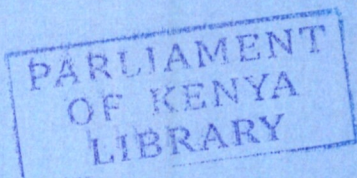


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



PAPER HAND BY THE
~~EDITOR~~ ~~OF~~ THE
MAJORITY PARTY WHIP
HON BENJAMIN
WASHIAH, CBS, MP
ON 2ND OCTOBER 2012
HBN

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA MEAT COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2017**

**KENYA MEAT COMMISSION**

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**CORPORATE INFORMATION****COMMISSIONERS**

The Commissioners who served during the year were:

Mr.Ntoros Ole Senteu	Chairman
Mr. Joseph Learamo	Managing Commissioner
Amb.Francis Sigei	
Mr.Chrispus K Wachira	
Mr.James Lenayiara	
Mr.Hassan Jele Hussein	
Mrs.Elizabeth Merimung	
Amb.Dr. Rashid Ali	
Permanet Secretary State Department of Livestock	
Permanet Secretary National Treasury	
The Director Veterinary Services	

MANAGEMENT TEAM

Joseph Learamo	Managing Commissioner
Davis Cheruiyot	Chief Finance Officer
Patrick Shitsama	Production Manager
Stella Muhoro	Corporate Communication
Paul Koech	Plant Engineer
Gaudencia Liambila	Ag. Quality Assurance Manager
Dr.Sylvester Kyengo Malei	Livestock Manager
Ann Kamau	Company Secretary
Hosea Muita	Internal Auditor



COMPANY SECRETARY

Ann Kamau

LAWYERS

Various

REGISTERED OFFICE

Kenya Meat Commission

P. O. Box 2 -0204

Athi River

AUDITORS

The Auditor General

Kenya National

Audit Office

Anniversary Towers

University Way

P. O. Box 30084 – 00100

NAIROBI

BANKERS

Co-operative Bank of Kenya – Athi River Branch

First Community Bank - South C

National Bank - Harambee

Avenue

Kenya Commercial Bank- Kitengela

Branch



CHAIRMAN'S STATEMENT.

A cut above the best is our guiding business mantra in pursuing business growth and contributing to food security, sustainable incomes, customer satisfaction and be financially self-sustaining by offering high quality meat and meat products and related services, with a vision of guaranteed livelihoods, quality meat and meat products and related services as a customer focused organization. Our policies strategies and operations are focused on delighting our customers.

Acknowledging that our business environment operates in an ever increasing dynamic environment and therefore the need to adopt strategies aimed at reducing operational costs and improving customer expectations and experience. Towards achievements of our objectives during the year under review, we carried out a major exploitation of our markets and penetrated the unexploited market of Government institutions and a fast growing urban mass markets for meat and allied products. This established a major customer network which enhanced operational and technical efficiency for improved service delivery.

The Board of Commissioners, who were supported by our committed management and staff, demonstrated exemplary performance during the year in delivering key Commission's targets towards improving sales revenue and profitability. Through this, we attained a record sales growth of 40% from the previous year thereby bringing across a total number of our customers to 612 as at the end of June, 2017. This continued growth in customer base secures future revenues for improved profitability and sustainability of our business and thus guaranteed going concern.

TRADING PERFORMANCE.

In the year 2014/2015, sale of meat and meat products was Kshs.213,366,730 comparing it with the subsequent year 2015 – 2016 of kshs.239,188,602 signifies a 12% increase by 25,821,872. In the financial year under review i.e. 2016/2017, sales revenue improved significantly and was recorded at kshs.332,415,745 which is an increase in sales by 40% for the year and while achieving this the strategies adopted included, primary focus on the public sector corporate and institutions and segmentation of the mass markets. By doing so the Commission is aiming at



attaining and sustaining local market leadership.

As a result of the growth, cost of production for the year amounted to kshs.805,805,743 compared to Kshs.283,143,847, this can be largely attributed to the level of activity in the year as a result of drought intervention and off take program.

Other operating incomes which includes rent income, interests on advances and other income amounted Kshs.31, 016,803 compared to kshs.31,073,691 the decline can be attributed to pending court cases that has significantly affected rental housing units hence decline in revenue.

In the year under review, administrative expenses incurred amounted to Kshs.147,670,457. Compared to Kshs.230,870,568 in the previous year a reduction of 53%. The reduction is as a result of measures put in place to control expenditure for operational efficiency.

Other operating expenses reduced to Kshs.193,994,027 in the year under review compared to Kshs.239,975,342 during the previous year. And this can also be attributed to the measures put in place to control expenditure.

STRATEGIC PRIORITIES.

The Commission will continue to review measures aimed at mitigating inherent business risks and at the same time, take advantage of emerging opportunities for sustainability of the business and growth in its profitability.

We shall sustain the rapid increase in customer supplies through focus in public institutions as key customers. Develop and implement export market expansion programmes, pursue strategic linkages and alliance with complimentary stake holders, strengthen web preference, promotion and on-line sale of products and diversify products and allied services.

The Commission remains determined to continuously improve performance, enhance product management of resources and strategic steps already highlighted in this report, doing so we shall create long term value for all our customer and stake holders as we enable socio economic progress of the country.



May I conclude by sincerely thanking all those who supported the Commission in the financial year 2016/2017 including our customers, the government of Kenya represented by the Ministry of Agriculture, Livestock and fisheries and other stakeholders. I wish to thank my fellow Board of Commissioners for their tremendous support and contribution during the year. I thank you all and God bless.

MR. NTOROS OLE SENTEU

CHAIRMAN, BOARD OF COMMISSIONERS.

**REPORT OF THE MANAGING COMMISSIONER.**

We are elated to have concluded the financial year 2016/2017. This was an outstanding year nothing short of exemplary performance by our business. The Commission successfully increased its sales revenue to Kshs.332,415,745 compared to Kshs.239,188,602 in the previous financial year. This signifies a 40% increase in sales revenue. This is a testament to the confidence that our customers have in the Commission's leadership and strategic direction. We have lived up to our ambition of diversifying our revenue streams.

We run the commission in a simpler, faster and more accountable way to give us the competitive edge and cement our position as a market leader in the country.

Today we present consistent financial growth and business performance with strong secure returns in a volatile market with numerous challenges.

We continuously monitor our operations and maintenance costs for each department to ensure the Commission stays on track and is spot on to achieve sustainable cost of doing business. Our Contribution towards creating a favorable economic and competitive environment include making it easier for customers to access our products, Customer relations and confidence has also improved with general reduction of inconsistent supplies incidences experienced in the past.

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

In the year under review, the Commission undertook an offtake programme in support of the government on drought stricken counties. We received Kshs.470million from the National Treasury where we assisted in conducting the programme in 22 counties. And indeed evidence has it that Kshs.470million was injected into the pastoralist's economy.



Kenya Meat Commission is committed to sustaining its core business and remaining ahead of its competitors. We have adopted excellent maintenance of assets, optimizing operations, attracting retaining and developing motivated work force and adopting best practices of human resource management.

Our business drivers of product availability, reliability, speed of response to customer complaints, safety and customer satisfaction are in use to measure and monitor performance.

STRATEGY.

The Commission is committed to reaching the country guaranteeing livelihoods of Kenyans by providing quality meat products and services. We have so far re-established KMC as a strategic national agency for socio economic development. The industry plays a key role in economic development and growth. Demand for meat and meat products continue to grow and the quality of supply has improved in the last decade due to investments and expansion of the meat sector. Our future plans look promising to the Country with a tonnage of tens of thousands by 2020.

The capital investments required for the rehabilitation and upgrade of factory plant through modernization is estimated to kshs.4billion and the Commission is exploring financing opportunities with the government and other interested partners.

FINANCIAL RESULTS.

Kenya Meat Commission achieved a great milestone in revenue growth in 2016/2017. The total revenue increased by 39% from Kshs.240million to 333million which was boosted by sale of corned beef and other new meat and meat products.

The company registered a growth in loss from operations.

SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT

KMC recognizes the importance of sustainable management of its customers and the fundamental role it plays in business sustainability. Through established stakeholder's co-ordination, the Commission has built strong partnership and improved relations to mutually benefit in its transformational agenda.



We continue to check our management systems against ISO standards through internal and external audits.

FUTURE OUTLOOK

We are continuing with the execution of 2015/2020 strategic plan aimed at turning around the operations of the Commission.

To sustain our growth we are stepping up market campaigns to drive up our sales revenues and growing it by 25% annually. With our well equipped work force coupled with requisite funding, KMC is well positioned to deliver on purpose and continue to be a market leader in the provision of competitively priced meat and meat products in the country.

We are confident that this plan will assure stronger revenue growth and improved profitability in the coming years.

Thank you

JOSEPH LEARAMO

MANAGING COMMISSIONER.

**REPORT OF THE COMMISSIONERS****FOR THE YEAR ENDED 30 JUNE 2017**

The Commissioners submit their Report together with the audited Financial Statements for the year 30 June 2015, which disclose the state of affairs of the Commission.

Incorporation

The Commission is incorporated in Kenya under the Kenya Meat Commission Cap 363 of 1950 and is domiciled in Kenya.

The address of the registered office is as set out on page 3.

Principal activities

- 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.

Results	Ksh. 2017	Kshs.2016
Total Comprehensive income (Loss)	(296,012,545)	(40,144,170)

Directors

The Directors who held office during the year to the date of this report are listed on page 2

Auditor

The Auditor General, will continue in office in accordance with Public Audit Act 2003.

By order of the Board.

COMPANY SECRETARY





KENYA MEAT COMMISSION

**Statement of the Commissioners responsibilities
For the Year Ended 30 June 2017**

The State Corporation Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the commission at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Commission keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission.

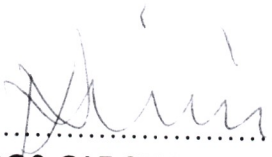
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Commission and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the board of commissioners on and signed on its behalf by:

Signed.....

Mr. JOSEPH LEARAMO
MANAGING COMMISSIONER

Signed.....

Mr. NTOROS OLE SENTEU
CHAIRMAN

DATE 30th Oct, 2017.....

DATE 30th Oct, 2017.....

REPUBLIC OF KENYA

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Fax: +254-20-311482
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Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 12 to 24, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Non-Disclosure of Material Uncertainty Related Going Concern

The statement of comprehensive income for the year ended 30 June, 2017 reflects a loss of Kshs.296,012,545 (2016 – a loss of Kshs.40,144,170) which increased the accumulated retained earnings to a negative balance of Kshs.398,405,586 (2016 – a negative balance of Kshs.102,393,041). In addition, the statement of financial position as at 30 June, 2017 reflects total current assets of Kshs.566,873,660 and total current liabilities of Kshs.600,196,380 resulting in a negative working capital of Kshs.33,322,720. The Commission was, therefore, technically insolvent as at 30 June 2017 and its continued existence is based upon an assumption of receiving financial support from the Government and the goodwill of its creditors. This material uncertainty casts significant doubt on the ability of the Commission to continue as a going concern. The management has, however, not made any disclosures regarding the uncertainty or expected continued government financial support in the near future.

2. Incompleteness of Records and Inaccuracy of the financial statements

- (i) The Commission did not maintain a proper record of all its transactions. This is evidenced by the variances observed between the financial statements and the trial balance as follows:

Item	Financial Statements (Kshs)	Trial Balance (Kshs)	Variance (Kshs)
Accounts Receivable	387,782,028	467,714,319.45	79,932,291.45
Domestic Debtors	347,749,060	387,782,028	40,032,968
Staff debtors	179,615	2,285,439	2,105,824
Rental Debtors- Court cases	Nil	52,149,984	52,149,984
General factory expenses	18,042,511	17,452,215	590,296
Power & Fuel	50,964,074	51,504,074	540,000
Closing Stock	61,131,940	43,095,940	18,036,000
Professional fees	10,869,252	10,916,028	466,776
Commissioners expenses	15,568,389	15,765,973	197,584
Travelling & Accommodation	39,440,874	38,694,279	746,595
Factory repairs & maintenance	14,499,878	13,160,794	1,339,084

- (ii) In addition, the opening balances for the following items in the financial statements for 2016/2017 differed with the previous year's audited financial statements as shown below:

Item	Audited 2015/2016 Account figures (Kshs)	2016/2017 Account Opening Balance figures (Kshs)	Variance (Kshs)
Provision for bad debts	80,911,675	53,524,385	27,387,290
Net trade and other receivables	295,494,586	219,961,382	75,533,204
Cash in hand	9,104,707	Nil	9,104,707
Athi River	1,021,525	102,153	919,372
Trade Creditors	166,816,776	170,431,715	3,614,939
Net trade and other payables	233,194,969	350,715,931	117,520,962
Working capital account	Nil	1,437,356	1,437,356
Closing Stock	63,653,682	62,613,286	1,040,396

- (iii) The statement of comprehensive income reflects operating expenses amounting to Kshs.152,891,652, which as disclosed in Note 16 to the financial statements includes depreciation expense of Kshs.75,891,872. A recalculation of the charge for the year revealed that depreciation expense amounted to Kshs.75,925,177. The effect is that the depreciation charge has been understated by Kshs.33,305.
- (iv) The other operating expenses of Kshs.152,891,652 also includes an amount of Kshs.14,499,878 disclosed in Note 16 to the financial statements as factory repairs. The expenditure on factory repairs of Kshs.14,499,878 however differs with the amount of Kshs.14,111,894 reflected in supporting schedules.
- (v) The statement of comprehensive income reflects an amount of Kshs.6,597,517 under finance costs, which is referenced to Note 18 to the financial statements. Note 18 does not exist.
- (vi) Note 17 to the financial statements reflects an amount of Kshs.470,000,000 under government grants. However, the Note 17 to the financial statements shows a nil balance.
- (vii) The statement of financial position reflects under cash and cash equivalents a balance of Kshs.117,959,692 as at 30 June 2017 and a comparative figure of Kshs.401,135,723 as at 30 June 2016. However, Note 5 to the financial statements reflects an amount of Kshs.391,111,644 as at 30 June 2016. This anomaly has not been clarified.

Consequently, the completeness, accuracy and validity of the Commission's financial transactions for the year ended cannot be confirmed. In addition, the accuracy of the balances reflected in the financial statements is doubtful due to the unsupported variances in the opening balances.

3. Performance During the Year

3.1 Income

The statement of comprehensive income for the year ended 30 June, 2017 reflects sales amounting to Kshs.332,165,635 (2016 – Kshs.239,188,602). However, records provided reflects sales amounting to Kshs.343,754,947, which differs with the figure reflected in the financial statements by Kshs.11,589,947. The difference has not been reconciled or explained. In addition, although the sales figure was indicated to include both meat and other by-products like hides and skins, no documentary evidence was provided to support the sales figures.

Other operating income figure of Kshs.31,016,803 includes as disclosed in Note 14 to the financial statements, rent income of Kshs.30,052,300, which is a drop from the previous year's figure of Kshs.30,172,300 by Kshs.120,000. No reason was given for

the drop in the rent revenue. In addition, no lease agreements between the Commission and the tenants was provided for audit review. Consequently, the accuracy and completeness of the rent income cannot be confirmed.

In absence of sufficient evidence, it has not been possible to establish and verify the sums of money received, banked and income records maintained in the year under review.

3.2 Cost of Sales

The statement of comprehensive income reflects an amount of Kshs.829,636,979 (2016 – Kshs.283,143,857) under cost of sales. The gross margin ratio deteriorated over the period from an amount of Kshs.43,955,255 to Kshs.497,471,344 or a drop of 150% of sales, compared to a loss of 15% over the previous year.

The significant drop was explained to have been as a result of National Government's offtake programme that directed the Commission to buy and slaughter animals for the locals to alleviate both hunger and loss of livestock. However, no record of the number of animals bought and slaughtered under this programme was provided for audit review. In addition, no documentary evidence was provided to indicate that the Commission had been tasked with the responsibility of buying of livestock and slaughtering them for local communities.

Consequently, the propriety of the cost of sales figure of Kshs.829,636,979 disclosed in the financial statements cannot be confirmed.

3.3 Administrative Expenses

The statement of comprehensive income as at 30 June 2017 reflects administrative expenses of Kshs.153,263,870 (2016 – Kshs.230,877,568), a decrease of Kshs.77,613,698. The decrease was mainly under other administration expenses and professional fees. The other administration expenses variously include, purchasing costs, training expenses, salaries and wages and other expenditure that could have been properly disclosed and presented under their rightful expenditure category. In addition, professional fees comprise of legal fees paid to legal firms.

It was observed that other administration costs decreased from Kshs.136,833,250, in 2015/2016 to Kshs.40,590,434 in 2016/2017 or a drop of Kshs.96,242,816. No explanation was provided for this abnormal drop in expenditure considering that the operations of the Commission were more than the previous year.

Consequently, the completeness, accuracy and propriety of the administrative expenses totaling Kshs.153,263,870 during the year cannot be confirmed.

3.4 Other Operating Expenses

The statement of comprehensive income further reflects under other operating expenses an amount of Kshs.152,891,652 as at 30 June 2017 (2016 –

Kshs.239,975,342). The expenditure decreased from the previous year's amount by Kshs.87,083,690. The decrease was mainly on indirect wages Kshs.36,138,108 and in provision for bad and doubtful debts Kshs.54,335,906. No explanation was provided for the significant decline in the two expenditure items, considering that the activities of the Commission significantly increased.

Consequently, the completeness, accuracy and validity of the other operating expenses totalling Kshs.152,891,652 cannot be confirmed.

3.5 Government Grants

The statement of comprehensive income reflects government grant in 2016/2017 of Kshs.470,000,000 (2015/2016 – Kshs.450,000,000). However, the performance of the Commission continued to deteriorate despite the financial support. No plausible reason was advanced for this continued loss making.

4. Property, Plant and Equipment

4.1 Unsupported Property, Plant and Equipment Balances

The statement of financial position reflects under property, plant and equipment a balance of Kshs.1,966,843,964 as at 30 June 2017 and includes balances of Kshs.381,200,000, Kshs.1,066,121,026, Kshs.517,537,058 and Kshs.1,985,880 in respect of land and improvements, buildings, plant and machinery and office equipment. However, as similarly reported in the previous years, the balances cannot be verified in absence of a fixed assets register and a detailed analyses and records of property, plant and equipment.

4.2 Ownership of Property

(i) Ownership of Land

As reported in the previous years, the Commission in 1984 secured a loan from National Bank of Kenya through a debenture and charged 13 parcels of its land as security. The Government in the year 2007 repaid all loans owed by various Government entities, including the Kenya Meat Commission, effectively lifting the charge on the Commission's parcels of land. However, to date, the Commission has not obtained or received back the 13 original title deeds from the bank. No explanation has been provided on why the bank was still holding the titles long after the loans were settled.

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

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

(ii) Irregular Sale of the Commission's Land

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

(iii) Obsolete Plant, Machinery and Equipment

The property, plant and equipment balance of Kshs.1,966,843,964 as disclosed in Note 2 to the financial statements includes plant and machinery and office equipment with net book values of Kshs.517,537,058 and Kshs.1,985,880, respectively. A physical verification of the above showed that unquantified value of plant and machinery were obsolete and not in a working condition. In addition, a large part of plant and machinery were idle due to underutilization and some had broken down without repairs having been initiated.

Further, as disclosed in Note 2 to the financial statements most of the office equipment are fully depreciated but are still in use while equipment of unquantified value is obsolete. The fully depreciated equipment with economic value have not been revalued to reflect their fair values in the financial statements.

Consequently, the ownership, value, accuracy and completeness of the property, plant and equipment as disclosed in these financial statements cannot be confirmed.

5. Trade and Other Receivables

5.1 Long Outstanding Balances

The statement of financial position reflects trade and other receivables net balance of Kshs.387,782,028 as at 30 June 2017 (2016 – Kshs.295,494,586). As shown under Note 4 to the financial statements, the balance includes domestic debtors of Kshs.347,749,060 and rental debtors of Kshs.33,780,855 out of which, domestic debtors of Kshs.278,063,816 and rental debtors Kshs.27,827,982 had been outstanding for over three months.

Rental debtors balance of Kshs.33,780,855.00 was also not reflected in the trial balance. In addition, the financial statements show a nil balance on rental debtors with court cases as compared to the previous financial year balance of Kshs.63,292,484. No explanation has been provided on whether the amount was recovered or written off.

Under the circumstance, the recoverability of the trade and other receivables balance of Kshs.387,782,028 in full cannot be confirmed.

5.2 Unsupported Debtors

The net trade and other receivables balance of Kshs.387,782,028 also includes deposits of Kshs.25,496,869 which have not been supported by any documentary evidence. Consequently, the validity and completeness of these deposits cannot be ascertained.

6. Inventories

The statement of financial position reflects a balance of Kshs.61,131,940 under inventories as at 30 June 2017 and as disclosed under Note 3 to the financial statements includes meat and meat products- Kshs.16,440,033, engineering- Kshs.16,866,836, general stores- Kshs.9,789,072 and live animals- Kshs.18,036,000. However, the inventories do not include by-products like hides, skins and other related by-products. Under the circumstances, the inventories balance of Kshs.61,131,940 is not fairly stated.

7. Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.117,959,692 as at 30 June 2017 while the bank reconciliation statement provided for audit reflects an amount of Kshs.187,201,266, resulting in unreconciled and unexplained difference of Kshs.69,241,574.

As disclosed in Note 5 to the financial statements, the balance of Kshs.117,959,692 comprised of balances held in fourteen bank accounts (including M-Pesa Account) and cash balances held in three depots as at 30 June 2017. However, bank reconciliation statements for nine bank accounts were not provided for audit review.

In view of the above, it has not been possible to confirm that all bank transactions executed during the year were recorded in the cash books and whether the cash and cash equivalents balance of Kshs.117,959,692 reflected in the financial statements as at 30 June 2017 is fairly stated.

8. Trade and Other Payables

The financial statements reflects trade and other payables balance of Kshs.265,364,189 which as disclosed in Note 10 to the financial statements comprises of trade creditors Kshs.194,253,159 and other creditors Kshs.71,111,030. However, the other creditors balance of Kshs.71,111,030 is not reflected in the trial balance.

In addition, the trade and other payables comparative figure for 2015/2016 of Kshs.236,809,908 differs with the corresponding figure of Kshs.350,715,931 disclosed in Note 10 to the financial statements.

Under the circumstances, it has not been possible to ascertain the accuracy and completeness of trade and other payables balance of Kshs.265,364,189 as at 30 June 2017.

9 Rehabilitation Grant

As reported in the previous year, the statement of financial position as at 30 June 2017 still reflect rehabilitation grant of Kshs.98,000,000, which has been brought forward from previous years. No information has, however, been provided on the nature of rehabilitation that the funds were meant for. It is not clear, whether the grant is still set aside for the intended rehabilitation. No reason has been given for the failure to spend the amount on rehabilitation. Under the circumstances, the existence of the amount is doubtful.

10. Bank Overdraft

The statement of financial position as at 30 June 2017 reflects a nil balance under overdraft, which had a comparative balance of Kshs.1,437,356 in the previous year. The overdraft account was being operated with the Cooperative Bank under Account 4000029. No evidence has been provided to show that appropriate authority from the National Treasury was obtained before opening of the overdraft account. During the year under review, no record of operations was provided on the account for audit review. In addition, no evidence was provided to show that the account has been closed or ceased operations.

11. Government Loans

As reported in the previous year and as disclosed in Note 9 to the financial statements, the Government advanced the Commission loans amounting to Kshs.300 million: Kshs.200 million in 2009/2010 and Kshs.100 million in 2010/2011, at an interest rate of 2% per annum. The principal amount was to be repaid in twenty semi-annual consecutive instalments commencing 30 June 2010. However, to date, the Commission has not settled either the principal instalments or the interest on the loans as provided for in the loan agreements and as at 30 June 2017, the accrued interest amounting to Kshs.34,832,191 had been capitalized in breach of the terms of the loan agreements signed with the Government.

The loan schedules provided indicates total interest up to 30 June 2017 of Kshs.41,562,318 on the two loans while the Government loans balance of Kshs.334,832,191 reflected in the statement of financial position includes an amount of Kshs.34,832,191. The difference of Kshs.6,730,127 between the two records which represents interest for the year under review differs with Kshs.6,597,517 reflected in the statement of comprehensive income.

Further, the Government loans balance of Kshs.334,832,191 shown in the statement of financial position differs with the balance of Kshs.320,484,816 reflected in Note 9 to the financial statements by Kshs.14,347,375.

12. Financial Statements and Disclosure and Presentation

(i) Statement of comparison of budget and actual amounts

The Commission did not include statement of comparison of budget and actual amounts in its financial statements. In the absence of the statement of comparison of budget and actual amounts, it is not possible to determine whether the Commission's resources as applied were planned and budgeted for.

(ii) Financial statements presentation

The financial statements as presented are not consistent with the guidelines provided by the Public Sector Accounting Standards Board. The disclosures are not adequate and notes to the financial statements are not consistent with the requirements of the Board.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

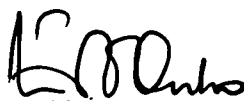
Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Kenya Meat Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

03 July 2018



KENYA MEAT COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
Non-current assets	Note		
Property, Plant & Equipment	2	1,966,843,964	2,035,431,970
Current assets			
Inventories	3	61,131,940	62,613,286
Trade and other receivables	4	387,782,028	295,494,586
Cash and cash equivalent	5	117,959,692	401,135,723
Total current Assets		566,873,660	759,243,595
Total Assets		2,533,717,624	2,794,675,565
Equity & Liabilities			
Capital Reserves	6	814,150,346	814,150,346
Revaluation Reserve	7	1,419,776,484	1,419,776,484
Retained Earnings	8	(398,405,586)	(102,393,041)
Rehabilitation Grant		98,000,000	98,000,000
		1,933,521,244	2,229,533,789
Current liabilities			
Government Loans	9	334,832,191	326,894,512
Trade & other payables	10	265,364,189	236,809,908
Bank overdraft	11	-	1,437,356
Deferred Income	17	-	-
Total equity & liabilities		2,533,717,624	2,794,675,565

Prepared and Compiled By:

CPA Cheruiyot Davis Kipronoh Reg No. 19351

Signed.....

MR. JOSEPH LEARAMO
MANAGING COMMISSIONER

Signed.....

Mr. NTOROS OLE SENTEU

CHAIRPERSON



KENYA MEAT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Sales	12	332,165,635	239,188,602
Cost of sales	13	(829,636,979)	(283,143,857)
Gross profit		(497,471,344)	(43,955,255)
Other operating incomes	14	31,016,803	31,073,691
Government grants	17	470,000,000	450,000,000
Administrative expenses	15	(153,263,870)	(230,877,568)
Other operating expenses	16	(152,891,652)	(239,975,342)
Operating Loss		(302,610,062)	(33,734,474)
Finance Cost	18	6,597,517	(6,409,696)
Profit /(Loss)for the year		(296,012,545)	(40,144,170)

**KENYA MEAT COMMISSION****STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Capital Kshs	Revaluation Reserve Kshs	Rehabilitation Grant Kshs	Retained Earnings Kshs	Total Kshs
At 1 July 2015	814,150,346	1,419,776,484	98,000,000	(62,248,871)	2,269,677,959
Profit for the year				(40,144,170)	(40,144,170)
At 30 June 2016	814,150,346	1,419,776,484	98,000,000	(102,393,041.00)	2,229,533,789
At 1 July 2016	814,150,346	1,419,776,484	98,000,000	(102,393,041.00)	2,229,533,789
Profit for the year				(296,012,545.26)	(296,012,545)
At 30 June 2017	814,150,346	1,419,776,484	98,000,000	(398,405,586.26)	1,933,521,244



KENYA MEAT COMMISSION

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2016-2017 Kshs	2015-2016 Kshs
-		
Operating activities		
Operating profit/(Loss)	(296,012,545)	(40,144,170)
Adjustment for:-		
Interest capitalized	6,597,517	6,409,696
Depreciation	75,891,872	76,112,091
Operating profit before working capital changes	(213,523,157)	42,377,617
Working capital changes		
Changes in Trade receivables	- 60,084,948	(120,761,195)
Changes in Inventories	1,481,346	75,566,936
Changes in trade Payables	(74,351,742)	18,920,553
Net cash used in operating activities	(346,478,501)	16,103,911
Investing activities		
Purchase of fixed Assets	7,303,779	(2,896,030)
Net cash used in investing activities	7,303,779	13,207,881
Financing activities		
bank over draft	45,875	1,434,356
Deffered Income	-	-
Net cash from financing activities	45,875	14,642,237
Net change in cash and cash equivalent	(339,128,848)	-
Cash & cash equivalents at the beginning	401,135,723	386,493,486
Cash & cash equivalents at the end	62,006,875	401,135,723

**KENYA MEAT COMMISSION****Notes to the financial statement for the year ended 30 June 2017****summary of significant accounting policies**

The principle accounting policies in the preparation of the financial statements are set out below;

Statement of compliance and basis of preparation

The financial statements are prepared on historical cost convention as modified by the revaluation of certain items of property, plant and equipment. The preparation of financial statements with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires the management to exercise judgment in the process of applying Commissions Accounting Policy.

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

The financial Statements have been prepared in accordance with Public Finance Management Act(PFM),the State Corporation Act, and International Financial Reporting Standards(IFRS).The policies adapted have been applied consistently applied to all years presented.

1.Revenue Recognition and measurements

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

- i) **Revenue from Sale of meat and meat products** is recognized in the year in which the Commission delivers meat and meat products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured
- ii) **Rental Income** is recognized in the income statement as it accrues using effective lease agreement.

a) Inventories

The inventories are valued at the lower of cost and estimated net realizable value. Costs comprises of direct materials and where applicable direct labor cost and those over heads incurred in bringing the inventories to their present locations and conditions. Net realizable value represents the estimated selling prices less the estimated cost of sale.

**b) Property plant & equipment.**

Items of property, Plant and Equipment are initially measured at cost. After initial recognition property, Plant and Equipment is stated at cost less depreciation. Land and Improvement are not depreciated. Depreciation on the other Assets is calculated on cost balance based on the following annual rates, All property, plant and equipment are initially recorded at cost. Buildings, plant, machinery, furniture and fittings are subsequently shown at revalued amounts, based on regular valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit or loss. Each year, excess depreciation representing the additional depreciation following revaluations of property, plant and equipment over depreciation based on historical cost is transferred from revaluation reserve to retained earnings.

Buildings – 2.5% Plant and Machinery – 4.5%

Office Equipment – 12.5%

Motor vehicle – 25%

Revaluation model has been adopted as per IAS16 and surplus charged to income statement.

c) Cash and cash equivalents

Cash and cash equivalents includes bank balances and short term liquid investments that are readily convertible to know amount of cash and are subject to an insignificant risk of changes in value.

d) Government grants

Government grants are recognized as incomes over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

e) Trade and other receivables

Provision for doubtful debts is at 10% for trade receivables however we are analyzing our current debts with a view of increasing the provision thereafter and no provision was made for rental debtors with court cases since the court ruled that they be evicted and rental income was earned and collected. The receivables are stated net of the provision of doubtful debts.



KENYA MEAT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

2.	PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT					TOTAL K.Shs.
		Land an improvements K.Shs.	Buildings K.Shs.	Plant and Machinery K.Shs.	Office Equipments K.Shs.	Motor Vehicles K.Shs.	
COST AND VALUATION							
Cost							
At 1 July 2016	381,200,000	1,418,101,853	885,984,389	63,201,972	71,505,998	2,819,994,212	
Additions	-	7,037,333	7,037,333	266,445	-	7,303,779	
At 30 June 2017	381,200,000	1,418,101,853	893,021,722	63,468,417	71,505,998	2,827,297,991	
Depreciation							
At 1 July 2016	-	316,528,281	335,298,687	61,229,189	71,505,998	784,562,155	
Charge for the year	-	35,452,546	40,185,978	253,348	-	75,891,872	
At 30 June 2017	-	351,980,827	375,484,665	61,482,537	71,505,998	860,454,027	
Net book Value							
At 30 June 2017	381,200,000	1,066,121,026	517,537,058	1,985,880	-	1,966,843,964	
At 30 June 2016	381,200,000	1,101,573,572	550,685,615	1,972,783	-	2,035,431,970	



KENYA MEAT COMMISSION

Notes to the financial statements for the year ended 30 June 2017 (Continued)

3 Inventories	2016-2017	2015-2016
	Kshs	Kshs
Meat & Meat products	16,440,033	12,874,094
Supplies Stores		
Engineering stores	16,866,836	14,684,784
General stores	9,789,072	35,054,408
	43,095,940	62,613,286
Live Animals		
- Cows	7,254,000	-
- Steers	702,000	-
- Bulls	5,688,000	-
- Heifers	4,122,000	-
- Calves	270,000	-
	18,036,000	-
Grand total	61,131,940	62,613,286



KENYA MEAT COMMISSION

Notes to the financial statements for the year ended 30 June 2017 (cont.)

	2016-2017		2015-2016
		Kshs.	kshs
4 Trade and other receivables			
Domestic debtors		347,749,060	262,432,344
Export Debtors		-	-
Rental Debtors		33,780,855	24,910,755
Staff debtors		179,615	273,809
Deposits		25,496,868	25,496,869
Rental Debtors - Court Case		-	63,292,484
Less provision for doubtful debts		(19,424,370)	(53,524,385)
Net trade and other receivables		387,782,028	219,961,382
5 Cash and cash equivalent		2016-2017	2015-2016
	A/C No.	kshs	kshs
Operations account	10800	381,243	303,044
Working capital account	10801	1,516,258	-
Rental account	10802	26,504	16,683,322
Landhies Rd account	10803	27,059,712	15,686,135
Mombasa account	10804	323,050	277,746
Rehabilitation account	10805	69,135,242	355,348,069
Dollar account	2-10800	61,760	324,338
KCB Operations account		85,315	85,315
First Community Bank - Operations account		356,279	356,279
- Deposits account		87,661	87,661
-Current Account		48,526	
Safaricom Mpesa Account		6,260,092	1,226,397
Guarantee/Bind bond account		12,363,970	



National Bank Account	940	940
	117,706,552	390,379,246
Cash on hand		
Athi River	165,281	102,153
Mombasa Landhies Rd	3,262	546,001
	84,597	84,244
Total cash and cash equivalent	117,959,692	391,111,644

6 Capital Reserves

The Capital employed has been arrived at on the basis that, the commissions assets had been acquired from a capital investment which has been identified after a proper Assets valuation was conducted.

7 Revaluation Reserve.

The revaluation reserve arose on revaluation of the Commission's Assets by an an independent valuer in the 2006/2007 financial year.

8 Retained earnings

This is a build up of retained earnings/deficits over the years. The movement during the period is shown in the statement of changes in equity.

9 Government Loans

	2016-2017	2015-2016
	Ksh	Ksh
Government Loans	320,484,816	326,894,512

The Commission did not receive any Government Loan during the financial year 2014/2015 Interest of Kshs. 6,040,000 was capitalized as per loan agreement.

This is composed of two loans of Kshs 200 Million and Kshs 100 Million.

The Kshs 100 Million was given by the Government as per the loan agreement dated 4th May 2011 at the interest rate 2% p.a for a period of 12 years inclusive of a grace period of two years. All interest accrued from the date of disbursement up to 30th June is capitalized.

Repayment is in 20 semi-annual installments each payable on 30th December and 30th June commencing June 2013.

The Kshs 200 Million was given by the Government as per the loan agreement dated 22nd January 2010 at the interest rate 2% p.a The interest was to be paid semi annually with



the first interest being payable on 30th December 2009. Repayment is in 20 semi-annual installments each payable on 30th December and 30th June commencing June 2010. However due to financial constraints the commission has not been able to repay the loan and has been capitalizing the interest accrued in the two loans.

10 Trade and other payables		2016-2017	2015-2016
		Kshs	Kshs
	Trade creditors	194,253,159	170,431,71
	Other creditors	71,111,030	66,378,193
	Total	265,364,189	350,715,93

11 Bank overdraft		2016-2017	2015-2016
Working capital account		Kshs	Kshs
	A/C No.		
	10801	-	1,437,35
	Total	-	-

Notes to the financial statements for the year ended 30 June 2017

12 Sales analysis	2016-2017	2015-2016
	Kshs	Kshs
July	22,760,549	12,768,345
August	23,991,991	8,205,708
September	28,093,194	13,989,577
October	22,757,054	10,987,527
November	23,503,613	17,628,116
December	20,489,141	21,213,873
January	22,954,111	18,537,917
February	30,459,504	18,214,002
March	37,182,324	32,059,886
April	20,048,415	20,438,191
May	57,596,678	37,652,665
June	22,329,062	27,492,793
Total	332,165,635	239,188,600



	2016-2017	2015-2016
	Kshs	Kshs
13 Cost of Sales		
Opening stock	62,613,286	138,180,222
Livestock purchases	698,110,982	112,451,773
Direct wages	59,146,818	40,898,853.00
General factory expenses	18,042,511	12,834,798.00
Power & Fuel	50,964,074	40,440,947.00
Factory rent & rates	1,891,249	950,550
Closing stocks	(61,131,940)	(62,613,286)
Total	829,636,979	283,143,857
14 Other operating incomes		
	2016-2017	2015-2016
	Kshs	Kshs
Rent Income	30,052,300	30,172,300
interest on Advances	42,138	77,373
Other income	922,365	824,018
	31,016,803	31,073,691
This represents rent income and proceeds from sale of tenders		
15 Administrative expenses	2016-2017	2015-2016
	Kshs	Kshs
Security expenses	3,243,919	7,835,970
Professional fees	10,869,252	27,884,071
Other Administration expenses	40,590,434	136,833,250
Advertising & promotions	1,853,537	3,156,340
Commissioners expenses	15,568,389	18,418,598
Bank charges	1,286,902	1,014,938
Medical expenses	2,994,978	2,038,620
Insurance premiums	4,045,204	4,160,920



Office expenses	22,822,403	1,130,440
Stationery	3,935,473	3,991,276
Travelling & Accommodation	39,440,874	19,199,540
Telephone expenses	1,099,553	568,790
Car fuel	4,700,951	3,832,790
Audit fees	812,000	812,000
Total	153,263,870	230,877,560
16 Other operating expenses		
Indirect wages	96,599,917	132,738,020
Factory repairs & maintenance	14,499,878	10,889,330
Depreciation	75,891,872	76,112,090
Increase/Decrease in provision for bad & doubtful debts	(34,100,015)	20,235,890
Bad debts written off		
	152,891,652	239,975,340
17 Government Grants		

This represents grants received from the Government from time to time to support the Commission's recurrent and capital expenditure. During the Financial year 2014/2015 the commission received a grant of Kshs.700Million to support the commission's operations for modernization. Deferred grant from the previous year 2013/2014.

	2016-2017 Kshs	2015-2016 Kshs
Grants	-	450,000,000

