

REPUBLIC OF KENYA



*Paper Laid  
on Tuesday 4/8/15  
by the leader of  
Majority*

KENYA NATIONAL AUDIT OFFICE



**REPORT**



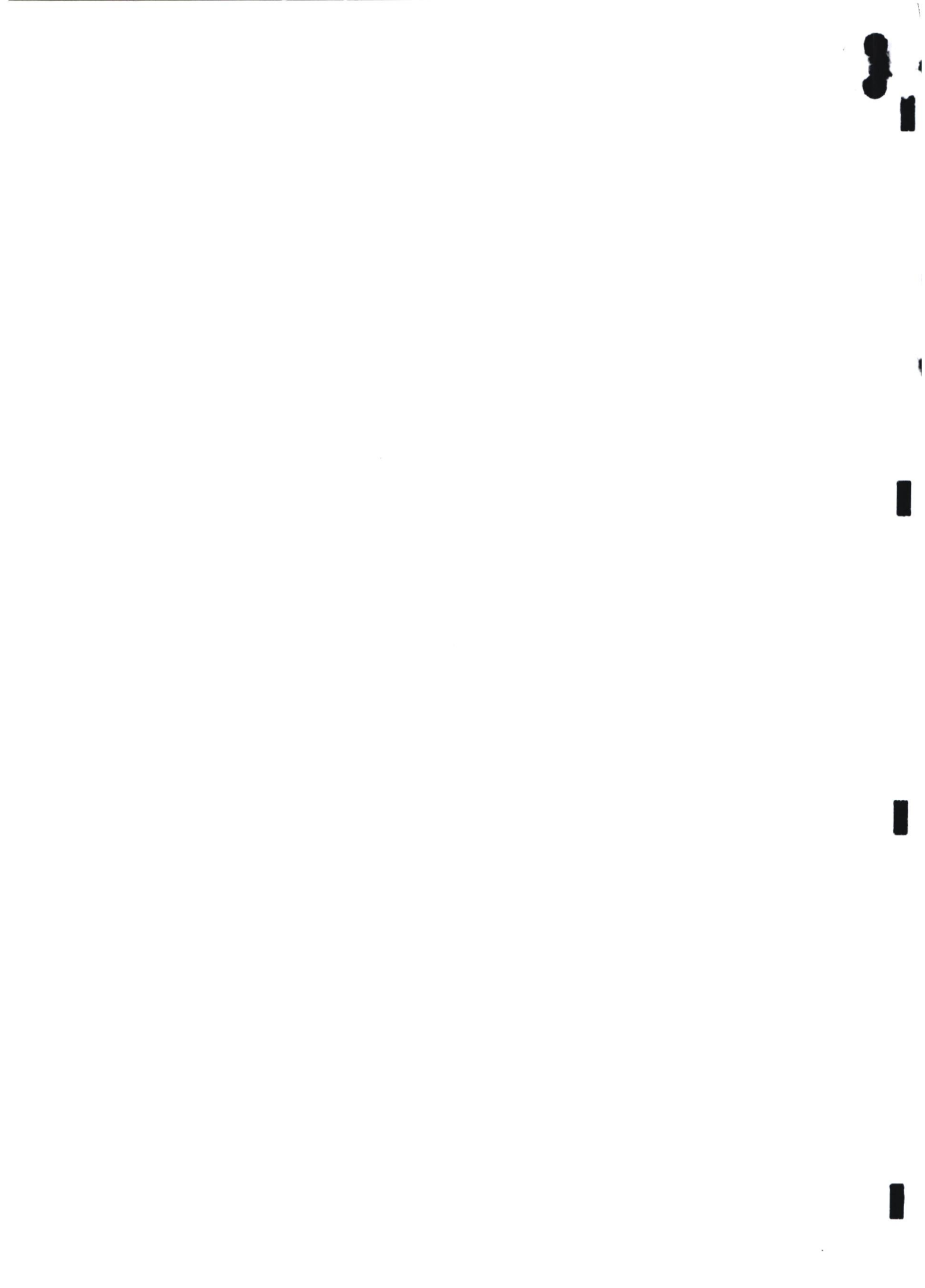
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA MEAT COMMISSION**

**FOR THE YEAR ENDED  
30 JUNE 2014**





**KENYA MEAT COMMISSION  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

<b><u>Contents</u></b>	<b>Page</b>
Corporate information	2-3
Report of the Commissioners	4
Statement of Commissioners' responsibilities	5
Financial statements:	
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash flows	9
Budget vs Actual Analysis	10
Notes to the Financial Statements	11-19
Progress Report on Recommendation of Auditor General on 2013 Accounts	20-22



**KENYA MEAT COMMISSION  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE,2014**

**CORPORATE INFORMATION**

**COMMISSIONERS**

The Commissioners who served during the year were:

Mr. Josiah Tariaya ole Kores	Chairman
Mr. James Tendwa	Ag. Managing Commissioner
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	
Permanet Secretary Ministry of Livestock Development	
Permanet Secretary Ministry of Finance(Treasury)	
Inspector General State Corporation	
Office of the President	
The Director Veterinary Services	

**MANAGEMENT TEAM**

James Tendwa  
Rajab Barasa  
Mary Mburu  
Stella Muhoro  
Martin Mono  
Esther Ngari  
Beth Silas  
Vincet Akarah

Ag. Managing Commissioner  
Chief Finance Officer  
Production Manager  
Corporate Communication  
Plant Engineer  
Quality Assurance Manager  
Ag. Livestock Manager  
Ag. Company Secretary



**KENYA MEAT COMMISSION**

**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**



## KENYA MEAT COMMISSION

### 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**



**KENYA MEAT COMMISSION**

**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**

Signed.....  
**Mr. JOSIAH TARAIYA OLE KORES**  
**CHAIRMAN**

DATE.....

DATE.....

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.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 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 judgement, 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
KAT 783X	Pajero	Athi River
KAV 843 E	Toyota Corolla	Athi River
KAA 216 P	Same Tractor	Athi River

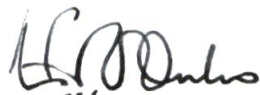
## iii. Expired Lease

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**



KENYA MEAT COMMISSION

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
	Note	Kshs	Kshs
Sales	12	331,436,084	1,110,242,092
Cost of sales	13	(371,890,948)	(1,167,101,661)
<b>Gross profit</b>		<b>(40,454,863)</b>	<b>(56,859,570)</b>
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)
<b>Operating Loss</b>		<b>(310,504,083)</b>	<b>(294,457,027)</b>
Finance Cost	18	(6,160,800)	(6,040,000)
<b>Loss for the year</b>		<b>(316,664,883)</b>	<b>(300,497,027)</b>



**KENYA MEAT COMMISSION**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Non-current assets</b>			
Property, Plant & Equipment	<b>2</b>	2,197,282,376	2,286,736,256
<b>Current assets</b>			
Inventories	<b>3</b>	155,399,629	174,847,734
Trade and other receivables	<b>4</b>	219,961,382	327,575,515
Cash and cash equivalent	<b>5</b>	116,666,506	43,018,600
<b>Total current Assets</b>		<b>492,027,518</b>	<b>545,441,849</b>
<b>Total Assets</b>		<b>2,689,309,894</b>	<b>2,832,178,105</b>
<b>Equity &amp; Liabilities</b>			
Capital Reserves	<b>6</b>	814,150,346	814,150,346
Revaluation Reserve	<b>7</b>	1,419,776,484	1,419,776,484
Retained Earnings	<b>8</b>	(450,103,291)	(133,438,409)
Rehabilitation Grant		98,000,000	98,000,000
		<b>1,881,823,539</b>	<b>2,198,488,421</b>
<b>Non- Current liabilities</b>			
Government Loans	<b>9</b>	314,200,800	308,040,000
<b>Current liabilities</b>			
Trade & other payables	<b>10</b>	350,715,931	317,926,511
Bank overdraft	<b>11</b>	-	7,723,172
Deferred Income	<b>17</b>	142,569,624	
<b>Total equity &amp; liabilities</b>		<b>2,689,309,894</b>	<b>2,832,178,105</b>

Signed 

MR. JAMES TENDWA  
AG. MANAGING COMMISSIONER

Signed 

MR. JOSIAH TARAIIYA OLE KORES  
CHAIRMAN



KENYA MEAT COMMISSION

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

	Capital Kshs	Revaluation Reserve Kshs	Rehabilitation Grant Kshs	Retained Earnings Kshs	Total Kshs
At 1 July 2010	814,150,346	1,419,776,484	98,000,000	79,276,707	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	(133,438,408.75)	2,198,488,421
At 1 July 2013	814,150,346	1,419,776,484	98,000,000	(133,438,408.75)	2,198,488,421
Profit for the year				(316,664,882.52)	(316,664,882.52)
	814,150,346	1,419,776,484	98,000,000	(450,103,291.27)	1,881,823,539





**KENYA MEAT COMMISSION**

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

	<b>2014 Kshs</b>	<b>2013 Kshs</b>
<b>Operating activities</b>		
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
<b>Operating profit before working capital changes</b>	<b>(220,824,003)</b>	<b>(199,974,443)</b>
<b>Working capital changes</b>		
Changes in Trade receivables	107,614,133	62,197,487
Changes in Inventories	19,448,105	84,892,062
Changes in trade Payables	32,789,419.6	39,379,637
<b>Net cash used in operating activities</b>	<b>(60,972,345)</b>	<b>(13,505,257)</b>
<b>Investing activities</b>		
Purchase of fixed Assets	<b>(226,200)</b>	(23,023,765)
<b>Net cash used in investing activities</b>	<b>(226,200)</b>	<b>(23,023,765)</b>
<b>Financing activities</b>		
bank over draft	(7,723,172)	7,723,172
Deffered Income	142,569,624	-
<b>Net cash from financing activities</b>	<b>134,846,452</b>	<b>7,723,172</b>
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
<b>Cash &amp; cash equivalents at the end</b>	<b>116,666,506</b>	<b>43,018,600</b>

**Statement of Comparison between Budget and Actual Amounts:**

Item	Budget	Actual	Variance		Remarks
			KSh	Percentage	
Sales	2,346,060,780.52	331,436,084.39	-2,014,624,696.13	-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	2,085,290,774.53	371,890,947.75	-1,713,399,826.78	-82.17	
Gross profit/(loss) before grants	260,770,005.98	-40,454,863.36	-301,224,869.34	-115.51	
Government Grants	300,000,000.00	247,430,376.00	-52,569,624.00	-17.52	Commission did not receive the budgeted grant which was meant for working capital, but instead received grants to clear part of the old debts.
Gross profit/(loss) after grants	560,770,005.98	206,975,512.64	-353,794,493.34	-63.09	Same as above under sale variance
Other operating incomes	31,700,213.60	31,693,142.34	-7,071.26	-0.02	As budgeted the revenue source was largely from the Commission houses.
Administrative expenses	201,405,926.71	182,681,186.17	-18,724,740.54	-9.30	Due to reduced operations the variance was favourable.
Other operating expenses	304,050,626.28	366,558,527.33	62,507,901.05	20.56	The variance was caused by write off of bad debts
Operating Profit/(loss)	87,013,666.60	-310,571,058.52	-397,584,725.12	-456.92	Same as above under sale variance
Finance Cost	6,000,000.00	6,160,800.00	160,800.00	2.68	The variance was caused by unpaid interest that was not paid as expected
Profit/(Loss) for the year	87,013,666.60	-316,731,858.52	-403,745,525.12	-464.00	Same as above under sale variance



## **KENYA MEAT COMMISSION**

### **Notes to the financial statement 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 Commission's 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 overheads 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 known amount of cash and are subject to an insignificant risk of changes in value.



## **KENYA MEAT COMMISSION**

### **Notes to the financial statement for the year ended 30 June 2014**

#### **d) Government grants**

Government grants are recognized as incomes over the periods necessary to match them with the re-lated 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 balance sheet the foreign currency mon-etary items are translated at the closing rate(s)



KENYA MEAT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

COST AND VALUATION	Land an	Buildings	Plant and	Office	Motor Vehicles	TOTAL
	improvements		Machinery	Equipments		
	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	60,212,742	71,505,998	2,817,004,982
Additions	-			226,200		226,200
<b>At 30 June 2014</b>	<b>381,200,000</b>	<b>1,418,101,853</b>	<b>885,984,389</b>	<b>60,438,942</b>	<b>71,505,998</b>	<b>2,817,231,182</b>
<b>Depreciation</b>						
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
<b>At 30 June 2014</b>		<b>245,623,188</b>	<b>255,560,179</b>	<b>53,126,851</b>	<b>65,638,588</b>	<b>619,948,806</b>
Net book Value						
<b>At 30 June 2014</b>	<b>381,200,000</b>	<b>1,172,478,665</b>	<b>630,424,210</b>	<b>7,312,091</b>	<b>5,867,410</b>	<b>2,197,282,376</b>
At 30 June 2013	381,200,000	1,207,931,210	670,293,509	14,606,759	12,670,778	2,286,702,256



## KENYA MEAT COMMISSION

Notes to the financial statements for the year ended 30 June 2014 (Continued)

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



## KENYA MEAT COMMISSION

### Notes to the financial statements for the year ended 30 June 2014

(Continued.)

		2014	2013
		kshs	kshs
<b>4 Trade and other receivables</b>			
<b>Domestic debtors</b>		209,235,951	344,983,461
Rental Debtors		3,091,213	3,926,451
Staff debtors		3,269,128	2,407,104
Deposits		11,029,490.46	11,149,491
Rental Debtors - Court Case		46,859,984.00	41,269,984
Less provision for doubtful debts		(53,524,385)	(76,160,975)
<b>Net trade and other receivables</b>		<b>219,961,382</b>	<b>327,575,515</b>
<b>5 Cash and cash equivalent</b>		<b>2014</b>	<b>2013</b>
	A/C No.	<b>kshs</b>	<b>kshs</b>
Operations account	10800	387,810	
Working capital account	10801	47,626	2,708,239
Rental account	10802	618,776	
Landhies Rd account	10803	719,253	1,634,545
Mombasa account	10804	87,646	736,421
Rehabilitation account	10805	114,534,930	21,175,516
Dollar account	2-10800	71,470	34,638
KCB Operations account		90,605	95,535
First Community Bank - Operations account		28,250	1,408,849
- Deposits account		2,850	
Guarantee/Bind bond account			13,380,000
National Bank Account		2,260	7,500
		<b>116,591,477</b>	<b>41,181,243</b>
<b>Cash on hand</b>			
Athi River		48,712.75	861,319.00
Mombasa	-	9,140.00	143,550.00
Landhies Rd		17,177	832,488
<b>Total cash and cash equivalent</b>		<b>116,666,506</b>	<b>43,018,600</b>



**KENYA MEAT COMMISSION**

**Notes to the financial statements for the year ended 30 June 2014 (Continued)**

**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**

	2014 Ksh	2013 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 Kshs	2013 Kshs
Trade creditors	93,285,098	78,076,157
Other creditors	257,430,833	239,850,355
<b>Total</b>	<b>350,715,931</b>	<b>317,926,511</b>

**11 Bank overdraft A/C No.**

	2014 Kshs	2013 Kshs
Operations account 10800		5,673,433
Rental account 10802		<b>2,047,240</b>
First Community Bank -Deposit account		2500
<b>Total</b>		<b>7,723,172.40</b>



## KENYA MEAT COMMISSION

### Notes to the financial statements for the year ended 30 June 2014

#### 12 Sales analysis

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

#### 13 Cost of Sales

	2014 Kshs	2013 Kshs
Opening stock	174,847,734	
Livestock purchases	193,260,799	259,739,797
Direct wages	51,703,099	820,590,252
General factory expenses	36,585,886	85,461,556
Power & Fuel	67,384,224	52,995,121.47
Factory rent & rates	3,508,835	121,886,740.00
Closing stocks	(155,399,629)	1,275,930.00
<b>Total</b>	<b>371,890,948</b>	<b>(174,847,734)</b>
		<b>1,167,101,661</b>

#### 14 Other operating incomes

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

This represents rent income and proceeds from sale of tenders



## KENYA MEAT COMMISSION

### Notes to the financial statements for the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>15 Administrative expenses</b>		
Security expenses	7,372,945	3,362,251
Professional fees	11,429,450	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	11,486,476	27,615,944
Insurance premiums	10,940,528	9,034,269
Office expenses	2,555,552	708,585
Stationery	2,305,593	2,826,853
Travelling & Accommodation	4,207,278	12,974,218
Telephone expenses	2,019,672	2,169,519
Hire of transport	-	3,284,016
Car fuel	5,950,256	10,736,953
Audit fees	812,000	812,000
<b>Total</b>	<b>182,681,186</b>	<b>152,439,317</b>
<b>16 Other operating expenses</b>		
Indirect wages	153,033,247	165,148,209
Factory repairs & maintenance	35,638,770	59,987,372
Depreciation	89,680,080	94,482,584
Increase/Decrease in provision for bad & Bad debts written off	(22,636,590) 110,776,046	(4,679,528)
	<b>366,491,551</b>	<b>314,938,638</b>

### 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

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Grants</b>	<b>247,430,376</b>	<b>198,063,137</b>



**KENYA MEAT COMMISSION**

**Notes to the financial statements for the year ended 30 June 2014 (Continued)**

**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

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Finance Cost	<b>6,160,800</b>	<b>6,040,000</b>

**Recommendation of Auditor General on Financial Statement for  
the Year ending 30<sup>th</sup> June 2013**

**Submission for financial statements.**

*Par* ed by major changes at the top management which resulted to delay in approval of financial statements for onward transmission to Auditor General. *i.*  
The st left the Commission without proper handing over and the Board delayed to sit the fin financial statements for submission.

**4 - 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 19<sup>th</sup> May 2015 the outstanding financial obligation that is due and had not been cleared is KSh148M; that include payroll deductions of KSh83M, general supplies creditors of KSh62M 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.**

**Additions during the year.**

Supporting schedules have since been amended to reconcile with the figures as reflected in financial statements. (see attachment)



**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:

- KSh11.5M 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.
- KSh15.6M 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.
- KSh3M 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.**

Overdraft was authorized by the Board in its sitting on 5<sup>th</sup> November 2012. During the 404<sup>th</sup> board meeting, overdraft of KSh50M 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 17<sup>th</sup> April 2015.

