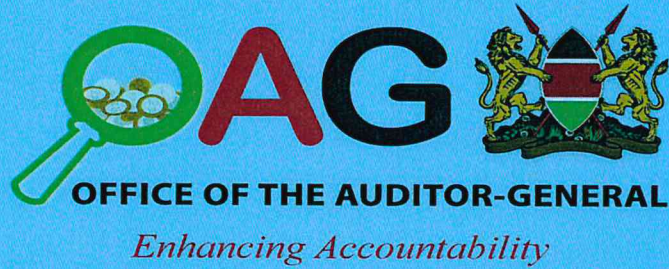


REPUBLIC OF KENYA



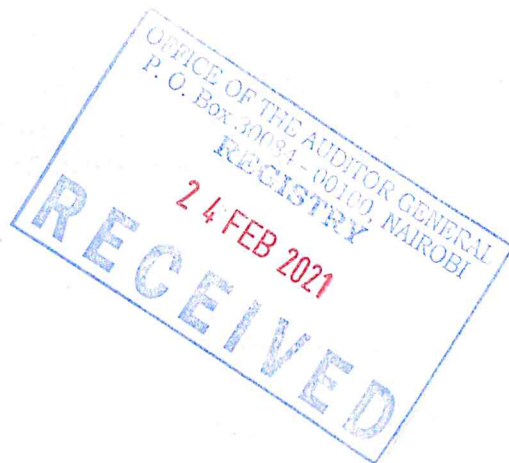
REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 SEP 2021	DAY: Wednesday
TAKEN BY:	LOM
CLERK-AT THE-TABLE:	Mairah Wanjiku

THE AUDITOR-GENERAL

ON

KENYA MEAT COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA MEAT COMMISSION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

**Kenya Meat Commission
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For the year ended June 30, 2020**

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KEY ENTITY INFORMATION

Background information

The Kenya Meat Commission was established by the Kenya Meat Commission Act Cap 363 of Parliament on 1950. The Kenya Meat Commission is represented by the Cabinet Secretary for Ministry of Agriculture & Livestock 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 Ladhies Road, Nairobi

The principal activity of the Kenya Meat Commission is to

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

Commissioners

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

Ntoros Ole Senteu	Chairman	Appointed on 22/6/2017
Lt. Gen(Rtd) Joseph K Kasaon	Chairman	Appointed on 16/10/2019
James Ole Seriani	Ag. Managing Commissioner	Appointed on 25/10/2018
Dr. Andrew M Mokaya	Commissioner	Appointed on 20/09/2018
Adam Barisa Didha	Commissioner	Appointed on 20/09/2018
Annette Kithu Murai	Commissioner	Appointed on 20/09/2018
Dr. Susan K Chebet	Commissioner	Appointed on 20/09/2018
Amb. Dr. Rasid Ali	Commissioner	Appointed on 20/09/2018

Permanent Secretary State Department of Livestock

Permanent Secretary National Treasury

The Director Veterinary Services

Inspector General (state corporations)



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

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

**Kenya Meat Commission
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KEY ENTITY INFORMATION

Contacts

Telephone: (020) 2424051/ 045 66 26041/2/4

E-mail: info@kenyameat.co.ke

Website: www.kenyameat.co.ke

BANKERS

Co-operative Bank of Kenya
Athi River

First Community Bank
South C

National Bank of Kenya
Harambee avenue

Kenya Commercial Bank
Kitengela

AUDITORS

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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BOARD OF COMMISSIONERS

No	Name	Designation	Highest qualification	Date of Appointment	Expiry Date
1.	Ntoros Ole Senteu	Chairman	Masters degree	22/6/2017	16/10/2019
2.	LT. Gen (Rtd). Joseph Kasaon	Chairman	Masters Degree	16/10/2019	16/10/2022
3.	Bosco Muthoka	Commissioner	Master of Business Administration (MBA-Chartered Banker)	14/12/2018	14/12/2021
4.	Dr. Andrew Mokaya Maubi	Commissioner	Phd in Finance	20/9/2018	20/9/2021
5.	Adam Barissa Dhidha	Commissioner	Master of Business Administration (MBA-Finance)	20/9/2018	20/9/2021
6.	Annette Kithu Murai	Commissioner	Bachelor in Law	20/9/2018	20/9/2021
7.	Amb. Dr. Rashid Ali	Commissioner	Phd In Public Administration	20/9/2018	20/9/2021
8.	Dr. Susan K. Chebet	Commissioner	Phd in Human Ecology	20/9/2018	20/9/2021
9	James Ole Seriani	Managing Commissioner	Post Graduate Diploma & Bachelors Degree	25/10/2018	
10	Anthony Omondi Ademba	Commission Secretary	LLB(Nbi), DIP(Ksl)	01/08/2020	

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MANAGEMENT TEAM

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

CHAIRMAN'S STATEMENT

The year 2019/2020 was characterised by tough economic environment due to a countrywide lock down measures imposed by the head of state to curb the spread of covid-19 virus. This had a negative impact on the business which resulted to decreased revenue during the year. However, the Commission managed to retain the key customers in addition to capturing new clients.

TRADING PERFORMANCE.

In the year 2019/2020, sale of meat and meat products was Kshs. 126,690,161.00 compared to previous year 2018 / 2019 of kshs. 188,610,051 hence a 32% decrease from the previous year. In the financial year under review, the cost of sales remained high mainly due to high power cost and production inefficiencies due to the use of old machinery

The Commission realised Kshs. 46,199,497 from the rental income during the year compared to the previous year of kshs. 37,618,455 and received Ksh. 97,000,000 from the government for drought mitigation due to harsh weather conditions and KShs. 190,000,000 capital grant for factory modernisation during the year. This funds went along way in ensuring that affected livestock farmers benefited by selling their livestock to the government through the Commission. It is worth noting that rent income increased by 23% due to improved operational efficiency.

The National treasury had allocated Ksh 500 million in the previous years towards modernization of the factory but so far Ksh 400 million has been received by the Commission having received KShs.190 Million during the year. Delay in modernisation, has negatively impacted on the Commission due to high cost of running the factory hence reporting losses. The current factory setup is labour intensive and consumes much electricity during the operations. However, the Commission has a bright future due to increasing market share which it will capitalise on for sustainability.

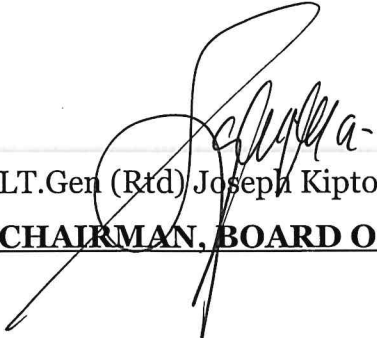
During the year the commission had all the commissioners on board and therefore there was full quorum. The commissioners with the support of the Managing Commissioner and the

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management team, were able to continue running the commission's operations successfully despite all the challenges.

We are continuing with the execution of 2020/2024 strategic plan aimed at turning around the operations of the Commission. To sustain our growth, we are stepping up market campaigns to drive up our sales revenues and growing it by 25% annually. With our well-equipped work force coupled with requisite funding, KMC is well positioned to deliver on purpose and continue to be a market leader in the provision of competitively priced meat and meat products in the country. We are confident that this plan will assure stronger revenue growth and improved profits ahead.

May I conclude by sincerely thanking all those who supported the Commission in the financial year 2019/2020 including our customers, the government of Kenya represented by the 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.

REPORT OF THE MANAGING COMMISSIONER.

The year 2019/2020 was characterized by tough business environment due to the prolonged curfew that was imposed to curb the spread of covid-19 virus. This affected business during the second half of the year, and particularly the supply of livestock to the Commission. The commission also lost revenue as most institutions were shut down during that period. The commission also faced challenges in the supply of livestock due to huge bills owed to livestock suppliers. This led to decreased revenue from sale of meat and meat products, but the Commission put in place prudent measures during the year resulting to a 23% increase in rent income

Despite these challenges the Commission recorded a reduction in the loss during the year from Kshs. 117,118,733 in the previous year to Kshs. 96,728,919 in the current year. In the year under review, the Commission put in place various cost cutting measures to ensure continuity of the business.

However, the Commission continues to experience high production cost due to the use of old machinery which are both labour and power intensive. Additionally, there has been loss of business due to frequent breakdowns of the plant hence loss of production hours. We continuously monitor our operations and maintenance costs for each department to ensure the Commission stays on track to achieve sustainable cost of doing business. Our contribution towards creating a favourable economic and competitive environment include making it easier for customers to access our products, customer relations and confidence has also improved with general reduction of inconsistent supplies incidences experienced in the past.

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

In the year under review, the Commission had pending bills resulting from an offtake programme in support of the government on drought stricken counties in the previous years.

We received Kshs.97million from the National Treasury, which we used to pay livestock farmers as in affected 4 counties. We also received Kshs. 190 million for rehabilitation.

Kenya Meat Commission is committed to sustaining its core business to remain ahead. We have adopted excellent maintenance of assets, optimizing operations, attracting retaining and developing motivated work force. Our business drivers of product availability,

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reliability, response to customer complaints, safety and customer satisfaction are in use to measure and monitor performance.

STRATEGY.

The Commission is committed to reaching the country, guaranteeing livelihoods of Kenyans by providing quality meat products and services. We have so far re-established KMC as a strategic national agency for socio economic development. The industry plays a key role in economic

development and growth. Demand for meat and meat products continues to grow and the quality of supply has improved in the last decade due to investments and expansion of the meat sector.

The capital investments required for the rehabilitation and upgrade of factory plant through full modernization is estimated to be kshs.3.4 billion and the Commission is exploring financing opportunities with the government and other interested partners.

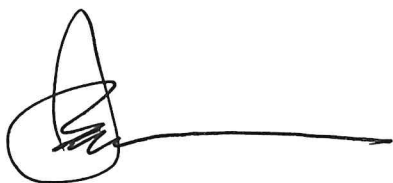
SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT

KMC recognizes the importance of sustainable management of its customers and the fundamental role it plays in business sustainability. Through established stakeholder's co-ordination, the Commission has built strong partnership and improved relations to mutually benefit in its transformational agenda. We continue to check our management systems against ISO standards through internal and external audits.

FUTURE OUTLOOK

We are continuing with the execution of 2020/2024 strategic plan aimed at turning around the operations of the Commission. To sustain our growth, we are stepping up market campaigns to drive up our sales revenues and growing it by 25% annually. With our well equipped work force coupled with requisite funding, KMC is well positioned to deliver on purpose and continue to be a market leader in the provision of competitively priced meat and meat products in the country. We are confident that this plan will assure stronger revenue growth and improved profits ahead.

Thank you



JAMES OLE SERIANI
MANAGING COMMISSIONER.

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CORPORATE GOVERNANCE STATEMENT.

BOARD MEETINGS

The Board held meetings regularly and at least in every quarter in accordance with statutory requirements and several Special Meetings as need arose. The attendance for the meetings was as follows: -

1. FULL BOARD MEETINGS FY 2019/2020

Date	LT. Gen (RTD) Kasaon	Amb. Dr. Rashid Ali	Dr. Andrew Makau	Adam Barissa Didha	Bosco Muthoka	Dr. Susan Chebet	James Ole Seriani	Annette Kithu Murai	Victor Momanyi	Francis Kariuki	Dr. Nyaga (DVS)	Patrick Ngicuru
30/07/2019		✓	✓	✓	✓	✓						
5/09/2019		✓	✓	✓	✓	✓	✓		✓	✓		
7/11/2019	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
30/01/2020	✓	✓	✓	✓	✓	✓	✓			✓		✓
20/05/2020	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
0												

Kenya Meat Commission
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2. COMMITTEE MEETINGS

Date	LT. Gen (RTD) Kasaon Joseph	Amb. Dr. Rashid Ali	Dr. Andrew Mokaya	Adam Barissa Didha	Bosco Muthoka	Dr. Susan Chebet	James Ole Seriani	Annette Kithu Murai	Victor Momanyi	Francis Kariuki	Dr. Nyaga (DVS)	Patrick Ngicuru
27/07/2019												
17/09/2019		✓	✓		✓	✓						
24/10/2019	✓			✓		✓	✓					
30/10/2019	✓	✓	✓				✓		✓			
31/10/2019			✓	✓	✓		✓		✓			
4/11/2019				✓		✓	✓		✓			
14/11/2019	✓		✓	✓	✓	✓	✓					
21/11/2019			✓		✓		✓					
27/01/2020			✓	✓	✓		✓		✓	✓		✓
13/02/2020				✓	✓	✓	✓		✓			✓
09/03/2020				✓	✓	✓	✓	✓	✓			✓
19/05/2020			✓	✓	✓					✓		

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 be discussed in every meeting. The State Corporation Advisory

Committee (SCAC) is required to undertake the Governance Audit in compliance with Mwongozo Code of Governance.

MANAGEMENT DISCUSSION AND ANALYSIS.

The year 2019/2020 was characterized low sales revenue mainly due to low production levels. Due to the commission's inability to settle pending bills owed to livestock farmers; most of the livestock farmers were not able to supply the Commission. This resulted to the Commissions inability to meet customers' orders hence reduced sales volumes. During the second half of the year, we experienced low sales volumes due to the curfew imposed to stop the spread of covid-19 virus. Despite these challenges, the Commission witnessed a rise in the number of customers towards the end of the year. We intend to continue building on this as we move towards satisfying our customers.

FINANCIAL PERFORMANCE.

The Commission reported a loss of Kshs (96,728,919.15) which was a better performance as compared to the previous year's performance of Ksh. (117,118,733). This however was made worse by the fact that the Commission was not able to meet all the customer's orders during the year. The Commission was able to capture a number of customers of whom we intend to build on.

The Commission continued to work on cost cutting measures aimed at minimising operational cost of the Commission.

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 commission has a huge level of unpaid bills which stood at Ksh.681 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general suppliers. This has been a big challenge especially for the supply of livestock farmers who had lost confidence in the commission due to the inability to pay them on time.

However, the Government allocated 256 million under supplementary two which was received and paid out during the subsequent financial year.

MANAGEMENT SYSTEMS

The commission currently uses QuickBooks as the accounting software. However, this system has several challenges in terms of controls and integration of production and stocks modules. This has resulted to difficulties in ensuring proper stocks control and capturing of cost of sales. The management therefore plans to invest in a robust management system(ERP) that will integrate all the accounting operations hence improved controls. Additionally, it will integrate the biometrics systems linked to the payroll to ensure that the staff report to work on time and leave at the appropriate time.

PURCHASE OF LIVESTOCK

The Commission continued to implement the livestock policy aimed at ensuring that livestock are purchased from all counties across the country. A livestock procurement committee holds regular 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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the FY2019-20 the Commission participated in several CSR activities as highlighted below:

During the year the commission contributed kshs. 200,000 towards the purchase and planting of fruit tree seedlings. This was done through the ministry of Agriculture, Livestock and Fisheries. This was in effort to contribute to 10% forest cover

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The sub county commission of Athi river has a peace committee that carries out peace promotion activities within the county. The commission contributed towards the activities by purchasing for them bottled drinking water worth kshs. 7,000.

Following the ban on plastic bags, KMC has put in place measures to ensure NEMA compliance. Among the requirements of NEMA is the need for the Commission to put in place solid waste management guidelines to contain the resultant waste from the plastic bags. This has since been done. In addition, we conducted a thorough clean-up and tree planting exercise to get rid of the paper bags, enhance environmental education and public awareness about the need for sound environmental management and other litter around the Commission to show our institutional commitment in upholding the plastic packaging ban, cleaned up the place and planted trees to conserve the environment

REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 are set out on page 1 Below is summary of the profit or loss made during the year.

	2019/2020	2018/2019
	Kshs	Kshs
Total Comprehensive Income/Loss	(96,728,919.15)	(117,118,733)

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 V.

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.....30.6.2020.....
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STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

The Commissioners are responsible for the preparation and presentation of the Commissions financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2020. 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 Commissions's financial statements give a true and fair view of the state of Commissions's transactions during the financial year ended June 30, 2020, and of the Commissions' financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commissions' financial statements as well as the adequacy of the systems of internal financial control.

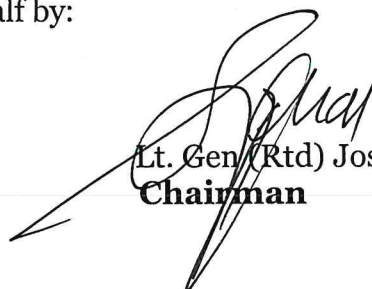
Nothing has come to the attention of the Commissioners to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements were approved by the Board of Commissioners on 30.6. 2020 and signed on its behalf by:



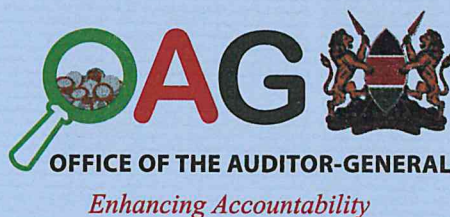
Mr. James Ole Seriani
Managing Commissioner



Lt. Gen (Rtd) Joseph K Kasaon
Chairman

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2020, and the statement 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation and Disclosure

The financial statements submitted for audit do not comply with the reporting framework prescribed by the Public Sector Accounting Standards Board (PSASB) as highlighted below:

- (i) The information on Board of Commissioners does not have each Commissioner's passport-size photo and name, key profession/academic qualifications, a concise description of each Commissioner's date of birth, key qualifications and work experience.
- (ii) It is indicated under management discussion and analysis that the Commission had pending bills amounting to Kshs.681 Million as at 30 June, 2020 relating to livestock farmers, statutory deductions and general suppliers. However, the statement of financial position reflects total current liabilities of

Kshs.514,987,343 as at 30 June, 2020. The resulting difference of Kshs.166,012,657 was not explained.

- (iii) It is further indicated under management discussion and analysis that the Government had allocated Kshs.256 Million for settling pending bills to the Commission under Supplementary II, which was received in the year under review and paid out during the subsequent financial year. However, the receipts are not reflected as grants in the statement of comprehensive income or as deferred income in the statement of financial position.
- (iv) The Notes to the financial statements are not aligned to the note numbers indicated on the face of the financial statements.

2. Sales

The statement of comprehensive income reflects sales amounting to Kshs.126,690,161 for the year ended 30 June, 2020 (2019 - Kshs.188,610,051). Although the sales amount included both meat and other by-products like hides and skins, no documentary evidence was provided to support the sales amount. Further, no reasons were provided for the continued reduced sales for the fourth consecutive year.

3. Government Grant

As disclosed in Note 6 to the financial statements, the statement of comprehensive income reflects an amount of Kshs.97,000,000 in respect of grants from National Government. Further, the Commission received grants totalling Kshs.190,000,000 from the State Department of Livestock which were not reported in the financial statements for the 2019/2020 financial year. Available information indicates that the grants of Kshs.97,000,000 was for drought mitigation while Kshs.190,000,000 was capital grant for factory modernization during the year under review.

Under the circumstances, the accuracy and completeness of grants from National Government for the year ended 30 June, 2020 could not be confirmed.

4. Other Income

The statement of comprehensive income reflects other incomes totalling Kshs.47,703,329 which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.46,199,497 relating to rental incomes. However, examination of records for the leases revealed that thirty-six (36) tenants occupied the Commission's properties without paying rent for the entire year contrary to the provisions in the Lease Agreements. This resulted in un-paid rents totalling Kshs.3,743,691 for the year. Further, thirty-three (33) of the tenants had outstanding rent arrears totalling Kshs.7,927,466 from the previous year's resulting in a cumulative unpaid rent of Kshs.11,671,157. The Commission risks loss of income as a result of non-payment of rent and non-adherence to the lease agreement by the tenants.

Under the circumstances, the accuracy and completeness of rental incomes of Kshs.46,199,497 for the year ended 30 June, 2020 could not be confirmed.

5. Overstated Cost of Sales

The statement of comprehensive income reflects cost of sales of Kshs.121,590,413 which, as disclosed in Note 8 to the financial statements, includes opening and net closing stock of Kshs.44,125,776 and Kshs.50,034,165, respectively. However, the recalculated cost of sales amount of Kshs.30,019,723 differs with the reported amount of Kshs.121,590,413, resulting in an unexplained variance of Kshs.91,570,690. Further, supporting documentation indicating how the cost of sales of Kshs.121,590,413 was arrived at, were not provided for audit review.

Under the circumstances, the accuracy and completeness of the cost of sales amount of Kshs.121,590,413 for the year ended 30 June, 2020 could not be confirmed.

6. Operating Costs

The statement of comprehensive income reflects other operating costs totalling Kshs.185,057,033 which, as disclosed in Note 9 to the financial statements, includes staff costs, depreciation charge, Commissioners' emoluments and provision for doubtful debts of Kshs.123,332,410, Kshs.45,007,102, Kshs.9,131,715 and Kshs.2,040,938, respectively among other expenses. However, supporting schedules for the expenditure balances were not provided for audit review. However, the recalculated staff costs amounted to Kshs.127,429,133, resulting in an unexplained variance of Kshs.4,096,723. In addition, the payroll system is not integrated with the staff personnel data and no explanation was provided for the omission.

Consequently, the accuracy and completeness of the operating expenses of Kshs.185,057,033 could not be confirmed.

7. Selling and Distribution Costs

The statement of comprehensive income reflects an amount of Kshs.5,337,103 under selling and distribution costs which, as disclosed in Note 11 to the financial statements, includes an amount of Kshs.5,034,850 that was not analyzed or supported.

Under the circumstances, the completeness and accuracy of the selling and distribution costs could not be confirmed.

8. Property, Plant and Equipment

8.1 Lack of Fixed Assets Registers

The statement of financial position reflects a balance of Kshs.1,995,958,952 under property, plant and equipment which includes amounts of Kshs.381,200,000, Kshs.970,335,536, Kshs.418,613,039, Kshs.2,810,377 and Kshs.223,000,000 in respect of freehold land, buildings and civil works, plant and machinery, office equipment, furniture and fittings and capital work in progress. However, as similarly reported in

previous years, the balances could not be verified in the absence of a Fixed Assets Register and a detailed analyses of the property, plant and equipment balances. Further, these parcels of land costing Kshs.381,200,000 had not been revalued contrary to the International Accounting Standard No.16 which requires sufficient regularity in revaluation of property, plant and equipment to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

8.2 Ownership Documents for Land

As reported in the previous years, the Commission in 1984 secured a loan from the National Bank of Kenya through a debenture and charged 13 parcels of its land as security. The Government repaid all loans owed by various Government entities, including the Kenya Meat Commission in the year 2007, effectively lifting the charge on the Commission's parcels of land. However, the Commission had not obtained or received back the 13 original title deeds from the bank despite the loans having been settled.

Information available indicates that the bank had acknowledged holding 10 title deeds, not 13 that the Commission deposited. No explanation was provided on the whereabouts of the 3 titles deeds for properties in Kitisuru, Mavoko and Kajiado.

In addition, a search carried out at the Ministry of Lands and Physical Planning on 4 August 2016, on the above three titles traced the records for land in Kitengela only. The records (files) for the properties in Kitisuru and Mavoko could not be traced. It was, therefore, not possible to confirm ownership of the two parcels of land. Further, four (4) parcels of land belonging to the Commission have been encroached by informal settlers while a parcel of land in Nanyuki weighbridge is charged by the Kenya Revenue Authority for a Kshs.5 million tax debt. In addition, a parcel of land measuring 1.242 acres in Kwale county had its lease expired in August 1999 .

8.3 Irregular Sale of the Commission's Land

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

8.4 Obsolete Plant, Machinery and Equipment

As disclosed in Note 13 to the financial statements, the property, plant and equipment balance of Kshs.1,995,958,952 includes plant and machinery and office equipment,

furniture and fittings with net book values of Kshs.418,613,039 and Kshs.2,810,377, respectively as at 30 June, 2020 which, as reported in the prior year, were obsolete and not in a working condition. In addition, a large part of plant and machinery were idle due to underutilization and some had broken down without repairs having been initiated.

Further, the office equipment, furniture and fittings were nearly fully depreciated while all motor vehicles and motorcycles were fully depreciated yet they were still in use as of 30 June, 2020. The fully depreciated assets with economic value were not revalued to reflect their fair values in the financial statements.

8.5 Capital Work in Progress

As disclosed in Note 13 to the financial statements, the property, plant and equipment balance of Kshs.1,995,958,952 reflected in the statement of financial position includes an amount of Kshs.223,000,000 indicated as capital work in progress. A review of available documents indicated that a contract for construction, repair, renovation of structures, including design, supply, installation, testing and commissioning of machinery and equipment in Athi River and Mombasa abattoirs was awarded to an international company at a price of US\$, 9,418,209.10 on 13 October, 2017. However, although the contract provided that foreign bidders were to be secured by a standby letter of credit, offered by a reputable Kenyan bank, the contractor provided a guarantee from an insurance company.

Further, relevant documents relating to the contract, including technical specifications, drawings, designs, implementation plan, warranty and confidential business questionnaire were not provided for audit review. The Commission did not also involve the Public Works Department or any expert of their own to supervise, monitor and ensure that the Bill of Quantities (BOQ) were adhered to by the contractor. Consequently, the validity of the contract and performance of the works according to the specifications could not be confirmed.

Although an amount of Kshs.223,000,000 is disclosed under work in progress in the financial statements, records available indicated that the contractor had been paid an amount of Kshs.104,694,655 as at June, 2018 but the completion of works certificates were not provided for audit review. Supporting documentation for the resulting difference of Kshs.118,305,344.60 was also not provided.

Further, a physical inspection and evaluation of the work done on 8 March, 2019 revealed that the installed machinery and equipment were not commensurate with the amounts disclosed in the financial statements under work in progress.

8.6 Undisclosed Intangible Assets

The statement of financial position reflects a nil balance on intangible assets. However, the Commission has been using quick books which falls under intangible assets with an annual renewal of license cost of Kshs.1,037,460, that was paid for in the year under review. No explanation was provided for failure to disclose the intangible assets in the statement of financial position.

8.7 Undisclosed Disposal of Assets

A review of the trial balance as at 30 June, 2020, revealed that the Commission received an amount of Kshs.920,000 as proceeds from sale of assets. However, the commission failed to adjust its records to reflect the disposal. Further, a sale of motor vehicle KAV 843E and seamer machine at a cost of Kshs.250,000 and Kshs.54,000, respectively were also not disclosed as disposals under property, plant and equipment .

8.8 Under-Utilization of Production Plant

The Commission operates a production plant in Mombasa, Kibarani area. As at the time of the audit, no production activities were taking place. The production plant was confirmed to have been idle for a period of more than one year. The facility had been neglected with the plant, other machineries and equipment left to deteriorate.

Consequently, the Commission risks plant and machinery deterioration and damage from non-use.

8.9 Unreported Fire Incident at Shimanzi Depot

A fire incident on the 11 May, 2019 at the KMC Shimanzi depot destroyed a cold storage unit with freezers, chillers, a cold room system and assorted machinery. Further, KMC engineers assessed the building and noted that it was structurally compromised and was likely to collapse. A site visit to the premise on 19 January, 2021 revealed that the following anomalies:

- (i) The facility structure was destroyed by fire.
- (ii) The incident was not formally reported to the police.
- (iii) The list of machinery and equipment destroyed by the fire was not produced for audit and therefore the corresponding loss could not be established.
- (iv) There was no evidence of a formal investigation on the cause of the fire and therefore the cause may never be formally established.
- (v) No insurance claims were raised for the loss.

From the foregoing, the ownership and accuracy of the property, plant and equipment balance of Kshs.1,995,958,952 could not be confirmed.

9. Inventories

The statement of financial position reflects a balance of Kshs.50,034,165 under inventories as at 30 June, 2020. As disclosed in Note 14 to the financial statements, which is disclosed as Note 15 on the face of the financial statements, the balance includes meat and meat products - Kshs.3,347,659, engineering - Kshs.36,712,620, stationery and general stores - Kshs.9,973,886. However, the inventories of by-products like hides, skins and other related by-products were excluded for unexplained reasons.

Examination of stores records held by the Commission as at 30 June, 2020 showed that the total cost of stock held in the engineering and stationery and general stores were Kshs.22,867,300.16 and Kshs.27,356,030.55, respectively resulting in an unexplained variance of Kshs.189,165.71.

In addition, examination of stock sheets indicated that the Commission held a total of Kshs.797,492 in value, of expired stock in the general stores.

Consequently, the accuracy and completeness of the inventories balance of Kshs.50,034,165 could not be confirmed.

10. Trade and Other Receivables

The statement of financial position reflects trade and other receivables net balance of Kshs.360,249,108 as at 30 June 2020 (2019 - Kshs.356,685,016). As disclosed in Note 13 to the financial statements, the balance includes trade and rental receivables of Kshs.308,177,574 and Kshs.53,503,267, respectively. However, various tenancy leases had expired while in some cases, there were no lease or tenancy agreements.

Further, included in the trade receivables of Kshs.308,177,574 is an amount of Kshs.33,043,504 described as unclaimed deposits which was not supported with any documentary evidence. The trade and other receivables balance of Kshs.360,249,108 is net of provision for bad and doubtful debt amounting to Kshs.2,675,163 although the Commission does not have a policy on provision for bad debts.

Under the circumstances, the validity and recoverability of the trade and other receivables balance of Kshs.360,249,108 in full could not be confirmed.

11. Cash and Bank Balances

As disclosed in Note 15 to the financial statements, the statement of financial position reflects a cash and bank balances of Kshs.161,202,211 as at 30 June, 2020. The following issues were noted:

11.1 Failure to Close Dormant Bank Accounts

In a meeting held on 15 April, 2019, the Commissioners proposed that bank accounts be reorganized to include four (4) main accounts; government grant, rental income, Mombasa operations and Athi River operations. The other accounts were to be closed and funds transferred to rehabilitation account. No action had been taken to close the bank accounts as directed.

11.2 Long Outstanding Balances

Included in the cash and bank balances of Kshs.161,202,811 is a net balancing amount of Kshs.1,812,476 arising from various bank reconciliation statements which had been outstanding for a period of more than one financial year. The Management did not provide an explanation for non-clearance of the long outstanding balance.

11.3 Cash and Cash Equivalents

The statement of cash flows reflects cash and cash equivalents at the beginning of the year of Kshs.306,755,869 while the statement of financial position reflects a balance Kshs.176,233,179. Further, the statement of cash flows reflects cash and cash equivalents at the end of the year of Kshs.456,800,546 which differs with the balance of Kshs.161,202,211 reflected in the statement of financial position. These material differences were not explained or reconciled.

In view of the above, the accuracy and completeness of the cash and bank balances of Kshs.161,202,211 as at 30 June, 2020 as reflected in the statement of financial position could not be confirmed.

12. Trade and Other Payables

The financial statements reflect trade and other payables balance of Kshs.417,463,364 as at 30 June, 2020 (2019 - Kshs.533,979,220), which is a decrease of Kshs.116,515,856 over the previous year's balance. The following issues were noted:

12.1 Non-Remittance of Outstanding Tax

The trade and other payables balance includes an amount of Kshs.176,689,898 relating to other payables which in turn included an amount of Kshs.173,981,787 relating to outstanding tax remittances due to the Kenya Revenue Authority. No penalties and interest accruing from the outstanding tax remittances have been provided for in the financial statements.

12.2 Omitted Payables Balance

The trade and other payables balance of Kshs.417,463,364 as at 30 June, 2020 does not include accrued trade payables totalling Kshs.1,545,012 relating to KMC Kibarani branch. The trade and other payables balance of Kshs.417,463,364 is therefore, understated.

Further, the trade and other payables balance of Kshs.417,463,364 differs with the amount of Kshs.583,562,818 reflected in the schedules provided for audit, resulting in a variance of Kshs.166,099,454. No reconciliation or explanation was provided for the variance.

Under the circumstances, the accuracy and completeness of the trade and other payables amount of Kshs.417,463,364 could not be confirmed.

13. Government Loans

The statement of financial position reflects borrowings totalling Kshs.334,878,066 as at 30 June, 2020. As reported in the previous year, and as disclosed in Note 19 to the financial statements, the Government advanced the Commission loans amounting to Kshs.300 million comprising Kshs.200 million in 2009/2010 and Kshs.100 million in 2010/2011, at an interest rate of 2% per annum. The principal amount was to be repaid in twenty semi-annual consecutive instalments commencing 30 June, 2010. However, as at 30 June, 2020, the Commission had not settled either the principal instalments or the interest on the loans as provided for in the loan agreements. In addition, as at 30 June 2017, the accrued interest amounted to Kshs.41,528,835 and had been capitalized in breach of the terms of the loan agreements signed with the Government.

Further, the opening loan balance of Kshs.334,832,191 differs with the balance of Kshs.341,528,835 reflected in the financial statements for 2018/2019 by Kshs.6,696,644, which has not been reconciled. Further, no schedule of the loan was provided for audit scrutiny.

Consequently, the accuracy and completeness of the outstanding loan balance of Kshs.334,878,066 could not be confirmed.

14. Budgetary Control and Performance

During the year under review, the Commission's actual revenue amounted to Kshs.461,393,490 against budgeted revenue of Kshs.1,355,473,536 resulting in a revenue shortfall of Kshs.894,080,046 or 66%. Further, actual expenditure for the year amounted to Kshs.321,104,549 against a budgeted expenditure of Kshs.1,061,806,875 resulting in an under absorption of Kshs.740,702,326 or 70%. There is need for the Commission to review its budget making process with a view to developing a vibrant budget implementation follow up mechanism and feedback process with a view to ensuring that all projects and activities are implemented as planned for the Commission to meet its mission and objectives for the benefits of the citizens of Kenya.

15. Audit Committee

The Audit Committee is mandated to assist the Accounting Officer in fulfilling responsibilities in regard to risks, controls and governance and also follow up on the implementation of the recommendations of both internal and external auditors. Further, Regulation 179 (1) of the Public Finance Management (National Government) Regulations, 2015 states that an Audit Committee should meet at least once in every three months. However, during the year under review, the Audit Committee met only once.

16. IT System and Internal Controls

The following weaknesses were noted as regards the Commission's IT system and internal controls in the year under review:

- (i) Unapproved ICT Strategic Plan and Policy Framework - the entity did not provide evidence of discussion and approval of its ICT policy and strategy by the Commissioners.

- (ii) Non-Establishment of ICT Strategic Function - the Commissioners had not established an IT Strategic Committee and a Steering Committee to govern IT interventions at a strategic level.
- (iii) The IT Department had two (2) employees only and was, therefore, understaffed. These employees did not undergo any ICT based training in the year 2019/2020.
- (iv) The IT Management System adopted for use by the entity for both financial activities related to its core business as well as administrative activities is best suited for small and medium sized entities and does not fit the needs, operational scale and nature of business undertaken by KMC.
- (v) KMC did not use the IT Management System to manage its inventory and manufacturing activities and lacked a suitable system to automate these critical operations.
- (vi) Non-integration of other KMC Branches into the ICT Network: KMC has multiple branches with its Head Office in Athi River, Machakos County and branches in Landhies Road - Nairobi; Kibarani Factory- Mombasa and Shimanzi Depot - Mombasa. However, activities within these branches were not integrated into the IT system used at the Head Office. It was therefore, not possible to monitor relevant operational branch activities from the Head Office on a real time basis.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

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

Those charged with governance are responsible for overseeing the Commission's financial reporting process, reviewing the effectiveness of how the entity 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance

processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 August, 2021

STATEMENT OF COMPREHENSIVE INCOME

	Note	2019/2020 Kshs	2018/2019 Kshs
REVENUES			
Sales/Turnover	5	126,690,161	188,610,051
COST OF SALES	8	121,590,413	213,968,429
GROSS PROFIT		5,099,748	(25,358,378)
OPERATING INCOMES			
Grants from National Government	6	97,000,000	97,000,000
Other Income	7	47,703,329	42,850,641
TOTAL OPERATING INCOMES		144,703,329	139,850,641
Operating Costs	9	185,057,033	178,847,081
Administration Costs	10	47,017,860	35,997,571
Selling and Distribution Costs	11	5,337,103	10,069,699
OPERATING PROFIT/(LOSS)		(87,608,919)	(110,422,089)
finance Costs	12	(9,120,000)	(6,696,644)
PROFIT/LOSS FOR THE YEAR		(96,728,919)	(117,118,733)

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STATEMENT OF FINANCIAL POSITION

	Note	2019/2020 Kshs	2018/2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,995,958,952	2,040,743,394
Total Non-Current Assets		1,995,958,952	2,040,743,394
Current Assets			
Inventories	15	50,034,165	42,213,267
Trade and other receivables	14	360,249,108	356,685,016
Bank and cash balances	16	161,202,211	176,233,179
Total -Current Assets		571,486,084	575,131,462
TOTAL ASSETS		2,567,445,036	2,615,874,856
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves		814,150,346	814,150,346
Revaluation reserve		1,419,776,484	1,419,776,484
Retained earnings		(811,652,548)	(714,923,621)
Total Capital and Reserves		1,422,274,282	1,519,003,209
Non-Current Liabilities			
Borrowings	20	334,878,066	334,878,066
Deferred Income	7	295,305,345	182,000,000
Total Non-Current Liabilities		630,183,411	516,878,066
Current Liabilities			
Trade and other payables	21	417,463,364	533,979,220
Provision for leave pay	22	6,106,804	6,106,804
Provision for gratuity	23	91,417,175	39,417,175
Total Current Liabilities		514,987,343	579,503,199
TOTAL EQUITY AND LIABILITIES		2,567,445,036	2,615,384,466

The financial statements were approved by the Commission on 30-6-2020
2020 and signed on its behalf by:


Signatures



Mr. James Ole Seriani
Managing Commissioner



CPA Wellington Morton Magoi
Chief Accountant Reg 3740



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

STATEMENT OF CASH FLOWS

	Note	2019/2020 Kshs	2018/2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	24 (a)	(127,622,663)	106,258,940
Interest Capitalized	24(d)	9,120,000	6,696,644
Net cash generated from/(used in) operating activities		<u>(136,742,663)</u>	<u>99,562,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(212,660)	(4,281,976)
Proceeds from disposal of property, plant and equipment			-
Net cash generated from/(used in) investing activities		<u>(212,660)</u>	<u>(226,234,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from the government	6	287,000,000	182,000,000
Net cash generated from/(used in) financing activities		<u>287,000,000</u>	<u>182,000,000</u>
Increase/(Decrease) In Cash And Cash Equivalents		<u>150,044,677</u>	<u>285,907,352</u>
Cash And Cash Equivalents At Beginning Of Year		<u>306,755,869</u>	<u>20,845,517</u>
Cash And Cash Equivalents At End Of The Year	16	<u>456,800,546</u>	<u>306,755,869</u>

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STATEMENT OF CHANGES IN EQUITY

	Capital Reserve	Revaluation reserve	Retained earnings	Total
At July 1, 2019	814,150,346	1,419,776,484	-604,501,540	1,629,425,290
Total comprehensive income	-	-	-110,422,089	-110,422,089
At June 30, 2019	814,150,346	1,419,776,484	-7,149,236,290	1,519,003,201
Total comprehensive income	-	-	-96,728,919	-96,728,919
At June 30, 2020	814,150,346	1,419,776,474	-811,652,548	1,422,274,282

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2020.**

	Original budget	Final budget	Actual on comparable basis	Performance difference	performance
	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	
Sale of goods	1,037,273,536	1,037,273,536	126,690,161	910,583,375	12%
Sale of services		-		-	
Transfers from the Government	287,000,000	287,000,000	287,000,000	-	100%
Finance Income	-	-		-	
Other income	31,200,000	31,200,000	47,703,329	-16,503,329	152%
Total income	1,355,473,536	1,355,473,536	461,393,490	894,080,046	23%
Expenses		-			
Compensation of employees	102,564,000	102,564,000	123,332,410	-20,768,410	120%
Cost of sales	828,984,975	828,984,975	121,590,413	707,394,562	14%
Board expenses	20,867,000	20,867,000	9,131,715	11,735,285	53%
Finance cost	7,894,900	7,894,900	9,120,000	-1,225,100	84%
Rent paid	-	-		-	
Operating& admin expenses	25,655,000	25,655,000	9,435,874	16,219,126	45%
Repair & maintenance	3,256,000	3,256,000	3,487,035	-231,035	107%
Depreciation	72,585,000	72,585,000	45,007,102	27,577,898	61%
Total expenditure	1,061,806,875	1,061,806,875	321,104,549	740,702,326	30%
Surplus for the period	293,666,661	293,666,661	140,288,941	153,377,720	

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019/20.

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 recognised 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 recognised 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	4.5 %
Motor vehicles, including motor cycles	25%
Computers and related equipment	12.5%
Office equipment, furniture and fittings	12.5 %

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised 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 recognised 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 recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised 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 realisable 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 recognised 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.

n) Taxation (Continued)

Current income tax (Continued)

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

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.

n) Taxation (Continued)

Deferred tax (Continued)

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 authorised 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 amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

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

r) Provision for staff leave pay

Employees' entitlements to annual leave are recognised 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 recognised in profit or loss.

t) Budget information

The original budget for FY 2019-2020 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, 2020.

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
- 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

	2019/2020 Kshs	2018/2019 Kshs
Gross sales of goods	126,690,161	188,610,051
Total	126,690,161	188,610,051

6. GRANTS FROM NATIONAL GOVERNMENT

	2019/2020 Kshs	2018/2019 Kshs
Recurrent grants received	97,000,000	97,000,000
Total	97,000,000	97,000,000

Name of the Entity sending the grant	Amount recognized in capital fund. Kshs	Total grant income during the year Kshs	Amount deferred under deferred income Kshs
2019/2020	190,000,000.00	190,000,000.00	190,000,000.00
2018/2019	85,000,000.00	85,000,000.00	85,000,000.00
2017/2018	125,000,000.00	125,000,000.00	125,000,000.00
Work in progress	-104,694,655.40	-104,694,655.40	-104,694,655.40
Total	295,305,344.60	295,305,344.60	295,305,344.60

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7. OTHER OPERATIVE INCOME

	2019/2020	2018/2019
	Kshs	Kshs
Sale of tender documents	95,000	239,800
Interest on staff loans		-
Discount received	54,490	620,165
Other income	1,354,342	4,372,221
Rental incomes	46,199,497	37,618,455
Total	47,703,329	42,850,641

8. COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Opening stock	44,125,776	72,308,702
Add: livestock purchases	90,634,797	115,044,323
add: Direct Wages	2,341,665	31,901,863
Add: General Factory expenses	13,273,955	9,874,914
Add: power & fuel	21,248,385	27,078,840
Add : factory rent& rates		1,659,860
Less: closing stock	50,034,165	44,125,776
Total	121,590,413	213,968,429

9. OPERATING EXPENSES

	2019/2020 Kshs	2018/2019 Kshs
Staff costs (note 9a)	123,332,410	87,111,438
Depreciation of property, plant and equipment(note 13)	45,007,102	76,131,029
Commissioners emoluments(note 9b)	9,131,715	9,123,686
Bank charges	569,167	516,849
Factory Repairs & Maintenance	3,487,035	5,910,052
Increase/Decrease in Provision of Doubtful debts	2,040,938	-757,973
Freight and Transport		553,358
Auditors' remuneration - current year fees	1,488,666	812,000
Total	185,057,033	178,847,081

9(a) STAFF COST

Salaries and allowances of permanent employees(gross)	123,332,410	87,111,438
Total	123,332,410	87,111,438

The average number of employees at the end of the year was:

Permanent employees – Management	10	-
Permanent employees – Unionsable	278	279
Temporary and contract employees		23
Total	288	302

9 (b)Commissioners' Expenses

	2019/2020 Kshs	2018/2019 Kshs
Sitting allowance	9,131,715	5,747,686
Travel expenses		2,332,000
Chairman's Honoraria		1,044,000
Total	9,131,715	9,123,686

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10. ADMINISTRATION COSTS

	2019/2020	2018/2019
	Kshs	Kshs
Business Licenses and Permits	806,630	467,905
Security Expenses	379,530	88,496
Sanitation & Sewerage	1,320,000	2,220,000
Professional & Legal Fees	22,085,558	1,114,213
Medical Expenses	1,287,000	1,369,175
Office Expenses	9,923	76,783
Stationery	1,725,320	1,682,360
Travelling and accommodation	3,176,526	11,003,398
Telephone Expenses	1,694,427	1,396,864
Electricity expenses (Administrative cost)	1,924,810	
Computer and Internet Expenses	2,982,749	3,224,612
Insurance Expenses	3,613,660	3,603,660
Other	3,089,666	6,603,734
Total	47,017,860	35,997,571

11. SELLING AND DISTRIBUTION COSTS

	2019/2020	2018/2019
	Kshs	Kshs
Salaries and wages of sales personnel		9,947,920
Marketing and promotional expenses	302,253	121,780
Other related expenses	5,034,850	
Total	5,337,103	10,069,700

12. FINANCE COSTS

2019/2020 2018/2019

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	Kshs	Kshs
Interest expense on loans	9,120,000	6,696,644
Total	9,120,000	6,696,644

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PROPERTY, PLANT & EQUIPMENT

2020	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION		2.50%	4.50%	25%	12.50%		
At July 1, 2019	381,200,000	1,418,101,853	894,233,864	71,505,998	65,490,843	223,000,000	3,053,532,558
Additions	-	-	69,660	-	143,000		212,660
Transfers	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
At June 30, 2019	381,200,000	1,418,101,853	894,303,524	71,505,998	65,633,843	223,000,000	3,053,745,218
DEPRECIATION							
At July 1, 2019	-	412,313,771	455,965,263	71,505,998	62,421,984	-	1,012,779,116
Charge for the year	-	24,880,398	19,725,222	-	401,482	-	45,007,102
Impairment loss	-	-	-	-	-	-	
Eliminated on disposal	-	-	-	-	-	-	
At June 30, 2020	-	437,194,169	475,690,485	71,505,998	62,823,466	-	1,057,786,218
NET BOOK VALUE							
As at July 1 2019	381,200,000	995,215,934	438,268,601	-	3,068,860	223,000,000	2,040,743,395
At June 30, 2020	381,200,000	970,335,536	418,613,039		2,810,377	223,000,000	1,995,958,952

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
	71,505,998	71,505,998

13. TRADE AND OTHER RECEIVABLES

	2019/2020	2018/2019
	Kshs	Kshs
Trade receivables (note13 (b))	308,177,574	356,685,16
Staff imprest & loans	1,183,430	
Staff receivables	1,243,430	2,856,873
Rental Receivable	53,503,267	46,249,969
Gross trade and other receivables	362,924,271	381,660,745
Other: Provision for bad and doubtful receivable	2,675,163	2,449,384
Net trade and other receivables	360,249,108	379,348,246

13.(b) TRADE RECEIVABLES

	2020	2019
	Kshs	Kshs
Gross trade receivables	324,397,446	365,216,201
Provision for doubtful receivables	16,219,872	18,260,810
	308,177,574	346,955,391
	=====	=====

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14. INVENTORIES

	2019/2020 Kshs	2018/2019 Kshs
Engineering stores	36,712,620	18,585,073
Meat & meat products	3,347,659	2,962,503
Stationery and general stores	9,973,886	20,665,691
	50,034,165	42,213,267

15. BANK AND CASH BALANCES

	2019/2020 Kshs	2018/2019 Kshs
Cash at bank	160,427,420	175,296,303
Cash in hand	198,873	446,486
Mpesa	576,518	493,390
	161,202,811	176,236,179

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
a) Current account			
Kenya Commercial bank		64,184	85,315
Co-operative bank of kenya			
Operations account	0112006567800		
Working capital account	0112006567801	1,338,873	1,058,238
Rental account	0112006567802	108,763,825	97,750,132
Landhies rd account	0112006567803		
Mombasa account	0112006567804	106,340	140,498
Rehabilitation account	0112006567805	50,099,069	73,789,435
Dollar account		44,129	
Guarantee account			1,979,279
First Community bank Operations		11,000	492,466
National bank		500	940
Sub- total cash at bank		160,427,420	175,296,303
Cash in Hand			-
Athi-River -General		198,368	315,240
Athi-River-Fuel			52,000
MC- petty cash		505	3011

Mombasa			-
Ladhies			76,235
Sub- total		198,873	446,486
Mpesa		576,518	490,390
Minishop	117396	38,654	
Kenyatta National Hospital	117397		
Vansales		164,340	
Vansales	117398	18,010	
Ladhies	117415	84,595	
Vansales	117416	174,450	3,000
	12195	1,140	
	117417	95,329	
Mombasa			
Vansales	closed		
Sub- total			493,390
Grand total		161,202,811	176,236,179

16. 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.

17. 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.

18. 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.

19. BORROWINGS

2019/2020	2018/2019
Kshs	Kshs

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Balance at beginning of the year	334,832,191	334,832,191
Capitalized Interest	9,120,000	6,696,644
Balance at end of the year	341,528,835	341,528,835
Amounts due after one year (non-current portion)	343,952,191	341,528,835

20. TRADE AND OTHER PAYABLES

	2019/2020	2018/2019
	Kshs	Kshs
Trade payables	237,597,200	374,544,227
Accrued expenses	2,109,859	2,637,324
Other payables	176,689,898	155,366,169
Rental deposits	1,066,406	1,431,500
	417,463,364	533,979,220

21. PROVISION FOR LEAVE PAY

	2019/2020	2018/2019
	Kshs	Kshs
Balance at beginning of the year	6,106,804	1,560,920
Additional provision at end of year		2,962,256
Leave paid out or utilised during the year		1,583,627
Balance at end of the year	6,106,804	6,106,804

22. RETIREMENT BENEFIT OBLIGATIONS

	2019/2020	2018/2019
	Kshs	Kshs
Valuation at the beginning of the year	39,417,175	32,670,831
Changes in valuation during the year	52,000,000	6,746,344
Valuation at end of the year	91,417,175	39,417,175

23. NOTES TO THE STATEMENT OF CASH FLOWS

2019/2020 2018/2019

	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(96,728,919)	(117,118,733)
Depreciation	45,007,102	76,194,108
Operating profit/(loss) before working capital changes	(51,721,817)	(40,924,625)
(Increase)/decrease in inventories	(7,820,898)	30,095,435
(Increase)/decrease in trade and other receivables	(3,564,092)	(17,295,129)
Increase/(decrease) in trade and other payables	116,515,856	126,321,366
Increase/(decrease) in retirement benefits		
Increase/(decrease) in provision for staff leave pay	52,000,000	6,746,344
Sub-Total		1,378,629
Cash generated from/(used in) operations	(127,622,663)	(106,322,020)
(b) Analysis of changes in loans		
Balance at beginning of the year	341,528,835	33,483,2191
Accrued interest	9,120,000	6,696,644
	-	-
Balance at end of the year	350,648,835	341,528,835
(c) Analysis of cash and cash equivalents		
Cash at bank	160,427,420	175,296,303
Cash in hand	198,873	446,486
Mpesa	576,518	490,390
Balance at end of the year	161,202,811	176,233,179
	2019/2020	2018/2019
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	9,120,000	6,696,644
Interest on loans capitalized	9,120,000	6,696,644

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. 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:

25. 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 is made up as follows:

(i) Credit risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of 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.

Foreign currency risk

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 carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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.

a) 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.

iv. 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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	1,419,776,484	1,419,776,484
Retained earnings	(1,013,889,139)	(714,923,629)
Capital reserve	814,150,346	814,150,346
Development grants	372,000,000	223,000,000
Total funds	1,592,037,690	1,701,003,201
Total borrowings	334,878,066	334,878,066
Less: cash and bank balances	161,202,811	176,233,179
Net debt/(excess cash and cash equivalents)	173,675,255	158,044,887
Gearing	0.11	0.09

26. INCOPORATION

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

27. EVENTS AFTER THE REPORTING PERIOD

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

28. CURRENCY

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

APPENDIX 1:

	ENTITY NAME:	Kenya Meat Commission	
	Break down of Transfers from the State Department of Livestock		
	FY 2019/2020		
a .	Recurrent Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	28/06/2019	97,000,000	2019/2020
		-	
	Total	97,000,000	
b .	Development Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	20/11/2019	95,000,000	2019/2020
	17/03/2020	95,000,000	2019/2020
		-	
	Total	190,000,000	

