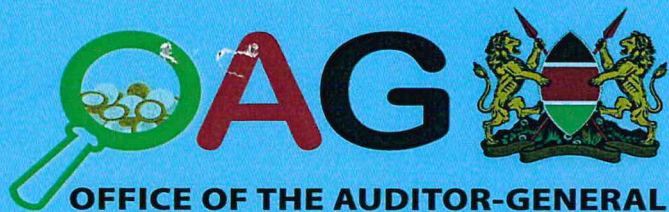


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

**OF THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 22 SEP 2021

DAY:

Wednesday

**TABLED
BY:**

chief whip
Hon. Wayne Emmanuel

**CLERK-AT
THE-TABLE:**

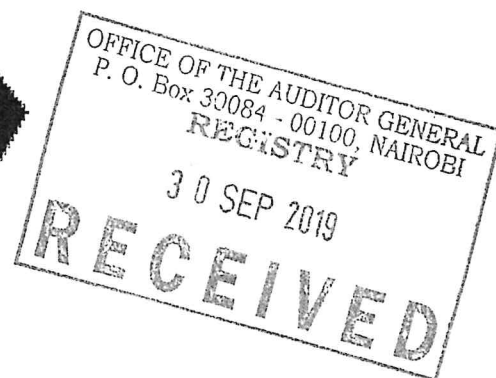
Christine Ndritu

THE AUDITOR-GENERAL

ON

KENYA MEAT COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2019**



KENYA MEAT COMMISSION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

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Kenya Meat Commission
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For the year ended June 30, 2019

KEY ENTITY INFORMATION

Background information

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

The principal activity of the Kenya Meat Commission is to

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

Commissioners

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

Ntoros Ole Senteu	Chairman	Appointed on 22/6/2017
James Ole Seriani	Ag. Managing Commissioner	Appointed on 25/10/2018
Dr Andrew Mokaya	Commissioner	Appointed on 20/09/2018
Adam Barissa Didha	Commissioner	Appointed on 20/09/2018
Annette Kithu Murai	Commissioner	Appointed on 20/09/2018
Dr Susan K Chebet	Commissioner	Appointed on 20/09/2018
Amb. Dr. Rashid Ali	Commissioner	Appointed on 20/09/2018
Permanent Secretary State Department of Livestock		
Permanent Secretary National Treasury		
The Director Veterinary Services		

Corporate Secretary

Ms. Ann Kamau
P.O. Box 2-00204
Nairobi

Corporate Headquarters

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

Kenya Meat Commission
Annual Reports and Financial Statements
For the year ended June 30, 2019

KEY ENTITY INFORMATION

Contacts

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

E-mail: info@kenyameat.co.ke

Website: www.kenyameat.co.ke

BANKERS

Co-operative Bank of Kenya
Athi River

First Community Bank
South C

National Bank of Kenya
Harambee Avenue
Nairobi, Kenya

Kenya Commercial Bank
Kitengela

AUDITORS

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

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

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BOARD OF COMMISSIONERS

No	Name	Academic Qualification	Work Experience
1.	Ntoros Baari Ole Senteu	Masters degree	Public Administration
2.	Bosco Muthoka	Masters in Business Administration(MBA -Chartered Banker)	Finance and strategy
3.	Dr Andrew Mokaya Maubi	Phd in finance	Finance and strategy
4.	Adam Barissa Dhidha	Masters in Business Administration(MBA -Finance)	Entrepreneurship
5.	Annette Kithu Murai	Bachelor in law	Law
6.	Amb. Dr. Rashid Ali	Phd In Public Administration	Business administration
7.	Nicholas Ayore	Masters in Meat Science	Animal health
8.	Bernard K. Ngulalu	Masters in finance	Public Administration
9.	Julius Kiptarus	Masters in Animal Health	Animal health

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MANAGEMENT TEAM

	Name and key qualifications		Main area of responsibility
1.	James Ole Seriani	Post Graduate Diploma in development studies & Bachelor of Arts(Political science, History & Religious Studies)	Managing Commissioner
2.	Anne Kamau	MBA -Strategic management, LLB (Hons)	Corporate Secretary
3.	Albert N Nyauntu	MS.Human Resource Management, Higher diploma in Human resource. Bachelor of arts human resource Management	Human Resource and Administration Manager
4.	Wellington M Magoi	MBA- Finance, Bachelor of Commerce (Accounting) CPA (K)	Chief Accountant
5.	Gaudencia Liambila	- MBA- Business Administration - Bsc in Biomedical Technology - Post graduate Diploma in Total Quality Management	Production Manager
6.	Eric Gitonga	Bsc in Analytical Chemistry	Ag, Quality Assurance
7.	Dr Cyril Cheruiyot	Master of science in animal production, Bachelor of veterinary medicine	Livestock Manager
8.	Festus Mutulu	- Msc Finance & Investment - Bachelor of Commerce(finance) - CPA(K) - Diploma In accountancy	Ag. Chief Internal Auditor
9.	Paul Koech	Bachelor of Technology in Mechanical & Production Engineering. (Plant Option)	Plant Engineer
10.	Mohammed Bayaan	Bachelor of Business Information Technology Microsoft Certified IT Professional (MCITP)	I.C.T/Ag Sales and marketing
11.	Joakim Boli	Bachelor of supplies and Purchasing Diploma in supplies and purchasing	Ag, Supply Chain Manager

CHAIRMAN'S STATEMENT

The year 2018/2019 was characterised by tough environment due to drought and prolonged political environment due to the general elections the previous year. This had a negative impact on the business which resulted to decreased revenue during the year. However, the Commission managed to retain the key customer in addition to capturing new clients.

TRADING PERFORMANCE.

In the year 2018/2019, sale of meat and meat products was Kshs.188,610,051 compared to subsequent year 2017 / 2018 of kshs.284,734,260 signifies a 33% decrease from the previous year. In the financial year under review, the cost of sales remained high mainly due to high power cost and production inefficiencies due to the use of old machinery

The Commission realised Ksh.37,618,455.00 from the rental income during the year and received Ksh 97,000,000 from the government for drought mitigation due to harsh weather conditions during the year. This funds went along way in ensuring that affected livestock farmers benefited by selling their livestock to the government through the Commission.

Other operating expenses however went down by 20% as a result of measures put in place to control expenditure for operational efficiency.

The National treasury had allocated Ksh 500 million in the previous year towards modernization of the factory but so far Ksh 210 million has been received by the Commission having received Kshs 85 Million during the year. This has negatively impacted on the Commission due to high cost of running the factory hence reporting losses. The current factory setup is labour intensive and consumes much electricity during the operations. However, the Commission has a bright future due to increasing market share which it will capitalise on for sustainability.

At the beginning of the year. the term of most commissioners had expired, but in September 2018 a new set of commissioners were appointed, ensuring that during the year the commission had full quorum. The commissioners with the support of the Managing Commissioner and the management team, were able to continue running the commission's operations successfully.

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May I conclude by sincerely thanking all those who supported the Commission in the financial year 2018/2019 including our customers, the government of Kenya represented by the Ministry of Agriculture, Livestock and fisheries and other stake holders. I wish to thank my fellow Board of Commissioners for their support during the year. God bless.



MR. NTOROS OLE SENTEU

CHAIRMAN, BOARD OF COMMISSIONERS.

Kenya Meat Commission
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REPORT OF THE MANAGING COMMISSIONER.

The year 2018/2019 was characterized by tough business environment due to heightened political environment after elections the previous year and harsh weather conditions during the year which affected the supply of livestock to the Commission. The commission faced challenges in the supply of livestock due to huge bills owed to livestock suppliers. This resulted to decreased revenue but the Commission put in place cost cutting measures during the year resulting to a 20% reduction in costs.

Despite these challenges the Commission recorded a reduction in the loss during the year from Kshs 228,135,117 in the previous year to Ksh 117,118.733 in the current year. In the year under review, the Commission put in place various cost cutting measures to ensure continuity of the business.

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

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

In the year under review, the Commission undertook an offtake programme in support of the government on drought stricken counties. We received Kshs.97million from the National Treasury where we assisted in conducting the programme in 4 counties.

Kenya Meat Commission is committed to sustaining its core business to remain ahead. We have adopted excellent maintenance of assets, optimizing operations, attracting retaining and developing motivated work force. Our business drivers of product availability, reliability, response to customer complaints, safety and customer satisfaction are in use to measure and monitor performance.

STRATEGY.

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

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

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

SUSTAINABILITY AND STAKE HOLDERS MANAGEMENT

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

FUTURE OUTLOOK

We are continuing with the execution of 2015/2020 strategic plan aimed at turning around the operations of the Commission. To sustain our growth we are stepping up market campaigns to drive up our sales revenues and growing it by 25% annually. With our well equipped work force coupled with requisite funding, KMC is well positioned to deliver on purpose and continue to be a market leader in the provision of competitively priced meat and meat products in the country. We are confident that this plan will assure stronger revenue growth and improved profits ahead.

Thank you


JAMES OLE SERIANI
MANAGING COMMISSIONER.

CORPORATE GOVERNANCE STATEMENT.**BOARD MEETINGS**

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

1. FULL BOARD MEETINGS

Date	Ntoros Ole Senteu	Amb. Dr.Rashi d Ali	Dr Andrew Mokaya	Adam Barissa Didha	Bosco Muthoka	Dr Susan Chebet	James Ole Seriani	Annette Kithu Murai	Victor Momanyi	Francis Kariuki	Julius kiptaru s	Dr. Nicholu s ayore
	✓											
17/10/18	✓	✓	✓	✓		✓		✓		✓		
13/11/18	✓	✓	✓	✓		✓		✓		✓		✓
18/12/18		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
09/01/19			✓	✓			✓		✓		✓	
22/01/19	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
07/02/19		✓	✓		✓			✓				
25/3/19				✓		✓	✓	✓	✓		✓	

Kenya Meat Commission
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2. COMMITTEE MEETINGS

	Ntoros Ole Senteu	Amb. Dr.Rashi d Ali	Dr Andrew Mokay a	Adam Barissa Didha	Bosco Muthoka	Dr Susan Chebet	James Ole Seriani	Annette Kithu Murai	Victor Mományi	Francis Kariuki	Julius kiptarus	Dr. Nicholu s Ayore
08/04/19		✓		✓			✓					✓
09/04/19			✓	✓	✓		✓			✓		
10/04/19				✓		✓						
15/04/19	✓		✓	✓	✓	✓						
06/05/19				✓	✓	✓	✓			✓	✓	
14/06/19	✓	✓	✓	✓	✓	✓	✓				✓	✓

Kenya Meat Commission

Annual Reports and Financial Statements

For the year ended June 30, 2019

SUCCESSION PLAN

Under Mwongozo Code of Governance, the appointing authority required to ensure the tenures of the Board 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 MEMBERS

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.

BOARD MEMBER'S PERFORMANCE

As required by Mwongozo the performance of the Board was evaluated covering the Board as a whole, its committees, individual members, the Chairperson, the Chief Executive which was presided by SCAC.

CONFLICT OF INTEREST

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

MANAGEMENT DISCUSSION AND ANALYSIS.

The year 2018/2019 was characterized low sales revenue mainly due to low production levels. Due to harsh weather condition and 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. Despite this challenge the Commission witnessed a rise in the number of customers toward the end of the year. We intend to continue building on this as we move towards satisfying our customers.

FINANCIAL PERFORMANCE.

The Commission reported a loss of Kshs 117,118,733 which was a better performance as compared to the previous year's performance of Ksh. 228,135,117. This however was made worse by the fact that the Commission was not able to meet all the customer's orders during the year. The Commission was able to capture a number of customers of whom we intend to build on.

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

COMPLIANCE WITH BUDGETS

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

PENDING BILLS

the commission has a huge level of unpaid bills which stood at Ksh.534 Million as at the close of the financial year. This was composed of the livestock farmers, statutory deductions and general supplies. This has been a big challenge especially for the supply of livestock farmers who have lost confidence in the commission due to the inability to pay them on time.

MANAGEMENT SYSTEMS

The commission currently uses QuickBooks as the accounting software. However, this system has several challenges in terms of controls and integration of production and stocks modules. This has resulted to difficulties in ensuring proper stocks control and capturing of cost of sales. The management therefore plans to invest in a robust management system 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 hold 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 FY2018-19 the Commission participated in several CSR activities as highlighted below:

Good Testimony Junior School is our client whom we supply beef and beef products. The School had an annual Sports Day scheduled for July 2018 and requested KMC to partner with them through sponsorship. As part of our marketing and CSR function KMC was able to give Kshs. 20,000 towards the sports event. This was acknowledged by the management and went a long way to ensure the success of the event and enhancement of our business relationship.

On November 10th 2018, Kitengela Prisons hosted Prison's Family Fun day. The aim of the event was to allow prisoners be able to spend time with their beloved families. The Management of Prison reached out to KMC to partner with them in the above mentioned event. KMC donated 100kgs of beef towards the event. As a result, the event gave KMC a chance to realize market visibility since we were granted an opportunity to pitch a tent and market KMC's products. On the other hand, our contribution helped realize the objectives of the event. The prisoners were able to reunite and bond with their families. This helps in their rehabilitation and acceptance in the society especially when they transition from the Prisons back home.

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

Kenya Meat Commission
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For the year ended June 30, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 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, 2019 are set out on page 1 Below is summary of the profit or loss made during the year.

	2019	2018
	Kshs	Kshs
Total Comprehensive Income/Loss	(117,118,733)	

Dividends

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

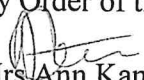
Directors

The members of the Board of Directors 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


Mrs. Ann Kamau
Corporate Secretary
Nairobi

Date...30/09/2019.....

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 give 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, 2019. 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.

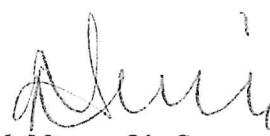
The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required 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, 2019, 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

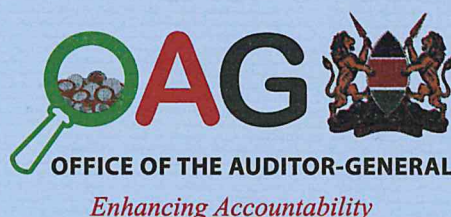
The financial statements were approved by the Board of Commissioners on _____ 2019 and signed on its behalf by:


Mr. James Ole Seriani
Managing Commissioner


Mr. Ntoros Ole Senteu
Chairman

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MEAT COMMISSION FOR THE YEAR ENDED 30 JUNE, 2019

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 35, which comprise the statement of financial position as at 30 June, 2019, 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-Disclosure of Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.117,118,733 (2018:Kshs.228,135,117) which further eroded the accumulated retained earnings from a negative balance of Kshs.604,501,540 as at 30 June, 2018 to a negative balance of Kshs.714,923,629 as at 30 June, 2019. This material uncertainty casts significant doubt on the ability of the Commission to continue as a going concern.

The Commission's financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the National Government, and creditors and the material uncertainty relating to going concern have not been disclosed in the financial statements.

2. Incomplete Records, Inaccurate Financial Statements and Misleading Information

The Commission did not maintain proper records and books of account during the year under review as highlighted below:

- i. Various differences were noted between the balances reflected in the audited financial statements for the financial year 2017/2018 and the comparative balances reflected in the financial position as at 30 June, 2019 as shown below:

Item	Audited 2017/2018 Balances (Kshs.)	Comparative Amounts a in the 2018/2019 Financial Statements (Kshs.)	Variance (Kshs.)
Trade and Other Receivables	406,913,120	379,348,247	27,564,873
Bank and Cash Balances	20,848,577	6,059,371	14,789,206
Retained Earnings	(626,540,704)	(604,501,540)	(22,039,164)
Capital/development grants	223,000,000	222,500,000	500,000
Borrowings	341,528,835	334,878,066	6,650,769

- ii. Unsupported variances were noted between the amounts reflected in the financial statements and the corresponding balances reflected in the Notes to the financial statements as shown below:

Item	Notes to the Financial Statements	Amounts as per the Notes to the Financial Statements (Kshs.)	Amounts as per the Financial Statements (Kshs.)	Variance (Kshs.)
Operating Costs	9	178,847,081	188,641,859	9,794,778
Administration Costs	10	35,997,572	18,390,438	17,607,134
Staff cost	10 a	87,111,438	Nil	87,111,438
Bank and cash balances	16	176,236,179	176,233,179	3,000

- iii. Casting errors were noted between the amounts reflected in the financial statements and corresponding balances reflected in the Notes to the financial statements as shown below:

Item	Note to the Financial Statements	Amounts as per the Notes to the Financial Statements (Kshs.)	Re-casted Amounts (Kshs.)	Variance (Kshs.)
Cost of Sales	8	213,968,429	181,840,863	32,127,566
Operating Expenses	9	188,641,859	187,883,886	757,973
Administration Costs	10	18,390,438	27,514,125	(9,123,687)

- iv. The approved budget was not provided for audit review. Consequently, the accuracy of the budgeted amounts reflected in the statement of comparison of budget and actual amounts could not be ascertained.
- v. The header on page 2 of the financial statements is misleading as it reflects the reporting year as 30 June, 2018 instead of 30 June, 2019.
- vi. Notes 5 to 36 to the financial statements do not match with the amounts and balances reflected on the face of various financial statements.
- vii. Note 20 to the financial statements on Borrowings reflects 2017/2018 balances and 2016/2017 comparatives instead 2018/2019 balances and 2017/2018 comparatives.
- viii. Note 13 to the financial statements on property plant and equipment does not include the assets movement schedule for the prior year for comparison purposes and as required under the International Financial Reporting Standards framework. In addition, the Commission disclosed in Note 4(d) to the financial statements that the annual depreciation rate applicable to plant and machinery was 12.5%. However, Note 13 to the financial statements indicates that a depreciation rate of 4.5% was applied to compute the depreciation charged for the year under review.

The Note also indicates that depreciation charge on 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. However, a re-computation of the depreciation charge for the year revealed that the depreciation charged was based on cost of the assets and not the net book value.
- ix. Contrary to the reporting guidelines issued by the Public Sector Accounting Standards Board, Appendix I on progress on follow up of prior years' auditor recommendations was not included in the financial statements.
- x. The cash and bank balances of Kshs.176,233,179 reflected in the statement of financial position differs with the cash and cash equivalents balance of

Kshs.175,742,789 at the end of the year shown in the statement of cash flows. The resulting difference of Kshs.490,390 was not reconciled or explained.

Under the circumstances, the completeness, accuracy and validity of the Commission's financial transactions and statements for the year ended 30 June, 2019 could not be confirmed.

3. Unsupported Balances in the Financial Statements

Supporting documents for the following amounts and balances reflected in the financial statements and in the Notes to the financial statements were not provided for audit verification:

Account Items	Kshs.
Sales/Turnover	188,610,051
Grants from National Government	182,000,000
Other Income	42,850,641
Cost of Sales	213,968,429
Commissioner's Emoluments	9,123,686
Staff Costs	87,111,438
Operating Costs	188,641,859
Administration Costs	18,390,438
Selling and Distribution Costs	10,069,700
Finance Costs	6,696,644
Trade and Other Receivables	396,643,375
Inventories	42,213,267
Trade and other payables	533,979,220
Provision for Leave Pay	6,106,804
Provision for Gratuity	39,417,175

Consequently, the accuracy and validity of the amounts and balances could not be ascertained.

4. Property, Plant and Equipment

4.1 Lack of Fixed Assets Registers

The statement of financial position reflects a property, plant and equipment balance of Kshs.2,040,743,394. As disclosed in Note 13 to the financial statements, the balance includes Kshs.381,200,000, Kshs.995,215,934, Kshs.438,258,601, Kshs.3,068,860 and Kshs.223,000,000 in respect of freehold land, buildings and civil works, plant and machinery, office equipment, furniture and fittings and capital work in progress. However, as similarly reported in the previous years, the balances could not be verified due to

absence of a fixed assets register and detailed analyses and records of property, plant and equipment.

4.2 Ownership Documents for Land

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

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

In addition, a search carried out at the Ministry of Lands and Physical Planning on 4 August, 2016, on the above three titles traced the records for land in Kitengela only. The records (files) for the properties in Kitisuru and Mavoko could not be traced. It was, therefore, not possible to confirm ownership of the two parcels of land. Further, another parcel of land in Nanyuki weighbridge had been encroached by informal settlers.

4.3 Irregular Sale of the Commission's Land

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

4.4 Obsolete Plant, Machinery and Equipment

As disclosed in Note 13 to the financial statements, the property, plant and equipment balance of Kshs.2,040,743,394 includes plant and machinery and office equipment, furniture and fittings with net book values of Kshs.438,258,601 and Kshs.3,068,860, respectively as at 30 June, 2019 which as reported in the prior year, were obsolete and not in working condition. In addition, a large part of plant and machinery were idle due to underutilization and some had broken down without repairs having been initiated.

Further, the office equipment, furniture and fittings were nearly fully depreciated while all motor vehicles and motorcycles were fully depreciated yet they were still in use as of 30 June, 2019. The fully depreciated assets with economic value were not revalued to reflect their fair values in the financial statements.

4.5 Capital Work in Progress

As disclosed in Note 13 to the financial statements, the property, plant and equipment balance of Kshs.2,040,743,394 reflected in the statement of financial position includes an amount of Kshs.223,000,000 indicated as capital work in progress. A review of available documents indicated that a contract for construction, repair, renovation of structures, including design, supply, installation, testing and commissioning of machinery and equipment in Athi River and Mombasa abattoirs was awarded to an international company at a price of US\$, 9,418,209.10 on 13 October, 2017. However, although the contract provided that foreign bidders were to be secured by a standby letter of credit, offered by a reputable Kenyan bank, the contractor provided a guarantee from an insurance company.

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

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

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

From the foregoing, the ownership and accuracy of the property, plant and equipment balance of Kshs.2,040,743,394 could not be confirmed.

5. Trade and Other Receivables

As previously reported, the statement of financial position reflects trade and other receivables net balance of Kshs.356,685,016 which differs with the amount of Kshs.396,643,375 reflected in the corresponding Note 14 to the financial statements. The balance of Kshs.396,643,375 includes gross trade and other receivables of Kshs.399,092,760 and rental receivables of Kshs.48,987,686 out of which, trade receivables of Kshs.349,100,327 and rental receivables of Kshs.43,220,095 had been outstanding for over four months. Further, various tenancy leases had expired while in some cases, there were no lease or tenancy agreements.

Under the circumstances, full recoverability of the trade and other receivables balance of Kshs.396,643,375 could not be confirmed.

6. Inventories

The statement of financial position reflects a balance of Kshs.42,213,267 under inventories as at 30 June, 2019. As disclosed in Note 15 to the financial statements, the balance includes meat and meat products - Kshs.2,962,503, engineering stores - Kshs.18,585,073, stationery and general stores - Kshs.20,665,691 and live animals – nil balance. However, as previously reported, the inventories of by-products like hides, skins and other related by-products were excluded from the reported inventories balance for unexplained reasons. In addition, documentary evidence of the stock-take done on 30 June, 2019 was not provided for audit review.

In the circumstances, the accuracy of the inventories balance of Kshs.42,213,267 could not be confirmed.

7. Cash and Bank Balances

- (i) The statement of financial position reflects cash and bank balances of Kshs.176,233,179 as at 30 June, 2019. As disclosed in Note 16 to the financial statements, the balances comprised amounts held in fourteen bank accounts (including M-Pesa Account) and cash balances held in three depots as at 30 June, 2019. It was observed that seven of the fourteen bank accounts were dormant and one of the dormant bank accounts, a dollar account continued to attract bank charges in the year. Further, bank confirmation certificates for the balances as at 30 June, 2019 were not provided for audit verification.
- (ii) The statement of financial position reflects a balance of Kshs.176,233,179, which differs with the balance of Kshs.176,236,179 reflected in Note 16 to the financial statements by Kshs.3,000, which has not been reconciled or explained.
- (iii) Further, the cash survey certificate for Kibarani station, Mombasa reflects cash amount of Kshs.14,000 which was indicated as locked in a safe and could not be accessed and Kshs.200,000 which was missing.
- (iv) The cash and bank balances of Kshs.176,233,179 as at 30 June, 2019 reflected in the statement of financial position also differs with the cash and cash equivalents at the end of the year of Kshs.175,742,789 shown in the statement of cash flow. The resulting difference of Kshs.490,390 was not reconciled or explained.

In view of the above, the accuracy and completeness of the cash and bank balances of Kshs.176,233,179 reflected in the financial statements as at 30 June, 2019 could not be confirmed.

8. Trade and Other Payables

As previously reported, the financial statements reflects trade and other payables balance of Kshs.533,979,220 as at 30 June, 2019, representing an increase of Kshs.126,338,366

over the previous year's balance of Kshs.407,640,854. The increase in trade and other payables, as disclosed in Note 21 to the financial statements, was mainly in respect of trade payables by Kshs.100,919,633 and other payables by Kshs.25,666,007. However, the increase in trade and other payables was not supported and could not be justified considering that turnover was less than the previous year, and the total expenditure went down by over Kshs.195,000,000 during the year.

Under the circumstances, the validity and accuracy of trade and other payables balance of Kshs.533,979,220 as at 30 June, 2019 could not be ascertained.

9. Government Loans

As reported in the previous year, and as disclosed in Note 20 to the financial statements, the Government advanced the Commission loans amounting to Kshs.300 million comprising Kshs.200 million in 2009/2010 and Kshs.100 million in 2010/2011, at an interest rate of 2% per annum. The principal amount was to be repaid in twenty semi-annual consecutive instalments commencing 30 June, 2010. However, the Commission has not settled either the principal instalments or the interest on the loans as provided for in the loan agreements. In addition, as at 30 June, 2017, the accrued interest amounted to Kshs.41,528,835 and had been capitalized in breach of the terms of the loan agreements signed with the Government.

Further, the opening loan balance as disclosed in the financial statements differed with the balance of Kshs.341,528,835 reflected in the financial statements for 2017/2018 by Kshs.6,696,644, which had not been reconciled. This also indicated that no interest was accrued in the year under review. In addition, no schedules of the loan were provided for audit scrutiny. Consequently, the completeness and accuracy of the outstanding loan balance of Kshs.334,832,191 disclosed in these financial statements could not be confirmed.

10. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Management did not provide reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Commission's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the

Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

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

I am independent of the Kenya Meat Commission Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 August, 2021

Kenya Meat Commission**Annual Reports and Financial Statements
For the year ended June 30, 2019****STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	2019 Kshs	2018 Kshs
REVENUES			
Sales/Turnover	6	188,610,051	284,734,260
COST OF SALES	9	213,968,429	394,211,868
GROSS PROFIT		(-25,358,378)	(109,477,608)
OPERATING INCOMES			
Grants from National Government	7	97,000,000	97,500,000
Other Income	8	42,850,641	30,246,591
TOTAL OPERATING INCOMES		139,850,641	127,746,591
Operating Costs	10	178,847,081	191,327,271
Administration Costs	11	35,997,571.54	35,009,821
Selling and Distribution Costs	12	10,069,699.88	13,370,364
OPERATING PROFIT/(LOSS)		(110,422,089)	(221,438,473)
Finance Costs	13	6,696,644	6,696,644
PROFIT/LOSS FOR THE YEAR		(117,118,733.133)	(228,135,117)

Kenya Meat Commission

Annual Reports and Financial Statements For the year ended June 30, 2018

STATEMENT OF FINANCIAL POSITION

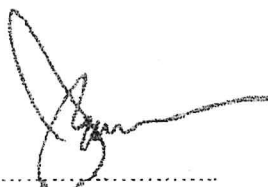
	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	2,040,743,394	2,116,884,423
Total Non-Current Assets			2,116,884,423
Current Assets			
Inventories	16	42,213,267	72,308,702
Trade and other receivables	15(a)	356,685,016	379,348,247
Bank and cash balances	17(a)	176,233,179	6,059,371
Total Current Assets		615,089,821	457,716,320
TOTAL ASSETS		2,615,384,466	2,616,954,822
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves		814,150,346	814,150,346
Revaluation reserve		1,419,776,484	1,419,776,484
Fair value adjustment reserve		-	-
Retained earnings		(714,923,629)	(604,501,540)
Capital/Development Grants		182,000,000	222,500,000
Total Capital and Reserves		1,701,003,201	1,851,925,290
Non-Current Liabilities			
Borrowings	21	334,878,066	334,878,066
Total Non-Current Liabilities		334,878,066	334,528,835
Current Liabilities			
Trade and other payables	22	533,979,220	407,649,854
Provision for leave pay	23	6,106,804	4,728,176
Provision for gratuity	24	39,417,175	32,670,831
Total Current Liabilities		579,503,199	445,056,861
TOTAL EQUITY AND LIABILITIES		2,615,384,466	2,631,860,217

The financial statements were approved by the Board on

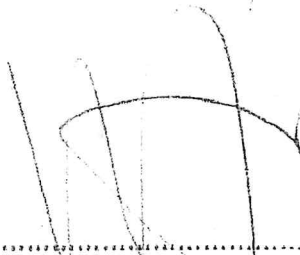
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2019 and signed on its behalf by:

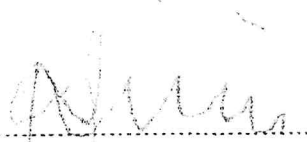
Signatures



Mr. James Ole Seriani
Managing Commissioner



CPA Wellington Morton Magoi
Chief Accountant Reg 3740



Mr. Ntoros Ole Senteu
Chairman of the Commission

Kenya Meat Commission

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

STATEMENT OF CHANGES IN EQUITY

	Capital Reserve	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017	814,150,346	1,419,776,484	(398,405,586)	98,000,000	<u>2,058,021,24</u>
Revaluation gain	-	-	-	-	-
Total comprehensive income	-	-	(206,095,954)	125,000,000	(206,095,954)
At June 30, 2018	814,150,346	1,419,776,484	(604,501,540)	223,000,000	<u>1,852,425,290</u>
Total comprehensive income	-	-	(110,422,089)	-	(110,422,089)
Capital/Development grants received during the year	-	-	-	182,000,000	182,000,000
At June 30, 2019	814,150,346	1,419,776,484	(714,923,629)	405,000,000	<u>1,924,003,201</u>

Kenya Meat Commission

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

STATEMENT OF CASH FLOWS

	Note	2019 Kshs	2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations			
Interest paid	25 (a)	106,258,940	(20,880,632)
Interest Capitalised	25 (d)	-	-
		6,696,644	6,696,644
Net cash generated from/(used in) operating activities		99,562,297	14,183,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment	14(a)	(4,281,976)	(226,234,568)
Net cash generated from/(used in) investing activities		(226,234,568)	(226,234,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from the government			
Net cash generated from/(used in) financing activities	3	85,000,000	125,000,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		180,280,321	(117,519,764)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17 (c)	20,845,517	117,959,692
		175,742,789	20,848,517

Kenya Meat Commission
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Actual on comparable basis
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Sale of goods	2,531,352,000		2,531,352	188,610,051	2,342,741,949	7.45
		-				
Sale of services			-	-		
	-	-			-	
Transfers from the						
Government	800,000,000	-	800,000,000	182,000,000	618,000,000	22.75
Other income	77,500,000		77,500,000	42,850,641	34,649,359	55.29
		-				
Total income	3,408,852,000	-	3,408,852,000	413,460,692	2,995,391,308	12.13
Expenses			-			
Compensation of	158,260,000		158,260,000	87,111,438	71,148,562	55.04
employees		-				
Use of goods and	2,158,617,000	-	2,158,617,000	394,211,868	1,332,975,590	18.26
services						
Finance cost	6,669,000		6,669,000	6,696,644	(27,644)	100.41
		-				
Other payments	799,741,000	-	799,741	101,805,343	697,935,657	12.73
Grants and subsidies			-	-		
paid	-	-			-	
Total expenditure	3,123,287,000	-	3,123,287,000	409,581,854	2,713,705,146	13.11
Surplus for the	285,565,000	-	285,565,000	3,878,838	281,686,162	13.58
period						

Annual Reports and Financial Statements

For the year ended June 30, 2019

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 (IFRS) (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018/19.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ii) **Grants from National Government** are recognized in the year in which the Commission actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
 - iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
 - iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
 - v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
 - vi) **Other income** is recognized as it accrues.
- b) In-kind contributions**
- In-kind contributions are donations that are made to the Commissions in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Commission includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.
- c) Property, plant and equipment**
- All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.
- Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.
- Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.
- Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

h) Finance and operating leases

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

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Trade and other receivables

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

n) Taxation

Current income tax

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

n) Taxation (Continued)

Current income tax (Continued)

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

n) Taxation (Continued)

Deferred tax (Continued)

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

o) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Borrowings

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

q) Trade and other payables

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

r) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. 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 recognised in profit or loss.

t) Budget information

The original budget for FY 2018-2019 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SALES/TURNOVER

	2019	2018
	Kshs	Kshs
Gross sales of goods	188,610,051	284,734,260
Total		284,734,260
	Kshs	Athi- river
	Athi- river	173,457,786
	Mombasa	7,765,624
	Landhies	7,386,641
	Total	188,610,051

6. GRANTS FROM NATIONAL GOVERNMENT

	2019	2018
	Kshs	Kshs
Recurrent grants received	97,000,000	97,500,000
Capital grants realized	85,000,000	125,000,000
Total	182,000,000	222,500,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER OPERATIVE INCOME

	2019	2018
	Kshs	Kshs
Sale of tender documents	239,800	308,200
Interest on staff loans	-	-
Discount received	620,165	11,591
Other income	4,372,221	63,000
Rental incomes	37,618,455	29,863,800
Total	42,850,641	30,246,591

8. COST OF SALES

	2019	2018
	Kshs	Kshs
Opening stock	72,308,702	61,131,940
Add: livestock purchases	115,044,323.74	252,890,093
add: Direct Wages		62,830,156
Add: General Factory expenses	9,874,914	34,996,318
Add: power & fuel	27,078,840.19	53,012,202
Add : factory rent& rates	1,659,860	1,659,860
Less: closing stock	44,125,776	72,308,702
Total	213,968,429	394,211,868

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9. OPERATING EXPENSES

	2019	2018
	Kshs	Kshs
Staff costs (note 10a)	87,111,438	76,252,528
Depreciation of property, plant and equipment(note 14)	76,131,029	76,194,108
General expenses	6,603,734.88	4,947,197
Bank charges	516,849	857,654
Factory Repairs & Maintenance	5,910,052	6,956,914
Travelling & accommodation	11,003,398.5	16,162,828
Increase/Decrease in Provision of Doubtful debts	(757,973)	1,841,748
Freight and Transport	553,358	7,302,293
Auditors' remuneration - current year fees	812,000	812,000
Total	188,641,859.38	191,327,271

10 a STAFF COST

Salaries and allowances of permanent employees	81,110,111.06	62,405,356
Compulsory national health insurance schemes	2,812,900	3,200,100
Compulsory national social security schemes	1,604,800	1,756,300
Leave pay and gratuity provisions	1,583,627.06	8,890,773
Total	87,111,438.12	76,252,528

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

Permanent employees – Management	-	-
Permanent employees – Unionsable	279	242
Temporary and contract employees	23	43
Total	302	285

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10. ADMINISTRATION COSTS

	2019	2018
	Kshs	Kshs
Business Licenses and Permits	467,905	411,977
Commissioners' emoluments	9,123,686	9,620,584
Security Expenses	88,496	2,878,674
Sanitation & Sewerage	2,220,000	2,414,808
Professional & Legal Fees	1,114,213	2,379,884
Medical Expenses	1,369,175	1,975,896
Office Expenses	76,783	79,955
Stationery	1,682,360	2,196,639
Telephone Expenses	1,396,864.5	1,313,880
Motor Vehicle Fuel	3,146,369.16	4,293,759
Computer and Internet Expenses	3,224,612.5	1,605,295
Insurance Expenses	3,603,660	5,838,471
Total	18,390,438.16	35,009,821

Note 11 (b) Commissioners' Expenses

	2019	2018
	Kshs	Kshs
Sitting allowance	5,747,686	6,234,327
Travel expenses	2,332,000	2,342,257
Chairman's Honoraria	1,044,000	1,044,000
Total	9,123,686	9,620,584

11. SELLING AND DISTRIBUTION COSTS

	2019	2018
	Kshs	Kshs
Salaries and wages of sales personnel	9,947,920	12,669,264
Marketing and promotional expenses	121,780	701,100
Total	10,069,699.88	13,370,364

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. FINANCE COSTS

	2019	2018
	Kshs	Kshs
Interest expense on loans	6,696,644	6,696,644
Total	6,696,644	6,696,644

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT & EQUIPMENT

	2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2018		381,200,000	1,418,101,853	893,021,722	71,505,998	66,490,843		3,053,522,558
Additions		-	-	-	-	-	223,000,000	
At June 30, 2018		381,200,000	1,418,101,853	894,233,864	71,505,998	65,490,843	223,000,000	3,053,532,558
DEPRECIATION								
At July 1, 2018		-	387,433,373	415,725,189	71,505,998	61,983,575		936,648,135
Charge for the year		-	35,452,546	40,240,524		438,409		76,131,029
At June 30, 2019		-	422,885,919	455,965,263	71,505,998	62,421,984		1,012,779,164
NET BOOK VALUE								
As at July 1 2018		381,200,000	1,030,668,480	478,498,675		3,507,268	223,000,000-	2,116,874,423
At June 30, 2019		381,200,000	995,215,934	438,258,601		3,068,860	223,000,000	2,040,743,394

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

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

Kenya Meat Commission

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	Kshs	Kshs
Trade receivables (note 15 (b))	346,955,391	360,118,776
Staff receivables (note 15(c))	3,149,682	2,856,873
Rental Receivable	48,987,686	46,249,970
Gross trade and other receivables	399,092,760	409,225,619
Other: Provision for bad and doubtful receivable	2,449,384	2,312,498
Net trade and other receivables	396,643,375	406,913,120

15 (b) TRADE RECEIVABLES

	2019	2018
	Kshs	Kshs
Gross trade receivables	365,216,201	379,072,396
Provision for doubtful receivables	18,260,810	18,953,620
	346,955,391	360,118,776
At June 30, the ageing analysis of the gross trade receivables was as follows:	Athi- River	Mombasa
Less than 30 days	(1753,603)	201,749
Between 30 and 60 days	5,885,709	9,056,732
Between 61 and 90 days	433,689	2,968,732
Between 91 and 120 days	(236,633)	(440,057)
Over 120 days	131,638,687	217,461,802
	277,580,289	229,248,514

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	2019	2019	2019
	Kshs	Kshs	Kshs
At June 30, the ageing analysis of the gross trade receivables was as follows:	Athi-River	Mombasa	Rental
Less than 30 days	(1,753,603)	201,749	1,955,052
Between 30 and 60 days	5,885,709	9,056,732	2,496,787
Between 61 and 90 days	433,689	2,968,287	1,530,025
Between 91 and 120 days	(236,633)	(440,057)	(214,273)
Over 120 days	131,638,525	217,461,802	43,220,095
	135,967,687	229,248,514	48,987,686

15 (c) STAFF RECEIVABLES

	2019	2018
	Kshs	Kshs
Gross staff loans and advances	3,149,683	2,856,873
Less: Amounts due within one year	3,149,683	2,856,873

15. INVENTORIES

	2019	2018
	Kshs	Kshs
Engineering stores	18,585,073	18,205,962
Meat & meat products	2,962,503	24,437,556
Stationery and general stores	20,665,691	28,450,184
Live Animals		
Cows		750,000
Steers	-	-
Bulls	-	-
Hiefers	-	-
Calves	-	465,000
	42,213,267	72,308,702

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General Store

2019

Kshs

Processing& Packing

2,716,088.29

Stationery

2,233,569

General stores

2,530,928

Empt cans

13,019,053

Protective Clothing

166,052

28,450,184

Live Animals

No.

Unit Kshs

Cows

-

-

Calves

-

-

Products

Kgs

Unit Kshs

Hooves

27,858

10

278,585

Horns

43,086

15

646,283

Semi-processed meat &
bone meal

964,800

Cattles mask

456.82

50

22,841

71,400

1,912,509

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. BANK AND CASH BALANCES

	2019	2018
	Kshs	Kshs
8		
Cash at bank	175,296,303	3,131,310
Cash in hand	446,486	207,210
Mpesa	493,390	2,716,091
	<u>176,236,179</u>	<u>6,054,611</u>

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BANK AND CASH BALANCES (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) Current account			
Kenya Commercial bank		85,315	85,315
Co-operative bank of kenya		-	
Operations account	0112006567800	-	102,767
Working capital account	0112006567801	1,058,238	5,062,625
Rental account	0112006567802	97,750,132	53,128
Landhies rd account	0112006567803	-	8,844,898
Mombasa account	0112006567804	140,498	1,035,014
Rehabilitation account	0112006567805	73,789,435	214,094
Dollar account		-	51,690
Guarantee account		1,979,279	1,979,279
First Community bank Operations		492,466	492,466
National bank		940	940
Sub- total cash at bank		175,296,303	17,922,216
Cash in Hand		-	-
Athi-River -General		315,240	24,005
Athi-River-Fuel		52,000	-
MC- petty cash		3011,	1343
Mombasa		-	21,147
Ladhies		76,235	61422
			99293
Sub- total		446,486	207,210
Mpesa		490,390	
Minishop	117396		
Kenyatta National Hospital	117397		1,279,902
Vansales			634,139
Vansales	117398		4,760
Ladhies	117415		53,340
Vansales	117416	3,000	143,950
Mombasa			600,000
Vansales	closed		
Sub- total		493,390	493,390
Grand total		176,236,179	20,845,517

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. 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.

18. 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.

19. 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.

20. BORROWINGS

	2018 Kshs	2017 Kshs
Balance at beginning of the year	334,832,191	328,234,674
Capitalized Interest	6,696,644	6,597,517
Balance at end of the year	341,528,835	334,832,191
Amounts due after one year (non-current portion)	<u>341,528,835</u>	<u>334,832,191</u>

21. TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

	2019 Kshs	2018 Kshs
Trade payables	374,544,227	273,624,594
Accrued expenses	2,637,324	2,898,604
Other payables	155,366,169	129,700,162
Rental deposits	1,431,500	1,417,497
	<u>533,979,220</u>	<u>407,640,854</u>

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Aged summary

	2019	2019	2019	2019
	Kshs	Kshs	Kshs	Kshs
At June 30, the ageing analysis of the gross trade payables was as follows:	Livestock	General supplies	Statutory/other Deduction	Accrued expenses
Less than 30 days	3,940,156	2,127,431	10,602,584	2,637,324
Between 30 and 60 days	7,386,289	1,945,388	2,530,068	
Between 61 and 90 days	6,157,867	9,425,693	(6,217,298)	
Between 91 and 120 days	7,445,589	1,113,410	3,097,417	
Over 120 days	242,029,202	107,585,123	155,366,169	-
				-
	266,959,103	107,585,123	155,366,169	2,637,324

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. PROVISION FOR LEAVE PAY

	2019	2018
	Kshs	Kshs
Balance at beginning of the year	4,728,176	2,852,765
Additional provision at end of year	2,962,256	3,751,821
Leave paid out or utilised during the year	1,583,627	1,875,411
Balance at end of the year	6,106,804,44	4,728,176

	Junior Staff	Management
	Kshs	Kshs
July	60,399.7	79,133
August	169,623.7	60,000
September	50,292	0
October		30,000
November	179,112	
December	105,341	30,000
January	34,535	
February	84,846	30,000
March	144,945	30,000
April	121,994	30,000
May	215,696	30,000
June	97,708	
Total	1,264,493	319,133

23. RETIREMENT BENEFIT OBLIGATIONS

	2019	2018
	Kshs	Kshs
Valuation at the beginning of the year	32,670,831	25,655,469
Changes in valuation during the year	6,746,344	7,015,362
Valuation at end of the year	39,417,175	32,670,831

NOTES TO THE STATEMENT OF CASH FLOWS

24. NOTES TO THE STATEMENT OF CASH FLOWS

	2019	2018
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(117,118,733)	(228,135,117)
Depreciation	76,131,029	76,194,108
Operating profit/(loss) before working capital changes	<u>(40,987,704)</u>	<u>(151,941,009)</u>
(Increase)/decrease in inventories	30,095,435	(11,176,761)
(Increase)/decrease in trade and other receivables	(17,295,129)	(19,131,092)
Increase/(decrease) in trade and other payables	126,321,366	
Increase/(decrease) in retirement benefits	6,746,344	170,784,899
Increase/(decrease) in provision for staff leave pay	1,378,629	1,875,411
Sub-Total		
Cash generated from/(used in) operations	<u>(106,258,940)</u>	<u>(9,588,552)</u>
(b) Analysis of changes in loans		
Balance at beginning of the year	334,832,191	334,832,191
Accrued interest	-	-
Balance at end of the year	<u>334,832,191</u>	<u>334,832,191</u>
(c) Analysis of cash and cash equivalents		
Cash at bank	175,296,303	17,925,276
Cash in hand	446,486	207,210
Mpesa	490,390	2,716,091
Balance at end of the year	<u>176,233,179</u>	<u>20,848,577</u>

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	2,019	2,018
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)		
	6,696,644	6,696,644
Interest on loans capitalised	<u>6,696,644</u>	<u>6,696,644</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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:

26. CONTINGENT LIABILITIES

	2019 Kshs	2018 Kshs
Legal claims against the entity		10,000,000
		<u>10,000,000</u>

27. 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

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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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from non exchange transactions	406,913,120	91,728,332	315,184,789	315,184,789
Bank balances	176,233,179	176,233,179		
Total	583,146,299	267,961,511	315,184,789	315,184,789

(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.

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(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	13,440,115	60,769,518	332,013,727	406,223,360
Provisions	672,005.77	3,038,475.89	16,600,686.33	20,311,168
Employee benefit obligation	12608495.67	37825487	100867965.4	151,301,948
Total	26,720,617	101,633,481	449,482,378	577,836,476

(iii) Market risk

The board 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.

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL RISK MANAGEMENT (Continued)

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:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	1,419,776,484	1,419,776,484
Retained earnings	(714,923,629)	(626,540,704)
Capital reserve	814,150,346	814,150,346
Development grants	223,000,000	223,000,00
Total funds	1,701,003,201	1,852,425,290
Total borrowings	334,878,066	334,878,066
Less: cash and bank balances	176,233,179	20,848,577
Net debt/(excess cash and cash equivalents)		320,680,258
Gearing	0.18	0.1

28. INCOPORATION

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

29. EVENTS AFTER THE REPORTING PERIOD

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

30. CURRENCY

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

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APPENDIX 1:

		Kenya Meat Commission	
	ENTITY NAME:		
	Break down of Transfers from the State Department of Livestock		
	FY 2017/2018		
a.	Recurrent Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	28/06/2018	97,000,000	2018/2019
		-	
	Total	97,000,000	
b.	Development Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	31/10/2018	42,500,000	2018/2019
	19/02/2019	42,500,000	2018/2019
		-	
	Total	85,000,000	

