

REPUBLIC OF KENYA

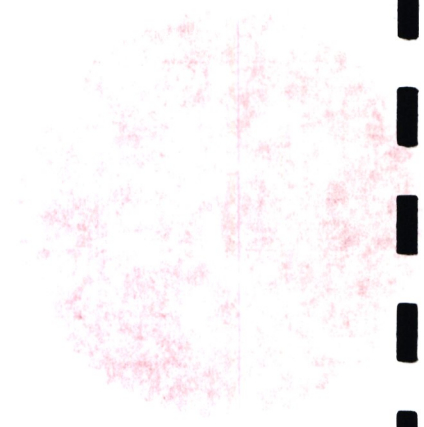


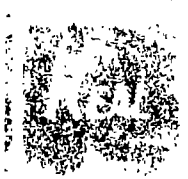
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KENYA NATIONAL AUDIT OFFICE



**REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
RIVATEX EAST AFRICA LIMITED
FOR THE YEAR ENDED
30 JUNE 2013**

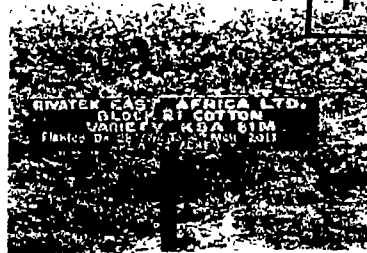




RIVATEX EAST AFRICA

KENYA NATIONAL AUDIT OFFICE
P.O. Box 30084 - 00100, NAIROBI.
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[Incorporated 16th August 2007



THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

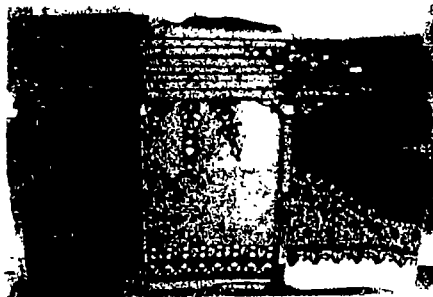
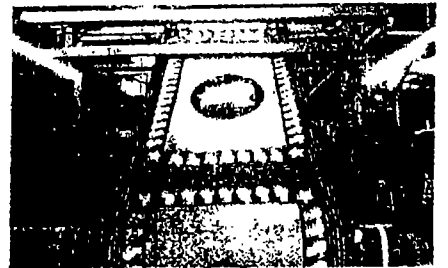


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RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
CORPORATE INFORMATION

1. ESTABLISHMENT / INCORPORATION

Rivatex East Africa Limited (REAL) is incorporated as a limited liability company under the Companies Act Cap 286 and its operations are also regulated in accordance with the State Corporations Act. Its shareholders comprise of Moi University with ninety nine percentum (99%) shareholding and Moi University Holdings with one percentum (1%) shareholding.

The company was incorporated as Rift Valley Textiles Limited (RIVATEX) at inception in the year nineteen seventy six (1976) up to its collapse in the year nineteen ninety eight (1998) owing to liberalization of the textiles industry. Moi University acquired the company in the year two thousand & seven (2007) mainly for training, research, extension purposes as well as for commercial purposes.

2. INSTITUTIONAL DETAILS

PRINCIPAL PLACE OF BUSINESS

Kipkaren road, off Eldoret- Kisumu road,
P.O. Box 4744 – 30100,
Eldoret.

BANKERS

Equity Bank of Kenya Ltd.,
P.O. Box 2210- 30100,
Tel: +254-053-2060907
Fax: +254-053-2031777
E-mail: joseph.muiruri@equitybank.co.ke
Website: www.equitybank.co.ke
Eldoret.

Kenya Commercial Bank Ltd.,
P.O. Box 560 – 30100,
Tel: +254-053-2062241/2
Fax: +254-053-2061259
E-mail: xretailmngreld@kcb.co.ke
Website: www.kcbbankgroup.com
Eldoret

SOLICITORS

Kalya and Company advocates,
Sagong house, 2nd floor,
P.O. Box 235-30100,
Eldoret.

AUDITORS

The Auditor General,
P.O. Box 30084-00100,
Tel: +254-020-342330
Fax: +254-020-311482
E-mail: cag@kenyaweb.com
Nairobi

CORPORATION SECRETARY

Jacqueline Manani (Mrs.), (CPS), LLB,
Kipkaren road, off Eldoret- Kisumu road
P.O. Box 4744-30100,
Tel: +254- 053-43184
Fax: +254- 053-43074
E-mail: legaloffice@mu.ac.ke
Website: www.mu.ac.ke

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

3. VISION, MISSION & CORE VALUES

OUR CORPORATE VISION

To be a leader in textiles technology, innovation and production for development and socio-economic well being.

OUR CORPORATE MISSION

To satisfy customer needs through innovation, development, manufacture and conversion of textile products.

OUR CORE VALUES

- Maintain efficiency in production and service delivery at all times
- Uphold honesty, integrity and courtesy in all actions
- Comply with all relevant legislations, legal requirements and set procedures
- Attach great importance to the contributions by all, build sustainable relationships and share company's success with stakeholders
- Observe human rights and equality for all, while respecting the dignity of individuals
- Attach great importance to team work and consultative approach to management
- Remain committed to fulfilling the company's goal and objectives and the same shall take precedence over individual interests.
- Encourage and reward achievement and innovation by staff
- Conform to high standards in respect to work performance, product requirements, operational procedures, health and safety, environmental issues, governance and ethics

4. CORE BUSINESS OF THE COMPANY

The company's major objects as set out in the company's Memorandum and Articles of Association includes textiles manufacturing, training, research and extension.

The company is the only institution in Africa that incorporates textiles research, training and manufacturing.

5. BOARD OF DIRECTORS

- | | | |
|----|--|---|
| 1. | Mr. Shem O. Wandiga, CBS | -Chairman |
| 2. | Prof. Richard K. Mibey, FWIF, EBS | - Member |
| 3. | Mr. Thomas K. Tuel | - Member |
| 4. | Mr. David K. Mbugua (alternate – Mr. Patrick Nyaga) | - Member |
| 5. | Dr. John T. Githaiga | - Member |
| 6. | PS-National Treasury (alternate - Ms. Lucy W. Gitundu) | - Member |
| 7. | PS-Ministry of Education (alternate - Mr. Michael Kahiti) | - Member |
| 8. | PS-Ministry of Industrialization & Enterprise Development - (alternate Mr. Hezekiah Okeyo) | - Member |
| 9. | Dr. David R. Tuigong | -Managing Director & Secretary to the Board |

RIVATEX EAST AFRICA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

6. CORPORATE GOVERNANCE

Finance and General Purposes committee members

1. Mr. Patrick Nyaga Chair
2. Ms. Lucy Gitundu
3. Mr. Michael Kahiti
4. Mr. Thomas Twei
5. Dr. David R. Tuigong

The committee is responsible for recommending financial policies, goals, and budgets that support the mission, values, and strategic goals of the organization. The committee also reviews the organization's financial performance against its goals and proposes major transactions and programs to the board.

Audit and Risk Management committee members

1. Mr. Thomas Twei Chair
2. Ms. Lucy Gitundu
3. Mr. Hezekiah Okeyo
4. Prof. John Githaiga

The Committee reviews the appropriateness of the Company's accounting policies as well as monitoring and assessing the role and effectiveness of the Internal Audit function and receiving reports on these matters. The Committee also reviews and monitors the integrity of the Company's annual financial statements and any formal announcements relating to the Company's financial performance, including significant financial reporting judgements contained within them.

Production, Operations and Technical committee

1. Prof. John Githaiga Chair
2. Mr. Patrick Nyaga
3. Mr. Hezekiah Okeyo
4. Mr. Michael Kahiti
5. Dr. David R. Tuigong

This committee is charged with responsibility of reviewing from time to time production, marketing and capital expenditure plans including research projects. It also reviews proposals for capital developments to enhance capacity and expand business reach. In addition the committee appraises capital budgets for all hardware and software purchases for recommendation to the Board.

Human Resources, Recruitment and Training committee

1. Prof. Richard K. Mibey Chair
2. Prof. John Githaiga
3. Ms. Lucy Gitundu

RIVATEX EAST AFRICA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

3. Ms. Lucy Gitundu
4. Mr. Hezekiah Okeyo
5. Dr. David R. Tuigong

The objective of the Human Resources Committee is to assist the Board in discharging its duty to oversee the establishment of appropriate Human Resources policies and strategies that provides the Company with the capability to achieve its short and long term business objectives.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

BOARD OF DIRECTORS



Prof. Shem O. Wandiga, FKNAS
Chairman



Dr. Richard B. Kipsang
PS-Ministry of Education



Dr. Wilson Songa
PS-Ministry of Industrialization &
Enterprise Devt



Dr. Kamau Thugge
PS-National Treasury



Mr. David Mbugua
Director Kenya Forest Service



Mr. Michael Kahiti
Alternate -PS -MoE



Mr. Hezekiah Okeyo
Alternate -PS-MoIED



Lucy W. Gitundu
Alternate- PS-National Treasury



Mr. Patrick Nyaga
Alternate-Director KFS



Prof. Richard K. Mibey, FWIF, EBS
Vice Chancellor Moi University



Thomas Tuei
Director



Prof. John T. Githaiga
Director



Dr. David R. Tuigong
Managing Director

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

7. MANAGEMENT TEAM

1. Dr. David R. Tuigong	Managing Director
2. Joseph K. Sum	General Manager
3. Simon K. Too	Mill Manager
4. Titus K. Kipkemboi	Chief Accountant
5. Josphat Cheruiyot	Processing Manager
6. Allan K. Biwott	Internal Auditor
7. Selah Maru	Sales & Marketing Manager
8. Amina Yusuf	Quality Control Manager
9. Peter Mugo	Preparation & Weaving Manager
10. Hosea K. Kangogo	Engineering Manager
11. Victoria M. Muthami	Finished Goods Manager

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
CHAIRMAN'S STATEMENT

Shareholders

I am sincerely privileged to table this annual report for the year ended 30th June 2013.

This financial year, we continued to implement our strategic objectives to guide Rivatex through the challenging trading environment. We remain committed to building a successful Company by addressing emerging issues, driving operational excellence in the business; strengthening our trade-channel capability and growing our portfolio. We managed our costs prudently, ensured that we continued to meet our consumer's expectations by providing them with high quality products despite the machinery challenges within the processing department.

Financial Performance

The outlook for the textile sector remains challenging especially with steep competition and changing technology. The company posted a net loss of one hundred nineteen million, two hundred and thirty eight thousand eight hundred and ninety three shillings (Kshs. 119,238,893/-) in 2012/2013 financial year. There is an increasing preference for ready-to-wear products which has heightened the pressure to align the company's capacities towards meeting this new trend through continuous capacity enhancement of the apparels section. This will enable the company sell its products at higher margins than when sold as rolls. Product innovation and design development will be focused on for improved market share and better volumes will be another area of attention going forward. We will improve on our efficiency within the business so that overheads are kept under control whilst good governance and compliance will remain uncompromised.

Board Changes

Mr. Evan Mwai who has been the Chairman of the Board since 2007 retired in November 2012. Also Mr. David Mbugua appointed Mr. Patrick Nyaga to be his alternate in the Board. Mr. Nyaga is an accountant by profession and is the Senior Deputy Director in charge of Finance and Administration at Kenya Forest Service.

Overview of Business Environment

After a peaceful election and transition in 2013, growth is projected to rise from 4.6 percentum recorded in 2012 to 5.7 percentum in 2013 and 6.0 percent in 2014, supported by lower interest rates and higher investment growth.

The global textile industry is growing at a faster rate especially after the post quota system era of world textiles trade. Analysts are anticipating more expansion with latest technologies in textile machinery. The textile machinery manufacturing hubs like China, Germany, Italy, Switzerland and India have already jumped in gigantic competition to craft and bid best technologies in textile machines. It is estimated that the global value for textile machinery is estimated to reach Kshs.1.95 trillion by 2017 owing to increasing demand for sophisticated machines that produce high quality cloth.

The government in line with the Vision 2030 goals plans to create 500,000 jobs in the textile industry in the next two years from the current 35,000. Currently second-hand clothes sector employs three times more workers than the local textile manufacturing industry. According to the African Cotton and Textile Industries Federation, Kenya also imports more than 30,000 containers of clothes annually. To reverse this trend the government is in the process of introducing various policy interventions to boost textile production through the Ministry of Industrialization with the sole aim of reducing the challenges hindering investments in the sector.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

The government has also put in place state institutions' procurement legislations that are geared towards encouraging local production in order to increase manufacturing output in the economy. It's therefore encouraging to take note of these positive developments and implement plans that will enable the company take advantage of in order to become profitable. The ongoing modernization initiatives are expected to lead to increase in sales and lower cost of production thus be able to compete favorably in the market.

Like the previous financial years the company has continued to attract financial and technical support from the government and its agencies including the government of India which is in the process of advancing Kshs.4.1 billion shillings for complete upgrade of all machinery.

The company during the year continued to received orders from the market some of which due to the state of the machinery it was not able to dispatch goods as requested and on time. The company's quality products and solid reputation shall enable it retain the existing customers and attract more as it continues to modernize its production processes.

Corporate Social Responsibility

Rivatex continues to support projects and causes which positively contribute to the society in which we conduct our business. We believe that doing the right things, by our colleagues, their families and our neighbours, in terms of decisions and actions, shape our success. We continue to support the charities and projects that we believe in and involvement in our community. This will ensure our sustainability and competitiveness into the future.

Future Outlook

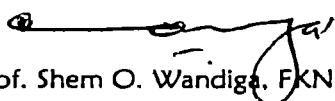
We always endeavor by our products to give customers the value they are looking for without compromising quality. Rivatex continues to stand for quality textiles going forward. We believe that the strategies that we are implementing and objectives that we are pursuing will guide the company to greater heights of profitability. The government is also fully committed to reviving the cotton sector to create jobs and ensure growth in the manufacturing sector in order to achieve the tenets of the Vision 2030 dream.

As a first priority as we look forward to a fruitful 2013/2014 financial year the company expects to fully modernized the processing department before embarking on modernizing all other production processes. We will act swiftly to take up opportunities in order to deliver superior shareholder value. We will continue to deliver on strategies that are aimed at creating long term sustainable growth.

Appreciation

On behalf of my fellow Directors, I wish to acknowledge the support and guidance of the shareholders. I also want to pass my gratitude to the Management and Staff for their dedication and commitment to our collective determination to grow and become the leading textile manufacturer locally and internationally. Finally I wish to express my profound gratitude to my colleagues on the Board for the confidence they have bestowed in me. The task ahead is challenging and I count on their support and cooperation as we jointly drive this company to prosperity.

Thank you.


Prof. Shem O. Wandiga, FKNAS
Chairman

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
MANAGING DIRECTOR'S STATEMENT

Financial Results

Allow me to present the financial statements for the year ended 30th June 2013. During the financial year the company encountered various operational challenges that led to a thirty six percentum (36%) decline in turnover from ninety four million two hundred and thirty three thousand and eighteen shillings (Kshs. 94,233,018) to sixty million six hundred and thirty seven hundred and sixty three (Kshs. 60,630,763) and consequently a net loss of one hundred nineteen million, two hundred and thirty eight thousand eight hundred and ninety three shillings (Kshs. 119,238,893/-). This was largely due a drop in sales volumes resulting from machine break downs that left the company to concentrate on producing printed articles which are seasonal and low in volumes. The state of the machinery also added more production costs thus depleting resources through reprocessing of fabrics several times to achieve the right colours or quality therefore leading to increase in amount of dyes used per unit of production, steam, energy and labour.

The company has swiftly moved to address this challenge through acquisition of new machinery with the jigger dyeing machine expected to be operationalized by the second quarter of 2013/2014 financial year. This will enable the company supply dyed fabrics having stopped producing them in this financial year due to obsolescence of the old hot flue dyeing machine. This will help reduce costs resulting from inefficient machinery and bring down the time taken to deliver goods to the market.

The company's financial position grew by fifteen percentum (15%) from nine hundred thirty four million two hundred and twenty eight thousand two hundred forty five shillings (Kshs. 934,228,245/-) million, recorded in the previous financial year to one billion, ninety three million eight hundred ninety five eight hundred an eighty one shillings (Kshs. 1, 093,895,881/-). We expect to see the company's net assets grow in the next financial year especially with the acquisition of modern wet processing machinery among other modernization initiatives.

Business Environment

Rivatex is dealing with changes in its trading environment. The challenges relate largely to the influx and presence in the market of illegal and unfair competition. In the midst of these challenges, Rivatex continues to work towards implementing strategies that will enable it position itself in order to benefit from available and future market opportunities and move away from being dependent on the raw woven fabric rolls through value addition and diversification to high value textiles.

Production Capacity Enhancement

We see a huge potential in the Kenyan textile industry and continue to have positive projections on its growth pattern. We also constantly strive to improve our efficiencies. These considerations have continued to drive our investment in our production departments through acquisition of state-of-the-art machinery in phases along the integrated mill. We have continued to invest in the plant by refurbishing our production processes and making improvements to it. In that regard, the Company has spent over KShs.250 million since 2010 on modernization and improvements to the factory. This year we acquired a jigger dyeing machine that will increase the capacity of wet processing department. The investment is expected to accrue cost savings, increase efficiency and reduce delivery time. We will continue to look for more opportunities to further improve our processes in terms of efficiency and cost reduction in order that we may positively contribute to our bottom line.

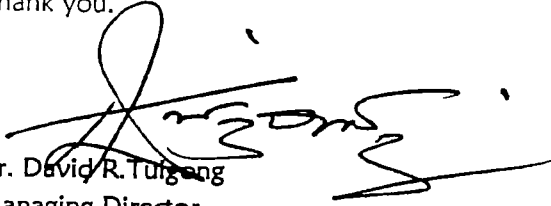
RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Appreciation

I wish to thank the Board, shareholders, the government, donors, partners, our esteemed customers, employees and other stakeholders for their commitment and efforts, without which the company wouldn't be this far.

Thank you.

Dr. David R. Tufeng
Managing Director

A handwritten signature in black ink, appearing to read 'Dr. David R. Tufeng', is written over the printed name and title. The signature is stylized and cursive.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
MANAGEMENT REPRESENTATION

TO: THE AUDITOR-GENERAL

DATE

This representation letter is provided in connection with your audit of the financial statements of Rivatex (E.A) Ltd for the year ended 30th June 2013 for the purpose of expressing an opinion as to whether or not the financial statements present fairly, in all material respects, the financial position of the Company as at 30th June 2013 and the results of its operations and its cash flows for the year then ended in accordance with IFRS and the Company's Act Cap.486, of the Laws of Kenya.

We acknowledge our responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and we confirm, to the best of our knowledge and belief, the following representations given to you in connection with your duties as auditors of Rivatex (E.A) Ltd. for the year ended 30th June 2013.

1. Accounting policies

1.1 The accounting policies used by the Company are as stated in the financial statements and are consistent with those of the previous year.

2. Accounting records and transactions

2.1 We have made available to you all books of account and supporting documentation and all minutes of meetings and no such information has been withheld.

2.2 The financial statements are free of material misstatements including omissions. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

2.3 We have no plans that may alter materially the carrying value or classification of assets and liabilities reflected in the financial statements.

2.4 Except as disclosed in the financial statements, the results of operations for the year were not materially affected by transactions of an extraordinary or abnormal nature or of a sort not usually undertaken by the Company or items relating to a prior year.

2.5 All transfer payments have been properly completed and accounted for and have been recorded in the proper period.

2.6 The Income Statement reflects a complete record of all expenditure relating to the financial transactions of the budgetary vote under our control as well as all allocated funds (budgeted, adjustments and grants received from Government).

2.7 The information required by International Financial Reporting Standards and which have been disclosed in the schedules are complete and free of material misstatement.

2.8 The budget has been prepared in accordance with the relevant regulations and instructions and is in line with set criteria and objectives.

2.9 Personnel expenditure represents payments in respect of services which have been rendered to the Company by employees on the payroll of the company.

3. Assets

3.1 We have no plans or intentions that will result in any excess or obsolete inventory.

3.2 The Company has satisfactory title to all assets, and there are no liens or encumbrances on the Company's assets in favour of third parties.

3.3 All assets were maintained and were stored in good condition during the financial year.

3.4 The current assets in the financial statements are expected, in our opinion, to produce at least the amounts at which they are stated. Adequate provision, in our opinion, has been made against all amounts owing to the Company which are known and may be expected to become irrecoverable.

Liabilities


1 The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

- 4.2 We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and but there are no all guarantees that we have given to third parties. We are not aware of any pending or threatened litigation, proceedings, hearings, claims or negotiations which may result in significant loss to the Company.
- 4.3 There have been no events subsequent to period end that require adjustment of or disclosure in the financial statements or notes thereto.
- 4.4 We are not aware of any capital expenditure projects entered into without a legal contract. There were no purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

5. Other matters

- 5.1 There have been no irregularities involving management or employees that have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
- 5.2 All known, actual or possible, non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements, have been disclosed to the auditors.
- 5.3 The Company has not incurred any unauthorized expenditure during the year under review, except as disclosed to the auditors.
- 5.4 Except as disclosed in the financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. We confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and, when appropriate, adequately disclosed in the financial statements.
- 5.5 The required tender procedures have been followed and no commissions have been received by any employee of the Company.
- 5.6 We operate a manual accounting system. We have taken the necessary steps to ensure that the system is secure and can be relied upon, though we have plans underway to replace the same with IFMS.


Dr. David R. Tuigong
Managing Director

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and presentation of the financial statements of Rivatex East Africa Limited set out on pages 18 to 36 which comprise the Statement of Financial Position as at 30th June 2013, the Statement of Comprehensive Income, Statement of Cash flows and Statement of Changes in equity for the year ended 30th June 2013, and summary of significant accounting policies and other explanatory notes.

The directors' responsibility includes: determining that the basis of accounting described in note 1 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Companies Act Cap 486, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company.

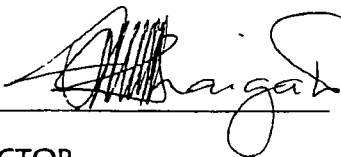
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in a manner required by the Companies Act Cap 486. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

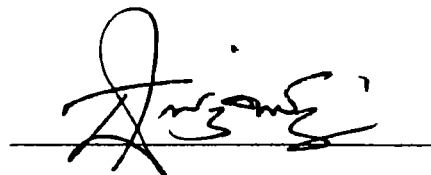
The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for atleast the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above were approved by the Board of Directors on 27th September 2013 and were signed on its behalf by:



DIRECTOR



DIRECTOR

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
CORPORATE GOVERNANCE RESPONSIBILITY

Corporate governance is the process and structure by which companies are directed and controlled and held accountable in order to achieve long term value to shareholders taking cognizant of the interest of other stakeholders.

The Board of Directors of Rivatex East Africa Limited is responsible for the governance of the company and is accountable to shareholders for ensuring that the company complies with the law and highest standards of business ethics and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practice and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined.

The Board comprises of nine directors of which eight of them are independent non-executive including the Chairman. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring their diverse experience and qualifications into the Board's deliberations.

Except for direction and guidance on general policy, the Board has delegated authority of its day-to-day business to the Managing Director. However the Board is responsible for the stewardship of the company and assumes responsibility for the effective control of the company.

Board Meetings

The Board holds meetings on regular basis while special meetings are called when deemed necessary to do so. The Board held four regular meetings during the financial year.

Committees of the Board

The Board has set up the following four principal committees which meet under well defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities. They are:-

- 1) Finance and General Purposes committee
- 2) Audit and Risk Management committee
- 3) Production, Operations and Technical committee
- 4) Human Resources, Recruitment and Training committee

Internal audit function

The company has a fully operational internal audit function that is led by a senior member of staff who is a member of the Institute of Certified Public Accountants of Kenya. Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the company through its audit programmes.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility

Rivatex is committed to conducting its business in a manner that will accrue social, economic and environmental benefits to the society and other stakeholders. At this juncture despite resource limitations the company has been able to contribute directly or indirectly to various noble projects. Various requests for various community projects are usually reviewed and based on the available resources and the expected impact funds are deployed. We were involved during the year in various community development and environmental projects that includes:

Community Development

Women

The Company is committed to ensuring the marginalized in society are empowered both in terms of obtaining business and life skills. During the year we managed fund Joyful Women Organization (Joywo) to provide business training to its members to the tune of Kshs.250,000.

Youth

The company also provides apparels production training to the youth especially those who are poor and cannot proceed to acquire college education. Through funding from donors the company established an apparels department that also served as a training unit for youth for them to gain skills that will enable them gain employment or open their own businesses. So far about 40 students have been trained and obtained employable skills. During the financial year we managed to train five (5) youth at a cost of Kshs.5,000 each totalling Kshs.25,000.

Education

During the year we managed to contribute towards the acquisition of a generator for Metkei Boys High School. The school is within Keiyo-Marakwet County which is a major source of the company's woodfuel. During the year the company donated Kshs.100,000 towards the purchase of the generator.

The company also donated 60 scrapped ironsheets to Songoliet Mixed Secondary School in Uasin Gishu County to construct a do-mitory for Form four girls to allow them reside within the school during their Kenya Certificate of Secondary Education (KCSE) exams preparations.

Being the only state insitution that combines textile research, training and manufacturing, many schools, colleges and universities have been visiting the factory for academic excursions. During the financial year the company received an average of 75 visitors per week from within and outside the country. This enables the learners to have first hand knowledge on textile manufacturing.

Extension services

The company established a cotton farm in Mogotio and has been hailed by the local leacers as a factor that has led to reduced petty crime rates since most youth are engaged employment both directly and indirectly from the project. We have so far managed to employ on average over thirty (35) persons per month at a casual wage daily rate of Kshs.300.

The Environment

The global environment conservation is one of the most critical issues that requires concerted effort from all mankind. As a result of global warming we have witnessed unprecedented rising sea levels, climate change, heat

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

waves, melting of glaciers and heavy floodcausing rainfall. Rivatex has made various efforts to play its part in going green.

Forestation

The company in its quest to help conserve the environment has over 10 acres and tree cover to cater for its future woodfuel demands. It is also in the process of acquiring a more efficient boiler that will use less woodfuel whose benefits will accrue to environmental conservation efforts of the government. It also seeks as a long term strategy to partner with Kenya Forest Service to cnserve forest within the surrounding counties.

Waste management

The company recognises the need to be a caring citizen who conducts its business in an ethical manner. To that end it has factored in its production processes to adopt environmentally friendly waste maangement technologies. This will not only conserve the water resources around but also the people who eventually may come into contact with waste released to the local sewerage system.

Greener production

Being a member of the Kenya Association of Manufacturers (KAM) the company has benefited from facilities and expertise available to members. Emphasis has been placed on greener production methods to reduce the company's carbon footprint through sustainable and efficient technology.

Water conservation

Water as an input contributes to the cost of production and over the year the unit price cubic has doubled thus increasing costs. The company has resorted to recycle water to reduce consumption thus draw less from the local supplier. This will avail more water resources available to the distributor to supply to other consumers. It also embarked on utilizing rainwater and borehole water to bridge the gap created by this initiative of conserving water resources.



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Rivatex East Africa Limited set out on pages 18 to 37, which comprise the statement of financial position as at 30 June, 2013 and the statement of comprehensive income, statement of changes in equity and reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Financial Performance

In the year under review, the company recorded a net loss of Kshs.122,125,683.00 (2011/2012 – Kshs.112,515,120.00) which brought its accumulated retained earnings to negative Kshs.617,056,244.00 as at 30 June 2013. Turnover also reduced by Kshs.33,602,225 (About 36%) from Kshs.94,223,018 in 2011/2012 to Kshs.60,630,763 as at 30 June, 2013. The Company's financial performance is precarious and if this trend is not reversed, the company is likely to face financial difficulties in its future operations.

2.0 Trade and Other Receivables

Included in the trade and other receivables balance of Kshs.73,915,700.00 as at 30 June, 2013 are trade receivables of Kshs.13,723,408.00 that include long outstanding debts of Kshs.11,960,847.00. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in this financial statement.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Kenya Company's Act, Cap 486 of the Laws of Kenya.

REPORT OF OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit, that.

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

25 February 2014

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE(S)	2012/2013 Kshs.	2011/2012 Kshs.
Turnover	7	60,630,763	94,233,018
Cost of Sales	8	121,512,071	142,716,995
GROSS PROFIT		(60,881,308)	(48,483,977)
Other Operating Income		4,585,596	4,585,596
TOTAL OPERATING PROFIT		(56,295,712)	(43,898,381)
OVERHEADS			
Administration expenses	10	21,680,782	25,193,654
Board Expenses and Honoraria	11	1,815,743	3,494,845
Audit fees	12	250,000	250,000
Sales & Marketing expenses	13	11,541,251	9,535,051
Employment expenses	14	29,495,379	28,914,741
Bank charges	15	1,046,816	1,228,448
TOTAL EXPENDITURE		65,829,971	68,616,739
NET PROFIT/(LOSS)		(122,125,683)	(112,515,120)

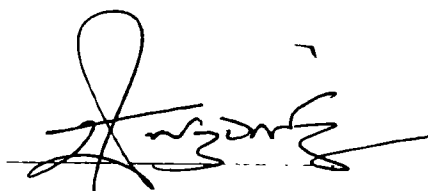
RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE(S)	2012/2013 Kshs.	2011/2012 Kshs
ASSETS			
<i>Non Current Assets</i>			
Property, Plant & Equipment	16	461,858,256	452,100,017
		461,858,256	452,100,017
<i>Current Assets</i>			
Inventory	17	463,047,976	374,822,964
Trade And Other Receivables	18	73,915,700	64,922,953
Cash & Cash Equivalents	19	100,924,194	74,026,295
		637,887,870	513,772,212
<i>Current Liabilities</i>			
Trade Creditors and Other payables	20	6,146,985	11,390,600
Provisions	1(i)	2,590,051	2,590,051
		8,737,036	13,980,651
WORKING CAPITAL		629,150,834	471,034,758
TOTAL NET ASSETS		1,091,009,090	951,891,577
FINANCED BY:			
Share Capital	21	1,000,000	1,000,000
Retained Earnings		(617,056,244)	(494,930,561)
Revaluation reserves	23	58,546,236	58,546,236
Capital reserves	18	1,648,519,099	1,387,275,902
TOTAL OWNERS' EQUITY & LIABILITIES		1,091,009,091	951,891,577



CHAIRMAN

Date: 27-09-2013



MANAGING DIRECTOR

Date: 27/09/2013

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2013

	Share Capital Kshs	Retained Earnings Kshs	General Reserves Kshs	Capital reserves Kshs	Total Kshs
At 1st July 2011	1,000,000	(382,415,441)	58,546,236	-	(322,869,205)
Net Profit/Loss for the Year	-	(112,515,120)	-	-	(112,515,120)
Transfers to Capital reserves	-	-	-	895,000,000	895,000,000
At 30th June 2012	1,000,000	(494,930,561)	58,546,236	895,000,000	459,615,675
At 1st July 2012	1,000,000	(494,930,561)	58,546,236	895,000,000	459,615,675
Net Profit/Loss for the Year	-	(122,125,683)	-	-	(122,125,683)
Transfers to Capital reserves	-	-	-	753,519,099	753,519,099
At 30th June 2013	1,000,000	(617,056,244)	58,546,236	1,648,519,099	1,091,009,091

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013 Kshs.	2011/2012 Kshs.
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Loss Before Taxation	(122,125,683)	(112,515,120)
Adjustment for:		
Depreciation	14,741,963	14,099,481
Operating results before working capital changes	(107,383,721)	(98,415,639)
(Increase) Decrease inventories	(88,225,012)	(202,076,904)
(Increase) Decrease trade & other receivables	(37,749,550)	(15,225,634)
Increase (Decrease) trade & other payables	(5,243,615)	425,998
Increase (Decrease) in provision for liabilities and charges	-	-
NET CASH USED IN OPERATING ACTIVITIES	(238,601,898)	(315,292,179)
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(24,500,203)	(19,620,299)
NET CASH USED IN INVESTING ACTIVITIES	(24,500,203)	(19,620,299)
CASHFLOWS FROM FINANCING ACTIVITIES		
Government grants	290,000,000	300,000,000
Donations	-	3,159,225
NET CASH GENERATED FROM FINANCING ACTIVITIES	290,000,000	303,159,225
NET INCREASE IN CASH & CASH EQUIVALENTS	26,897,899	(31,753,253)
CASH & CASH EQUIVALENTS AT 1ST JULY 2012	74,026,296	105,779,549
CASH & CASH EQUIVALENTS AT 30TH JUNE 2013	100,924,195	74,026,296

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) BASIS OF PREPARATION

The financial statements are prepared under the Historical Cost basis of measurement as modified by fair value adjustments where necessary and in accordance with International Financial Reporting Standards (IFRS) International Accounting Standards (IAS), Interpretations originated by the International Financial Reporting Interpretation Committee (IFRIC) as well as the accrual basis.

The Company is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

The financial statements comprise of the Statement of comprehensive income, Statement of financial position, Statement of changes of equity, Statement of cashflows, notes comprising a summary of accounting policies and other explanatory notes which are presented in functional currency of Kenya shillings (Kshs) which is the prevailing currency within the primary economic environment, rounded to the nearest shilling and prepared in accordance with the measurement bases prescribed by International Financial Reporting Standards.

In the process of applying the Company's accounting policies, its Directors make certain judgments, estimates and assumptions that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Directors' best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made and are described in these notes to the Financial Statements.

i) Non Financial Assets

The Company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, the management makes prudent judgments as to whether there are any conditions that indicate potential impairment of such assets.

b) REVENUE RECOGNITION

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognised when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is recognized on an accruals basis in the Statement of Comprehensive Income. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest bearing instruments on an accrual basis taking into account the effective yield on the assets. Fees income is generally recognized on an accrual basis.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

c) STAFF OBLIGATIONS

The Company runs a defined contribution pension scheme for its permanent and pensionable staff, the assets of which are held in a separate trustee administered scheme managed by independent scheme administrators, fund managers & custodians engaged at arms length as well as a gratuity scheme for its contracted employees which is fully funded by the Company. Where employees are entitled to annual leave, gratuity and awards, these are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave, gratuity and awards as a result of services rendered by the employees up to the end of the reporting period.

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF), a national retirement benefit scheme. It also contributes to a statutory defined health insurance scheme, the National Hospital Insurance Fund (NHIF). Both of these contributions are defined by local statutes.

The Company's contributions to the above schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

d) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

e) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation & accumulated impairment losses. Cost includes expenditure directly attributable to acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset where appropriate, only when it is probable that future economic benefits associated with them will flow to the Fund and the cost can be reliably measured. The carrying amount of a replaced part is derecognized and all other repairs and maintenance expenses are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that

offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of comprehensive income. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the statement of comprehensive income based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus. Tools and other minor office equipments are fully (100%) depreciated in the year of acquisition.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

a.	Land	-	2.5%
b.	Buildings	-	2.5%
c.	Plants & Machinery	-	2.5%
d.	Office Furniture	-	12.5%
e.	Office Equipment	-	12.5%
f.	Motor Vehicles and Tractors	-	12.5%
g.	Computers	-	25%

NEW & REVISED STANDARDS

(i) New and amended standards but not relevant to the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 July 2012 that would be expected to have a material impact on the Company.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Standard Title	Applicable for financial years beginning on/after
IAS 19 Employee Benefits	1 June 2012
IFRS 13 Fair Value Measurement	1 January 2013

IAS 19, 'Employee Benefits'

'Employee benefits', was amended in June 2011. The impact on the Company and the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments

IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

f) TRANSLATION OF FOREIGN CURRENCIES

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Company operates), which is Kenya shillings.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

Transactions in foreign currencies during the financial period are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the Statement of Comprehensive Income in the year in which they arise.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks including credit and market risks. The Service's overall risk management policies are set out by the Board and implemented by the management, and focus on the unpredictability of changes in the operating environment and seek to minimise the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risks. The Company's activities expose it to a variety of financial risks, including credit risk and A description of the significant risk factors is given below together with the risk management policies applicable.

i. Credit risk

The Company does not have any significant concentrations of credit risk. Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

ii. Market risk

a. Foreign exchange risk

The Company closely monitors foreign exchange rates. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in dollars. Foreign currency letters of credit facilities are also used to manage foreign currency fluctuations.

b. Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and assumptions

Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(d) above.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

b. Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining:

- The classification of leases
- The useful lives of, or expected pattern of consumption of the future economic benefits embodied in depreciable assets
- Whether assets are impaired

4. REVALUATION RESERVES

The Revaluation reserve for year stands at fifty eight million five hundred and forty six thousand two hundred and thirty six shillings (Kshs 58,546,236). The comparative figure for the 2011/2012 financial year was fifty eight million five hundred and forty six thousand two hundred and thirty six shillings (Kshs 58,546,236). The reserve resulted from adjustment of inventories acquired to actual cost at which they were procured. The surplus was then transferred to general reserves and has been reflected as such in previous financial reports of the company.

5. GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. During the financial year the Company received capital grants of two ninety million shillings (Kshs 290,000,000/-). In 2011/2012 grants were eight hundred and ninety five million shillings (Kshs. 895,000,000 /-).

6. UTILITIES DEPOSITS

This is an amount of twelve thousand five hundred shillings (Kshs 12,500) paid to the KPLC as a deposit for power connection for the factory, showground stand, Eldoret, Nairobi and Kisumu factory outlets. There were also rent deposits amounting to Two hundred and thirteen thousand two forty shillings (Kshs.213,240) and fifty thousand shillings (Kshs.50,000) for Eldoret factory outlet and Narok factory outlets respectively.

7. TURNOVER

It's is the gross revenue for the year. This figure is composed of woven fabrics both printed and dyed. Also the woven cloth was sold before being dyed or printed.

Other operating income included income from office and lecture room spaces of 6453 square foot and 1190 square foot being occupied by Moi Universty School of Aerospace and Directorate of Distance Learning. The rate applied to establish the rent chargeable is Kshs.50 per square foot.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013 Kshs	2011/2012 Kshs
<u>Products</u>		
Printed fabrics	21,177,878	43,269,979
Dyed	14,952,947	20,622,425
Cloth (Grey)	8,067,747	11,252,581
Garments	12,010,333	15,937,481
Waste	1,094,058	945,801
Others	4,796,000	6,839,674
	62,098,963	98,867,940
<u>Less</u>		
Discounts	-	-162,559
<u>Return Inwards</u>		
Printed fabrics	(1,468,200)	-3,148,163
Dyed	-	-1,324,200
	(1,468,200)	-4,634,922
Turnover	60,630,763	94,233,018

8. COST OF SALES STATEMENT

	2012/2013 Kshs	2011/2012 Kshs
DIRECT COST		
Opening Stock	156,249,300	12,397,536
Purchases	115,294,763	231,895,572
Closing stock	197,281,525	156,249,300
Cost of Raw materials	74,262,538	88,043,808
Direct labour	14,497,293	13,905,979
Electricity	22,883,794	28,905,371
Water	2,486,299	3,988,974
Sub-Total	114,129,924	134,844,132
INDIRECT COST		
Firewood expenses	5,947,731	7,944,528
Salaries & Wages	23,775,561	23,182,788
Packing materials	355,656	553,529
Designs & Screens	417,612	1,131,393
Fuels-Diesel etc	16,716	137,158
Lubricants & Oils	445,484	523,865
Tailoring Consumables	819,447	768,056
Fabrication-Beds	-	459,050
Spares & Consumables	15,500,952	9,399,871
Machinery Repair & Maintenance	2,116,725	2,725,243
Depreciation	13,206,341	12,689,953
Other indirect expenses	141,932	59,476
Sub-Total	62,744,158	51,630,382
TOTAL COST	176,874,082	186,474,514
Add: Opening Work-In-Progress	91,009,877	40,296,024
Less: Closing Work-In-Progress	151,628,720	91,009,877
COST OF GOODS MANUFACTURED	116,255,239	135,760,661
Add: Opening Finished goods	33,833,473	32,845,698
Less: Closing Finished goods	28,576,641	33,833,473
COST OF SALES	121,512,071	134,772,886

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RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING INCOME

<u>Rent income</u>
Directorate of Distance Learning
School of Aerospace
Other Operating Income

2012/2013 Kshs	2011/2012 Kshs
714,000	714,000
3,871,601	3,871,601
4,585,601	4,585,601

10. ADMINISTRATION EXPENSES

General administration expenses
Postage and stationary
Sundry expenses
Telephone and internet expenses
Club membership expenses
Deprn Property, plant and equipment (PPE)
Rent & rates
Transport, courier services
Insurance
Legal fees
Motor vehicle Repairs and Maintainance
Research and product development
Water
Electricity
Fuel and Oil
General Repair & Maintenance
Total Admin Expenses

2012/2013 Kshs.	2011/2012 Kshs.
2,145,046	3,322,060
468,777	521,143
587,272	821,974
615,654	561,111
16,000	199,420
1,467,371	1,409,948
14,100	-
1,121,778	437,788
1,766,117	1,883,948
674,870	15,000
1,094,959	1,552,859
2,408,343	3,944,652
270,655	452,173
2,642,644	6,008,046
1,459,549	1,542,039
2,047,716	2,521,493
21,680,782	25,193,654

11. BOARD EXPENSES AND HONORARIA

Board Expenses & Honararia

2012/2013 Kshs.	2011/2012 Kshs.
1,815,743	3,494,845
1,815,743	3,494,845

12. AUDIT FEES

Audit fees

2012/2013 Kshs.	2011/2012 Kshs.
250,000	250,000
250,000	250,000

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

13. SALES & MARKETING EXPENSES

	2012/2013 Kshs.	2011/2012 Kshs.
Selling & Distribution expenses	4,593,383	3,317,217
Advertising Expenses	1,049,220	
Nairobi Office Expenditure	-	30,887
Eldoret Outlet-Mupen	-	16,920
Kisumu Outlet	-	49,951
Narok Outlet	-	10,000
Rent-outlets	5,898,648	6,110,076
Total Sales & Marketing Expenses	11,541,251	9,535,051

14. PERSONNEL EXPENSES

	2012/2013 Kshs.	2011/2012 Kshs.
<u>Personnel Expenses</u>		
Salaries	19,716,320	19,622,499
NSSF Employer Contribution	888,000	847,750
Employer's Pension Contribution	2,555,923	2,830,702
Insurance (W.I.B.A)	2,141,253	2,511,044
Staff costs	3,518,826	2,896,370
Wages	-	206,376
Miscellaneous expenses	675,057	-
Total Personnel Expenses	29,495,379	28,914,741

15. BANK CHARGES

	2012/2013 Kshs.	2011/2012 Kshs.
<u>Bank charges</u>		
Bank charges	1,046,816	1,228,448
Total Bank Charges	1,046,816	1,228,448

NOTES TO THE FINANCIAL STATEMENTS

16. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Land Kshs	Buildings Kshs	Plant & Equipment Kshs	Furniture & Fittings Kshs	Computers & Accessories Kshs	Office Equipment Kshs	Motor Vehicles Kshs	Total Kshs
<u>Cost/Valuation</u>								
As At 1st July 07	50,322,233	84,513,920	112,271,815	3,165,874	323,000	255,000	-	250,851,842
As At 1st July 2012	46,566,843	93,246,004	288,373,644	2,074,720	1,372,619	852,997	19,613,189	452,100,016
Additions 2012/2013	-	-	24,200,449	25,995	-	208,759	65,000	24,500,203
Revaluation	-	-	-	-	-	-	-	-
As at 30th June 2013	46,566,843	93,246,004	312,574,093	2,100,715	1,372,619	1,061,756	19,678,189	476,600,219
<u>ACCUM. DEPRECIATION</u>								
As at 1st July 2012	3,755,390	11,504,521	44,268,662	1,603,371	1,168,967	389,587	3,872,712	66,563,210
Disposals	-	-	-	-	-	-	-	-
Charge for the year	751,078	2,390,923	7,999,207	299,638	343,155	147,952	2,810,009	14,741,963
As at 30th June 2013	4,506,468	13,895,444	52,267,869	1,903,009	1,512,122	537,539	6,682,721	81,305,173
<u>Net Book Value</u>								
As at 30th June 2013	45,815,765	90,855,081	304,574,886	1,801,077	1,029,464	913,804	16,868,180	461,858,256
As at 30th June 2012	46,566,843	93,246,004	288,373,644	2,074,720	1,372,619	852,997	19,613,189	452,100,016

NOTES TO THE FINANCIAL STATEMENTS

a. Leasehold land

The cost is carried in the financial statements as long-term prepayment and is amortized to the income statement on a straight-line basis over 67 years of the remaining 99 year lease period.

	2012/2013 Kshs	2011/2012 Kshs
Balance B/d	46,566,843	47,317,921
Amortization for the year	751,078	751,078
NET BOOK VALUE	45,815,765	46,566,843

17. I NVENTORY

	2012/2013 Kshs	2011/2012 Kshs
Raw materials	174,924,718	156,249,300
Finished goods	28,576,641	33,833,473
Work-In-Progress	151,628,720	91,009,877
Sub-Total	355,130,079	281,092,650
Consumables, spares & accessories-New stock	59,580,401	43,180,921
Consumables, spares & accessories-Old stock	48,337,497	50,549,393
Sub-Total	107,917,898	93,730,314
Total	463,047,976	374,822,964

Inventories are valued using First in First out (FIFO) method. They are valued at lower of cost and net realizable value.

18. T RADE & OTHER RECEIVABLES

Trade and other receivables as at the end of financial year was Kshs. 73.9 million.

	2012/2013 Kshs	2011/2012 Kshs
Trade receivables	13,723,408	19,712,956
Prepayments (Note 18(a))	56,636,540	12,437,024
Other receivables from related parties (Note 18 (b))	3,555,752	32,772,973
TOTAL	73,915,700	64,922,953

The past due debtors are not impaired and continue to be settled. The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables. Periodically, each debt is assessed individually and provisions recalculated based on a history of debt recovery. In case of liquidation, receivership and insolvency the provision is always be a hundred percentum (100%). In the case of imprests and supplier prepayments, no provision for bad debts is made until the imprest holder is confirmed dead or the entity is insolvent. The Services general provision for bad and doubtful loans is as provided for in its Credit control policy. The company did not provide for any bad debt during the 2012/2013 financial year similar to 2011/2012 financial year.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

a. Prepayments

During the financial year the company prepaid for various goods and services as follows:-

	2012/2013 Kshs	2011/2012 Kshs
Insurance cover (WIBA, Fire, Burglary)	747,137	747,510
Insurance cover (M/vehicles)	-	673,297
Thies GMBH & Co.	41,770,768	-
Manawa Gineries	13,978,936	1,194,499
Comhard Ltd	15,700	33,600
Customs Duty, Clearing and Forwarding	-	371,219
Seragraphics Ltd	124,000	-
Desbro Ltd	-	41,760
Lereiwin H. K. Co. Ltd	-	5,778,189
Lianyungang Co. Ltd	-	3,596,950
Total	56,636,540	12,437,024

b. Related Party transactions

During the financial year the following transactions were carried out with related parties

	2012/2013 Kshs	2011/2012 Kshs
Trade debts	3,555,752	32,772,973
TOTAL	3,555,752	32,772,973

Sales to related parties were made at terms and conditions similar to those offered to major customers. The related party is Moi University which is the majority shareholder of Rivatex at 99% of the issued and fully paid shares.

19. CASH & CASH EQUIVALENTS

Cash and Cash equivalents included in the Statement of Cash flows comprise of the following Statement of financial position items:

	2012/2013 Kshs	2011/2012 Kshs
Cash at Hand	107,440	246,811
Bank balance	100,816,754	73,779,484
TOTAL	100,924,194	74,026,295

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

20. TRADE & OTHER PAYABLES

This is made up of:-

	2012/2013 Kshs	2011/2012 Kshs
Trade Creditors	5,077,112	9,382,514
Statutory deductions	405,100	471,073
MUSCO loan repayment	28,508	31,069
MUSCO shares contribution	-	23,800
MUPEN Pension contributions (employer & employee)	293,055	333,282
Accrued terminal dues	4,200	137,428
HELB	54,225	51,143
Benevolent fund deductions	35,700	34,100
REAL SACCO share contribution & loan repayment	81,234	-
Audit fees provision	250,000	250,000
Accrued Rent	55,000	619,440
Canteen deductions	54,630	56,750
TOTAL	6,146,985	11,390,600

21. SHARECAPITAL

AUTHORISED

50,000 Ordinary shares of @ Kshs.20

ISSUED & FULLY PAID

50,000 Ordinary shares of @ Kshs.20

	2012/2013 Kshs	2011/2012 Kshs
	1,000,000	1,000,000
	1,000,000	1,000,000

22. REVALUATION RESERVES

Part of the value indicated was carried forward from last financial year.

	2012/2013 Kshs	2011/2012 Kshs
Revaluation reserves	58,546,236	58,546,236
TOTAL	58,546,236	58,546,236

23. CAPITAL RESERVES

The Capital reserves comprises of Government grants, Shareholders cash injections and donations.

	2012/2013 Kshs	2011/2012 Kshs
Government grants	1,345,000,000	895,000,000
Shareholders' funds	285,855,767	474,612,570
Donations	17,663,332	17,663,332
TOTAL	1,648,519,099	1,387,275,902

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

a. Government grants

	2012/2013 Kshs
Bal B/d	895,000,000
Govt Grants	290,000,000
Outstanding grants from Moi Univ. (part of Kshs.230 million)	160,000,000
Transfers to capital reserves	(1,345,000,000)
Bal c/d 30.6.2013	0

b. Shareholders Loans

There were no cash injections from Moi University during the financial year.

	2012/2013 Kshs
Bal B/d	474,612,570
Transfers from short term loan a/c	(15,000,000)
Transfers from Accrued rent a/c	(13,756,803)
Transfers from outstanding grants a/c	(160,000,000)
Transfers to capital reserves	(285,855,767)
Bal c/d 30.6.2013	0

c. Donations

There were no donations received during the financial year.

	2012/2013 Kshs
Bal b/d	17,663,332
Donations for the year	-
Transfers to capital reserves	(17,663,332)
Bal c/d 30.6.2013	0

d. Related party transactions receivables

i. Outstanding grants from Moi University

There were outstanding grants of Kshs.160 million outstanding from Moi University of the Kshs.230 million allocated by Treasury and disbursed to Moi University for onward remission to Rivatex but yet to be received.

	2012/2013 Kshs
Bal b/d	5,000,000
Adjust for outstanding grants	160,000,000
Transfers to Government grants	(165,000,000)
Bal c/d 30.6.2013	0

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

ii. Accrued rent

There were outstanding rent of Kshs.13,756,803 from Moi University departments being provided space within Rivatex premises.

	2012/2013 Kshs
Bal b/d	9,171,202
Rent for the year	4,585,601
Transfers to shareholders loans	(13,756,803)
Bal c/d 30.6.2013	0

iii. Short term loan

There was an outstanding short term loan owed to Rivatex by Moi University.

	2012/2013 Kshs
Bal b/d	15,000,000
Transfers to shareholders loans	(15,000,000)
Bal c/d 30.6.2013	0

24. PROFIT BEFORE TAX

The Net loss before tax is arrived after charging:

	2012/2013 Kshs	2011/2012 Kshs
Depreciation (Note 7)	14,741,963	14,099,481
Employee benefits expense (Note 8 (a))	37,657,536	37,206,930
Directors' fees & emoluments	1,815,743	1,696,382
Auditors remuneration	250,000	250,000
TOTAL	54,465,241	53,252,793

(a) Employee benefit expense

	2012/2013 Kshs	2011/2012 Kshs
Salary and wages	34,213,613	33,528,478
Retirement benefits costs:		
- Defined contribution scheme	2,555,923	2,830,702
- National Social Security Fund	888,000	847,750
Sub-Total	37,657,536	37,206,930

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
NOTES TO THE FINANCIAL STATEMENTS

25. STATEMENT OF TAXATION

	2012/2013 Kshs	2011/2012 Kshs
Operating results before tax	(122,125,683)	(112,515,120)
<u>Add Disallowed items:</u>		
Depreciation	13,990,885	13,348,403
Amortization	751,078	751,078
Donations	-	-
	(107,383,721)	(98,415,639)
<u>Less allowed items:</u>		
Wear & tear allowance	(33,723,271)	(33,723,271)
Investment deductions	(30,364,582)	-
NET PROFIT/LOSS	(171,471,573)	(132,138,910)
Less Brought Forward losses	(532,925,232)	(400,785,322)
	(704,396,805)	(532,925,232)
CORPORATION TAX	Nil	Nil
ADD BROUGHT FORWARD	Nil	Nil
LESS PAID DURING THE YEAR	Nil	Nil
BALANCE CARRIED FORWARD	Nil	Nil

There was no tax paid during the financial year.

26. CURRENCY

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013
BRANCHES

We have factory outlets various towns accros the country where customers can purchas our quality products at affordable prices:

1. Nairobi

Bazaar Building along Biashara Street

2. Kisumu

Noordin R. Punja Building along Paul Odinga Street

3. Eldoret

Mupen Building along Ronald Ngala Street

4. Narok

Enkare Building along Narok-Bomet road opposite Kenol Petrol Station