

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

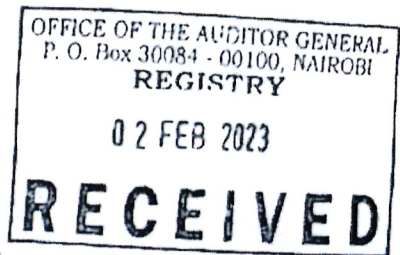
 THE NATIONAL ASSEMBLY PAPERS I AID	
DATE: 02 MAY 2023	DAY: Tuesday
TABLED BY:	Hon. Kimani Ichunguwa (Leader of the Majority Party)
CLERK-AT THE-TABLE:	Mado

**THE AUDITOR-GENERAL**

**ON**

**KENYA MEAT COMMISSION**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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KENYA MEAT COMMISSION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Table of Contents	Page
MANAGEMENT TEAM .....	vii
CORPORATE GOVERNANCE STATEMENT. ....	xiv
MANAGEMENT DISCUSSION AND ANALYSIS. ....	xvii
<u>ENVIRONMENTAL</u> AND SUSTAINABILITY REPORT .....	xix
REPORT OF THE COMMISSIONERS .....	xxi
STATEMENT OF COMMISSIONERS' RESPONSIBILITIES .....	xxii
<b>STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>1</b>
STATEMENT OF FINANCIAL POSITION .....	2
STATEMENT OF CHANGES IN EQUITY .....	3
<b>STATEMENT OF CASH FLOWS .....</b>	<b>4</b>
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021.....	5
APPENDIX 1: .....	32

**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**I. KEY ENTITY INFORMATION**

**a. Background information**

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

**b. The principal activities**

The principal activities of the Kenya Meat Commission is to

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

**c. Commissioners**

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

1.	Lt. Gen (Rtd) Joseph Kasaon	Chairman	16/10/2019
2	Brig (Rtd) Dr. Charles Otiato	Commissioner	20/11/2020
3	Brig (Rtd) George Esekun Ejalan	Commissioner	20/11/2020
4	Brig (Rtd) Philip Laibon Lepakio	Commissioner	20/11/2020
5	Brig (Rtd) Joseph Benjamin Mutuku Mweu	Commissioner	20/11/2020
6	Dr. Patricia M. Kingori - Mugendi	Commissioner	20/11/2020
7	M/s Mary Mulili	Commissioner	20/11/2020
8	Mr. C.K. Muhia – Rep, PS, Min. of Defence	Commissioner	01/12/2020
9	Mr. Patrick Ngicuru -Rep, PS, Min. of Agriculture	Commissioner	11/11/2019
10	Mr. Francis Kariuki – Rep PS, Min. of Finance	Commissioner	14/10/2015
11	Dr. Obadiah Nyaga - DVS	Commissioner	05/03/2018
12	Mr. Victor Momanyi –Rep Scac	Commissioner	-
13	Brig. James N. Githaga	Managing Commissioner	1/04/2021

**d. Corporate Secretary**

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

**e. Registered Office**

Kenya Meat Commission  
Athi River  
Off Mombasa Road

**f. Corporate Headquarters**

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

**g. Corporate Contacts**

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

**h. Corporate Bankers**

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

**i. Independent Auditors**

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

**j. Principal Legal Advisers**











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

**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**II. BOARD OF COMMISSIONERS**

No	Name	Designation	Highest qualification	Date of Appointment	Expiry Date
1.	Lt. Gen (Rtd) Joseph Kasaon	Chairman	Master Degree	16/10/2019	16/10/2022
2	Brig (Rtd) Dr. Charles Otiato	Commissioner	PHD	20/11/2020	05/10/2024
3	Brig (Rtd) George Esekon Ejalan	Commissioner	Master Degree	20/11/2020	05/10/2024
4	Brig (Rtd) Philip Laibon Lepakio	Commissioner	Master Degree	20/11/2020	05/10/2024
5	Brig (Rtd) Joseph Benjamin Mutuku Mweu	Commissioner		20/11/2020	05/10/2024
6	Dr. Patricia M. Kingori - Mugendi	Commissioner	Master Degree	20/11/2020	05/10/2024
7	M/s Mary Mulili	Commissioner	Master Degree	20/11/2020	05/10/2024
8	Mr. C.K. Muhia	Commissioner		01/12/2020	PS Rep
9	Mr. Patrick Ngicuru	Commissioner	-	11/11/2019	PS Rep
10	Mr. Francis Kariuki	Commissioner	Master Degree	14/10/2015	PS Rep
11	Dr. Obadiah Nyaga	Commissioner	PHD	05/03/2018	PS Rep
12	Mr. Victor Momanyi	Commissioner		-	IG Rep - State Corporation
13	Brig. James N. Githaga	Managing Commissioner	Master Degree	1/04/2021	31/03/2023
14	Anthony Omondi Ademba	Company Secretary	LLB(Nbi), Dip (Ksl)	01/08/2020	-

**III. MANAGEMENT TEAM**

 Br. James Nderitu Githaga – Managing Commissioner BA, Post graduate diploma	 Mr. Anthony Ademba -Head, Legal Affairs & Company Secretary LLB(Nbi), Dip (Ksl)
Manager, HR & Administration	ICT Manager.
 Mr. Robert Kiweu - Supply Chain MSC, BBA	 Mr. Festus Mutulu - Manager, Internal Audit MSC, BCOM, CPA(K)
 Ms. Lydia Mandila - Sales & Marketing MBA, BBA	 Dr. Cyril Cheruiyot - Manager, Livestock MSC
 Ms. Gaudencia Liambila - Manager, Production MBA, BSC	 Mr. Wellington Magoi - Chief Accountant BCOM, CPA(K)
 Ms. Sarah Chepkoech - Manager, Quality Assurance BSC, FOOD SC	 Eng. Paul Koech - Manager, Engineering Bachelor of Technology (Mechanical & Production)

**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**IV. CHAIRMAN'S STATEMENT**

The Financial year 2021/2022 was significant in the history of the Commission. It marks the first full year of operations since transfer of Ministerial responsibility from Ministry of Agriculture to the Ministry of Defence. In the year 2021, KMC adopted a new Business Plan that focused on turning around the fortunes of the Commission into a profitable and self-sustaining meat processor. Implementation of the Business Plan 2021 has positively impacted on the Commission's overall performance despite the impact of Covid-19 and economic slowdown in the country. The Commission managed to grow its customer base to record a seven-fold revenue growth never experienced in decades.

**TRADING PERFORMANCE.**

Throughout 2021-22, KMC has achieved exponential growth both in production capacity and revenue. In the financial year 2021/2022, sale of meat and meat products grew to **Ksh. 2,802,538,721.00** from **Ksh. 407,482,159.00** realised in the year 2020/2021 recording a tremendous growth of **688%**. The growth was as a result of increased production and sale of fresh meat and recovery of canning line which resulted to increased sales volume of canned corn beef.

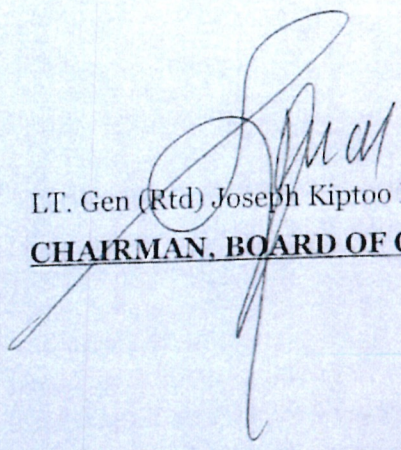
The Commission realised **Ksh. 57,917,581.00** from rental income during the year compared to the previous year of **Ksh. 51,876,736.00**. It is worth noting that rent income increased by 12% due to improved operational efficiency and rent adjustment/increase. The commission received **Ksh. 1,420,000,000.00** from the government for revenue expenditure and **Ksh. 80,000,000.00** capital grants for factory modernisation during the year.

The Commission appreciates the National Treasury financial support. The funds allocated were used to recover the factory canning line, rendering plant and blood processing line which are now operational. Recovery of these critical production capabilities will continue to increase the Commission's value added and by-products output. This will result in full optimisation of by-products which would have otherwise gone to waste. This not only contributes to sales revenue but also helps the factory be environmental conscious through reduction of harmful effluents which were previously contaminating the environment.

I want to assure all our stakeholders that the Commission has a bright future and will endeavour to fulfil its mandate and contribute to economic well being of livestock farmers in Kenya. The Commission is in the right track of regaining its position as a market leader in meat industry not only in Kenya but regionally. We are continuing with the execution of 2020/2024 strategic plan and a new business plan developed by a team from the Kenya defence forces aimed at turning around the operations of the Commission. Implementation of Phase one of Business Plan 2021 was successful and the board commits to ensure Phase two is achieved as well in the coming year. We are confident that this plan will assure stronger revenue growth and improved profits ahead.

May I conclude by sincerely thanking all those who supported the Commission in its recovery plan including our Customers, the Government of Kenya represented by the Ministry of Finance, Ministry of Defence, Ministry of Agriculture, Livestock and fisheries, and other stake-holders. I wish to thank my fellow Board of Commissioners for their support during the year.

God bless.



LT. Gen (Rtd) Joseph Kiptoo Kasaon.

**CHAIRMAN, BOARD OF COMMISSIONERS.**

**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**V. REPORT OF THE MANAGING COMMISSIONER**

In the year under review, main focus was implementation of KMC Business Plan 2021 which aimed at achieving 20% of the factory production capacity down from 1.4%. The Commission continued to grow its markets in both Government institutions and commercial markets. The operating environment was affected by prolonged drought which affected supply of quality raw materials. Recovery of unserviceable factory systems continued with operationalization of canning line, rendering plant and blood processing line. The efficiency of the factory improved with reduced breakdowns in the killing floor. This enabled the Commission to increase production capacity by over 600% in various production categories as compared to previous year as tabulated.

Product description	Achievement 2020/2021		Achievement 2021/2022	
	No.	MT	No.	MT
Large stock slaughtered	8,527	1,072	60,210	6,283.1
Goats	956	11.10	7,905	106.8
Sheep	110	1.29	1315	13.87
Corned Beef	94,885	28.399	1,387,506	421.88
Hides & Skins	8,780	179.163	60,269	1131.15
Animal feeds	1,164	58.28	7,934	396.56

The Commission continuously recorded month to month sales growth during the year. Sale of meat and meat products grew to **Ksh. 2,802,538,721.00** from **Ksh. 407,482,159.00** realised in the year 2020/2021 recording a tremendous growth of **688%**. The Commission realised **Ksh. 57,917,581.00** from rental income during the year compared to the previous year of **Ksh. 51,876,736.00** reporting a 12% growth attributed to improved operational efficiency in rent collection. Successful implementation of phase one of KMC business Plan 2021 enabled the Commission to change its fortunes from loss making organisation to record a profit of **Ksh 242,193,283.00** from a loss of **Ksh. 34,398,020.00** in the previous year. To support Commission's recovery plan and drought mitigation through off take programme, the National Treasury allocated **Ksh. 1,420,000,000.00** for recurrent expenditure and **Ksh. 80,000,000.00** capital grants for factory modernisation during the year.

**Contingent liabilities** - The Commission has reduced ongoing court cases to twenty-one (21) from seventy-four (74) in the previous year.

## STRATEGY

The Commission will continue to implement the turnaround strategy as stipulated in Business plan 2021. The ultimate goal is to ensure the Commission plays its role in economic development by being the main anchor for livestock farmers in Kenya, and guaranteeing livelihoods of Kenyans by providing quality meat products. We have so far re-established KMC as a strategic national agency for socio economic development. Demand for meat and meat products continues to grow and the quality of supply has improved in the last decade due to investments and expansion of the meat sector. The Commission will take advantage of this demand to grow its fortunes in future.

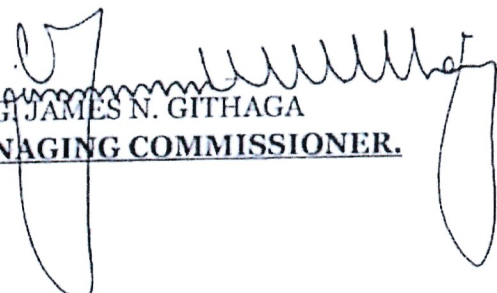
## SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT

KMC recognizes the importance of continuous key stakeholders engagement. Frequent meetings with livestock farmers has increased confidence and constant supply of raw materials. Cordial relationships with County governments under which livestock function falls remains critical to improvement of livestock husbandry in major raw material catchment areas. Focus on quality control measures in line with the Commission's mantra 'A cut above the best!' will be the benchmark for market penetration and sustainability of KMC drive to regain its position as a market leader in meat industry.

## FUTURE OUTLOOK

The future looks bright for the Commission after the recovery strategy gained traction faster than expected. The Commission will focus on optimising its value addition capability, new market penetration strategies like Franchise shops within Nairobi metropolitan area and shift from reliance on Government institutions to private and retail markets to improve on its cash flow. The Commission will also venture into export markets having acquired ISO Certification. We are confident that these plans will benefit more livestock farmers in the country and strengthen the Commission financial status through revenue growth and improved profits.

Thank you.

  
BRIGI JAMES N. GITHAGA  
MANAGING COMMISSIONER.

**Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022**

**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED  
OBJECTIVES FOR FY 2021/2022.**

**Strategic Objectives**

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

Key Output	K.P.I	Planned Targets		Achieved Targets		Remarks
		2020/21	2021/22	2020/21	2021/22	
Meat and meat products produced	MT	2925	4,813.80	1072	6283.1	Surpassed target due to expansion of markets
Hides and skins produced	MT	154	1,200	179	1131	Small Size of Animals leading to low yield
By-products produced	MT	240	300	58	396.56	Surpassed target due to expansion of markets
Corned beef produced	MT	235	657	28.4	421.88	Low yields

**STATEMENT OF STRATEGIC INTENT BY THE BOARD**

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the KMC. We will also pay special attention to implementation of Post COVID-19 Recovery Strategies and Plans.

Bearing in mind the imperative of inclusivity, we will implement the following Strategic Intentions during the Financial Year:

- (i) Ensure that KMC move the country towards achieving the Big 4 Agenda on food and nutrition security, manufacturing and agro processing by increasing the production of meat and meat products i.e canned corned beef, animal feeds, hides and skin to local tanneries, and development of feedlot.
- (ii) Improve market access for livestock farmers and trade strategies for meat and meat products
- (iii) Increase the production capacity from the previous 4,000 livestock per month to 6,000 per month to satisfy the assured market of fresh meat and corned beef to security agencies, and other non-security customers currently requiring an average of 2 tons of meat per day
- (iv) Increase the factory operating capacity from previous 20% to 40 %.

## **CORE MANDATE**

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

In line with its' Mandate, the Commission will contribute to SDGs on no poverty and zero hunger. In regard to Sector Performance Standards the Commission will implement activities geared towards sustainability of Livestock Subsector as an Enterprise.

## **Livestock Procured**

In the FY 2021/22 the Commission procured 69,430 livestock, 60,210 large stock and 9,220 shoats against the target of 53,400. Achievement for the above target was occasioned by increased market for meat and meat products.

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

**VII. CORPORATE GOVERNANCE STATEMENT.**

**BOARD MEETINGS**

The Board held meetings regularly during the FY 2021/2022, at least one every quarter in accordance with statutory requirements and one special meeting as need arose. The attendance for the meeting was as follows: -

**FULL BOARD MEETINGS**

DATE	Lt. Gen (Rtd) J. Kasaon	Brig (Rtd) Dr. C. Otiato	Brig. (Rtd) G. Ejalan	Brig. (Rtd) P. Lepakio	Brig. (Rtd) JB Mweu	Dr. P.M. Kingori	Mary Mulili	C.K. Muhia	Patrick Ngicuru	Francis Kariuki	Obadiah Nyaga	Victor Momanyi
24/08/2021	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
17/11/2021	✓	✓	✓	✓	✓	✓	✓	✓				✓
22/02/2022	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
29/03/2022	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
28/04/2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓

Annual Report and Financial Statements for the year ended June 30, 2022

**COMMITTEE MEETINGS**

DATE	Lt. Gen (Rtd) J. Kasaon	Brig (Rtd) Dr. C. Otiato	Brig. (Rtd) G. Ejalan	Brig. (Rtd) P. Lepakio	Brig. (Rtd) JB Mweu	Dr. P.M. Kingori	Mary Mulili	C.K. Muhia	Patrick Ngicuru	Francis Kariuki	Obadiah Nyaga	Victor Momanyi	Brig. J.N Githaga
09/08/2021		✓	✓		✓				✓				✓
10/08/2021		✓		✓				✓		✓			
11/08/2021				✓		✓					✓		✓
12/08/2021					✓		✓		✓	✓			
03/11/2021		✓		✓					✓	✓		✓	✓
04/11/2021				✓					✓	✓			✓
05/11/2021				✓		✓			✓	✓			✓
09/11/2021				✓						✓	✓	✓	✓
07/02/2022		✓		✓						✓	✓		✓
08/02/2022				✓		✓				✓			✓
10/02/2022					✓		✓		✓	✓		✓	✓
11/02/2022			✓		✓				✓	✓		✓	✓
23/03/2022			✓		✓				✓	✓		✓	✓
19/04/2022					✓		✓		✓	✓			✓
20/04/2022	✓			✓						✓			✓
21/04/2022				✓		✓					✓		✓
22/04/2022				✓					✓				✓
19/06/2022	✓			✓						✓			✓

## **SUCCESSION PLAN**

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

## **BOARD CHARTER**

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

## **APPOINTMENT AND REMOVAL OF COMMISSIONERS**

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

## **INDUCTION AND TRAINING**

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

## **COMMISSIONERS' PERFORMANCE**

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

## **CONFLICT OF INTEREST**

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

### **VIII. MANAGEMENT DISCUSSION AND ANALYSIS.**

The year 2021/2022 was a trajectory phase where the commission deed major repairs, rehabilitation and upgrade of the factory machines and equipment. These stabilised the production of meat and meat products, ensuring customer satisfaction through stable supply of the products. By expanded markets coupled with treasury funding enabled the commission to meet the payments to livestock suppliers within 72 hours and other suppliers within a period of 30 days thus increasing confidence of suppliers which in turn ensured consistent supply of livestock and other supplies.

#### **FINANCIAL PERFORMANCE.**

The Commission, for the first time for a long period, reported a profit of Ksh. 242,193,283 for the period as compared to the previous year's performance loss of (Ksh. 34,398,020).

With the expanded markets, improved operational efficiency & having done major factory repairs, the commission is set to perform tremendously well in the future.

#### **COMPLIANCE WITH BUDGETS**

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

#### **PENDING BILLS**

The commissions' unpaid bills stood at Ksh. 729.4 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general suppliers. The commission will continue settling the debts after verification since some of them date back to 2013.

#### **MANAGEMENT SYSTEMS**

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

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

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **Sustainability report**

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

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

The commission has planted five thousand trees in the financial year 2021-2022 to protect the environment.

Kenya meat commission has installed solar panels for lighting in its effort to conserve the environment.

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

### **Corporate Social Responsibility Statement**

During the year 2020-2022 the Commission engaged in several CSR activities with the aim of promoting its existence in the society. Below are some of the activities the commission engaged in during the financial period 2021/22.

#### **Big 4 Agenda**

##### **✓ Food security-**

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

Strategic food reserve – The Commission donated canned corned beef to the Ministry of special programs for relief.

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

### **Vision 2030**

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

Pillars of Vision 2030:

- ✓ **Economic and Macro Pillar-** KMC has helped tackle accessibility of Kenyan Meat, Leather and other products to Local and International markets from established Disease-Free Zones (DFZs)
- ✓ Setting up of Mpesa shops to help the community
- ✓ Setting up Defeco shop to ensure staff and Athi River community have access to products of subsidized prices
- ✓ **Social Pillar-** KMC has helped in investing in people's Education through its MTI – paid for slaughter attendants' course for its employees and thereby elevating the livelihoods of the Nation.
- ✓ Further, the Commission had one of its Military staff deliver a lecture to Bunny house school grade 3 students on Patriotism in line with fulfilling this year's grade 3 CBC project
- ✓ Allowed the community's transportation unit set up a Boda boda stage at the busy Nyama Haven grounds
- ✓ Have hosted schools and other institutions for tours within the Commission as well as attaches
- ✓ Have provided free samples of meat/meat products to institutions of a national scale, learning institutions, tournaments and social forums
- ✓ **Political Pillar-** KMC has reflected the aspirations and expectations of the government of the day by fulfilling its role of supporting the citizens of this great republic.
- ✓ **Foundation of the Pillar-** This is pegged on Disaster risk reduction and ending drought emergencies (EDEs) whereby KMC has stepped in through Offtake program, Ground slaughter programs among other foreseeable undertakings.

**X. REPORT OF THE COMMISSIONERS**

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Kenya Meat Commission affairs.

**Principal activities**

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

**Results**

The results of the entity for the year ended June 30, 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

	2021/2022	2020/2021
	Ksh.	Ksh.
<b>Total Comprehensive Income/(Loss)</b>	<b>242,193,283</b>	<b>(34,398,020)</b>

**Dividends**

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

**Commissioners**

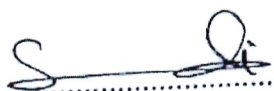
The members of the commission who served during the year are shown on page IV.

**Auditors**

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

By Order of the Board

Anthony Omondi Ademba  
Corporate Secretary  
Nairobi.

Signature.....  ..... Date..... 30TH SEPTEMBER, 2022

## XI. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

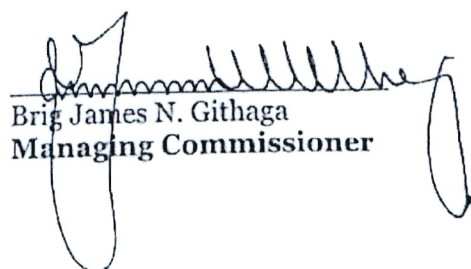
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

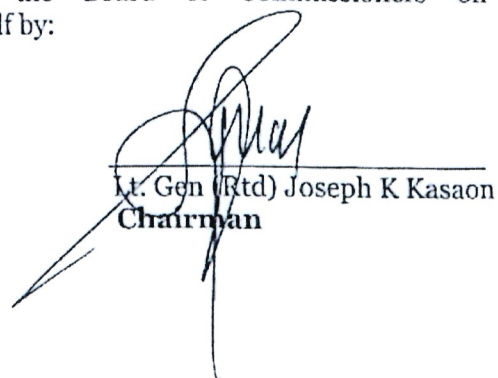
The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2022, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

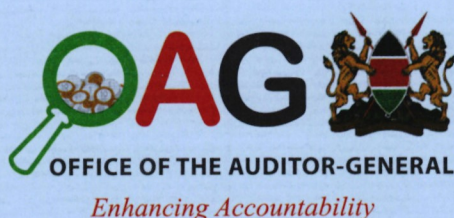
The financial statements were approved by the Board of Commissioners on 30TH SEPTEMBER 2022 and signed on its behalf by:

  
Brig James N. Githaga  
Managing Commissioner

  
Lt. Gen (Rtd) Joseph K Kasaon  
Chairman

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2022 and, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant

accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Meat Commission as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Kenya Meat Commission Act, 2012 Cap 363.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

The financial statements submitted for audit had various errors and inconsistencies as detailed below;

- (i) The statement of financial position as at 30 June, 2022 reflects trade and other payables of Kshs.729,446,967 as disclosed in Note 22 to the financial statements while the trial balance amounts is Kshs.715,468,128 resulting to a variance of Kshs.13,978,839.
- (ii) The actual amounts in the statement of comparison of budget and actuals were at variance with the figures in the trial balance and the statement of profit or loss and other comprehensive income. No reconciliation was provided for the variances.
- (iii) The notes to the financial statements are not aligned to the corresponding Note numbers indicated on the face of the financial statements.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2022 could not be confirmed.

#### **2. Inaccuracy in Cash and Cash Equivalents**

The statements of Cash flows reflects cash flow from investing activities of Kshs.69,625,187 which relate to purchase of property, plant and equipment while Note 14 to the financial statements reflects Kshs.110,721,770 resulting to an unexplained difference of Kshs.41,096,583.

In addition, as disclosed in Note 21.1 to the financial statements the statement of financial position reflects Kshs.120,000,000 in respect of short term borrowing which has not been included in the statement of cash flows.

In the circumstances, the accuracy of the decrease in cash and cash equivalent balance of Kshs.277,842,239 for the year ended 30 June, 2022 could not be confirmed.

#### **3. Unsupported Increase in Provision for Tax**

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.844,774,754 as reflected in Note 10 to the financial statements which includes an unsupported amount of Kshs.156,716,959 in respect of increase in provision for tax.

In the circumstances, the accuracy and occurrence of the increase in provision for tax amount of Kshs.156,716,959 as at 30 June, 2022 could not be confirmed.

#### **4. Understated Trade and Other Payables**

The statements of financial position as at 30 June, 2022 reflects Kshs.729,446,967 in respect of trade and other payables and as disclosed in Note 22 to the financial statements. Further, Note 27 to the financial statements discloses contingent liabilities amounting to Kshs.5,880,424 as at 30 June, 2022 relating to four (4) determined Court cases whose liabilities have neither been settled and nor included in trade and other payables amount of Kshs.729,446,967. Although there were no active appeals filed against the Court's determination, Management did not provide any evidence on the measures being taken to clear these outstanding liabilities.

In the circumstances, the accuracy of the reported trade and other payables balance of Kshs.729,446,967 as at 30 June, 2022 could not be confirmed.

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

##### **5.1 Unsupported Disposals on Capital Work in Progress**

The statements of financial position reflects a net book value of Kshs.1,926,909,113 in respect of property, plant and equipment as at 30 June, 2022 and as disclosed in Note 14 to the financial statements which includes disposals on capital work in progress of Kshs.52,572,316. However, no documentary evidence was provided for audit on the composition of the disposed work, the reason for disposal of the work in progress and whether there was an approved disposal plan.

In the circumstances, the accuracy and fair valuation of the property, plant and equipment balance of Kshs.1,926,909,113 as at 30 June, 2022 could not be confirmed.

##### **5.2 Fully Depreciated Assets**

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a net book value of Kshs.1,926,909,113 in respect of property, plant and equipment as at 30 June, 2022 which is disclosed in Note 14 to the financial statements. However, as reported in the previous year, Management has not explained why the Commission had not revalued or reviewed the depreciation methods of the assets in conformity with paragraph 31 and 61 of the International Standards of Accounting (IAS) 16 to reflect the correct balances in the financial statements given that the assets were still in use and generating revenue.

In the circumstances, the accuracy and fair valuation of the property, plant and equipment balance of Kshs.1,926,909,113 as at 30 June, 2022 could not be confirmed.

#### **6. Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.1,699,756,300 which as disclosed in Note 15 to the financial statements includes an amount of Kshs.480,000,000 in respect of off-take prepayment. However, no evidence was provided in support of what the amount relates. Further, the amount of Kshs.1,699,756,300 includes an amount of Kshs.72,931,900 in respect of a payment to

a construction company by the Commission for construction of an access road. As reported in the previous year, the amount was to be refunded by the Ministry of Defence. However, as at the time of the audit in January, 2023, no evidence was provided indicating any efforts being made by the Commission to have the amount refunded by the Ministry of Defence.

In the circumstances, the accuracy and valuation of the Kshs.1,699,756,300 in respect of trade and other receivables and the recoverability of the Kshs.72,931,900 owed by the Ministry of Defence as at 30 June, 2022 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The Commission had an expenditure budget of Kshs.1,952,616,372 while the actual expenditure was Kshs.2,792,170,999 resulting in an over-expenditure of Kshs.839,554,627 (43%) for the year ended 30 June, 2022.

The reasons for the over-expenditures in respect of the items have not been disclosed in the financial statements.

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Failure to Adhere to Staff Establishment**

Review of the Commission's payroll revealed that the commission has two hundred and forty-three (243) staff members on permanent terms and two hundred and forty-seven (247) staff members on contract terms, totaling to four hundred and ninety (490) staff members against the approved staffing of three hundred and forty-two (342) hence exceeding their establishment by one hundred and forty-eight (148) persons.

Although Management has explained, that the increase in the workforce was due to increased production from two (2) tonnes to twenty-six (26) tonnes per day, the Human Resource Instruments have not been revised and approved by State Corporations Advisory Committee (SCAC).

This is contrary to Paragraph 2.1.5 of the Kenya Meat Commission Human Resource Policies and Procedures Manual May 2022 which requires that all appointments be within the approved establishments.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Non-Implementation of the Enterprise Resource Planning (ERP) System**

Examination of payment and procurement records maintained by Kenya Meat Commission revealed that the Commission acquired an ERP system at a cost of Kshs.26, 424,000 in April 2021.

The scope of the contract included supply, installation, and configuration, customization, testing and commissioning of the ERP system as well as training of the users.

According to a memo dated 12 April, 2022, the ICT manager certified that the ERP solution had been delivered in accordance to specification and further confirmed that inspection and testing of the system had been carried out.

However, an audit review of the ERP system carried out in January, 2023 revealed that, the system generated inaccurate reports and the fixed assets module was yet to be implemented.

In the circumstances, it has not been possible to ascertain, the credibility of the accounts' reports generated from the ERP system. Further, no explanation has been provided by the Management for failure to clean up the system data, as well as implement the fixed assets module, despite the system having been commissioned over a year ago.

In addition, it was not clear how the vendor was fully paid without having fully satisfied their contractual obligations.

In the circumstances, value for money could not be confirmed.

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

### **Responsibilities of Management and the Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gatungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**19 April, 2023**

**Kenya Meat Commission**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

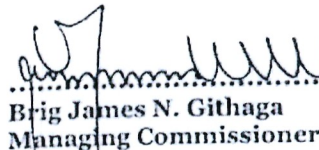
**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30 JUNE 2022**

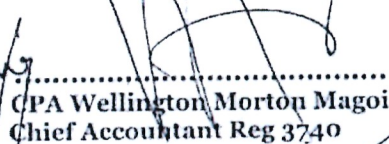
	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>REVENUES</b>			
Sales/Turnover	5	2,802,538,721	407,482,159
Cost of Sales	8	2,577,409,870	472,978,358
<b>GROSS PROFIT/(LOSS)</b>		<b>225,128,850</b>	<b>(65,496,199)</b>
<b>OPERATING INCOMES</b>			
Grants from National Government	6	920,000,000	391,358,057
Other Income	7	58,509,938	52,639,185
<b>TOTAL OPERATING INCOMES</b>		<b>978,509,938</b>	<b>443,997,242</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	10	844,774,754	344,446,172
Selling and Distribution Costs	10	5,906,443	4,567,554
<b>Total Operating Costs</b>		<b>850,681,197</b>	<b>349,013,726</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>352,957,591</b>	<b>29,487,317</b>
Finance Income	11	-	-
Finance Costs	12	6,967,187	6,967,187
Depreciation		-	56,918,150
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>345,990,405</b>	<b>22,520,130</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		<b>103,797,121</b>	<b>-</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>242,193,283</b>	<b>(34,398,020)</b>

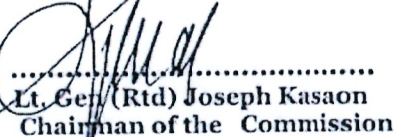
**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021/2022 Kshs	2020/2021 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	1,926,909,113	2,027,191,966
<b>Total Non-Current Assets</b>		<b>1,926,909,113</b>	<b>2,027,191,966</b>
<b>Current Assets</b>			
Inventories	15	63,396,749	55,944,299
Other Current Assets	16	146,600,200	37,733,032
Trade and other receivables	14	1,699,756,300	396,383,311
Bank and cash balances	17	17,971,194	295,813,433
<b>Total -Current Assets</b>		<b>1,927,724,443</b>	<b>785,874,075</b>
<b>TOTAL ASSETS</b>		<b>3,854,633,556</b>	<b>2,813,066,041</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Reserves		934,150,346	854,150,346
Revaluation reserve		1,419,776,484	1,419,776,484
Retained earnings		(603,857,284)	(846,050,568)
<b>Total Capital and Reserves</b>		<b>1,750,069,546</b>	<b>1,427,876,262</b>
<b>Non-Current Liabilities</b>			
Borrowings	21a	350,965,253	334,878,066
Deferred Income		500,000,000	670,000,000
<b>Total Non-Current Liabilities</b>		<b>850,965,253</b>	<b>1,004,878,066</b>
<b>Current Liabilities</b>			
Short Term Borrowings	21b	120,000,000	-
Trade and other payables	22	729,446,967	267,685,796
Prov. For Retirement benefit obligations	23	134,322,514	91,417,175
Provision for Income Tax		156,716,959	-
Tax Payable		103,797,121	13,262,787
Provision for leave pay	24	9,315,196	8,169,289
<b>Total Current Liabilities</b>		<b>1,253,598,757</b>	<b>380,311,713</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,854,633,556</b>	<b>2,813,066,041</b>

The financial statements were approved by the Commission on  
30TH SEPTEMBER 2022 and signed on its behalf by:

  
Brig James N. Githaga  
Managing Commissioner

  
CPA Wellington Morton Magoi  
Chief Accountant Reg 3740

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

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

<b>2020/2021</b>	<b>Capital Reserve</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>At July 1, 2020</b>	<b>814,150,346</b>	<b>1,419,776,484</b>	<b>(811,652,548)</b>	<b>1,422,274,282</b>
Total comprehensive income	-	-	(34,398,020)	(34,398,020)
Capital/Development grants received during the year	40,000,000	-	-	40,000,000
<b>At June 30, 2021</b>	<b>854,150,346</b>	<b>1,419,776,484</b>	<b>(846,050,568)</b>	<b>1,427,876,262</b>
<b>2021/2022</b>				
<b>At July 1, 2021</b>	<b>854,150,346</b>	<b>1,419,776,484</b>	<b>(846,050,568)</b>	<b>1,427,876,262</b>
Total comprehensive income	-	-	242,193,283	242,193,283
Capital/Development grants received during the year	80,000,000	-	-	80,000,000
<b>At June 30, 2022</b>	<b>934,150,346</b>	<b>1,419,776,484</b>	<b>(603,857,284)</b>	<b>1,750,069,546</b>

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021/2022 Kshs	2020/2021 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	26	(1,708,217,052)	(534,055,563)
Interest Capitalized		-	16,087,187
<b>Net cash generated from/(used in) operating activities</b>		<b>(1,708,217,052)</b>	<b>(517,968,376)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	26	(69,625,187)	(166,134,557)
Proceeds from disposal of property, plant and equipment		-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>(69,625,187)</b>	<b>(166,134,557)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants from the government	6	1,500,000,000	1,101,358,057
<b>Net cash generated from/(used in) financing activities</b>		<b>1,500,000,000</b>	<b>1,101,358,057</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(277,842,239)</b>	<b>(160,998,613)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		295,813,433	456,800,546
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>17,971,194</b>	<b>295,801,933</b>

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2022.**

	Original budget	Final budget	Actual on comparable basis	Performance difference	
	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue	Kshs	Kshs	Kshs	Kshs	
AIA	1,402,616,372	1,402,616,372	2,802,538,721	1,399,922,349	100%
		-		-	
Transfers from the Government	550,000,000	550,000,000	550,000,000	-	0%
				-	
<b>Total income</b>	<b>1,952,616,372</b>	<b>1,952,616,372</b>	<b>3,352,538,721</b>	<b>1,399,922,349</b>	<b>72%</b>
<b>Expenses</b>		-			
Procurement of Livestock	1,595,137,300	1,595,137,300	2,353,678,940	(758,541,640)	-48%
Human Resources Costs	141,859,900	141,859,900	186,122,218	(44,262,318)	-31%
Legal & Other Board Expenses	9,425,400	9,425,400	24,950,745	(15,525,345)	-165%
Enhancing Fleet Distribution Expenses	10,678,950	10,678,950	32,550,854	(21,871,904)	-205%
Enhancing market access	1,720,000	1,720,000	134,160	1,585,840	92%
ICT expenses	4,760,000	4,760,000	7,534,608	(2,774,608)	-58%
Purchase of Stunning guns & Licences	63,000	63,000		63,000	100%
Purchase of Flymasters	1,400,000	1,400,000		1,400,000	100%
Purchase of portable refer containers	1,300,000	1,300,000		1,300,000	100%
Purchase of					-3316%

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

Laundry equipment	77,000	77,000	2,630,166	(2,553,166)	
Engineering support expenses	46,943,680	46,943,680	125,074,415	(78,130,735)	-166%
Production support requirements	116,921,500	116,921,500	38,520,906	78,400,594	67%
Production ingredients	4,305,734	4,305,734	6,844,755	(2,539,021)	-59%
Loose working tools	3,292,500	3,292,500	1,171,235	2,121,265	64%
Labels	71,700	71,700		71,700	100%
Production Casuals	8,480,000	8,480,000	12,721,100	(4,241,100)	-50%
Quality support requirements	6,179,708	6,179,708	236,897	5,942,811	96%
<b>Total expenditure</b>	<b>1,952,616,372</b>	<b>1,952,616,372</b>	<b>2,792,170,999</b>	<b>(839,554,627)</b>	
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>560,367,721</b>	<b>2,239,476,976</b>	

## **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed

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

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

### **3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

#### **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **a) Revenue recognition**

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

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying

amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

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

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

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

Buildings and civil works	2.5 % or the unexpired lease period
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25%
Computers and related equipment	30.0%
Office equipment, furniture and fittings	12.5 %
Software	20.0%

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

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

#### **e) Intangible assets**

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

#### **f) Amortization and impairment of intangible assets**

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

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

**g) Investment property**

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

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

**h) Finance and operating leases**

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

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

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

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

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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

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

**o) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

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

**q) Trade and other payables**

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

**r) Provision for staff leave pay**

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

**s) Exchange rate differences**

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

**t) Budget information**

The original budget for FY 2020-2021 was approved by the board and subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

**u) Comparative figures**

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

**v) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

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

**Estimates and assumptions**

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

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**Provisions**

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

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

**5. SALES/TURNOVER**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross sales of goods	<b>2,802,538,721</b>	407,458,159.00
Gross sales of services		24,000.00
Less: Sales Returns		
Less: Value added tax on gross sales	-	-
<b>Total</b>	<b>2,802,538,721</b>	<b>407,482,159.00</b>

**6.0 GRANTS FROM NATIONAL GOVERNMENT**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Recurrent grants received	470,000,000	1,061,358,057
Capital grants realised (see note below)	80,000,000	40,000,000
Commercial Offtake	450,000,000	
Offtake In-situ	500,000,000	
<b>Total</b>	<b>1,500,000,000</b>	<b>1,101,358,057</b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

6.1 AIE & Amounts Disbursed by (Ministry of Defence) as at 30 June 2022					
AIE Reference Number	Date Disbursed	Recurrent (KShs) (A)	Development (KShs) (B)	Total (KShs) (D)=(A+B+C)	Amount Received by KMC as at 30 June 2022 (KShs) (E)
B153666	26/04/2022	-	-	500,000,000	500,000,000
B153659	26/04/2022	-	-	450,000,000	-
B153630	16/09/2021	450,000,000	-	450,000,000	450,000,000
B153537	27/07/2021	275,000,000	-	275,000,000	275,000,000
B152091	21/01/2022	-	80,000,000	80,000,000	80,000,000
B152090	21/01/2022	195,000,000	-	195,000,000	195,000,000
<b>Total</b>		920,000,000	80,000,000	1,950,000,000	1,500,000,000

**Note:** The amount of Kshs. 500M on AIE ref. B153666 is not categorised as recurrent or development as it was an amount received for a special Government programme called **In-situ offtake** meant to cushion farmers against the effects of drought. Its accountability is separate from our normal accounts. The commission did not receive an amount of Ksh. 450 Million on AIE ref. B153659.

7. OTHER OPERATING INCOME

	2021/2022	2020/2021
	Kshs	Kshs
<b>Business</b>		
Sale of tender documents	-	75,750
WIBA Insurance Compensation	-	244,167
Discount received	-	43,581
Other income	400,000	10,460
Sub-total	<b>400,000</b>	<b>373,958</b>
<b>Rental</b>		
Penalties Received	192,357	388,491
Rental income	57,917,581	51,876,736
Decrease in Prov. For bad debts	-	-
Sub-total	<b>58,109,938</b>	<b>52,265,227</b>
<b>TOTAL</b>	<b>58,509,938</b>	<b>52,639,185</b>

**8. COST OF SALES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening stock (Meat & Meat Products)	44,204,978	50,034,165
Add Cost of Production (Note 8(a))	2,577,139,142	467,149,171
Less Closing Stock (Note 16)	<u>(43,934,249)</u>	<u>(44,204,978)</u>
<b>C.O.S</b>	<b><u>2,577,409,870</u></b>	<b><u>472,978,358</u></b>

**8(a) STATEMENT OF MANUFACTURING**

	<b>Notes</b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
Opening stock (livestock)		11,739,321	-
Add purchase of raw materials -		<u>2,351,975,206</u>	<u>366,523,291</u>
<b>A</b>		<b><u>2,363,714,527</u></b>	<b><u>366,523,291</u></b>
Less Closing stock (Livestock)		<u>(19,462,500)</u>	<u>(11,739,321)</u>
<b>B</b>		<b><u>2,344,252,027</u></b>	<b><u>354,783,970</u></b>
Cost of Direct Materials - Packaging	9	36,331,551	3,398,579
Add Direct labour - Casuals	9	<u>12,721,100</u>	<u>3,331,968</u>
<b>C Prime Cost</b>		<b><u>2,393,304,678</u></b>	<b><u>361,514,517</u></b>
<b><u>Factory overhead expenses</u></b>			
General overheads	9	88,442,443	66,791,650
Power & Fuel	9	<u>95,392,021</u>	<u>38,843,004</u>
<b>D</b> Sub-total		<b><u>183,834,464</u></b>	<b><u>105,634,654</u></b>
<b>E</b> (C+D)		<b><u>2,577,139,142</u></b>	<b><u>467,149,171</u></b>
Add Opening stock of work in progress		-	-
Less Closing stock of work in progress		-	-
<b>F Cost of production</b>		<b><u>2,577,139,142</u></b>	<b><u>467,149,171</u></b>

**9 Productions Costs**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Direct Costs</b>		
Livestock purchases	2,351,975,206	366,523,291
Direct Wages	12,721,100	3,398,579
Packaging Materials	<u>36,331,551</u>	<u>3,331,968</u>
<b>sub-total - Direct costs</b>	<b><u>2,401,027,857</u></b>	<b><u>373,253,838</u></b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

**Indirect Costs**

Chemicals Purchased	95,107	431,949
Processing Materials (pm)	6,844,755	1,494,833
Processing Chemicals (pm)	-	35,000
Water Expense (20% housing)	27,300,358	594,030
Equipment Repairs & Others	5,016,803	-
Quality Assurance	141,790	34,000
Land & Rates(50% housing)		3,819,901
General Parts Expenses	40,545,084	21,000
General Factory Expenses	999,219	-
Protective Clothing	1,190,136	1,999,560
Cleaning and Detergents	2,630,166	1,670,734
Fumigation & Pest Control	109,951	205,609
Clearing, forwarding & freight	694,104	15,423
Animal Feeds & Drugs	1,703,734	49,072
Production Loose tools	1,171,235	-
<b>sub-total - General overheads</b>	<b>88,442,443</b>	<b>10,371,111</b>
<b>Power &amp; fuel overhead</b>		
Amonia Gas	-	1,712,095
Other Gases	-	17,062
Furnace Oil	49,399,293	9,503,727
Gasoline, Fuel and Oil	14,025,622	4,157,914
Electricity - Paid	28,153,387	23,452,206
Add Electricity Outstanding at end	3,813,719	-
<b>Sub-total</b>	<b>95,392,021</b>	<b>38,843,004</b>

**10. ADMINISTRATION EXPENSES**

	<b>2021/2022</b>	<b>2020/2021</b>
	Kshs.	Kshs.
Staff costs	186,122,218	129,057,636
Commissioners' emoluments	5,750,022	8,403,027
Bank charges	2,286,713	879,447
Increase in Provision of Doubtful debts	24,133,457	3,795,159
Increase in Provision for Tax	156,716,959	-
Increase in Provision for Leave Pay	1,145,907	-
Increase in Provision for Gratuity	42,905,339	-
Auditors' remuneration - current year	812,000	812,000
Ground Slaughter - Offtake	-	168,792
Custom Hire and Contract Labor	-	1,000

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

Dues and Subscriptions	32,550	173,456
Postage and Delivery	9,450	3,500
Staff welfare	1,882,628	3,365,574
Books and Publications	21,194	505,411
Staff Training Expenses	249,946	440,600
Penalties & demerges	-	347,560
Water Expense	-	1,386,071
Land and Rates	-	3,819,901
Internet Expense	6,064,759	666,068
Housing Expenses	44,169	1,300,018
Housing Repairs & Maintenance	18,288,589	-
MV repairs	11,393,648	3,556,925
Non Capital Tools & Equipment	-	3,292,583
Business Licenses and Permits	277,150	622,890
Security Expenses	-	44,839
Sanitation & Sewerage	18,914,674	996,262
Professional Fees	18,923,573	11,195,401
Medical Expenses	234,230	685,927
Office Expenses	1,324,375	599,333
Stationery	3,649,582	2,320,303
Travelling & accommodation	11,083,765	5,011,423
Electricity expense - General	6,335,700	7,128,716
Telephone Expenses	5,248,849	1,886,164
Motor Vehicle Fuel	21,157,206	4,375,656
Computer Expenses	1,469,849	1,637,964
Insurance Expenses	33,306,385	3,713,660
General Repairs	5,147,059	142,252,907
Staff Gratuity	338,835	-
Donations	141,120,000	-
Rent	398,000	-
Garbage Collection	650,250	-
Depreciation	117,335,724	-
Total	844,774,754	344,446,172

Note: Depreciation - This item was reclassified as an administration expense.

**11. SELLING AND DISTRIBUTION COST**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Marketing and promotional expenses	5,781,733	645,679
Freight and Transport	104,408	3,757,915
Sales commissions	-	-
Free Sample	-	62,640

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

Tender Documentation	7,500	101,320
Sales discounts and rebates	-	-
Other selling and distribution costs	12,802	-
<b>Total</b>	<b>5,906,443</b>	<b>4,567,554</b>

**12. FINANCE INCOME**

The commission did not have any investment to generate the finance income for the period.

**13. FINANCE COSTS**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Exchange losses on foreign current denominated loans	-	-
Exchange losses on short-term bank deposits	-	-
Exchange losses on cash and bank balances	-	-
<b>Total Exchanges Gains</b>	-	-
Interest expense on loans	6,967,187	6,967,187
Interest expense on bank overdrafts	-	-
<b>Total Interest Payable</b>	<b>6,967,187</b>	<b>6,967,187</b>
<b>Total</b>	<b>6,967,187</b>	<b>6,967,187</b>
<b>Cumm. Interest</b>	<b>23,054,374</b>	<b>16,087,187</b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

14. PROPERTY, PLANT EQUIPMENT

	Freehold land	Buildings & civil works 2.5%	Plant and machinery 12.5%	Motor vehicles, including, motor cycles 25.0%	Fixtures, Furniture & Equipment 12.5%	Computer and accessories 30.0%	Softwares 20.0%	Capital Work in Progress	Total
<b>2021/2022</b>									
<b>COST OR VALUATION</b>									
At July 1, 2021	381,200,000	1,418,101,853	927,054,800	169,902,650	73,812,472	20,880,253	26,424,000	187,456,101	3,204,832,129
Additions	-	-	41,096,583	36,841,131	27,429,075	5,354,981	-	-	110,721,770
Transfers	-	-	-	-	-	-	-	41,096,583	41,096,583
Disposals	-	-	-	-	-	-	-	52,572,316	52,572,316
At June 30, 2022	381,200,000	1,418,101,853	968,151,383	206,743,781	101,241,547	26,235,234	26,424,000	93,787,202	3,221,885,000
WTA									
At July 1, 2021	-	461,716,861	532,111,024	96,105,161	64,197,092	18,225,224	5,284,800	-	1,177,640,163
Charge for the year	-	23,909,625	54,505,045	27,659,655	4,630,557	2,403,003	4,227,840	-	117,335,724
Impairment loss	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2022	-	485,626,486	586,616,069	123,764,816	68,827,649	20,628,227	9,512,640	-	1,294,975,887
<b>NET BOOK VALUE</b>									
At June 30, 2022	381,200,000	932,475,367	381,535,314	82,978,965	32,413,898	5,607,007	16,911,360	93,787,202	1,926,909,113
As at July 1 2021	381,200,000	956,384,992	394,943,776	73,797,489	9,615,380	2,655,028	21,139,200	187,456,101	2,027,191,966

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

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

#### 15.0 TRADE AND OTHER RECEIVABLES

	2021/2022 Kshs	2020/2021 Kshs
Trade receivables (note 15a)	828,738,904	347,151,552
Deposits and prepayments	253,582,353	-
Offtake - Prepayment	480,000,000	
staff imprest	49,486,185	13,059,619
Fuel Imprest	1,420,929	
Staff receivables (note 15c)	549,823	74,266
Rental Receivable (note 15b)	13,046,207	53,455,451
DOD REFUND	72,931,900	-
<b>Gross trade and other receivables</b>	<b>1,699,756,300</b>	<b>413,740,888</b>

#### 15(a). TRADE RECEIVABLES

	2021/2022 Kshs	2020/2021 Kshs
Gross trade receivables	872,356,741	347,151,552
Provision for doubtful receivables	43,617,837	17,357,578
<b>TOTAL</b>	<b>828,738,904</b>	<b>329,793,974</b>

#### 15(b). RENTAL RECEIVABLES

	2021/2022 Kshs	2020/2021 Kshs
Gross rental receivable	13,732,849	56,268,896
Provision for doubtful receivables	686,642	2,813,445
<b>TOTAL</b>	<b>13,046,207</b>	<b>53,455,451</b>

#### 15(c). STAFF RECEIVABLES

	2021/2022 Kshs	2020/2021 Kshs
Gross staff loans and advances	549,823	13,059,619
Less: Provision for impairment loss	-	-
<b>TOTAL</b>	<b>549,823</b>	<b>13,059,619</b>
Less: Amounts due within one year	549,823	13,059,619
Amounts due after one year	-	-

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

**16.0 INVENTORIES**

	<b>2021/2022</b> <b>Kshs</b>	<b>2020/2021</b> <b>Kshs</b>
Meat & meat products (Finished products)	43,934,249	44,204,978
Meat & meat products (Raw Materials)	19,462,500	13,008,760
<b>TOTAL</b>	<b>63,396,749</b>	<b>57,213,738</b>

**16.1 OTHER CURRENT ASSETS (GENERAL & ENG. STORE ITEMS)**

	<b>2022</b> <b>Kshs</b>	<b>2021</b> <b>Kshs</b>
Engineering stores	55,539,120	19,222,431
Stationery and general stores	91,061,080	17,241,162
<b>TOTAL</b>	<b>146,600,200</b>	<b>36,463,593</b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

17. Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022 KShs	2020-2021 KShs
<b>a) Current account</b>			
Kenya Commercial bank		5,836,852.50	-
<b>Co-operative bank of kenya</b>			
Operations account	0112006567800		-
Working capital account	0112006567801	6,609,677.00	15,551,563.69
Rental account	0112006567802	132,273.00	93,147,649.26
Landhies rd account	0112006567803		-
Mombasa account	0112006567804	3,288,620.00	56,851,507.50
Rehabilitation account	0112006567805	1,745,837.00	129,560,009.22
Dollar account		35,999.37	35,999.37
<b>Guarantee account</b>			
First community bank		11,000.00	11,000.00
Operations account			-
National bank		500.00	500.00
<b>Sub- total cash at bank</b>		<b>17,660,758.87</b>	<b>295,158,229.04</b>
<b>Cash in Hand</b>			
Athi-River -General		105,450.00	373,969.00
Athi-River-Fuel		-	6,950.00
MC- petty cash		-	3,144.00
Mombasa		123,648.00	23,644.00
Ladhies		543.00	6,879.00
<b>Sub- total</b>		<b>229,641.00</b>	<b>414,586.00</b>
<b>Mpesa</b>			
<b>Minishop</b>	117396	-	151,271.00
Kenyatta National Hospital Vans:	117397	-	-
Vansales	117398	80,794.00	-
Ladhies	117416	-	89,347.00
Vansales	117415	-	-
Mombasa	117417	-	-
Vansales	closed	-	-
<b>Sub- total cash</b>		<b>80,794.00</b>	<b>240,618.00</b>
<b>Grand total</b>		<b>17,971,193.87</b>	<b>295,813,433.04</b>

## 18. REVALUATION RESERVE

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

## 19. FAIR VALUE ADJUSTMENT RESERVE

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

## 20. RETAINED EARNINGS

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

### 21.0 BORROWINGS

	2021/2022 Kshs	2020/2021 Kshs
Balance at beginning of the year	334,878,066	334,878,066
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	-	-
Interest Capitalized during the year	16,087,187	-
<b>Balance at end of the year</b>	<b>350,965,253</b>	<b>334,878,066</b>
Less: Amounts due with one year (current portion)	6,967,187	-
Amounts due after one year (non-current portion)	-	-
Accumurated Interest Payable	23,054,374	16,087,187
<b>TOTAL - Principle + Acc. Interest</b>	<b>357,932,440</b>	<b>350,965,253</b>

**21.1.** The commission received Kshs. 120,000,000 from the parent Ministry as a short-term loan to address its cash-flow challenges due to delayed payments from its customers.

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

**22. TRADE AND OTHER PAYABLES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	714,982,864	255,424,752
Accrued expenses -Electricity	3,813,719	3,806,923
Accrued Taxes, Penalty and Interests	-	-
Other payables	9,053,184	7,217,186
Rental deposits	1,597,200	1,013,601
<b>Total</b>	<b><u>729,446,967</u></b>	<b><u>267,462,462</u></b>

**23. RETIREMENT BENEFIT OBLIGATIONS/GRATUITY**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Valuation at the beginning of the year	91,417,175	91,417,175
Changes in valuation during the year	42,905,339	-
Payments during the period	-	-
<b>Valuation at end of the year</b>	<b><u>134,322,514</u></b>	<b><u>91,417,175</u></b>

**24. PROVISION FOR LEAVE PAY**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year	8,169,289	6,106,804
Additional provision at end of year	1,145,907	2,062,485
Leave paid out or utilised during the year	-	-
<b>Balance at end of the year</b>	<b><u>9,315,196</u></b>	<b><u>8,169,289</u></b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

	2021/2022		2020/2021
	Rental Kshs	Business Kshs	Kshs
Profit before taxation/Income	58,109,938	345,990,405	22,520,130
<b>Add</b>			
Non-allowable deductions			
Depreciation		117,335,724	4,142,719
Change in Prov. For bad debts	(2,126,802)	26,260,259	3,431,098
Expenses apportioned to Rent Income	-	17,110,703	
Expenses apportioned to recurrent AIE	-	920,000,000	
	<b>(2,126,802)</b>	<b>1,080,706,687</b>	
<b>Less</b>			
<b>Non taxable incomes/other allowable deductions</b>			
Government Grant	-	920,000,000	(391,358,057)
Rental Income (taxed separately)	-	58,109,938	(51,876,736)
Less Allowable deductions - WTA		117,335,724	
Apportioned Admin Expenses (note 9)	17,110,703	-	
	<b>17,110,703</b>	<b>1,095,445,663</b>	<b>(14,738,975)</b>
Less Previous Losses			
2016/2017	-	233,315,708	
2017/2018	-	150,099,260	
2018/2019	-	26,847,394	
2019/2020	-	191,097,096	
2020/2021	-	34,398,020	
	-	<b>635,757,479</b>	
<b>Adjusted taxable profit</b>	<b>38,872,432</b>	<b>(304,506,049)</b>	<b>(416,571,944)</b>
<b>Tax Payable/(Refund)</b>	<b>11,661,730</b>	<b>(91,351,815)</b>	<b>(124,971,583)</b>

**26. NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	242,193,283.22	(34,398,020)
Depreciation	117,335,724.34	113,338,690
Operating profit/(loss) before working capital changes	<b>359,529,007.55</b>	<b>78,940,670</b>
(Increase)/decrease in inventories	(116,319,617.93)	(53,886,079)
(Increase)/decrease in trade and other receivables	(1,671,053,662.10)	(85,241,905)
Increase/(decrease) in trade and other payables	461,761,171.26	(156,744,755)
Increase/(decrease) in retirement benefit obligations	42,905,339.00	2,062,485
Prepayments	(785,039,289.95)	-
<b>Cash generated from/(used in) operations</b>	<b>(1,708,217,052.17)</b>	<b>(244,419,590)</b>
Interest Capitalized	-	16,087,187
<b>(b) Cash Generated/Used in Investing Activities</b>		
Proceeds from Disposal of Assets	-	-
Purchase of Fixed assets	(69,625,187.00)	(166,134,557)
<b>Net Cash Generated/Used in Investing Activities</b>	<b>(69,625,187.00)</b>	<b>(166,134,557)</b>
<b>(c). Cash Generated/Used in Financing Activities</b>		
Grants from GOK	1,500,000,000.00	1,101,358,057
<b>Net Cash Generated/Used in Financing Activities</b>	<b>1,500,000,000.00</b>	<b>1,101,358,057</b>
<b>NET CASH GENERATED/(USED DURING THE FY)</b>	<b>(277,842,239)</b>	<b>(160,998,613)</b>
<b>(d) Analysis of cash and cash equivalents</b>		
Cash Balance as at the beginning	295,813,433	456,800,546
Balance at end of the year	<b>17,971,194</b>	<b>295,801,933</b>

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

**27. CONTINGENT LIABILITIES**

	2021/2022	2020/2021
	Kshs	Kshs
Bank guarantees	-	-
Legal claims against the <i>entity</i>	5,880,423.57	-
<b>Total</b>	<b>5,880,423.57</b>	<b>-</b>

**28. RELATED PARTY DISCLOSURES**

**(a) Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

Other related parties include:

**29. FINANCIAL RISK MANAGEMENT**

The *entity's* activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The *entity* has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained. The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**(iii) Market risk**

The Commission has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**(v) Foreign currency risk**

Kenya Meat Commission  
Annual Report and Financial Statements for the year ended June 30, 2022

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

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**(vi) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

*Management of interest rate risk*

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

**(vii) Capital Risk Management**

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

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	1,419,776,484.00	1,419,776,484
Retained earnings	(603,857,284.00)	(846,050,568)
Capital reserve	854,150,346.00	814,150,346
Development grants	80,000,000.00	40,000,000
<b>Total funds</b>	<b>1,750,069,546.00</b>	<b>1,427,876,262</b>
Total borrowings	470,965,253	334,878,066
Less: cash and bank balances	17,971,194	295,801,933
<b>Net debt/(excess cash and cash equivalents)</b>	<b>452,994,059</b>	<b>39,076,133</b>
<b>Gearing</b>	<b>0.26</b>	<b>0</b>

### **30. INCOPORATION**

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

### **31. EVENTS AFTER THE REPORTING PERIOD**

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

### **32. CURRENCY**

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

### **APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS.**