

REPUBLIC OF KENYA



REPORT

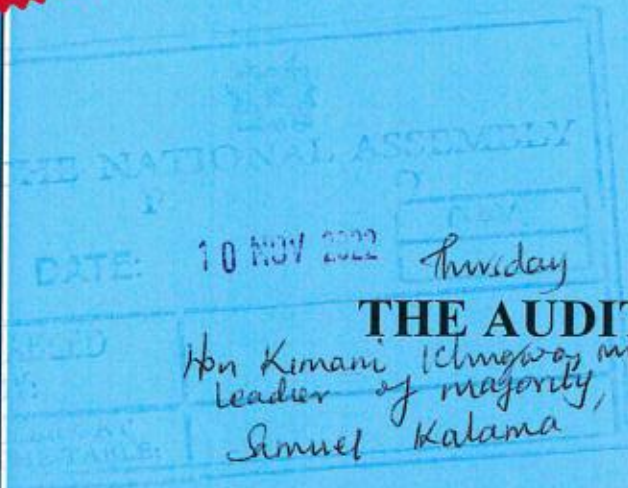
OF

THE AUDITOR-GENERAL

ON

KENYA MEAT COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

2 JUN 2022

RECEIVED

Revised



KENYA MEAT COMMISSION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

Kenya Meat Commission
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I. 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 Defence who is responsible for the general policy and strategic direction of the Kenya Meat Commission at the cabinet level. The Commission is domiciled in Kenya and has its main factory at Athi River, a branch in Mombasa and a Depot at Landhies Road, Nairobi

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:

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

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

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

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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

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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II. BOARD OF COMMISSIONERS

| No | Name | Designation | Highest qualification | Date of Appointment | Expiry Date |
|----|--|--------------------------|-----------------------|---------------------|-------------|
| 1. | Lt. Gen (Rtd) Joseph Kasaon | Chairman | Master Degree | 16/10/2019 | 16/10/2022 |
| 2 | Brig (Rtd) Dr. Charles Otiato | Commissioner | Master Degree | 20/11/2020 | 19/09/2021 |
| 3 | Brig (Rtd) George Esekon Ejalan | Commissioner | Master Degree | 20/11/2020 | 19/09/2021 |
| 4 | Brig (Rtd) Philip Laibon Lepakio | Commissioner | Master Degree | 20/11/2020 | 19/09/2021 |
| 5 | Brig (Rtd) Joseph Benjamin Mutuku Mweu | Commissioner | | 20/11/2020 | 19/09/2021 |
| 6 | Dr. Patricia M. Kingori - Mugendi | Commissioner | Master Degree | 20/11/2020 | 19/09/2021 |
| 7 | M/s Mary Mulili | Commissioner | Master Degree | 20/11/2020 | 19/09/2021 |
| 8 | Mr. C.K. Muhia | Commissioner | | 01/12/2020 | |
| 9 | Mr. Patrick Ngicuru | Commissioner | - | 11/11/2019 | |
| 10 | Mr. Francis Kariuki | Commissioner | Master Degree | 14/10/2015 | |
| 11 | Dr. Obadiah Nyaga | Commissioner | PHD | 05/03/2018 | |
| 12 | Mr. Victor Momanyi | Commissioner | | - | |
| 13 | Brig. James N. Githaga | Managing Commissioner | Master Degree | 1/04/2021 | 31/3/2022 |

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III. MANAGEMENT TEAM

| | |
|--|---|
|  <p>Br. James Nderitu Githaga – 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>ICT Manager.</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> |

IV. CHAIRMAN'S STATEMENT

The year 2020/2021 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 2020/2021, sale of meat and meat products was **Ksh. 407,482,159.00** compared to previous year 2019 / 2020 of **Ksh. 126,690,161.00** hence a 222% increase from the previous year. Most of the sales revenue was realized during the fourth quarter, this is the period after major repairs and renovations work was conducted by a team from Kenya Defence Forces. During the year Ministerial responsibility of Kenya Meat Commission was transferred from the Ministry of Agriculture to the Ministry of Defence.

The Commission realised **Ksh. 51,876,736** from rental income during the year compared to the previous year of **Ksh. 46,199,497**. It is worth noting that rent income increased by 12% due to improved operational efficiency and rent adjustment/increase. The commission received **Ksh. 1,061,358,057** from the government for revenue expenditure and **Ksh. 40,000,000** capital grants for factory modernisation during the year.

The National treasury had allocated Ksh 500 million in the previous years towards modernization of the factory but so far Ksh 440 million has been received by the Commission having received Ksh. 40 Million during the year. Delay in modernisation, had 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 a change of commissioners on board, this is after ministerial responsibility was transferred from the Ministry of Agriculture to the Ministry of Defence. The commissioners with the support of the New Managing Commissioner and the management team, will be able to take the commission to greater heights.

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We are continuing with the execution of 2020/2024 strategic plan and a new business plan developed by a team from the Kenya defence forces aimed at turning around the operations of the Commission. 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, Kenya Meat Commission 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 2020/2021 including our Customers, the Government of Kenya represented by the Ministry of Agriculture, Livestock and fisheries, Ministry of Defence and other stakeholders. 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.

V. REPORT OF THE MANAGING COMMISSIONER.

The year 2020/2021 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 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. During the year, Ministerial responsibility of the Commission was transferred to the Ministry of Defence, this led to increased revenue from sale of meat and meat products during the 4th Quarter as most security agencies were brought on board, The Commission put in place prudent measures during the year resulting to a 12% increase in rent income.

Despite these challenges in the first half of the year, coupled with three months' closure, the Commission recorded a reduction in the loss to **Ksh. 34,398,020** during the year from **Ksh. 96,728,919** in the previous 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. We are carrying out major rehabilitations to increase efficiency. 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 Non-payment of Livestock farmers and general suppliers in the previous years.

We received Ksh.117.5 million from the National Treasury, which we used to pay Livestock suppliers, Kenya Revenue authority and other general suppliers. We also received Ksh. 40 million for rehabilitation. In addition, we received a grant of 687 million, to carry out major renovations, purchase vehicles, livestock, and to install an ERP.

Kenya Meat Commission is committed to sustaining its core business to remain ahead. We have adopted excellent maintenance of assets, optimizing operations, attracting retaining

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

Contingent liabilities - The Commission currently has seventy-four (74) court cases that are ongoing with an estimated total cost of Kshs.79,952,148 .15

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.

Further capital investment is required for the rehabilitation and upgrade of factory plant 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 and the new business plan developed by a team from Kenya Defence Forces 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 
BRIG. JAMES N. GITHAGA
MANAGING COMMISSIONER.

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED
OBJECTIVES FOR FY 2020/2021.

VII. CORPORATE GOVERNANCE STATEMENT.

BOARD MEETINGS

The Board held one meeting during the FY 2020/2021 and due to change of commissioners on board after ministerial responsibility was transferred from the Ministry of Agriculture to the Ministry of Defence, no other meetings were conducted. The attendance for the meeting was as follows: -

FULL BOARD MEETINGS

| DATE | Lt. Gen (Rtd) J. Kasaon | Brig (Rtd) Dr. C. Otiato | Brig. (Rtd) G. Ejalan | Brig. (Rtd) P. Lepakio | Brig. (Rtd) JB Mwen | Dr. P.M. Kingori | Mary Mulili | C.K. Muhia | Patrick Ngicuru | Francis Kariuki | Obadiah Nyaga | Victor Mományi |
|-----------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|------------------------------|------------------------|----------------|---------------|--------------------|--------------------|------------------|-------------------|
| 14/7/2020 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 24/7/2020 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 1/12/2020 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 15/1/2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 21/1/2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11/2/2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 23/3/2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 28/6/2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

COMMITTEE MEETINGS

| DATE | Lt. Gen (Rtd) J. Kasaon | Brig (Rtd) Dr. C. Otiato | Brig. (Rtd) G. Ejalan | Brig. (Rtd) P. Lepakio | Brig. (Rtd) JB Mweu | Dr. P.M. Kingori | Mary Mulili | C.K. Muhia | Patrick Ngicuru | Francis Kariuki | Obadiah Nyaga | Victor Momanyi | Brig. J.N Githaga |
|-------------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|------------------------------|------------------------|----------------|---------------|--------------------|--------------------|------------------|-------------------|-------------------------|
| 7 th July 2020 | | | ✓ | | ✓ | | | | ✓ | | | | ✓ |
| 8 th July 2020 | | ✓ | | ✓ | | | | ✓ | | ✓ | | | ✓ |
| 9 th July 2020 | | | | ✓ | | ✓ | | | | | ✓ | | ✓ |
| 10 th July 2020 | | | | | | | | | | | | | |
| 14 th July 2020 | | | | | | | | | | | | | |
| 24 th July 2020 | | | | | | | | | | | | | |
| 30 th July 2020 | | | | | | | | | | | | | |
| 2 nd November 2020 | | | ✓ | | ✓ | | | | ✓ | | | | ✓ |
| 3 rd November 2020 | | | | ✓ | | | | ✓ | | ✓ | | | ✓ |
| 5 th November 2020 | | ✓ | | ✓ | | ✓ | | | | | ✓ | | ✓ |
| 1 st December 2020 | | | | | | | | | | | | | |

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| | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|--|---|--|--|--|--|---|--|--|--|--|--|--|--|---|---|
| 14 th December 2020 | | | | | | | | | | | | | | | | | ✓ |
| 15 th December 2020 | | | | | | | | ✓ | | | | | | | | | ✓ |
| 17 th December 2020 | | | ✓ | | | | | | | | | | | | | ✓ | |
| 18 th December 2020 | | | | | | | | | | | | | | | | | |
| 15 th January 2021 | | | | | | | | | | | | | | | | | |
| 18 January 2021 | | | | | | | | | | | | | | | | ✓ | |
| 21 January 2021 | | | | | | | | | | | | | | | | | |
| 25 th January 2021 | | | | | | | | | | | | | | | | | ✓ |
| 28 th January 2021 | | | | | | | | | | | | | | | | ✓ | |
| 11 th February 2021 | | | | | | | | | | | | | | | | | |
| 17 th February 2021 | | | | | | | | | | | | | | | | | ✓ |

ANALYA INICAL COMMISSIONI
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| | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|---|--|--|--|--|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|---|
| 3 rd March 2021 | | | | | | | | | | | | | | | | | | | | | |
| 23 rd March 2021 | | | | | | | | | | | | | | | | | | | | | |
| 24 th March 2021 | ✓ | | | | | | | | | | | | | | | | | | | | ✓ |
| 13 th April 2021 | | | | | | | | | | | | | | | | | | | | | |
| 14 th June 2021 | | | | | | | | ✓ | | | | | | | | | | | | | ✓ |
| 15 th June 2021 | | | | | | | | | | | | | | | | | | | | | |
| 16 th June 2021 | | | | | | | | | | | | | | | | | | | | | ✓ |
| 17 th June 2021 | | | | | | | | | | | | | | | | | | | | | ✓ |
| 28 th June 2021 | | | | | | | | | | | | | | | | | | | | | |

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

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

VIII. MANAGEMENT DISCUSSION AND ANALYSIS.

The year 2020/2021 was characterized low sales revenue for the first three quarters 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 last quarter of the year, we experienced high sales figures due to the coming on-board of the new markets (Kenya Defence Forces and other Security Agencies) and improved operational efficiency due to major repairs and renovations done.

FINANCIAL PERFORMANCE.

The Commission reported a loss of (Ksh. 34,398,020) which was a better performance as compared to the previous year's performance loss of (Ksh. 96,728,919.15). This is in spite of the fact that the main operations of the commission picked up during the last quarter of the year.

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

COMPLIANCE WITH BUDGETS

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

PENDING BILLS

The commissions' unpaid bills stood at Ksh. 367 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general suppliers. This

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is a great improvement from the previous year of Ksh. 515 Million. The commission will continue settling the debts after verification since some of them date back to 2013.

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 has invested 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 year 2020-2021 the Commission did not participate in any CSR activities. During the year, Ministerial responsibility of the Commission was transferred to the Ministry of Defence. The Commission was closed for a period of four months to enable rehabilitation works. The Commission re opened during the fourth quarter and the main focus was on revival but going forward, the Commission has lined up a series of CSR activities.

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IX. ENVIRNOMENTAL AND SUSTAINABILITY REPORTING

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ENVIRNOMENTAL AND SUSTAINABILITY REPORTING (Continued)

X. REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on page 1. Below is summary of the profit or loss made during the year.

| | 2020/2021 | 2019/2020 |
|-----------------------------------|--------------|-----------------|
| | Ksh. | Ksh. |
| Total Comprehensive Income/(Loss) | (34,398,020) | (96,728,919.15) |

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.....30.9.2021.....

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XI. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

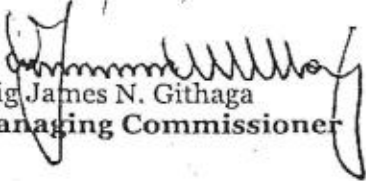
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2021, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

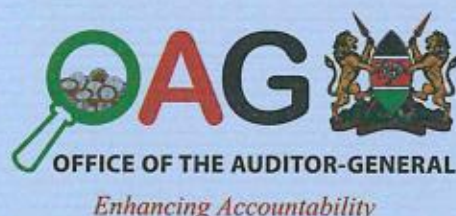
The financial statements were approved by the Board of Commissioners on 30/6 2021 and signed on its behalf by:


Brig James N. Githaga
Managing Commissioner


Lt. Gen (Retd) Joseph K Kasaon
Chairman

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Meat Commission set out on pages 1 to 30, which comprise the statement of financial position as at

30 June, 2021 and, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I 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. Non- Compliance with the Public Sector Accounting Standards Board Templates

The financial statements and other accompanying information of the Kenya Meat Commission for the year ended 30 June, 2021 submitted for audit did not contain any content on statement of performance against predetermined objectives for the financial year 2020/2021 and on environmental and sustainability reporting both of which were blank with no information.

Further, the financial statements do not include progress on follow-up of auditor's recommendations on the prior year's audit issues while the notes to the financial statements are not aligned to the corresponding Note numbers indicated on the face of the financial statements.

In the circumstances, the presentation of the financial statements do not comply with the financial reporting framework and template prescribed by the Public Sector Accounting Standards Board (PSASB).

2. Inaccuracies in the Financial Statements

The financial statements submitted for audit had various errors and inconsistencies whereby the Trial Balance provided for audit indicates variances with the financial statements' balances.

Further, comparative figures in the financial statements were at variance with the audited balances for financial year 2019/2020 while the financial statements balances were at variance with the corresponding figures disclosed in the explanatory notes.

In addition, re-computation of the balances in the financial statements and the supporting notes to the financial statements revealed incorrect computations and there were variances between amounts reported in statement of comparison of budget and actual amounts and the approved budget.

In the circumstances, the accuracy, completeness and proper disclosure of the balances included in the financial statements for the year ended 30 June, 2021 could not be confirmed.

3. Grants from National Government

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.391,358,057 in respect of grants from National Government for the year ended 30 June, 2021. However, the corresponding Note 6 to the financial statements and the statement of cash flows under financing activities reflects grants from National Government of Kshs.1,101,358,057, resulting in a difference of Kshs.710,000,000.

Examination of the cash book and bank statements for the year ended 30 June, 2021 revealed that the Commission received amounts of Kshs.687,601,546 and Kshs.413,756,511 from Ministry of Defence and Ministry of Agriculture, Livestock and Fisheries, respectively all totalling to Kshs.1,101,358,057 which varies with the grants from National Government reflected in the statement of profit or loss and other comprehensive income of Kshs.391,358,057 by Kshs. 710,000,000.

In the circumstances, the accuracy and completeness of the grants from National Government of Kshs.391,358,057 as reflected in the statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 could not be confirmed.

4. Unconfirmed Bank and Cash Balances

The statement of financial position reflects bank and cash balances of Kshs.295,813,433 and as disclosed in Note 15 to the financial statements. However, the bank balances disclosed under Note 15 to the financial statements differs with the cash book balances as indicated below:

| Account Name | Amount as per financial statements Kshs. | Cash book balance Kshs. | Variance Kshs. |
|-------------------------|---|------------------------------------|---------------------------|
| Working Capital Account | 15,551,563 | 9,281,288 | 6,270,275 |
| Rental Account | 93,147,649 | 90,455,599 | 2,692,050 |
| Mombasa Account | 56,851,507 | 56,679,765 | 171,741 |

Further, two bank accounts, with balances of Kshs.11,000 and Kshs.500 were not supported with certificates of bank balance or bank statements as at 30 June, 2021.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs.295,813,433 as at 30 June, 2021 could not be confirmed.

5. Property, Plant and Equipment

As disclosed in Note 13 to the financial statements, the statement of financial position reflects a net book value of Kshs.2,027,191,966 in respect of property, plant and equipment as at 30 June, 2021. However, the following anomalies were noted:

5.1. Capital Work in Progress

Disclosed in Note 13 to the financial statements is capital works in progress balance of Kshs.187,456,101 as at 30 June, 2021. However, no documentary evidence was provided for audit on how the brought forward balance as at 30 June, 2020 of Kshs.223,000,000 was dealt with in the financial year 2020/2021.

5.2. Fully Depreciated Assets

The net book value of Kshs.2,027,191,966 for property, plant and equipment includes motor vehicles and motor cycles with cost/valuation of Kshs.71,505,998 which were fully depreciated as at 30 June, 2021. However, Management has not explained why the Commission had not revalued or reviewed the depreciation methods of the assets in conformity with paragraph 31 and 61 of the International Standards of Accounting (IAS)16 to reflect the correct balances in the financial statements given that the assets were still in use and generating revenue.

In the circumstances, the accuracy, completeness and fair valuation of the property, plant and equipment items balance of Kshs.2,027,191,966 as at 30 June, 2021 could not be confirmed.

6. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.267,685,796 as at 30 June, 2021. However, the corresponding Note 20 to the financial statements reflects a balance of Kshs.267,462,462, resulting in an unexplained difference of Kshs.223,334.

Further, the supporting Trial Balance indicates trade and other payables balance of Kshs.245,968,888 which differs with the balance of Kshs.267,685,796 resulting to an unexplained variance of Kshs.21,716,908.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.267,685,796 as at 30 June, 2021 could not be confirmed.

7. Unsupported Long Outstanding Borrowing

The statement of financial position reflects borrowings balance of Kshs.334,878,066 as at 30 June, 2021 which differs with the amount of Kshs.350,919,378 disclosed in Note 19 to the financial statements by an amount of Kshs.16,041,312. No explanation was provided for the difference.

Further, the borrowing balance of Kshs.334,878,066 includes capitalized interest amounting to Kshs.16,087,187 which is an increase from the previous years' balance of Kshs.9,120,000 by Kshs.6,967,187. No repayment schedule of the loan was provided for audit and Management did not provide an explanation for non-clearance of the long outstanding loan balance.

In the circumstances, the accuracy and completeness of the borrowing balance of Kshs.334,878,066 as at 30 June, 2022 could not be confirmed.

8. Trade and Other Receivables

The statement of financial position reflects trade and other receivables net balance of Kshs.396,383,311 which as disclosed in Note 13(a) to the financial statements includes an amount of Kshs.72,931,899 paid to a construction company by the Commission for construction of an access road. The amount was to be refunded by the Ministry of Defence. However, the amount has not been disclosed as a receivable in the financial statements.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.396,383,311 as at 30 June, 2021 could not be confirmed.

9. Uncollected Rental Income

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.52,639,185 in respect of other incomes which as disclosed in Note 7 to the financial statements, includes gross rental income of Kshs.51,876,736. Examination of rental income records revealed that rent owed by regular tenants totalling to Kshs.29,079,502 was outstanding for more than three months. No explanation was provided for failure to promptly collect the rent when it was due.

In the circumstances, the completeness and recoverability of the outstanding rent of Kshs.29,079,504 could not be confirmed.

10. Undisclosed Contingent Liability

The statement of financial position reflects total current liabilities of Kshs.380,311,712 as disclosed in Notes 20, 21, 22, and 7(a) to the financial statements. Examination of records from the legal department revealed that the Commission had seventy-four (74) active court cases with an estimated total liability of Kshs.79,952,148 as at 30 June, 2021. However, the Commission did not disclose the contingent liability in the financial statements and no explanation was provided for the non-disclosure.

In the circumstances, the completeness of the financial statements could not be confirmed.

11. Unremitted Pay As You Earn Tax

The statement of financial position reflects trade and other payables balance of Kshs.267,685,796 as disclosed in Note 20 to the financial statements which includes unremitted Pay As You Earn (PAYE) tax liability of Kshs.101,097,815. No explanations were provided for failure to remit the tax amounts deducted from employees' income as required under paragraph 10(1) of the Income Tax Procedures.

In the circumstances, Management was in breach of law.

12. Outstanding Imprests

The statement of financial position reflects trade and other receivables balance of Kshs.396,383,311 as disclosed in Note 13 to the financial statements which includes staff

imprests and loans balance of Kshs.13,059,619. Review of the schedules and other records provided for audit revealed that, imprests amounting to Kshs.8,676,830 were issued to various officers but had not been surrendered as at 30 June, 2021.

Further, cases were noted where officers were issued with more than one imprest before surrender of the previous one. In addition, the Commission did not have a comprehensive and properly maintained imprest registers contrary to the provisions of Regulations 52(1) (j) and 92(4)(c) of the Public Finance Management (National Government) Regulations, 2015.

Management was in breach of the law and recoverability of the outstanding imprests of Kshs.8,676,830 as at 30 June, 2021 could not be confirmed.

13. Unresolved Prior Year Issues

In the audit reports of 2019/2020 and prior years, several issues were raised under Basis for Disclaimer of Opinion. The Commission did not attach to the financial statements a report on progress follow up on prior years' auditor's recommendations and how the matters have been dealt with including the recommendations and resolutions of the Public Investments on Committee.

The Commission was, therefore, in breach of the guidelines and template prescribed by the Public Sector Accounting Standards Board for Public Sector Entities reporting under International Financial Reporting Standards (IFRS) Framework and The National Treasury ref No.AG.4/16/2 Vol.3 (72) dated 30 June, 2021.

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 the Commissioners

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 sustain its services disclosing, as applicable, matters related to sustainability of service and using the applicable basis of accounting unless Management is aware of the intention to terminate the Commission or to cease operations.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 August, 2022

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**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2021**

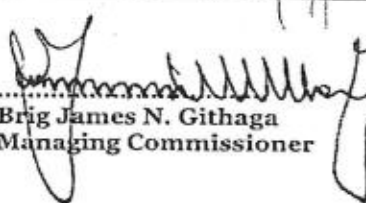
| | Note | 2020/2021 Ksh. | 2019/2020 Ksh. |
|--|------|---------------------|---------------------|
| REVENUES | | | |
| Sales/Turnover | 5 | 407,482,159 | 126,690,161 |
| COST OF SALES | 8 | 472,978,358 | 121,590,413 |
| GROSS PROFIT/(LOSS) | | (65,496,199) | 5,099,748) |
| OPERATING INCOMES | | | |
| Grants from National Government | 6 | 391,358,057 | 97,000,000 |
| Other Incomes | 7 | 52,639,185 | 47,703,329 |
| TOTAL INCOMES | | 443,997,242 | 144,703,329 |
| OPERATING EXPENSES | | | |
| Operating Costs | | - | 185,057,033 |
| Administration Costs | 10 | 344,446,172 | 47,017,860 |
| Selling and Distribution Costs | 11 | 4,567,554 | 5,337,103 |
| OPERATING PROFIT/(LOSS) | | 29,487,317 | (87,608,919) |
| finance Costs | 12 | 6,967,187 | (9,120,000) |
| Profit/(loss) before depreciation | | 22,520,130 | (96,728,919) |
| Depreciation | | 56,918,150 | - |
| PROFIT/(LOSS) FOR THE YEAR | | (34,398,020) | (96,728,919) |

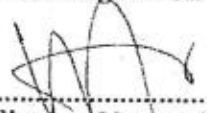
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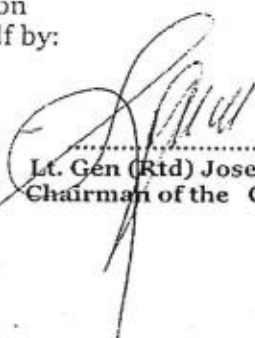
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 2020/2021 Ksh | 2019/2020 Ksh |
|--------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | 2,027,191,966 | 1,995,958,952 |
| Total Non-Current Assets | | 2,027,191,966 | 1,995,958,952 |
| Current Assets | | | |
| Inventories | 14 | 55,944,299 | 50,034,165 |
| Other Current Assets | 14 | 37,733,032 | - |
| Trade and other receivables | 13b | 396,383,311 | 360,249,108 |
| Bank and cash balances | 15 | 295,813,433 | 161,202,211 |
| Total -Current Assets | | 785,874,075 | 571,486,084 |
| TOTAL ASSETS | | 2,813,066,041 | 2,567,445,036 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Capital Reserves | | 854,150,346 | 814,150,346 |
| Revaluation reserve | | 1,419,776,484 | 1,419,776,484 |
| Retained earnings | | (846,050,568) | (811,652,548) |
| Total Capital and Reserves | | 1,427,876,262 | 1,422,274,282 |
| Non-Current Liabilities | | | |
| Borrowings | 19 | 334,878,066 | 334,878,066 |
| Deferred Income | 6 | 670,000,000 | 295,305,345 |
| Total Non-Current Liabilities | | 1,004,878,066 | 630,183,411 |
| Current Liabilities | | | |
| Trade and other payables | 20 | 267,685,796 | 417,463,364 |
| Prov. for gratuity | 21 | 91,417,175 | 91,417,175 |
| Prov. for Leave Pay | 22 | 8,169,289 | 6,106,804 |
| Tax Payable | 7a | 13,262,786 | - |
| Total Current Liabilities | | 380,311,712 | 514,987,343 |
| TOTAL EQUITY AND LIABILITIES | | 2,813,066,041 | 2,567,445,036 |

The financial statements were approved by the Commission on 30/6/21 2021 and signed on its behalf by:


Brig James N. Githaga
Managing Commissioner


CPA Wellington Morton Magoi
Chief Accountant Reg 3740


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

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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | 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 | 1,419,776,484 | -811,652,548 | 1,422,274,282 |
| Total comprehensive income | 40,000,000 | - | -34,398,020 | 5,601,980 |
| At June 30, 2021 | 854,150,346 | 1,419,776,484 | -846,050,568 | 1,427,876,262 |

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 Ksh. | 2019/2020 Ksh. |
|---|--------|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from/(used in) operations | 24 (a) | (534,055,563) | (127,622,663) |
| Interest Capitalized | 24(d) | 16,087,187 | 9,120,000 |
| Net cash generated from/(used in) operating activities | | <u>(517,968,376)</u> | <u>(136,742,663)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 13 | (166,134,557) | (212,660) |
| Proceeds from disposal of property, plant and equipment | | - | - |
| Net cash generated from/(used in) investing activities | | <u>(166,134,557)</u> | <u>(212,660)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Grants from the government | 6 | 1,101,358,057 | 287,000,000 |
| Net cash generated from/(used in) financing activities | | <u>1,101,358,057</u> | <u>287,000,000</u> |
| Increase/(Decrease) In Cash And Cash Equivalents | | <u>(160,998,613)</u> | <u>150,044,677</u> |
| Cash And Cash Equivalents At Beginning Of Year | | <u>456,800,546</u> | <u>306,755,869</u> |
| Cash And Cash Equivalents At End Of The Year | 16 | <u>295,801,933</u> | <u>456,800,546</u> |

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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2021.**

| | Original budget | Final budget | Actual on comparable basis | Performance difference | |
|-------------------------------|----------------------|----------------------|----------------------------|------------------------|------------|
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | |
| | Kshs | Kshs | Kshs | Kshs | |
| Revenue | | | | | |
| Sale of goods | 1,037,273,536 | 1,037,273,536 | 407,482,159 | (629,791,377) | -61% |
| Sale of services | | - | | - | |
| Transfers from the Government | 287,000,000 | 287,000,000 | 845,101,546 | 558,101,546 | 194% |
| Finance Income | | - | | - | |
| Other income | 31,200,000 | 31,200,000 | 52,639,185 | 21,439,185 | 69% |
| Total income | 1,355,473,536 | 1,355,473,536 | 1,305,222,890 | (50,250,646) | -4% |
| Expenses | | | | | |
| Compensation of employees | 102,564,000 | 102,564,000 | 129,057,636 | (26,493,636) | -26% |
| Cost of sales | 828,984,975 | 828,984,975 | 400,239,504 | 428,745,471 | 52% |
| Board expenses | 20,867,000 | 20,867,000 | 8,403,027 | 12,463,973 | 60% |
| Finance cost | 7,894,900 | 7,894,900 | 6,967,187 | 927,713 | 12% |
| Rent paid | | - | | - | |
| Operating & admin expenses | 25,655,000 | 25,655,000 | 344,446,172 | (318,791,172) | -1214% |
| Repair & maintenance | 3,256,000 | 3,256,000 | | 3,256,000 | 100% |
| Depreciation | 72,585,000 | 72,585,000 | 59,763,726 | 12,821,274 | 18% |
| Total expenditure | 1,061,806,875 | 1,061,806,875 | 948,877,251 | 112,929,624 | |
| Surplus for the period | 293,666,661 | 293,666,661 | 356,345,640 | (163,180,270) | |

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

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

g) Investment property

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

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

h) Finance and operating leases

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

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

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

q) Trade and other payables

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

r) Provision for staff leave pay

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

s) Exchange rate differences

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

t) Budget information

The original budget for FY 2020-2021 was approved by the board and subsequent revisions or additional appropriations were made to the approved budget in

accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

| | 2020/2021 Ksh | 2019/2020 Ksh |
|----------------------|--------------------|--------------------|
| Gross sales of goods | 407,482,159 | 126,690,161 |
| Total | 407,482,159 | 126,690,161 |

6. GRANTS FROM NATIONAL GOVERNMENT

| | 2020/2021 Ksh | 2019/2020 Ksh |
|---------------------------|-------------------------|-------------------|
| Recurrent grants received | 1,101,358,057.30 | 97,000,000 |
| Total | 1,101,358,057.30 | 97,000,000 |

| Name of the Entity sending the grant | Amount recognized in the Statement of Comprehensive Income | Amount recognized in capital fund. | Total grant income during the year | Amount deferred under deferred income |
|---|---|--|---------------------------------------|---|
| | Ksh | Ksh | Ksh | Ksh |
| 2020/2021 | 391,358,057.30 | 40,000,000 | 1,101,358,057.30 | 670,000,000 |
| 2019/2020 | 97,000,000 | 190,000,000 | 190,000,000 | 190,000,000 |
| 2018/2019 | | 85,000,000 | 85,000,000 | 85,000,000 |
| 2017/2018 | | 125,000,000 | 125,000,000 | 125,000,000 |
| Work in progress | | (174,416,648) | (174,416,648) | (174,416,648) |
| | | | | |

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7. OTHER OPERATIVE INCOME

| | 2020/2021 | 2019/2020 |
|--------------------------|-------------------|-------------------|
| | Ksh. | Ksh. |
| Sale of tender documents | 75,750 | 95,000 |
| Insurance Compensation | 244,167 | - |
| Discount received | 43,581 | 54,490 |
| Other income | 10,460 | 1,354,342 |
| Penalties received | 388,491 | |
| Rental incomes | 51,876,736 | 46,199,497 |
| Total | 52,639,185 | 47,703,329 |

7a. RENTAL INCOME TAX

| | 2020/2021 | 2019/2020 |
|-------------------------------------|----------------------|------------------|
| RENTAL INCOME TAX | Kes | Kes |
| Gross Rental income | 51,876,736.00 | - |
| Less Housing Expenses | | |
| Land & Rates(50% housing) | 3,819,900.50 | |
| Water Expense (70% housing) | 1,728,101.00 | |
| Housing Repairs & Expenses | 1,300,018.00 | |
| Security Expenses (50% housing) | 22,419.50 | - |
| Sanitation & Sewerage (80% housing) | 797,009.60 | - |
| Sub-total | 7,667,448.60 | - |
| Rental profit | 44,209,287.40 | - |
| Taxation 30% | 13,262,786.22 | - |
| Net profit after tax | 30,946,501.18 | - |

8. COST OF SALES

| | 2020/2021 | 2019/2020 |
|--------------------------------------|------------------|------------------|
| | Ksh | Ksh |
| Opening stock (Finished goods) | 50,034,165 | 44,125,776 |
| Add: Cost of Production | 467,149,171 | 127,498,802 |
| Less: Closing Stock (Finished goods) | (44,204,978) | (50,034,165) |

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C.O.S **472,978,358** **121,590,413**

8a STATEMENT OF MANUFACTURING **2020/2021** **2019/2020**
Ksh **Ksh**

| | | |
|-------------------------------|--------------------|---|
| Opening Stock (raw materials) | - | - |
| Purchases | 366,523,291 | - |
| Closing stock (raw materials) | 11,739,321 | - |
| Direct Expenses | 6,730,547 | - |
| PRIME COST | 361,514,517 | - |
| Factory Overheads | 105,634,654 | - |
| Opening stock W.I.P | - | - |
| Closing Stock W.I.P | - | - |
| COST OF PRODUCTION | 467,149,171 | - |

9. PRODUCTIONS COSTS

| | 2020/2021 | 2019/2020 |
|----------------------------------|--------------------|------------------|
| | Ksh | Ksh |
| Direct Costs | | |
| Purchases (raw materials) | 366,523,291 | - |
| Direct Wages | 3,398,579 | - |
| Packaging Materials | 3,331,968 | - |
| Total | 373,253,838 | - |
| General overheads | | |
| Chemicals Purchased (pm) | 431,949 | - |
| Processing Materials (pm) | 1,494,833 | - |
| Processing Chemicals (pm) | 35,000 | - |
| Water Expense (70% housing) | 594,030 | - |
| Equipment Repairs | - | - |
| Vet Inspection Expenses | 34,000 | - |
| Land & Rates (50% housing) | 3,819,901 | - |
| Generator Diesel Expenses | 21,000 | - |
| Protective Clothing | 1,999,560 | - |
| Cleaning and Detergents | 1,670,734 | - |
| Fumigation & Pest Control | 205,609 | - |
| Clearing, forwarding & freight | 15,423 | - |
| Farm Expenses | 49,072 | - |
| Depreciation | 56,420,539 | - |
| Total | 66,791,650 | - |
| Power & fuel overhead | | |

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| | | |
|-----------------------------|-------------------|----------|
| Ammonia & Other Gases | 1,729,157 | - |
| Furnace Oil | 9,503,727 | - |
| Gasoline, Fuel and Oil | 4,157,914 | - |
| Electricity | 23,452,206 | - |
| Total | 38,843,004 | - |
| Opening Stock Raw Materials | - | - |
| Closing Stock Raw Materials | 11,739,321 | - |

10. ADMINISTRATION EXPENSES

| | 2020/2021 | 2019/2020 |
|---|------------------|------------------|
| | Ksh | Ksh |
| Staff costs (note 10a) | 129,057,635 | 123,332,410 |
| Depreciation of property, plant and equipment (note 13) | 56,918,150 | 45,007,102 |
| Commissioners emoluments (note 10b) | 8,403,027 | 9,131,715 |
| Bank charges | 879,446 | 569,167 |
| Factory Repairs & Maintenance | - | 3,487,035 |
| Increase/(Decrease) in Provision of Doubtful debts | 3,795,158 | 2,040,938 |
| Auditors' remuneration - current year fees | 812,000 | 1,488,666 |

10. ADMINISTRATION COSTS (Cont)

| | 2020/2021 | 2019/2020 |
|-------------------------------------|------------------|------------------|
| | Ksh. | Ksh. |
| Ground Slaughter - Offtake | 168,792 | - |
| Custom Hire and Contract Labor | 1,000 | - |
| Dues and Subscriptions | 173,456 | - |
| Postage and Delivery | 3,500 | - |
| Staff welfare | 3,365,573 | - |
| Books and Publications | 505,411 | - |
| Training Expenses | 440,600 | - |
| Penalties & demurrages | 347,560 | - |
| Water Expense | 1,386,070 | - |
| Land & Rates | 3,819,900 | - |
| Email and internet Expense | 666,068 | - |
| Housing Repairs & Expenses | 1,300,018 | - |
| MV repairs | 3,556,925 | - |
| Non Capital Tools & Equipment | 3,292,583 | - |
| Business Licenses and Permits | 622,890 | 806,630 |
| Security Expenses (50% housing) | 44,839 | 379,530 |
| Sanitation & Sewerage (80% housing) | 996,262 | 1,320,000 |
| Legal Fees | 11,195,401 | 22,085,558 |

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| | | |
|---|--------------------|-------------------|
| Medical Expenses | 685,927 | 1,287,000 |
| Office Expenses | 599,333 | 9,923 |
| Stationery | 2,320,303 | 1,725,320 |
| Travelling & accommodation | 5,011,423 | 3,176,526 |
| Electricity expense | 7,128,716 | 1,924,810 |
| Telephone Expenses | 1,886,164 | 1,694,427 |
| Motor Vehicle Fuel | 4,375,656 | - |
| Computer and Internet Expenses | 1,637,964 | 2,982,749 |
| Insurance Expenses | 3,713,660 | 3,613,660 |
| Equipment Repairs (Factory Renovations) | 142,252,907 | - |
| Total | 344,446,884 | 42,003,384 |

10(a) Staff Costs

| | | |
|---|--------------------|--------------------|
| Salaries and allowances of permanent employees(gross) | 129,057,635 | 123,332,410 |
| Total | 129,057,635 | 123,332,410 |

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

| | | |
|----------------------------------|------------|------------|
| Permanent employees – Management | - | 10 |
| Permanent employees – Unionsable | 178 | 278 |
| Temporary and contract employees | 58 | - |
| Total | 236 | 288 |

10(b)Commissioners' Expenses

| | 2020/2021 | 2019/2020 |
|----------------------|------------------|------------------|
| | Ksh. | Ksh. |
| Sitting allowance | 8,403,027 | 9,131,715 |
| Travel expenses | - | - |
| Chairman's Honoraria | - | - |
| Total | 8,403,027 | 9,131,715 |

11. SELLING AND DISTRIBUTION COSTS

| | 2020/2021 | 2019/2020 |
|---------------------------------------|------------------|------------------|
| | Ksh. | Ksh. |
| Salaries and wages of sales personnel | - | - |
| Marketing and promotional expenses | 645,679 | 302,253 |
| Freight and Transport | 3,757,915 | - |
| Sales commissions | - | - |
| Free Sample | 62,640 | - |

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| | | |
|--------------------------------------|------------------|------------------|
| Tender Documentation | 101,320 | - |
| Sales discounts and rebates | - | - |
| Other selling and distribution costs | - | 5,034,850 |
| Total | 4,567,554 | 5,337,103 |

12. FINANCE COSTS

| | 2020/2021 | 2019/2020 |
|---------------------------|------------------|------------------|
| | Ksh. | Ksh. |
| Interest expense on loans | 6,967,187 | 9,120,000 |
| Total | 6,967,187 | 9,120,000 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT & EQUIPMENT

| PROPERTY, PLANT & EQUIPMENT | | Freehold land | Buildings & civil works | Plant and machinery | Motor vehicles, including, motor cycles | Fixtures, Furniture, Fittings & Equipments | Computer and accessories | Softwares | Capital Work in Progress | Total |
|-----------------------------|--|---------------|-------------------------|---------------------|---|--|--------------------------|------------|--------------------------|---------------|
| 2011 | | | 2.5% | 12.5% | 25.0% | 12.5% | 30.0% | 20.0% | | |
| COST OR VALUATION | | | | | | | | | | |
| At July 1, 2020 | | 381,200,000 | 1,418,101,853 | 894,303,524 | 71,505,998 | 65,633,843 | 20,496,253 | - | - | 2,851,241,471 |
| Additions | | - | - | 32,751,276 | 98,396,652 | 8,178,629 | 384,000 | 26,424,000 | - | 166,134,557 |
| Transfers | | - | - | - | - | - | - | - | - | - |
| Disposals | | - | - | - | - | - | - | - | - | - |
| At June 30, 2021 | | 381,200,000 | 1,418,101,853 | 927,054,800 | 169,902,650 | 73,812,472 | 20,880,253 | 26,424,000 | 187,456,101 | 3,204,832,129 |
| WTA | | | | | | | | | | |
| At July 1, 2020 | | - | 437,194,169 | 475,690,485 | 71,505,998 | 62,823,466 | 17,087,355 | - | - | 1,064,301,473 |
| Change for the year | | - | 24,522,692 | 56,420,539 | 24,599,163 | 1,373,626 | 1,137,869 | 5,284,800 | - | 113,338,650 |
| Impairment loss | | - | - | - | - | - | - | - | - | - |
| Eliminated on disposal | | - | - | - | - | - | - | - | - | - |
| At June 30, 2021 | | - | 461,716,861 | 532,111,024 | 96,105,161 | 64,197,092 | 18,225,224 | 5,284,800 | - | 1,177,640,163 |
| NET BOOK VALUE | | | | | | | | | | |
| As at July 1 2020 | | 381,200,000 | 980,907,684 | 418,613,039 | - | 2,810,377 | 3,408,898 | - | - | 1,786,939,998 |
| At June 30, 2021 | | 381,200,000 | 956,384,992 | 394,943,776 | 73,797,489 | 9,615,380 | 2,655,028 | 21,139,200 | 187,456,101 | 2,027,191,966 |

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

| | Cost or valuation | Normal annual depreciation |
|--|-------------------|----------------------------|
| Motor vehicles, including motor cycles | 71,505,998 | 71,505,998 |
| | 71,505,998 | 71,505,998 |

13. TRADE AND OTHER RECEIVABLES

| | 2020/2021 Ksh. | 2019/2020 Ksh. |
|---|--------------------|--------------------|
| Trade receivables (note13 (b)) | 329,793,974 | 308,177,574 |
| Staff imprest & loans | 13,059,619 | 1,183,430 |
| Staff receivables | 74,266 | 1,243,430 |
| Rental Receivable | 56,268,896 | 53,503,267 |
| Gross trade and other receivables | 398,933,670 | 362,924,271 |
| Provision for bad and doubtful receivable | 2,813,445 | 2,675,163 |
| Net trade and other receivables | 396,383,311 | 360,249,108 |

13.(b)TRADE RECEIVABLES

| | 2020/2021 Ksh. | 2019/2020 Ksh. |
|------------------------------------|--------------------|--------------------|
| Gross trade receivables | 347,151,552 | 324,397,446 |
| Provision for doubtful receivables | 17,357,577 | 16,219,872 |
| | 329,793,974 | 308,177,574 |
| | ===== | ===== |

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14. INVENTORIES

| | 2020/2021 | 2019/2020 |
|-------------------------------|-------------------|-------------------|
| | Ksh. | Ksh. |
| Engineering stores | 19,222,431 | 36,712,620 |
| Meat & meat products | 57,213,738 | 3,347,659 |
| Stationery and general stores | 17,241,162 | 9,973,886 |
| | 93,677,331 | 50,034,165 |

15. BANK AND CASH BALANCES

| | 2020/2021 | 2019/2020 |
|--------------|--------------------|--------------------|
| | Ksh. | Ksh. |
| Cash at bank | 295,146,729 | 160,427,420 |
| Cash in hand | 414,586 | 198,873 |
| Mpesa | 240,618 | 576,518 |
| | 295,801,933 | 161,202,811 |

Detailed analysis of the cash and cash equivalents

| Financial institution | Account number | 2020-2021 | 2019-2020 |
|---------------------------------|-----------------------|--------------------|--------------------|
| | | Ksh. | Ksh. |
| a) Current account | | | |
| Kenya Commercial bank | | - | 64,184 |
| Co-operative bank of Kenya | | | |
| Operations account | 0112006567800 | | |
| Working capital account | 0112006567801 | 15,551,563 | 1,338,873 |
| Rental account | 0112006567802 | 93,147,649 | 108,763,825 |
| Landhies rd account | 0112006567803 | - | |
| Mombasa account | 0112006567804 | 56,851,507 | 106,340 |
| Rehabilitation account | 0112006567805 | 129,560,009 | 50,099,069 |
| Dollar account | | 35,999 | 44,129 |
| Guarantee account | | | - |
| First Community bank Operations | | 11,000 | 11,000 |
| National bank | | 500 | 500 |
| Sub- total cash at bank | | 295,158,229 | 160,427,420 |
| Cash in Hand | | | |
| Athi-River -General | | 373,969 | 198,368 |
| Athi-River-Fuel | | 6,950 | - |
| MC- petty cash | | 3,144 | 505 |

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| | | | |
|-------------------------------------|---------------|--------------------|--------------------|
| Mombasa | | 23,644 | - |
| Ladhies | | 6,879 | - |
| Sub- total | | 414,586 | 198,873 |
| Mpesa | | | |
| Minishop | 117396 | 151,271 | 38,654 |
| Kenyatta National Hospital Vansales | 117397 | - | 164,340 |
| Vansales | 117398 | - | 18,010 |
| Ladhies | 117415 | 89,347 | 84,595 |
| Vansales | 117416 | - | 174,450 |
| | 12195 | - | 1,140 |
| | 117417 | - | 95,329 |
| Mombasa | | | |
| Vansales | closed | | |
| Sub- total | | 240,618 | 576,518 |
| Grand total | | 295,813,433 | 161,202,811 |

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.

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19. BORROWINGS

| | 2020/2021 | 2019/2020 |
|--|--------------------|--------------------|
| | Ksh. | Ksh. |
| Balance at beginning of the year | 334,832,191 | 334,832,191 |
| Capitalized Interest | 16,087,187 | 9,120,000 |
| Balance at end of the year | 350,919,378 | 341,528,835 |
| Amounts due after one year (non-current portion) | 350,919,378 | 341,528,835 |

20. TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

| | 2020/2021 | 2019/2020 |
|------------------|--------------------|--------------------|
| | Ksh. | Ksh. |
| Trade payables | 255,424,752 | 237,597,200 |
| Accrued expenses | 3,806,923 | 2,109,859 |
| Other payables | 7,217,186 | 176,689,898 |
| Rental deposits | 1,013,601 | 1,066,406 |
| | 267,462,462 | 417,463,364 |

21. PROVISION FOR LEAVE PAY

| | 2020/2021 | 2019/2020 |
|--|------------------|------------------|
| | Ksh. | Ksh. |
| Balance at beginning of the year | 6,106,804 | 6,106,804 |
| Additional provision at end of year | 2,062,485 | - |
| Leave paid out or utilized during the year | - | - |
| Balance at end of the year | 8,169,289 | 6,106,804 |

22. RETIREMENT BENEFIT OBLIGATIONS

| | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | Ksh. | Ksh. |
| Valuation at the beginning of the year | 91,417,175 | 39,417,175 |
| Changes in valuation during the year | - | 52,000,000 |
| Valuation at end of the year | 91,417,175 | 91,417,175 |

23. NOTES TO THE STATEMENT OF CASH FLOWS

| | 2020/2021 | 2019/2020 |
|--|----------------------|----------------------|
| | Ksh. | Ksh. |
| (a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations | | |
| Operating profit/(loss) | (34,398,020) | (96,728,919) |
| Depreciation | 113,338,690 | ,322,855 |
| Operating profit/(loss) before working capital changes | 78,940,670 | (36,406,064) |
| (Increase)/decrease in inventories | (53,866,079) | 40,778,117 |
| (Increase)/decrease in trade and other receivables | (85,241,905) | 45,543,610 |
| Increase/(decrease) in trade and other payables | (156,744,755) | 417,463,364 |
| Increase/(decrease) in retirement benefits | | |
| Increase/(decrease) in provision for staff leave pay | 2,062,485 | 52,000,000 |
| Sub-Total | | |
| Cash generated from/(used in) operations | (244,419,590) | (106,322,020) |
| (b) Analysis of changes in loans | | |
| Balance at beginning of the year | 350,648,835 | 341,528,835 |
| Accrued interest | 6,967,187 | 9,120,000 |
| Balance at end of the year | 357,616,022 | 350,648,835 |
| (c) Analysis of cash and cash equivalents | | |
| Cash at bank | 295,146,729 | 160,427,420 |
| Cash in hand | 414,586 | 198,873 |
| M-pesa | 240,618 | 576,518 |
| Balance at end of the year | 295,801,933 | 176,233,179 |
| | 2020/2021 | 2019/2020 |
| | Ksh. | Ksh. |
| (d) Analysis of interest paid | | |
| Interest on loans (note 10) | 6,967,187 | 9,120,000 |
| Interest on loans capitalized | - | 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:

| | 2020-2021 | 2019-2020 |
|---|----------------------|----------------------|
| | Ksh. | Ksh. |
| Revaluation reserve | 1,419,776,484 | 1,419,776,484 |
| Retained earnings | (846,050,568) | (1,013,889,139) |
| Capital reserve | 814,150,346 | 814,150,346 |
| Development grants | 40,000,000 | 372,000,000 |
| Total funds | 1,427,876,262 | 1,592,037,690 |
| Total borrowings | 334,878,066 | 334,878,066 |
| Less: cash and bank balances | 295,801,933 | 161,202,811 |
| Net debt/(excess cash and cash equivalents) | 39,076,133 | 173,675,255 |
| Gearing | 0.03 | 0.11 |

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 (Ksh.).

APPENDIX 1: BREAK DOWN OF TRANSFERS FROM THE NATIONAL GOVERNMENT

| ENTITY NAME: | | Kenya Meat Commission | |
|---|----------------------------|-------------------------|--|
| Break down of Transfers from the State Department of Livestock | | | |
| FY 2020/2021 | | | |
| a | Recurrent Grants | | |
| | <u>Bank Statement Date</u> | <u>Amount (Ksh.)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | July 2020 | 256,256,511 | 2019/2020 |
| | Sept. 2020 | 117,500,000 | 2020/2021 |
| | April 2021 | 687,601,546 | 2020/2021 |
| | Total | 1,061,358,057.30 | |
| b | Development Grants | | |
| | <u>Bank Statement Date</u> | <u>Amount (Ksh.)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | Feb. 2021 | 40,000,000 | 2020/2021 |
| | | - | |
| | Total | 40,000,000 | |

APPENDIX 2: PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS.

