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By Hon Aden Duale, leader of
Majority, on Thurs 1/10/14*

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2014



Kenya Meat Commission

ANNUAL REPORT AND FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30TH JUNE, 2014



KENYA MEAT COMMISSION

Athi River

P.O. Box 2-00204

Athi River, Kenya

www.kenyameat.co.ke

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CORPORATE INFORMATION

COMMISSIONERS

The Commissioners who served during the year were:

Mr. Josiah Tariaya ole Kores	<i>Chairman</i>
Mr. James Tendwa	<i>Ag. Managing Commissioner</i>
Ms. Halima Shaiya	
Mr. Hassan Duale	
Mr. Fredrick O Machoka	
Mr. David Ng`ang`a	
Mr. David Chume Kalasinga	
Mr. Nicholas Lesokoyo	
Mr. Hassan Galma Jilo	
Dr. Francis Kinyua	
Mr. Mohammed Jimale	
Hon. Grace Mwewa	
Ms. Amina Mahat Kuno	
Permanent Secretary Ministry of Livestock Development	
Permanent Secretary Ministry of Finance (Treasury)	
Inspector General State Corporation	
Office of the President	
The Director Veterinary Services	

MANAGEMENT TEAM

James Tendwa	<i>Ag. Managing Commissioner</i>
Rajab Barasa	<i>Chief Finance Officer</i>
Mary Mburu	<i>Production Manager</i>
Stella Muhoro	<i>Corporate Communication</i>
Martin Mono	<i>Plant Engineer</i>
Esther Ngari	<i>Quality Assurance Manager</i>
Beth Silas	<i>Ag. Livestock Manager</i>
Vincent Akarah	<i>Ag. Company Secretary</i>

Ag. COMPANY SECRETARY

Mr. Vincent Akarah

REGISTERED OFFICE

Kenya Meat Commission

Athi River

P. O. Box 2 -0204

Athi River

BANKERS

Co-operative Bank of Kenya – Athi River Branch

First Community Bank - South C

National Bank - Harambee Avenue

Kenya Commercial Bank- Kitengela Branch

LAWYERS

Various

AUDITORS

The Auditor General

Kenya National Audit Office

Anniversary Towers

University Way

P. O. Box 30084 – 00100

NAIROBI

**REPORT OF THE COMMISSIONERS
FOR THE YEAR ENDED 30 JUNE 2014**

The Commissioners submit their Report together with the audited Financial Statements for the year ended 30 June 2014, which disclose the state of affairs of the Commission.

Incorporation

The Commission is incorporated in Kenya under the Kenya Meat Commission Act 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	2014 Kshs.	2013 Kshs.
Total Comprehensive income (Loss)	(316,664,883)	(300,497,027)

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.



VINCENT AKARAH
Ag. Company Secretary


**STATEMENT OF THE COMMISSIONERS RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2014**

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. JAMES TENDWA
Ag. MANAGING COMMISSIONER

DATE..... **2/6/2015**

Signed.....


Mr. JOSIAH TARAIYA OLE KORES
CHAIRMAN

DATE..... **2/6/2015**

**REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION
FOR THE YEAR ENDED 30 JUNE 2014**

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 6 to 19, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in equity, statement of cash flows, 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Transfers/Withdrawals of Funds

As reported in the Report for 2012/2013, records maintained by the Commission indicate that Kshs.11,500,000 and Kshs.15,600,000 were transferred from the Commission's bank accounts maintained at First Community Bank and Kenya Commercial Bank respectively, in Kitengela, to a private bank account of a former Managing Commissioner, bringing the total transfers to Kshs.27,100,000. Additional information indicates that on 18 December 2012, the Company Secretary made a cash withdrawal of Kshs.3,000,000 from the Commission's Kenya Commercial Bank account in Kitengela. Although the management explained that the total amount of Kshs.30,100,000 was used to purchase livestock, no documentary evidence was produced in support of the purchases. Further, no satisfactory explanation has been provided for the transfer of public funds to a personal account.

In the circumstances, the authenticity of the total sum of Kshs. 30,100,000 withdrawn from the Commission's bank accounts during the year could not be confirmed.

2. Other Operating Expenses

The figure of Kshs. 366,491,551 for other operating expenses as shown in the statement of financial performance includes Kshs. 110,776,046 being bad debts written off. However, no evidence has been provided to show that appropriate authority was obtained for the write-off, as required by regulations. Consequently, the authenticity of the write-off could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Meat Commission as at 30 June 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Kenya Meat Commission Act, Cap 363 of the laws of Kenya.

Emphasis of Matter

I draw attention to the following matters;

1. Financial Performance

During the year under review, the Commission reported a loss of Kshs. 316,664,883 (2012/2013 - loss of Kshs. 300,497,027) thereby depleting retained earnings to a negative balance of Kshs. 450,103,291. The poor performance appears to have been caused by continued reduced proceeds from sales which dropped from Kshs.1,110,242,092 in 2012/2013 to Kshs. 331,436,084 in the year under review. The Commission has not indicated measures being taken to address this situation in order to revert to profitability. Consequently, the continued survival of the Commission depends on the support from Government, creditors and other lenders.

2. Outstanding Financial Obligations - Long Outstanding Creditors

The financial statements reflect a trade and other payables balance of Kshs.350,715,931 which includes uncleared arrears of Kshs.109,615,767 owed to livestock creditors, Kshs.3,802,910 owed to the Board of Commissioners on allowances and Kshs.91,689,830 owed to staff for gratuity. As a result of the inability to settle its financial obligations, it is apparent that the continued survival of the Commission depends on the support from Government, creditors and other lenders.

3. Government Loans

As indicated under notes 9 and 18, 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 installments commencing on 30 June 2010. However, to date, the Commission has not settled either the principal installments or the interest on the loans as provided for by the loan agreements. Consequently, the Commission is in breach of the loan agreements.

My opinion is not qualified in respect of these matters.

Other Matter

1. Property, Plant and Equipment

i. Ownership of Land

In 1984, the Commission secured a loan from National Bank of Kenya through a debenture and charged 13 parcels of its land as security. In 2007, the Government repaid all loans owed by various Government entities, including the Commission, effectively lifting the charge on the parcels of land. However, to date, the Commission has not obtained the title deeds from the Bank. Additional information available indicates that the Bank has indicated that it is holding only ten (10) titles, not thirteen (13). No explanation has been provided on the whereabouts of the following titles: L.R. No. 17/67 - Kitisuru, Nairobi; L.R. No. 1504/8 - Beacon Ranch,

Mavoko; and L.R. No. 10021 (I. R. 17873) - Sheep and Goat Ranch, Kitengela, Kajiado.

ii. Ownership of Motor Vehicles

The Commission did not produce log books for the following four (4) out of its 24 motor vehicles.

<u>Vehicle Reg. No.</u>	<u>Description</u>	<u>Station</u>
KAT 989X	Suzuki Vitara	Athi River
KAT783X	Pajero	Athi River
KAV 843 E	Toyota Corolla	Athi River
KAA 216 P	Same Tractor	Athi River

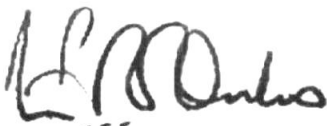
iii. Expired Lease

The Commission leased its parcel of land, L.R. No. 7641/7 at Mackinon Road, Kwale County, to a known individual for a period of five (5) years with effect from 1 April 2009 to 31 March 2013 at an annual rent of Kshs. 270,000. However, the lease expired on 31 March 2013, the tenant continues to occupy and utilize the land without a new lease agreement. Although the tenant applied on 1 February 2013 for a further lease, the Commission has not responded to the application. No explanation has been provided for failing to obtain the title deeds and log books, as a result of which, the ownership of the land and motor vehicles could not be confirmed. No explanation has also been provided for failing to renew the lease and for allowing the former tenant to continue occupying and utilizing the land in Kwale illegally.

2. Irregular Sale of Commission's Land

Available information indicates that the Commission's parcels of land L. R. No. MN/1/258 - Shimanzi; L. R. No. 427/40 - Riverside Drive, Nairobi; and L. R. No. 17/67 - Kitusuru, Nairobi, were sold on 2 April 2008, 1 April 2010 and 29 October 1999 for Kshs. 12,000,000, an annual rent of Kshs. 400,000 and Kshs. 18,250,000, respectively. However, no evidence has been provided to show that appropriate approval was obtained to effect the sale.

My opinion is not qualified in respect of these matters.



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


16 June 2015

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Kshs	2013 Kshs
Sales	12	331,436,084	1,110,242,092
Cost of sales	13	(371,890,948)	(1,167,101,661)
Gross profit		(40,454,863)	(56,859,570)
Other operating incomes	14	31,693,142	30,663,868
Government Grants	17	247,430,376	198,063,137
Administrative expenses	15	(182,681,186)	(152,439,317)
Other operating expenses	16	(366,491,551)	(313,885,145)
Operating Loss		(310,504,083)	(294,457,027)
Finance Cost	18	(6,160,800)	(6,040,000)
Loss for the year		(316,664,883)	(300,497,027)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		2014 Kshs	2013 Kshs
Non-current assets	Note		
Property, Plant & Equipment	2	2,197,282,376	2,286,736,256
Current assets			
Inventories	3	155,399,629	174,847,734
Trade and other receivables	4	219,961,382	327,575,515
Cash and cash equivalent	5	116,666,506	43,018,600
Total current Assets		492,027,518	545,441,849
Total Assets		2,689,309,894	2,832,178,105
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	(450,103,291)	(133,438,409)
Rehabilitation Grant		98,000,000	98,000,000
		1,881,823,539	2,198,488,421
Non- Current liabilities			
Government Loans	9	314,200,800	308,040,000
Current liabilities			
Trade & other payables	10	350,715,931	317,926,511
Bank overdraft	11	-	7,723,172
Deferred Income	17	142,569,624	
Total equity & liabilities		2,689,309,894	2,832,178,105

Signed 

MR. JAMES TENDWA
AG.MANAGING COMMISSIONER

Signed 

MR. JOSIAH TARAIYA OLE KORES
CHAIRMAN

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Capital	Revaluation	Rehabilitation	Retained	
	Kshs	Reserve	Grant	Earnings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2010	814,150,346	1,419,776,484	98,000,000	7 9,276,707	2,411,203,537
Prior year adjustment				300,000,000	300,000,000
Profit for the year	-	-	-	(170,348,721)	(170,348,721)
At 30 June 2011	814,150,346	1,419,776,484	98,000,000	208,927,986	2,540,854,816
At 1 July 2011	814,150,346	1,419,776,484	98,000,000	208,927,986	2,540,854,816
Profit for the year				(41,869,368)	(41,869,368)
At 1 July 2012	814,150,346	1,419,776,484	98,000,000	167,058,618	2,498,985,448
Profit for the year				(300,497,027)	(300,497,027)
At 30 June 2013	814,150,346	1,419,776,484	98,000,000	(133,438,408)	2,198,488,421
At 1 July 2013	814,150,346	1,419,776,484	98,000,000	(133,438,408)	2,198,488,421
Profit for the year				(316,664,882)	(316,664,882)
	814,150,346	1,419,776,484	98,000,000	(450,103,291)	1,881,823,539

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	Kshs	Kshs
Operating activities		
Operating profit/(Loss)	(316,664,883)	(300,497,027)
Adjustment for:-		
Interest capitalised	6,160,800	6,040,000
Depreciation	89,680,080	94,482,584
Operating profit before working capital changes	(220,824,003)	199,974,443)
Working capital changes		
Changes in Trade receivables	107,614,133	62,197,487
Changes in Inventories	19,448,105	84,892,062
Changes in trade Payables	32,789,419	39,379,637
Net cash used in operating activities	(60,972,345)	(13,505,257)
Investing activities		
Purchase of fixed Assets	(226,200)	(23,023,765)
Net cash used in investing activities	(226,200)	(23,023,765)
Financing activities		
Bank over draft	(7,723,172)	7,723,172
Deffered Income	142,569,624	-
Net cash from financing activities	134,846,452	7,723,172
Net change in cash and cash equivalent	73,647,906	(28,787,850)
Cash & cash equivalents at the beginning	43,018,600	71,806,449
Cash & cash equivalents at the end	116,666,506	43,018,600

STATEMENT OF COMPARISON BETWEEN BUDGET AND ACTUAL AMOUNTS

Item	Budget	Actual	Variance		Remarks
			Ksh	Percentage	
Sales	2,346,060,780	331,436,084	-2,014,624,696	-85.87	Projected sales was not realized due lack of funding from GoK. The funds had been requested through Turnaround plan where funds to pay old debts and working capital were provided for. Due to loose of suppliers' confidence and lack of working capital key raw materials like livestock would not be purchased hence affecting production adversely.
Cost of sales	2,085,290,774	371,890,947	-1,713,399,826	-82.17	
Gross profit/(loss) before grants	260,770,005	-40,454,863	-31,224,869	-115.51	
Government Grants	300,000,000	247,430,376	-52,569,624	-17.52	Commission did not receive the budgeted grant which was meant for working capital, but instead received grants to clear pat of the old debts.
Gross profit/(loss) after grants	560,770,005	206,975,512	-353,794,493	-63.09	Same as above under sale variance
Other operating incomes	31,700,213	31,693,142	-7,071	-0.02	As budgeted the revenue source was largely from the Commission houses.
Administrative expenses	201,405,926	182,681,186	-18,724,740	-9.30	Due to reduced operations the variance was favourable.
Other operating expenses	304,050,626	366,558,527	62,507,901	20.56	The variance was caused by write off of bad debts
Operating Profit/(loss)	87,013,666	-310,571,058	-397,584,725	-456.92	Same as above under sale variance
Finance Cost	6,000,000	6,160,800	160,800	2.68	The variance was caused by unpaid interest that was not paid as expected
Profit/(Loss) for the year	87,013,666	-316,731,858	-403,745,525	-464.00	Same as above under sale variance

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

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 judgement 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 recognised to the extent that it is probable that future economic benefits will flow to the Commission and revenue can be reliably measured. Revenue is recognised 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 recognised in the year in which the Commission delivers meat and meat products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured
- ii) Rental Income** is recognised 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-see

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. Deferred revenue relates to offtake programme which was to be done in the next financial year.

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 100% for rental debtors with court cases. The receivables are stated net of the provision of doubtful debts.

f) Foreign currency transaction

In the income statement the foreign currency transaction are translated by applying the spot rate on the foreign currency amounts on the date of the transaction. In the

2. PROPERTY, PLANT AND EQUIPMENT

	Land an improvements	Plant and Buildings	Office Machinery	Equipments	Motor Vehicles	TOTAL
COST AND VALUATION						
	K.Shs.	K.Shs.	K.Shs.	K.Shs.	K.Shs.	K.Shs.
At 1 July 2013	381,200,000	1,418,101,853	885,984,389	6 0,212,742	71,505,998	2,817,004,982
Additions				226,200		226,200
At 30 June 2014	381,200,000	1,418,101,853	885,984,389	60,438,942	71,505,998	2,817,231,186
Depreciation						
At 1 July 2013		210,170,642	215,690,881	45,571,983	58,835,220	530,268,726
Charge for the year	-	35,452,546	39,869,298	7,554,868	6,803,368	89,680,080
At 30 June 2014	-	245,623,188	255,560,179	53,126,851	65,638,588	619,948,806
		-				
Net book Value						
At 30 June 2014	381,200,000	1,172,478,665	630,424,210	7,312,091	5,867,410	2,197,282,376
At 30 June 2013	381,200,000	1,207,931,211	670,293,508	14,640,759	12,670,778	2,286,702,256

3 Inventories

	2014	2013
	Kshs	Kshs
Meat & Meat products	1,582,546	21,098,450
Supplies Stores		
Engineering stores	16,587,146	11,818,155
General stores	137,202,438	138,545,429
	155,372,129	171,462,034
Live Animals		
- Cows		
- Steers	-	3,132,000
- Bulls		
- Heifers		
- Weaners		
- Calves		
- Small stocks	27,500	253,700
	27,500	3,385,700
Grand total	155,399,629	174,847,734

4 Trade and other receivables	2014	2013
	Kshs	Kshs
Domestic debtors	2 09,235,951	3 44,983,461
Rental Debtors	3 ,091,213	3 ,926,451
Staff debtors	3 ,269,128	2 ,407,104
Deposits	11,029,4 90	1 1,149,491
Rental Debtors - Court Case	46,859 ,9 84	41,269,984
Less provision for doubtful debts	(53,524,385)	(76,160,975)
Net trade and other receivables	2 19,961,382	327,575,515
5 Cash and cash equivalent	2014	2013
	kshs	kshs
Operations account	10800 387,810	
Working capital account	10801 47,626	2 ,708,239
Rental account	10802 618,776	
Landhies Rd account	10803 719,2 53	1,634,545
Mombasa account	10804 87,64 6	736,421
Rehabilitation account	10805 114,534,930	2 1,175,516
Dollar account	2-10800 7 1,470	3 4,638
KCB Operations account	9 0,605	9 5,535
First Community Bank- Operations account	28,250	1,408,849
- Deposits account	2 ,850	
Guarantee/Bind bond account		1 3,380,000
National Bank Account	2 ,260	7 ,500
	116,591,477	41,181,243
Cash on hand		
Athi River	48,712	861,3 19
Mombasa	9,1 4 0	143,5 50
Landhies Rd	17, 177	8 32,488
Total cash and cash equivalent	116,666,506	43,018,600

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 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

	2014	2013
	Ksh	Ksh
Government Loans	314,200,800	308,040,000

The commission did not receive any Government Loan during the financial year 2013/2014 Interest of Ksh. 6,040,000 was capitalised as per loan agreement.

10 Trade and other payables

	2014	2013
	Kshs	Kshs
Trade creditors	93,285,098	7 8,076,157
Other creditors	257,430,833	239,850,355
Total	350,715,931	317,926,511

		2014	2013
11 Bank overdraft	A/C No.	Kshs	Kshs
Operations account	180 0		5,673,433
Rental account	10802		2,047,240
First Community Bank -Deposit account			2500
Total		-	7,723,172

12 Sales Analysis

	2014	2013
	Kshs	Kshs
July	65,246,123	158,902,043
August	60,632,482	146,729,029
September	61,929,670	149,143,711
October	38,240,039	144,079,878
November	19,695,046	89,153,062
December	22,129,988	77,473,452
January	15,111,466	84,875,515
February	27,767,486	65,242,664
March	12,785,946	34,016,394
April	3,265,772	59,701,367
May	4,161,626	55,498,749
June	470,440	45,426,227
Total	331,436,084	1,110,242,092

13 Cost of sales

	2014	2013
	Kshs	Kshs
Opening Stock	174,847,734	259,739,797
Livestock Purchases	193,260,799	820,590,252
Direct Wages	51,703,799	85,461,556
General Factory Expenses	36,585,886	52,995,121
Power & Fuel	67,384,224	121,886,740
Factory Rent & Rates	3,508,835	1,275,930
Closing Stocks	(155,399,629)	(174,847,734)
Total	371,890,948	1,167,101,661

14 Other Operating Income

	2014	2013
	Kshs	Kshs
Rent Income	29,035,036	28,765,500
Bank Interest	150,722	365,715
Other Income	2,507,384	1,532,653
	31,693,142	30,663,868

This represents rent income and proceeds from sale of tenders

	2014	20 13
	Kshs	Kshs
Administrative expenses		
Security expenses	7,372,9 45	3,362,251
Professional fees	11,429,45 0	4,145,415
Other operational expenses	111,364,002	48,542,919
Advertising & promotions	474 ,984	1,341,863
Commissioners expenses	10,726,950	18,759,268
Bank charges	1,035,500	6,125,244
Medical expenses	11,486,47 6	27,615,944
Insurance premiums	10,940,52 8	9,034,269
Office expenses	2,555,552	708,585
Stationery	2,305,593	2,826,853
Traveling & Accommodation	4,207,278	12,974,218
Telephone expenses	2,019,672	2,169,519
Hire of transport	-	3,284,016
Car fuel	5,950,2 56	10,736,953
Audit fees	812 ,000	812,000
Total	182,681,186	152,439,317
16 Other operating expenses		
Indirect wages	153,033,247	165,148,209
Factory repairs & maintenance	35,638,77 0	59,987,372
Depreciation	89,680,08 0	94,482,584
Increase/Decrease in provision for bad &	(22,636,590)	(4,679,528)
Bad debts written off	110,776,046	
	366,491,551	314,938,638

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 2013/2014 the commission received a grant of Kshs. 390Million to support the commission's operations however kshs 143Million was for offtake programme which was to be done from July 2014 hence has been treated as deferred income

	2014	2013
	Kshs	Kshs
Grants	247,430,376	198,063,137

18 Finance Cost

This represents the cost of external financing by way of Loans received from Government of Kenya. The commission received Kshs. 200 million loan from the government in the financial year 2009/2010 and Kshs. 100 Million in the year 2010/2011 at an interest rate of 2% per annum

	2014	2013
	Kshs	Kshs
Finance Cost	6,160,800	6,040,000

PROGRESS REPORT ON RECOMMENDATION OF AUDITOR GENERAL ON FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

Paragraph 1 - Late submission for financial statements.

The delay was caused by major changes at the top management which resulted to delay in preparation and approval of financial statements for onward transmission to Auditor General. Top management left the Commission without proper handing over and the Board delayed to sit and approve the financial statements for submission.

Paragraph 2 - Financial performance.

It is true that financial performance of the Commission is at precarious stage as noted in the audit report. In addition, the plant is operating below capacity (<30% capacity) and this has brought in operational inefficiency, cost of operation is not competitive both at local and export markets. Inefficient old machines has also contributed to high cost of operation and wastage, due to frequent break down, power consumption and more manpower. This has forced the Commission to rely on the Exchequer in order to remain afloat.

Management challenges have also contributed to financial challenges facing the Commission. Line ministry and the board has noted the above and changed senior managers and the board in order to ensure better management team. The new leadership at the plant has keenly identified key things that need to be done in order to turn around the Commission. This is illustrated in the Business Turnaround Plan that has been forwarded to the line ministry for approval and funding. This plan will among many other things require funding in order to rehabilitate the plant and bring it up to efficient level. The funding will also be used to improve working capital and carry out staff rationalization.

Paragraph 3 - Uncleared Financial Obligations.

Due to the poor performance of the Commission, management did prepare Business Turnaround Plan and presented the same to the line ministry for financial support. The Ministry has since stepped in and helped the Commission to pay livestock creditors, FCB bank and part of staff dues. As at 19th May 2015 the outstanding financial obligation that is due and had not been cleared is KSh 48M; that include payroll deductions of KSh 83M, general supplies creditors of KSh 62M and FCB Bank of KSh2M. The above exclude the government loans and applicable interest on the loans that has not been paid as reflected in the financial statement.

Paragraph 4 - Property Plant and Equipment.

i. Additions during the year.

The supporting schedules have since been amended to reconcile with the figures as reflected in the financial statements.

ii. Failure to obtain titles of ownership for land.

Due to the significance of the above matter, please find attached comprehensive report on the Commission land, (see attachment)

iii. Motor Vehicles.

The Commission has 24 vehicles. Twenty vehicles have logbooks while 4 vehicles logbooks have been misplaced or lost and are being traced. The Commission has already obtained police abstracts for the vehicle log books which are either misplaced or lost. The Kenya Revenue Authority is currently investigating the issue before issuance of new log books.

The above mentioned motor vehicle (a 4x4 utility Toyota Prado) was purchased without approved budget and procurement plan. The procurement was done when the official vehicle for the CEO broke down beyond repair and there was no alternative car.

Paragraph 5 - Irregular sale of Commission's land.

Due to the significance of the above matter, please find attached comprehensive report on the Commission land, (see attachment)

Paragraph 6 - Transfers/withdrawals of funds.

Management would like to response as follows:

- Ksh 11 .5M cash was withdrawn by former Managing Commissioner from the FCB bank. The cash has not been accounted for yet. The transaction is under investigation by the EACC.
- Ksh 15.6M cash was withdrawn by former Managing Commissioner from KCB bank for purpose of livestock purchase in Garissa livestock market. The cash imprest was thereafter accounted for. The transaction is also under further investigation by the EACC.
- KSh 5M cash was withdrawn by former Company Secretary from KCB bank. The cash has not been accounted for. The transaction is under investigation by EACC.

Paragraph 7 - Unapproved overdraft.

The overdraft was authorized by the Board in its sitting on 5th November 2012. During the 404th full board meeting, overdraft of KSh 50M and LC of KSh35M was approved. (See attachment)

Paragraph 8 - Capital Grants.

The entire amount was utilized for recurrent expenditure. This was done as a matter of stop gap measure ensure the Commission remains a float and is protected against litigations from suppliers who were threatening to sue the Commission for non payment of their dues. Failure to pay such suppliers would have led to grounding of the operations at the Commission.

Paragraph 9 - Provision for bad and doubtful debts.

Management is in agreement with the audit observation. In future and with consultation with the auditor, the Commission will review the amount to ensure adequate provision is made.

Paragraph 10 - Corporate Governance.

Some top managers are on acting capacity. This has been occasioned by lack of full Board in place to either recruit or confirm the acting staff. Management will raise the same issue with the new Board that was appointed on 17th April 2015.

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