5,748	Decline due to prolonged drought
Hides and skins produced	MT	1,200	1,301	1,131	1,017	Small Size of Animals leading to low yield
By-products produced	MT	300	870	396	757	Target not achieved due to reduced operations due to drought
Corned beef produced	MT	657	1,620	421	281	Targeted export market was not achieved

STATEMENT OF STRATEGIC INTENT BY THE BOARD

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the KMC. We will also pay special attention to implementation of MTP IV and Bottom up Economic Transformation Agenda (BETA) for realisation on Government National goals. Bearing in mind the imperative of inclusivity, we will implement the following Strategic Intentions during the Financial Year:

- (i) Ensure that KMC move the country towards achieving the BETA Agenda on food and nutrition security, manufacturing and agro processing by increasing the production of meat

Kenya Meat Commission

Annual Report and Financial Statements for the year ended June 30, 2023

and meat products i.e canned corned beef, animal feeds, hides and skin to local tanneries, and development of feedlot.

- (ii) Improve market access for livestock farmers and trade strategies for meat and meat products
- (iii) Increase the production capacity from the previous 4,000 livestock per month to 6,000 per month to satisfy the assured market of fresh meat and corned beef to security agencies, and other non-security customers currently requiring an average of 2 tons of meat per day
- (iv) Increase the factory operating capacity from previous 20% to 40 %.

CORE MANDATE

KMC's priority programmes/ projects ("Vision 2030 Flagship Projects, Post COVID-19 Recovery Strategies and Plans and Other Programmes/ Projects) aligned to SDGs, Agenda 2063 and SPS

In line with its' Mandate, the Commission will contribute to SDGs on no poverty and zero hunger. In regard to Sector Performance Standards the Commission will implement activities geared towards sustainability of Livestock Subsector as an Enterprise as well as provide high quality hides & skins used as raw materials in the Leather Industry.

Livestock Procured

In the FY 2022/23 the Commission procured 72,467 livestock, 51,775 large stock and 20,692 shoats against the target of 72,000 large stock. Under achievement of the above target was occasioned by prolonged drought that affected supply for eight (8) months.

Kenya Meat Commission
Annual Report and Financial Statements for the year ended June 30, 2023

8. Corporate Governance Statement

BOARD MEETINGS

The Board held meetings regularly during the FY 2022/2023, at least one every quarter in accordance with statutory requirements and one special meeting as need arose. The attendance for the meeting was as follows: -

FULL BOARD MEETINGS

DATE	Lt. Gen (Rtd) J. Kasoon	Brig (Rtd) Dr. C. Otiato	Brig. (Rtd) G. Ejalan	Brig. (Rtd) P. Lepakio	Brig. (Rtd) JB Mweu	Dr. P.M. Kingori	Mary Muthi	Brig. James Githaga	Patrick Ngicuru	Francis Karuki	Obadiah Nyaga	Victor Momanyi
4/07/2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
12/10/2022	✓	✓	✓	✓	✓	✓	✓	✓				✓
13/10/2022	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
13/10/2022	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
01/02/2023	✓	✓	✓			✓	✓	✓	✓			✓
10/03/2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
04/06/2023	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
28/04/2022	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
02/06/2022	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓

Kenya Meat Commission
Annual Report and Financial Statements for the year ended June 30, 2023

COMMITTEE MEETINGS													
DATE	Lt. Gen (Rtd) J.	Brig (Rtd) Dr. C. Otato	Brig. (Rtd) G. Etlan	Brig. (Rtd) P. Lepakio	Brig. (Rtd) JB Mwen	Dr. P.M. Kingori	Mary Muthi	C.K. Muhia	Patrick Ngicuru	Francis Karuki	Obadiah Nyaga	Victor Momanyi	Brig. J.N. Githaga
19/07/2022		✓		✓	✓				✓	✓			✓
21/07/2022			✓		✓	✓							✓
22/07/2022				✓					✓				✓
22/07/2022					✓		✓		✓				✓
05/10/2022		✓		✓						✓	✓		✓
06/10/2022				✓	✓	✓			✓	✓	✓		✓
06/10/2022					✓		✓		✓	✓	✓		✓
07/10/2022			✓		✓				✓	✓			✓
12/10/2022		✓		✓	✓					✓		✓	✓
17/01/2023			✓		✓					✓		✓	✓
18/01/2023		✓		✓	✓					✓		✓	✓
19/01/2023				✓	✓	✓				✓	✓		✓
19/1/2023					✓		✓		✓	✓	✓		✓
23/02/2023		✓		✓	✓				✓	✓			✓
09/03/2023		✓		✓					✓	✓			✓
11/03/2023		✓		✓					✓	✓			✓
18/04/2023		✓		✓						✓	✓		✓
19/04/2023				✓		✓				✓	✓		✓
19/04/2023					✓		✓		✓	✓	✓		✓
10/04/2023			✓		✓				✓	✓	✓		✓
03/05/2023			✓		✓				✓	✓	✓		✓
22/05/2023			✓						✓	✓	✓		✓
22/05/2023			✓						✓	✓	✓		✓
23/05/2023			✓						✓	✓	✓		✓
24/05/2023			✓						✓	✓	✓		✓
24/05/2023			✓						✓	✓	✓		✓
25/05/2023			✓						✓	✓	✓		✓
25/03/2023			✓						✓	✓	✓		✓

9. Management Discussion and Analysis

The Financial year 2022/2023 marked the second year of operations under the new management. The Commission continued with implementation of the second phase of KMC Business Plan 2021. During the year, the Commission acquired and installed a new value addition line which has increased capacity and range for value added products. The Commission ventured into franchise business with five (5) new Nyama Haven shops

FINANCIAL PERFORMANCE.

The Commission reported a profit of Ksh. 126,179,315 for the period as compared to the previous year's profit of Ksh. 242,193,283.

The decline was as a result of prolonged drought that affected supply of quality livestock leading to low yields. The Commission cleared a bulk of historical debts especially on terminal dues and court awards. Due to inflation, prices of most of the production raw materials shot resulting to high production cost and shrinking profits. During the same year, the Commission improved the welfare of staff who had been neglected for a long period.

COMPLIANCE WITH BUDGETS

The commission continues to comply and spend within the budget without exceptions. This is achieved by ensuring that all the heads of departments fully understand 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 commissions' unpaid bills stood at Ksh. 305.4 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general suppliers. The commission will continue settling the debts after verification since some of them date back to 2013.

MANAGEMENT SYSTEMS

The commission currently uses Sage X3 ERP as the accounting software. The System has so far integrated most of the accounting operations and enhanced controls. However, this system was still in implementation stage during the period and is expected to stabilize with time. Some of the challenges experienced were integration of production and stocks modules. This has resulted to difficulties in ensuring proper stocks control and capturing of cost of sales.

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 holds regular meetings 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.

SUCCESSION PLAN

Under Mwongozo Code of Governance, the appointing authority is required to ensure the tenures of the Commission 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 COMMISSIONERS

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.

COMMISSIONERS' PERFORMANCE

As required by Mwongozo the performance of the Commission was evaluated covering the Commission as a whole, its committees, individual members, the Chairperson, the Managing Commissioner which was presided over by SCAC.

CONFLICT OF INTEREST

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

10. Environmental and Sustainability Reporting

Sustainability report

Kenya Meat Commission ensures that in the process of conducting business and in its operations it protects the environment by complying with the applicable environmental laws and regulation.

Kenya Meat Commission has an environmental management system and policy to ensure that the operational practices conserves and protects the environment. To achieve environmental sustainability, the Commission services and maintains its equipment that is the boiler, vehicles and generators to make sure that the gas emissions from the equipment comply with the air quality regulations.

The commission has planted two thousand trees in the financial year 2022-2023 to protect the environment.

Kenya Meat Commission reduces the wastes produced during its operations by processing inedible meat products to animal feed, processing blood to blood meal and utilizing cow droppings as manure.

Corporate Social Responsibility Statement

During the year 2022-2023 the Commission engaged in several CSR activities with the aim of promoting its existence in the society. Below are some of the activities the commission engaged in during the financial period 2021/22.

Food security-

Offtake program – The Commission partnered with the National Government and other line state departments in conducting offtake programs which helped mitigate losses of drought stricken families in Arid and Semi-Arid Regions.

Affordable housing- Rehabilitating houses for KMC staff, renting to public servants and locals at the fairest of price rates in the market

Vision 2030

The objective is to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment.

Pillars of Vision 2030:

- ✓ **Economic and Macro Pillar-** KMC has helped tackle accessibility of Kenyan Meat, Leather and other products to Local and International markets from established Disease-Free Zones (DFZs)
- ✓ Setting up of Mpesa shops to help the community
- ✓ Setting up Defco shop to ensure staff and Athi River community have access to products of subsidized prices
- ✓ **Social Pillar-** KMC has helped in investing in people's Education through its MTI – paid for slaughter attendants' course for its employees and thereby elevating the livelihoods of the Nation.
- ✓ Allowed the community's transportation unit set up a Boda boda stage at the busy Nyama Haven grounds
- ✓ Have hosted schools and other institutions for tours within the Commission as well as attachees
- ✓ Have provided free samples of meat/meat products to institutions of a national scale, learning institutions, tournaments and social forums
- ✓ **Political Pillar-** KMC has reflected the aspirations and expectations of the government of the day by fulfilling its role of supporting the citizens of this great republic.

11. Report of the Commissioners

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

i) Principal activities

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

ii) Results

The results of the Commission for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

	2022/2023	2021/2022
	Ksh.	Ksh.
Total Comprehensive Income/(Loss)	126,179,315	242,193,283

iii) Dividends

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

iv) Commissioners

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

v) Auditors

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

By Order of the Board



.....
Anthony Omondi Ademba

Corporate Secretary/Secretary to the Board

Date. **30/09/2023**

12. Statement of Commissioners' 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 gives 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 Commissioners are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Commissioners are also responsible for safeguarding the assets of the entity.

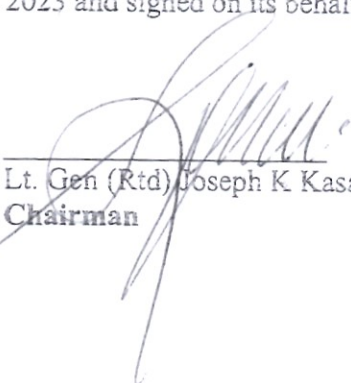
The Commissioners are responsible for the preparation and presentation of the Commissions financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate 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 Commissioners 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, 2023, and of the Commissions' 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 Commissions' 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 30/09/
2023 and signed on its behalf by:


Lt. Gen (Rtd) Joseph K. Kasaon
Chairman


Brig James N. Githaga
Managing Commissioner

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 1 to 55, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income,

Report of the Auditor-General on Kenya Meat Commission for the year ended 30 June, 2023

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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Meat Commission as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Kenya Meat Commission Act, 2012 Cap 363.

Basis for Qualified Opinion

1. Unsupported Cash and Bank Balances

The statement of financial position reflects a balance of Kshs.131,427,693 in respect of bank and cash balances which as disclosed in Note 18 to the financial statements includes amounts of Kshs.80,794, Kshs.11,000 and Kshs.500 held in an Mpesa account and two separate bank accounts respectively. However, bank statements and certificates of bank balances for the two bank accounts were not provided for audit. Similarly, supporting documents for the Mpesa balance of Kshs.80,794 were not provided for audit.

In the circumstances, the accuracy of the bank and cash balances of Kshs.131,427,693 could not be confirmed.

2. Failure to Revalue Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.1,962,633,385 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. However, the last valuation of property, plant and equipment was carried out in 2007. This was contrary to Paragraph 31 of International Accounting Standard (IAS) 16 which states that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which will be determined using fair value at the end of the reporting period. The frequency of revaluation depend upon the changes in fair value but it will be necessary to revalue the asset every three or five year.

In the circumstances, the accuracy and fair value of the property, plant and equipment balance of Kshs.1,962,633,385 as at 30 June, 2023 could not be confirmed.

3. Inaccurate Non-Current Liabilities Balance

The statement of financial position reflects a balance of Kshs.357,932,440 under non-current liabilities (borrowings). However, records maintained by The National Treasury reflects an outstanding loan balance of Kshs.977,332,146 comprised of Kshs.940,241,100 and Kshs.37,091,046 in respect of outstanding loan principal and interest respectively. The resultant difference of Kshs.619,399,706 between the two sets of records was not explained.

Further, available information indicates that The National Treasury had in April, 2022 appointed a team to verify the Government loans to the Kenya Meat Commission (KMC). Following verification of the loans, KMC was instructed by The National Treasury to recognise in its books a total loan amount of Kshs.1,667,125,232 as 30 June, 2021. KMC was also instructed to continue accruing interest and provide a repayment plan for settling the debt of Kshs.1,667,125,232 owed to The National Treasury. However, Management has to date not recognised the loan amount of Kshs.1,667,125,232 in its books or provided a repayment plan as required.

In the circumstances, the accuracy of the non-current liabilities balance of Kshs.357,932,440 as at 30 June, 2023 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management did not provide explanations for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular Variation of Contract

The statement of financial position reflects a balance of Kshs.131,427,693 in respect of bank and cash balances which as disclosed in Note 18 to the financial statements, includes a bank guarantee amount of Kshs.6,000,000 relating to supply of fuel through electronic fuel cards. Review of the fuel supply agreement revealed that the credit limit and guarantee were reviewed from Kshs.2,000,000 and Kshs.4,000,000 to Kshs.3,000,000 and Kshs.6,000,000, respectively. This resulted to a variation in the contract price by fifty percent (50%) of the original contractual terms. This is contrary to Section 139(4) (d) of the Public Procurement and Assets Disposal Act, 2015 which provides that the cumulative value of all contract variation should not exceed twenty five percent (25%) of the original contact price.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Commissioners

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

In preparing the financial statements, Management is responsible for assessing the Commission's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish the Commission or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 June, 2024

Kenya Meat Commission

Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2023.

	Note	2022/2023	2021/2022
		Kshs	Kshs
REVENUES			
Sales/Turnover	6	2,782,236,329	2,802,538,721
Cost of Sales	7	2,249,648,649	2,577,409,870
GROSS PROFIT/(LOSS)		532,587,681	225,128,850
OPERATING INCOMES			
Grants from National Government (O&M)	8a	357,000,000	920,000,000
Grants from National Government (Offtake)	8c	350,000,000	-
Other Income	9	694,740,033	58,509,938
TOTAL OPERATING INCOMES		1,401,740,033	978,509,938
OPERATING EXPENSES			
Administration Costs	11	895,534,772	844,774,754
Selling and Distribution Costs	12	3,303,509	5,906,443
Offtake Costs	11b	848,074,619	-
Total Operating Costs		1,746,912,901	850,681,197
OPERATING PROFIT		187,414,813	352,957,591
Finance Costs	13	7,158,649	6,967,187
PROFIT/(LOSS) BEFORE TAXATION		180,256,164	345,990,405
INCOME TAX EXPENSE/(CREDIT)		54,076,849	103,797,121
PROFIT/(LOSS) AFTER TAXATION		126,179,315	242,193,283


Kenya Meat Commission

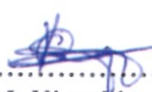
Annual Report and Financial Statements for the year ended June 30, 2023


15. Statement of Financial Position as at 30 June 2023

	Note	2022/2023 Kshs	2021/2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	1,962,633,385	1,926,909,113
Total Non-Current Assets		1,962,633,385	1,926,909,113
Current Assets			
Inventories	16	76,149,689	63,396,749
Other Current Assets	16(b)	112,438,925	146,600,200
Trade and other receivables	17	1,038,479,243	1,699,756,300
Bank and cash balances	18	131,427,693	17,971,194
Total -Current Assets		1,358,495,550	1,927,724,443
TOTAL ASSETS		3,321,128,935	3,854,633,556
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves		1,241,650,346	934,150,346
Revaluation reserve		1,419,776,484	1,419,776,484
Retained earnings		(477,677,970)	(603,857,284)
Total Capital and Reserves		2,183,748,860	1,750,069,546
Non-Current Liabilities			
Borrowings	22(a)	357,932,440	350,965,253
Deferred Income		-	500,000,000
Total Non-Current Liabilities		357,932,440	850,965,253
Current Liabilities			
Short Term Borrowings	22(b)	208,000,000	120,000,000
Trade and other payables	24	305,794,867	729,446,967
Prov. For Gratuity & Leave Pay	26a	16,588,517	134,322,514
Prov. For Leave Pay	26c	894,482	9,315,196
Provision for Income Tax	26d	173,810,845	156,716,959
Tax Payable		54,076,849	103,797,121
Provision for Contingent Liabilities	26b	20,282,074	-
Total Current Liabilities		779,447,635	1,253,598,757
TOTAL EQUITY AND LIABILITIES		3,321,128,935	3,854,633,556

The financial statements were approved by the Commission on 30/09/ 2023 and signed on its behalf by:


Brig James N. Githaga
Managing Commissioner


Lt Col CPA M. Kinuthia
Ag. Chief Accountant Reg 17347


Lt. Gen (Rtd) Joseph Kasaon
Chairman of the Commission

Kenya Meat Commission
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Capital Reserve Kshs	Revaluation reserve Kshs	Retained earnings Kshs	Total Kshs
At July 1, 2021				
Total comprehensive income	854,150,346	1,419,776,484	(846,050,568)	1,427,876,262
Capital/Development grants received during the year (8b)	-	-	242,193,283	242,193,283
At June 30, 2022	934,150,346	1,419,776,484	(603,857,285)	1,750,069,545
At July 1, 2022				
Total comprehensive income	934,150,346	1,419,776,484	(603,857,285)	1,750,069,545
Capital/Development grants received during the year (8b)	-	-	126,179,315	126,179,315
At June 30, 2022	307,500,000	-	-	307,500,000
At June 30, 2023	934,150,346	1,419,776,484	(644,105,379)	1,709,821,451
At June 30, 2023	1,241,650,346	1,419,776,484	(477,677,970)	2,183,748,860

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

	Note	2022/2023 Kshs	2021/2022 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	27	26,975,861	(1,708,217,052)
		-	-
Net cash generated from/(used in) operating activities		26,975,861	(1,708,217,052)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	27	(1,016,019,362)	(69,625,187)
Proceeds from disposal of property, plant and equipment		-	-
Net cash generated from/(used in) investing activities		(1,016,019,362)	(69,625,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from the government	27	1,102,500,000	1,500,000,000
Net cash generated from/(used in) financing activities		1,102,500,000	1,500,000,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		113,456,499	(277,842,239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,971,194	295,813,433
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		131,427,693	17,971,194

Kenya Meat Commission
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Original budget		Adjustments	Final budget		Actual on comparable	Performance difference	% of utilization
	a	b		c = a + b	d			
Revenue	Kshs		Kshs	Kshs		Kshs	Kshs	
Government Grants (Recurrent)	395,000,000	-	-	395,000,000	357,000,000	38,000,000	38,000,000	90%
Government Grants (Offtake)	-	-	-	-	350,000,000	(350,000,000)	(350,000,000)	
Internally Generated Revenue	4,177,470,000	-	-	4,177,470,000	2,842,362,199	1,335,107,801	1,335,107,801	68%
Decrease in Provisions	-	-	-	-	126,154,711	(126,154,711)	(126,154,711)	
Other Incomes	-	-	-	-	508,459,453	(508,459,453)	(508,459,453)	
Total Income	4,982,470,000	-	-	4,982,470,000	4,183,976,362	388,493,638	388,493,638	92%
Expenditure								
Personnel Emoluments	286,303,477	-	-	286,303,477	281,730,353	4,573,124	4,573,124	98%
Communication	5,573,270	-	-	5,573,270	4,785,637	787,633	787,633	86%
Utilities	130,320,000	-	-	130,320,000	20,172,461	110,147,539	110,147,539	15%
Board Expenses	21,850,000	-	-	21,850,000	3,918,607	17,931,393	17,931,393	18%
Breeding Stock	69,650,000	-	-	69,650,000	2,335,000	67,315,000	67,315,000	3%
Fuel & Oils	79,560,000	-	-	79,560,000	31,093,999	48,466,001	48,466,001	39%
Maintenance	35,500,000	-	-	35,500,000	1,261,588	34,238,412	34,238,412	4%
Furniture	19,005,000	-	-	19,005,000	7,161,398	11,843,602	11,843,602	38%
Rates	13,586,333	-	-	13,586,333	12,434,018	1,152,315	1,152,315	92%
Production Costs	3,636,623,852	-	-	3,636,623,852	2,485,177,231	1,151,446,621	1,151,446,621	68%
Office Supplies	9,286,350	-	-	9,286,350	7,870,797	1,415,553	1,415,553	85%
Travel and Subsistence	19,170,000	-	-	19,170,000	18,910,470	259,530	259,530	99%
Printing & Advertising	34,450,271	-	-	34,450,271	3,318,839	31,131,432	31,131,432	10%
Training	8,441,000	-	-	8,441,000	6,719,736	1,721,264	1,721,264	80%
Hospitality	5,000,000	-	-	5,000,000	1,975,415	3,024,585	3,024,585	40%
Specialised Materials	8,606,652	-	-	8,606,652	7,858,544	748,108	748,108	91%
Fees	36,663,700	-	-	36,663,700	21,003,581	15,660,119	15,660,119	57%
Insurance	50,871,700	-	-	50,871,700	50,710,834	160,866	160,866	100%
Finance Costs	1,008,395	-	-	1,008,395	985,623	22,772	22,772	98%
Offtake Expenditure	-	-	-	-	848,074,619	(848,074,619)	(848,074,619)	
Provisions	-	-	-	-	41,279,693	(41,279,693)	(41,279,693)	
Others	-	-	-	-	144,941,755	(144,941,755)	(144,941,755)	
Total	4,471,470,000	-	-	4,471,470,000	4,003,720,198	467,749,802	467,749,802	90%
Profit					180,256,164			

19. 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 Commission is wholly owned by the Government of Kenya and is domiciled in Kenya. The Commission's principal activity is the production of quality meat and meat products for local and export market.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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 Commission'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, and all values are rounded off to the nearest Kenya shillings. 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.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>The Commission did not effect any amendments on the accounting policies or estimates on the financial statements for the year ended 30 June 2023.</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Kenya Meat Commission**Annual Report and Financial Statements for the year ended June 30, 2023**

Title	Description	Effective Date
	<i>The Commission has disclosed significant accounting policies in the notes to financial statements.</i>	
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

(The Commissioners have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an Commission to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an Commission provides about liabilities arising from loan arrangements for which an Commission's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the Commission complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(The Commissioners do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. *Early adoption of standards*

The Commission did not early – adopt any new or amended standards in the financial year ended 30 June 2023.

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the Commission expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognizes revenue when it transfers control of a product or service to a customer.

- 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.
- 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 interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Commission 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.

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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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 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. The annual rates in use, as guided by the Commission policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	25%
Software	20%

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 recognised so that the asset is written down immediately to its estimated recoverable amount.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Commission incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Commission expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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. These bonds are measured at fair value through profit or loss (FVTPL)

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 through profit or loss (FVTPL).

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL).

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables at the rate of 5% of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

n) Taxation

i) 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 Commission 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.

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 Commission operates and generates taxable income.

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.

o) 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.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) 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 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.

r) 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.

s) 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 Commission or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The Commission operates a defined contribution scheme for all full-time employees from November 1, 2022. The scheme is administered by CPF and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 7.5% of basic salary per employee per month with the Commission topping up with 15% of the basic salary for every employees contribution.

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Commission 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022/23 was approved by Treasury on June 2022. 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 original budget by the Commission upon receiving the respective approvals in order to conclude the final budget.

The Commission'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 under section 18 of these financial statements.

Notes to the Financial Statements (Continues)

a) Service concession arrangements

The Commission analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Commission recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Commission'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.

Notes to the Financial Statements (Continues)

a) 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 Commission 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 Commission. Such changes are reflected in the assumptions when they occur.

b) 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 Commission
- 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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 26.

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.

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

Description	2022/23	2021/22
	Kshs.	Kshs.
Meat Products	1,960,810,437	2,802,538,721
Value Added Products	405,445,261	-
1/5 Quarter Offals	413,389,267	-
Other Products (Metal Drums & Carrier Bags)	2,591,365	-
Total	2,782,236,329	2,802,538,721

7. Cost of Sales

Description		2022/2023	2021/2022
		Kshs	Kshs
Opening stock (Meat & Meat Products)		43,934,249	44,204,978
Add Cost of Production	7(a)(vi)	2,268,002,719	2,577,139,141
Less Closing Stock		(62,288,319)	(43,934,249)
C.O.S		2,249,648,649	2,577,409,870

7(a) STATEMENT OF MANUFACTURING

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Opening stock (livestock)		19,462,500	11,739,321
Add purchase of raw materials		2,045,450,537	2,351,975,206
i		2,064,913,037	2,363,714,527
Less Closing stock (Livestock)		(13,861,370)	(19,462,500)
ii		2,051,051,667	2,344,252,027
Cost of Direct Materials - Packaging		70,978,525	36,331,551
Add Direct labour - Casuals		1,093,200	12,721,100
iii Prime Cost		2,123,123,392	2,393,304,678
Factory overhead expenses			
General overheads	7(b)	120,877,618	88,442,443
Power & Fuel	7(b)	103,471,151	95,392,021
iv Sub-total		224,348,768	183,834,464
v (C+D)		2,347,472,161	2,577,139,142
Less Offtake productions costs	11(b)	(79,469,442)	-
vi) Cost of production		2,268,002,719	2,577,139,142

7(b) Productions Costs

	2022/2023	2021/2022
	Kshs	Kshs
Direct Costs		
Livestock purchases	2,045,450,537	2,351,975,206
Direct Wages	1,093,200	12,721,100
Packaging Materials	70,978,525	36,331,551
sub-total - Direct costs	2,117,522,262	2,401,027,857
Indirect Costs		
Chemicals Purchased	194,350	95,107
Processing Materials	7,858,544	6,844,755
Water Expense	37,839,650	27,300,358
Equipment Repairs & Maintenance	18,444,692	5,016,803
Quality Assurance	13,254,575	141,790
General Parts Expenses	30,915,260	40,545,084
General Factory Expenses	3,202,727	999,219
Protective Clothing	1,895,728	1,190,136
Cleaning and Detergents	3,629,058	2,630,166
Fumigation & Pest Control	111,203	109,951
Clearing, forwarding & freight	1,596,434	694,104
Animal Feeds & Drugs	215,414	1,703,734
Production Loose tools	1,719,982	1,171,235
sub-total - General overheads	120,877,618	88,442,443
Power & fuel overhead		
Furnace Oil	57,216,446	49,399,293
Gasoline, Fuel and Oil	9,929,102	14,025,622
Electricity	36,325,603	28,153,387
Electricity Arrears	-	3,813,719
Sub-total	103,471,151	95,392,021

Notes to the Financial Statements (Continued)

8. Grants from National Government

Description	2022/2023 Kshs	2021/2022 Kshs
a) Recurrent grants received	357,000,000	920,000,000
b) Capital grants realised	307,500,000	80,000,000
c) Commercial Offtake	350,000,000	-

AIE & Amounts Disbursed as at 30 June 2023

AIE Reference Number	Date Disbursed	Recurrent (KShs) (A)	Development (KShs) (B)	Off-take (Kshs) (C)	Total (KShs) (D)=(A+B+C)
B101122	27/06/2023	60,750,000	-		60,750,000
B197502 (OFFTAKE)	02/11/2022	-	-	350,000,000	350,000,000
B152318	27/07/2022	197,500,000	-		197,500,000
B152319	27/07/2022	-	205,000,000		205,000,000
	06/07/2023		102,500,000		102,500,000
	03/07/2023	49,375,000			49,375,000
	28/04/2023	29,375,000			29,375,000
	06/04/2023	20,000,000			20,000,000
Total		357,000,000	307,500,000	350,000,000	1,014,500,000

Notes to the Financial Statements (Continued)

Disbursements by Ministry

Name of the Commission sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	2022/23 Kshs	2021/22 Kshs
State Department Livestock	60,750,000	-	-	60,750,000	-
Ministry of Defence	296,250,000	-	307,500,000	603,750,000	1,500,000,000
Total	357,000,000	-	307,500,000	664,500,000	1,500,000,000

9. Other Income

Description	2022/2023 Ksh	2021/2022 Ksh
Business		
Deferred Income from Prev. year (Note 23)	500,000,000	-
Other gains (Note 10)	8,459,453	-
Decrease in Provisions	126,154,711	-
Other income	6,518,525	400,000
Sub-total	641,132,689	400,000
Rental		
Penalties Received	2,036,118	192,357
Rental income	51,571,227	57,917,581
Sub-total	53,607,345	58,109,938
TOTAL	694,740,033	58,509,938

Notes to the Financial Statements (Continued)

10. Other Gains and Losses

Description	2022/23	2021/22
	Kshs	Kshs
Gain on sale of fixed assets (Note 15(b))	8,459,453	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Total	8,459,453	-

11. Administration Costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Staff costs	281,730,353	186,122,218
Commissioners' emoluments	3,918,607	5,750,022
Bank charges	985,623	2,286,713
Increase in Provision of Doubtful debts	3,903,732	24,133,457
Increase in Provision for Tax	17,093,886	156,716,959
Increase in Provision for Leave Pay	-	1,145,907
Increase in Prov. For Gratuity	-	42,905,339
Increase in Prov. For Contingent Liabilities	20,282,074	-
Auditors' remuneration - current year fees	900,000	812,000
Dues and Subscriptions	6,010,496	32,550
Postage and Delivery	15,330	9,450
Staff welfare	1,768,995	1,882,628
Books and Publications	210,800	21,194
Staff Training Expenses	709,240	249,946
Land and Rates	12,434,018	-
Internet Services	2,340,763	6,064,759
Housing Expenses	-	44,169
Housing Repairs & Maintenance	7,161,398	18,288,589
MV repairs	1,261,588	11,393,648
Business Licenses and Permits	58,800	277,150
Security Expenses	3,292,105	-
Sanitation & Sewerage	2,335,000	18,914,674
Legal Fees	20,103,581	18,923,573
Medical Expenses	206,420	234,230
Office Expenses	1,220,650	1,324,375

Kenya Meat Commission

Annual Report and Financial Statements for the year ended June 30, 2023

Stationery	6,650,147	3,649,582
Travelling & accommodation	18,910,470	11,083,765
Electricity expense - General	12,298,348	6,335,700
Telephone Expenses	2,234,074	5,248,849
Motor Vehicle Fuel	31,093,999	21,157,206
Computer Expenses	3,805,197	1,469,849
Insurance Expenses	50,710,834	33,306,385
General Repairs & Renovations	52,968,471	5,147,059
Final Dues & Staff Gratuity	186,613,459	338,835
Donations	-	141,120,000
Fines & Penalties	3,121,245	-
Tax Paid	7,363,413	-
Rent	3,618,707	398,000
Garbage Collection	904,500	650,250
Depreciation	127,298,448	117,335,724
Total	895,534,772	844,774,754

11(b) OFFTAKE EXPENDITURE REPORT

Description	Ksh.	Ksh.
Offtake 1 Grant		500,000,000
Ground Slaughter by Red-cross	480,000,000	
Ground Slaughter Monitoring	20,000,000	
Offtake 2 Grant		350,000,000
Ground Slaughter by Red-cross	118,687,500	
Ground Slaughter Monitoring	1,245,700	
Purchase of offtake Livestock	148,625,543	
Offtake Production Expenses	79,469,442	
Offtake General Expenses - Stationery	46,435	(848,074,619)
Balance		1,925,381

Notes to the Financial Statements (Continued)

12. Selling and Distribution Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Advertising and promotional expenses	1,986,117	5,781,733
Transport & Freight	748,962	104,408
Free Sample	547,430	-
Tender Documentation	21,000	7,500
Sales discounts and rebates	-	12,802
Total	3,303,509	5,906,443

13. Finance Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest expense on loans	7,158,649	6,967,187
Interest expense on bank overdrafts		
Total Interest Payable	7,158,649	6,967,187
Total	7,158,649	6,967,187

14. Income Tax Expense/(Credit)

	2022/2023		2021/2022	
	Rental	Business	Rental	Business
	Kshs	Kshs	Kshs	Kshs
Profit before taxation/Income	53,607,345	126,648,820	58,109,938	345,990,405
Add				
Depreciation	-	127,298,448	-	117,335,724
Change in Prov. For bad debts	49,484	3,854,248	(2,126,802)	26,260,259
Expenses apportioned to rent Income	-	-	-	17,110,703
Increase in Provisions	-	37,375,960	-	-
Expenses apportioned to recurrent AIE	-	357,000,000	-	920,000,000
	49,484	525,528,656	(2,126,802)	1,080,706,687

Kenya Meat Commission

Annual Report and Financial Statements for the year ended June 30, 2023

Less				
Non taxable incomes/other allowable deductions				
Government Grant	-	357,000,000	-	920,000,000
Rental Income (taxed separately)	-	53,607,345	-	58,109,938
Less Allowable deductions - WTA	-	127,298,448	-	117,335,724
Decrease in Provisions	-	126,154,711	-	-
AppORTIONED Admin Expenses	-	-	17,110,703	-
	-	664,060,504	17,110,703	1,095,445,663
Less Previous Year Losses				
2016/2017	-	-	-	233,315,708
2017/2018	-	-	-	150,099,260
2018/2019	-	-	-	26,847,394
2019/2020	-	-	-	191,097,096
2020/2021	-	-	-	34,398,020
2021/2022	-	(304,506,049)	-	
	-	(304,506,049)	-	635,757,479
Adjusted taxable profit	53,656,829	(316,389,076)	38,872,432	(304,506,049)
Tax Payable/(Refund)	16,097,049	(94,916,723)	11,661,730	(91,351,815)

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Fixtures, Furniture & Equipment	Computer and accessories	Softwares	Capital Work in Progress	Total
2022/2023		2.5%	12.5%	25.0%	12.5%	30.0%	20.0%		
COST OR VALUATION									
At July 1, 2022	381,200,000	1,418,101,853	968,151,383	206,743,781	101,241,547	26,235,234	26,424,000	93,787,202	3,221,885,000
Additions	-	-	147,668,872	20,740,333	288,480	5,765,583	-	-	174,463,267
Transfers	-	-	93,787,202	-	-	-	-	(93,787,202)	0
Disposals	-	-	-	(27,118,334)	-	-	-	-	(27,118,334)
At June 30, 2023	381,200,000	1,418,101,853	1,209,607,457	200,365,780	101,530,027	32,000,817	26,424,000	-	3,369,229,933
WTA									
At July 1, 2022	-	485,626,486	586,616,069	123,764,816	68,827,649	20,628,227	9,512,640	-	1,294,975,887
Charge for the year	-	23,311,884	77,873,923	15,230,794	4,087,797	3,411,777	3,382,272	-	127,298,448
Impairment loss	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	(15,677,787)	-	-	-	-	(15,677,787)
At June 30, 2023	-	508,938,370	664,489,993	123,317,823	72,915,446	24,040,004	12,894,912	-	1,406,596,548
NET BOOK VALUE									
At June 30, 2023	381,200,000	909,163,483	545,117,464	77,047,957	28,614,581	7,960,813	13,529,088	-	1,962,633,385
As at July 1 2022	381,200,000	932,475,367	381,535,314	82,978,965	32,413,898	5,607,007	16,911,360	93,787,202	1,926,909,113

15(a) Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation
Motor vehicles, including motor cycles	71,505,998	71,505,998
Total	71,505,998	71,505,998

Notes to the Financial Statements (Continued)

15(b) ASSET DISPOSAL ACCOUNT

Cost		Kshs	Kshs
20/04/2021	GXZ60N Prime Mover (Cabin)		13,559,167
20/04/2021	GXZ60N Prime Mover (Cabin)		13,559,167
	Total		27,118,334
Accum Depreciation			
	2021	6,779,584	
	2022	5,084,688	
	2023	3,813,516	15,677,787
	Net Book Value		11,440,547
Sale/Trade-in Value			19,900,000
Gain on Disposal			8,459,453

Note: The two trailers whose cabins were sold were approximated three million each since the amounts on invoice for the prime mover was not clearly separable.

16. Inventories

Description	2022/23	2021/22
	Kshs	Kshs
Raw materials	13,861,370	19,462,500
Finished goods	62,288,319	43,934,249
Total	76,149,689	63,396,749

16 a) Consumables

Description	2022/23	2021/22
	Kshs	Kshs
Engineering stores	43,682,054	55,539,120
Stationery and general stores	68,756,871	91,061,080
Total	112,438,925	146,600,200

Notes To The Financial Statements (Continued)

17. Trade and Other Receivables

Description	2022/2023 Kshs	2021/2022 Kshs
Trade receivables (note 17 (a))	901,969,617	828,738,904
Deposits and prepayments	33,890,325	253,582,353
Offtake - Prepayment	-	480,000,000
staff imprest	14,266,519	49,486,185
Fuel Imprest	-	1,420,929
Staff receivables (note 17 (c))	1,434,473	549,823
Rental Receivable (note 17(b))	13,986,409	13,046,206
DOD REFUND	72,931,900	72,931,900
Gross trade and other receivables	1,038,479,243	1,699,756,300

17a). TRADE RECEIVABLES

	2022/2023 Kshs	2021/2022 Kshs
Gross trade receivables	949,441,702	872,356,741
Tax Credit	-	-
Provision for doubtful receivables	47,472,085	43,617,837
TOTAL	901,969,617	828,738,904

17b). RENTAL RECEIVABLES

	2022/2023 Kshs	2021/2022 Kshs
Gross rental receivable	14,722,536	13,732,849
Provision for doubtful receivables	736,127	686,642
TOTAL	13,986,409	13,046,207

17c). STAFF RECEIVABLES

	2022/2023 Kshs	2021/2022 Kshs
Gross staff loans and advances	1,434,473	549,823
TOTAL	1,434,473	549,823
Less: Amounts due within one year	1,434,473	549,823

Amounts due after one year

-

-

Notes To The Financial Statements (Continued)

18. Bank and Cash Balances

Description	2022/23	2021/22
	Kshs	Kshs
Cash at bank	131,153,205	17,741,553
Cash in hand	274,488	229,641
Total	131,427,693	17,971,194

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022/2023 KShs	2021-2022 KShs
a) Current account			
Kenya Commercial bank	113443684	6,355,823	5,836,853
Co-operative bank of kenya			
Operations account	Usd 02120065670800	27,051	35,999
Working capital account	Ksh 01120065670801	111,937,611	6,609,677
Rental account	Ksh 01120065670802	1,765,393	132,273
Mombasa account	Ksh 01120065670804	4,915,576	3,288,620
Rehabilitation account	Ksh 01120065670805	59,458	1,745,837
Guarantee account		6,000,000	-
First community bank		11,000	11,000
National bank		500	500
Sub- total cash at bank		131,072,411	17,660,759
Cash in Hand			
Athi-River -General		243,882	105,450
Mombasa		24,124	123,648
Ladhies		6,482	543
Sub- total		274,488	229,641
Mpesa			
Van sales	117398	80,794	80,794
Sub- total cash		80,794	80,794
Grand total		131,427,693	17,971,194

Notes To The Financial Statements (Continued)

19. 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.

20. 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.

21. Retained Earnings

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

Notes to the Financial Statements (Continued)

22. (a) Borrowings

Description	2022/2023 Kshs	2021/2022 Kshs
Domestic borrowings		
Balance at beginning of the year	350,965,253	334,878,066
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Interest Capitalized during the period	6,967,187	16,087,187
Balance at end of the year	357,932,440	350,965,253

The analyses of both external and domestic borrowings are as follows:

Description	2022/23	2021/22
	KShs	KShs
Domestic borrowings		
National Treasury	300,000,000	300,000,000
Total balance at end of the year	300,000,000	300,000,000

Description	2022/23	2021/22
	Kshs	Kshs
Short term borrowings (Current Portion)	7,158,649	6,967,187
Long term borrowings	357,932,440	350,965,253
Total	365,091,089	357,932,440

22 (b) Advances from Parent Ministry

Description	2022/2023 Kshs	2021/2022 Kshs
Balance at the beginning	120,000,000	-
Advancement during the period (MoD)	50,000,000	120,000,000
Over-payment of Grant (SDL)	38,000,000	-
Refund during the period	-	-
Total	208,000,000	120,000,000

23. Deferred Income

Description	2022/23	2021/22
	Kshs	Kshs
National Government	-	500,000,000
Total Deferred Income	-	500,000,000

Notes to the Financial Statements (Continued)

The deferred income movement is as follows:

Description	National government	International funders	Public contributions and donations	Others (specify)	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	500,000,000	-	-	-	500,000,000
Additions	-	-	-	-	-
Transfers To Capital Fund	-	-	-	-	-
Transfers To Income Statement	-	-	-	-	-
Other Transfers (Offtake)	500,000,000	-	-	-	500,000,000
Balance Carried Forward	-	-	-	-	-

24. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	245,245,210	714,982,864
Accrued expenses	7,158,649	3,813,719
Vat Account	35,295,412	-
Other payables	13,098,010	9,053,184
Rental deposits	5,944,377	1,597,200
Total	305,794,867	729,446,967

25. Retirement Benefit Obligations

The Commission also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Commission's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of employee basic salary capped at KShs. 18,000. Other than NSSF the Commission also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% while employer contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

Notes to the Financial Statements (Continued)

26. Provisions

Description	Service leave	Contingent Liab.	Gratuity	Other	Total
	26(a)	26(b)	26c	26(d)	
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	9,315,196	-	134,322,514	156,716,959	300,354,669
Additional provisions	-	20,282,074	-	17,093,886	37,375,960
Provision utilised	(8,420,714)	-	(117,733,997)	-	(126,154,711)
Change due to discount and time value for money	-	-	-	-	-
Less: current portion	-	-	-	-	-
Balance at the end of the year	894,482	20,282,074	16,588,517	173,810,845	211,575,918

A Provision of 10% of contingent liabilities (note 29) have been recognized in the financial statements.

Notes to the Financial Statements (Continued)

27. Notes to the Statement of Cash Flows

Description	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	126,179,315	242,193,283
Depreciation	127,298,448	117,335,724
Net Movement in Provisions	(88,778,750)	
Less Gain on Disposal	8,459,453	
Interest Capitalized	7,158,649	
Operating profit/(loss) before working capital changes	180,317,114	359,529,008
(Increase)/decrease in inventories & other current assets	21,408,335	(116,319,618)
(Increase)/decrease in trade and other receivables	661,277,057	(1,671,053,662)
Increase/(decrease) in trade and other payables	(423,652,100)	461,761,171
Increase/(decrease) in retirement benefit obligations	(116,492,807)	42,905,339
Prepayments	(49,591,317)	(785,039,290)
Taxes Paid	(7,363,413)	-
Cash generated from/(used in) operations	26,975,861	(1,708,217,052)
(b) Cash Generated/Used in Investing Activities		
Impairment of Deferred Income	(500,000,000)	
Proceeds from Disposal of Assets	6,518,525	-
Offtake Programme (note 11b)	(348,074,619)	
Purchase of Fixed assets	(174,463,267)	(69,625,187)
Net Cash Generated/Used in Investing Activities	(1,016,019,362)	(69,625,187)
(c). Cash Generated/Used in Financing Activities		
Grants from GOK	1,014,500,000	1,500,000,000
Loans/Advances from Parent Ministry (note 22b)	88,000,000	
Net Cash Generated/Used in Financing Activities	1,102,500,000	1,500,000,000
NET CASH GENERATED/(USED DURING THE FY)	113,456,499	(277,842,239)
(d) Analysis of cash and cash equivalents		
Cash Balance as at the beginning	17,971,194	295,813,433
Balance at end of the year	131,427,693	17,971,194

Notes To The Financial Statements (Continued)

30. Financial Risk Management

The Commission'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 Commission 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 Commissioners. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Notes to the Financial Statements (Continued)

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 Commissioners 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 Commission's Commissioners, who have built an appropriate liquidity risk management framework for the management of the Commission's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Commission 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 Commission'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 Commission's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the Financial Statements (Continued)

(iv) Foreign currency risk

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

The Commission 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.

(v) Interest rate risk

Interest rate risk is the risk that the Commission'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.

(a) Management of interest rate risk

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

Notes To The Financial Statements (Continued)**vi) Capital Risk Management**

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

Description	2022/2023 Kshs	2021/2022 Kshs
Revaluation reserve	1,419,776,484	1,419,776,484
Retained earnings	(477,677,970)	(603,857,284)
Capital reserve	934,150,346	854,150,346
Development grants	307,500,000	80,000,000
Total funds	2,183,748,860	1,750,069,546
Total borrowings	565,932,440	470,965,253
Less: cash and bank balances	131,427,693	17,971,194
Net debt/(excess cash and cash equivalents)	434,504,747	452,994,059
Gearing (%)	20%	26%

31. Incorporation

Kenya Meat Commission is incorporated in Kenya under an Act of Parliament and is domiciled in Kenya.

32. Events after the Reporting Period

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

20. Appendices

Appendix 1: Implementation Status of Auditor-General prior year recommendations

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

KENYA MEAT COMMISSION FINANCIAL STATEMENT FOR FY 2021/22				
Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>
1(i-iii)	<p>Inaccuracies of the Financial Statement:</p> <ul style="list-style-type: none"> • Trade & other payables figure had variance Kshs.13,978,839 as disclosed in note 22 to the financial statements and the trail balance amounts. • The actual amounts in the statement of comparison of the budgets and actual amounts were at variance with the figures in the trial balance and the statement of profit or loss and other comprehensive income. • The notes to the financial statements are not aligned to the corresponding note numbers indicated on the face of the financial statements. 	The trial balance and the account balances were reconciled. As well the notes to financial statement were addressed in subsequent report.	Resolved	30-Jun-23

2	<p>Inaccuracy in Cash & Cash Equivalent:</p> <ul style="list-style-type: none"> An unexplained variance of Kshs. 41,096,583 between amount disclosed under investing activities of Kshs. 69,625,187 which relates to purchase of property, plant and equipment and Note 14 to the financial statements of Kshs 110,721,770. Note 21b to the financial statements, reflects Kshs 120,000,000 in respect of short-term borrowing which is not disclosed under financing activity. 	<p>The unexplained variance of Kshs.41,096,583 related to decrease in work in progress which was capitalized under plant and machinery.</p> <p>The Kshs.120 million recognized in the statement of the financial position however was erroneous omitted in the statement of cashflow under financing activities. The error was rectified.</p>	Resolved	30-Jun-23
3	<p>Unsupported Increase in Provision for Tax: Note 10 to the financial statements included an unsupported amount of Kshs. 156,716,959 in respect of increase in provision for tax.</p>	<p>The increase relates to penalties and interest in commission tax portal.</p>	Resolved	30-Jun-23

4	<p>Understated Trade and Other Payables: Uncleared contingent liability of K.shs. 5,880,423.57 as at 30 June 2022 relating to four (4) determined court cases which was not included in the trade & other payables.</p>	<p>The amount of K.shs.5,880,427.57 was settled and its properly disclosed</p>	Resolved	30-Jun-23
5.1	<p>Unsupported Disposals on Capital Work in Progress: Note 14 to the financial statements, included disposal on capital work in progress of K.shs. 52,572,316 which was not supported by documentary evidence.</p>	<p>The amounts of K.shs.52,572,316 was absorbed under repair and maintenance of Plant and Machinery, Factory Repairs & Housing repairs and was charged during the FY2021/22</p>	Resolved	30-Jun-23

5.2	<p>Failure to value Fully Depreciated Assets: Management did not provide an explanation why the Commission had not revalued or reviewed the depreciation methods for fully depreciated motor vehicles/cycles with cost value of Kshs.71,505,998 and were still in use & generating revenue in conformity with the paragraph 31 and 61 of the international standards of accounting (IAS) 16.</p>	Asset valuation was undertaken in the month of April -May 2023 however the valuation report has not been released.	In progress	31-Dec-23
6	<p>Unsupported Trade and Other Receivables:</p> <ul style="list-style-type: none"> • Note 15 to the financial statements included an amount of Kshs. 480,000,000 in respect to offtake prepayment however, no evidence was provided in support of what the amount relates • Further, it included an amount of Kshs. 72,931,900 in respect of a payment for to a Construction company by the commission for construction of an access road. As reported in the previous year, the amount was to be refunded by the Ministry of Defense though no 	<ul style="list-style-type: none"> • Kshs.480,000,000 was paid to Kenya Red cross for offtake ground slaughter and a detailed report available for review including terms of engagement. • The Commission held a consultative meeting with the Chief Finance Officer and agreed on resolution of the matter. 	Resolved	30 June 2023

	evidence was provided indicating any follow up for the refund.			
7	<p>Budgetary Control and Performance: The Commission had an expenditure budget of Kshs. 1,952,616,372 while the actual expenditure was Kshs. 2,792,170,999 resulting in an over expenditure of Kshs. 839,554,627 (43%) for the year ended 30 June 2022. The reasons for the over-expenditures in respects of the items have not been disclosed in the financial statements.</p>	The over expenditure arose due to increased demand in terms of the market which triggered increased direct costs to meet the unexpected surge in demand. The board resolved that a detailed report of the items which resulted to the over expenditure be table through finance and strategy committee for ratification.	In progress	30-Oct-23
8	<p>Un Resolved Prior Year Matters: The management had not resolved the issues or given any explanation for failure to adhere to the provisions of the public sector accounting standards board Templates</p>	Management commits to ensure all prior year audit issues are resolved and has adopted PSASB revised IFRS template in the FY2022-23 financial statement.	Resolved	30-Jun-23
9	<p>Failure to Adhere to Staff Establishment: Commission's had exceeded authorized establishment of 342 staff by 148 persons although management gave an explanation the revised Human Resource Instruments had not been approved by State Corporations Advisory Committee (SCAC).</p>	Public Service Commission approved KMC HR instrument vide PSC letter ref PSC/EMCS/12/(3) dated 20 April 2022 and received on 24 May 2023.	Resolved	24-May-23

10	<p>Non -Implementation of the enterprise resource planning (ERP) System: The Commission acquired an ERP system at a cost of Kshs.26, 424,000 in April 2021. The ERP system generated inaccurate reports, system data was not cleaned up and fixed assets module was not implemented despite the system having been commissioned over a year ago and the vendor fully paid without having fully satisfied their contractual obligations.</p>	<p>Board of Commissioners ordered systems technical audit by the ICT authority and thereafter management to lodge a formal complain to ERP vendor and sage X3. ICT authority vide letter ref ICTA/SS/24/VOL.2(235)2023 dated 7 august 2023 assigned a team to undertake the assignment. As well management is undertaking monthly reconciliation to ensure reports generated are accurate and reliable.</p>	In progress	30-Sep-23
Summary of Pending Prior Year Matters				
1	<p>Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Template. The notes to the financial statements were not aligned and the accompanying information FY 2020/21 did not have any disclosure on:</p> <ul style="list-style-type: none"> • Statement of performance against predetermined objectives. • Environmental and sustainability reporting. 	the issues were resolved in financial statement for the FY 2021/2022.	Resolved	Closed

	<ul style="list-style-type: none"> Progress on follow up of auditor's recommendation on the prior year's audit issues 			
2	<p>Inaccuracies in the financial statements. The Financial statement for FY 2020/21 had various errors and inconsistencies:</p> <ul style="list-style-type: none"> Variations between trial balance figures and financial statements balances. Variations between comparative figures in the financial statements and audited balances for FY 2019/20. Financial statement had variance with the corresponding figures disclosed in explanatory notes. Incorrect computations and variations between amount reported in the statement of comparison of budget, actual amounts and the approved budget 	the issues were resolved in financial statement for the FY 2021/2022.	Resolved	Closed
3	<p>Grants from national government: unexplained difference of Kshs.710M between the balance in statement of comprehensive income of Kshs.391,358,057.00 and the actual AIE's received of Kshs.1,101,358,057.</p>	The grants from government were reported according to IFRS /IAS 20 on accounting for government grants.	Resolved	Closed

Kenya Meat Commission
Annual Report and Financial Statements for the year ended 30th June 2023

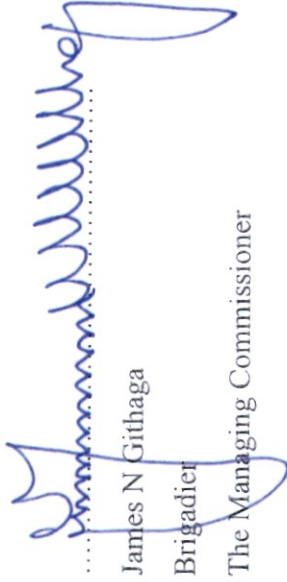
4	<p>Unconfirmed Bank and Cashbook Balances. Variance between reported financial statement balance and cashbook balance for rental, working capital and Mombasa account. First Community Bank Operations and National Bank whose balances of Kshs.11,000 and Kshs.500 respectively are not supported with certificate of bank balance or bank statements as at 30 June 2021.</p>	<p>Management is undertaking timely bank reconciliation to ensure variance don't arise. The board resolved for closure of the accounts and management to obtain Certificate of closure and final bank statement.</p>	In progress	31-Dec-23
5	<p>Property, plant and equipment. No supporting document for work in progress brought forward was dealt with in the FY 2020/2021; management has not explained why the commission has not revalued or reviewed the depreciation methods of the assets in conformity with para 31& 61 of IAS 16 since the asset were still in use and generating revenue.</p>	<p>Asset valuation was undertaken in the month of April -May 2023 however the valuation report has not been released.</p>	In progress	31-Dec-23
	<p>Trade & Other Payables. Note 20 to the financial statements and the reported amount were at a variance of Kshs 223,334 and Trial balance amount and the reported figure had a variance of Kshs.21,716,908 .</p>	<p>Reconciliation of trade payable ledger, trial balance and disclosure note was undertaken.</p>	Resolved	Closed

	Unsupported long outstanding borrowings. Statement of financial position reflected a borrowing balance of Kshs.334,878,066 which differs with amount disclosed in note 19 of Kshs Kshs.350,919,378 by Kshs.16,041,312. Further, no repayment schedule was provided and management did not provide an explanation for non-clearance of the long outstanding loan balance.	The disclosure note and financial position balance was harmonized in the Financial statement for the FY 2021/2022. The Commission has requested the government through the National treasury vide letter ref KMC/MC/641(581)2022/2023 dated 15 March 2023 to convert the debt into a grant as it was issued for drought mitigation.	In- progress	
8	Trade & Other Receivables. The net amount of Kshs.396,383,311 did not include Kshs.72,931,899 refundable by the Ministry of defense for the access road	The amount to be properly disclosed and follow up for the refund.	Resolved	Closed
9	Undisclosed Contingent Liability. The reported liabilities in notes 20,21,22 & 7(a) to the financial statement did not disclose a provision for contingency liability of Kshs.79,952,148 for active court case	The commission is currently disclosing provision for contingent liability in the statement for financial position and a disclosure note in conformity to the standard, (IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	Resolved	Closed
10	uncollected rental income. Rent by regular tenants of kshs.29,079,502 was outstanding for more than 3 months	Management is currently collecting rent and reconciliation of rent record.	Resolved	Closed

Kenya Meat Commission
Annual Report and Financial Statements for the year ended 30th June 2023

11	<p>unremitted pay as you earn tax: note 20 to the financial statements on trade & other payable included unremitted Pay as You Earn (P.A.Y.E) Kshs 101,097,815.</p> <p>Outstanding imprest. Note 13 to financial statement revealed:</p> <ul style="list-style-type: none"> • An outstanding imprest of Kshs 8,676,830 which was not surrendered as at 30 June 2021. • Officers holding more than one imprest. • Commission did not have a comprehensive and properly maintained imprest registers contrary to the provision of regulation 52(1)(j) and 92(4) C of the public financial management regulation of 2015 	<p>The has remitted all P.A.Y.E and other statutory deduction and is currently compliant.</p>	Resolved	Closed
12	<ul style="list-style-type: none"> • An outstanding imprest of Kshs 8,676,830 which was not surrendered as at 30 June 2021. • Officers holding more than one imprest. • Commission did not have a comprehensive and properly maintained imprest registers contrary to the provision of regulation 52(1)(j) and 92(4) C of the public financial management regulation of 2015 	<p>All imprest as at 30 June 2021 were cleared and management is strictly implementing the provisions of Public financial management regulation of 2015 in management of staff imprest.</p>	Resolved	Closed
8.1	<p>Un Resolved Prior Year Matter (FY2020-2021) Lack of asset register: As reported in previous years, the balances could not be verified due to absence of the fixed asset register and detailed analysis of the balance.</p>	<p>The commission has developed a list of assets and will insert the values upon receipt of valuation report</p>	In progress	31-Dec-23

8.2	<p>Ownership documents for land-The commission had not obtained or received back the 13 original title deeds from the national bank despite the loans having been settled</p>	<p>The commission vide letter ref KMC/MC/652(612)2022/2023 and ref KMC/MC/018(A)2023/24 dated 25 April & 2 August 2023 has requested The National Treasury to release the 9 title deeds.</p>	In progress	31 Dec-23
-----	--	--	-------------	-----------



 James N Githaga
 Brigadier
 The Managing Commissioner