

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**THE SENATE  
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**REPORT**

**OF**

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**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
RIVATEX EAST AFRICA LIMITED**

**THE SENATE  
RECEIVED**

25 NOV 2015

**DIRECTOR LEGISLATIVE AND  
PROCEDURAL SERVICES**

**FOR THE YEAR ENDED  
30 JUNE 2014**



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## RIVATEX EAST AFRICA LIMITED



**THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**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. 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: info@equitybank.co.ke  
Website: [www.equitybank.co.ke](http://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](http://www.kcbbankgroup.com)  
Eldoret

**SOLICITORS**

Kalya and Company advocates,  
Sagong house, 2<sup>nd</sup> 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](http://www.mu.ac.ke)

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**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 one of the institutions in Africa that incorporates textiles research, training and manufacturing.

**5. BOARD OF DIRECTORS**

- |     |  |   |
|-----|--|---|
| 1.  | Prof. Jenesio Kinyamario   | -Chairman                                   |
| 2.  | Prof. Richard K. Mibey, FWIF, EBS  | - Member                                    |
| 3.  | Mr. Thomas K. Tuei, MBS  | - Member                                    |
| 4.  | Mr. David K. Mbugua (alternate – Mr. Patrick Nyaga)  | - Member                                    |
| 5.  | Prof. John T. Githaiga   | - Member                                    |
| 6.  | PS-National Treasury (alternate - Ms. Lucy W. Gitundu)                                     | - Member                                    |
| 7.  | PS-Ministry of Education, Science & Technology   |   |
| 8.  | (alternate - Mr. Michael Kahiti)   | - Member                                    |
| 9.  | PS-Ministry of Industrialization & Enterprise Development - (alternate Mr. Hezekiah Okeyo) | - Member                                    |
| 10. | Prof. David R. Tuigong   | -Managing Director & Secretary to the Board |

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NB: Prof. David R. Tuigong has since been replaced as Managing Director by Dr. T. Kipkurgat

**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 Tuei
5. Prof. 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 Tuei 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. Prof. 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 Resource Management and Development committee**

1. Prof. Richard K. Mibey Chair

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2. Prof. John Githaiga
3. Ms. Lucy Gitundu
4. Mr. Hezekiah Okeyo
5. Prof. 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**  
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**BOARD OF DIRECTORS**



**Prof. Jenesio Kinyamario**  
Chairman



**Dr. Richard B. Kipsang**  
PS-Ministry of Education,  
Science & Technology



**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 -MoEST



**Mr. Hezekiah Okeyo**  
Alternate -PS-MoIED



**Ms. Lucy W. Gitundu**  
Alternate- PS-National Treasury



**Mr. Patrick Nyaga**  
Alternate-Director KFS



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



**Mr. Thomas Tuei**  
Director



**Prof. John T. Githaiga**  
Director



**Prof. David R. Tuigong**  
Managing Director

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**7. MANAGEMENT TEAM**

1. Prof. 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. Cornelius Omoke	Quality Control Manager
9. Peter Mugo	Deputy Mill Manager
10. Hosea K. Kangogo	Engineering Manager
11. Victoria M. Muthami	Finished Goods Manager

NB: Mr. Simon Too has since been replaced by Mr. Charles Kemei

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**CHAIRMAN'S STATEMENT**

**Shareholders**

I am sincerely privileged to table this annual report for the year ended 30<sup>th</sup> June 2014.

During 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 machinery related challenges, emerging market changes, driving operational excellence in the business while strengthening our distribution channel capability and expanding our product spectrum. We were able to manage our costs prudently and continued to meet our consumer's expectations by providing them with high quality products despite the various machinery challenges.

**Board Changes**

During the financial year the Board of Directors appointed Dr. Thomas Kipkurgat as the Managing Director to replace Prof. David R. Tuigong who was appointed a Deputy Vice Chancellor-Finance, Moi University.

**Overview of Business Environment**

The economy has remained robust and the growth rate is expected to average five percentum (5%) despite the recent few acts of terrorism across the country. The Central Bank's new interest rate regulations shall enable investors access loans at cheaper rates thus spur investment and business growth across all sectors of the economy. The government has also laid major emphasis on revival and increase in investment in textile and leather sectors of the economy to create wealth and employment.

The government in line with the Vision 2030 goals plans to create more jobs in the textile industry in the next two years. Currently second-hand clothes sector employs three times more workers than the local textile manufacturing industry. To reverse this trend the government is in the process of introducing various policy interventions to boost textile production through the Ministry of Industrialization and Enterprise Development with the sole aim of reducing the challenges hindering investments in the sector.

The government has also put in place public 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 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. Rivatex is set to take advantage of these developments by acquiring the efficient and greener technology driven machinery to meet the growing and demanding middle class.

**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.

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**Future Outlook**

We always strive by our products to give customers the value they are looking for without compromising quality. Rivatex continues to stand for quality – an approach that is serving our consumers well.

While we remain cautious about the year ahead, we are confident that the actions that we have taken have put the business in manageable financial state to weather the uncertainties and emerge stronger than before. We believe that the strategies that we are implementing and attendant objectives that we are pursuing will guide us well. The company expects to fully modernize the processing department to take up emerging opportunities in order to competitively serve the textile market needs and consequently deliver superior shareholder value.

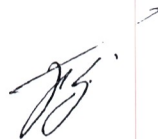
**Strategic Direction**

The board and management will pro-actively be reviewing its strategic plans in 2014/2015 financial year in line with current business realities and to plot the next steps of this revival journey, and to ensure that our strategy in the next 5 years is focused and vibrant enough to meet our objectives and challenges.

**Appreciation**

I wish to express my sincere gratitude to Moi University Council and Rivatex Board members for their sacrifice, support and guidance towards the eventual revival and modernization of the company. I also wish to applaud the commitment and dedication displayed by management and staff of the company. Finally, on behalf of the Board, I would like to thank the various Government ministries for their continued technical and financial support.

Thank you.



**Prof. Jenasio Kinyamario**  
**Chairman**

**RIVATEX EAST AFRICA LIMITED**  
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**MANAGING DIRECTOR'S STATEMENT**

**Production Capacity Enhancement**

Allow me to present the financial statements for the year ended 30<sup>th</sup> June 2014. 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 to take advantage of the emerging demographic trends in Kenya and Africa at large. These considerations have continued to drive our investment in our production facility. We have continued to invest in state-of-the-art textile plant and machinery to increase our production capacity and processes. In that regard, the Company is seeking government assistance to acquire various wet-processing machinery that includes thermo-stenter, washing range and printing machine to bolster our efforts to be competitive and relevant in the market. The investment is expected to lead to increased efficiency and lower operating cost at the Plant and the factory is well equipped to optimize its production potential. We expect to realize more efficiency and cost savings at the factory with these improvements. 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 profitability and sustainability.

**Financial Results**

During the financial year under review the company recorded an increase of ten percentum (10%) in its non-current assets from four hundred and sixty one million eight hundred and fifty eight thousand two hundred and fifty six (Kshs.461,858,256) to five hundred and five million nine hundred and ninety five thousand nine hundred and fifty one (Kshs.505,995,951). The company also faced various machinery challenges that led to a six percentum (6%) decline in turnover from sixty million six hundred and thirty seven hundred and sixty three shillings (Kshs. 60,630,763) to fifty five million seven hundred and thirty one thousand nine hundred and thirty (Kshs. 55,732,290). This resulted to a net loss of one hundred and sixty one million, eight hundred and twenty five thousand five hundred and ninety five shillings (Kshs. 161,825,595/-). This was largely due a drop in sales volumes resulting from wet processing machinery break downs that hindered the company's ability to supply goods of the right quality and at the right time.

The company has swiftly moved to partly address these challenges through acquisition of a jigger dyeing machine that was operationalized in the third quarter of 2013/2014 financial year. This will enable the company supply dyed fabrics having stopped producing them in the last 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 contracted by two percentum (2%) from one billion, ninety one million nine thousand and ninety one shillings (Kshs. 1,091,009,091/-), recorded in the previous financial year to one billion, sixty four million one hundred and eighty three thousand four hundred and ninety six shillings (Kshs. 1,064,183,496/-). We expect to see the company's net assets to grow in the next financial year especially with the acquisition of modern wet processing machinery among other modernization initiatives.

**Business Environment**

We continue to see our markets flooded by low cost substandard textile products. To mitigate its impact on the business we will continue supporting the government in enforcing the laid down product standards in appreciation of the fact that doing so promotes healthy competition, protects the consumer and ensures the continued employment of hundreds of workers. Consequently, the major success of the year was the progress achieved in managing operations, the most significant element of which was the

**RIVATEX EAST AFRICA LIMITED**  
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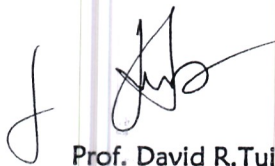
improvement in controlling operational costs and adopting cost effective production processes as well as sustainable utilization of available resources. The benefits of the capacity enhancement program and the various cost reduction programs initiated by the Company is expected to be manifested in the next financial year.

**Appreciation**

The success that has been registered so far in reviving and modernizing Rivatex would not have been possible without the support and commitment of all stakeholders. The management team is still committed to the process of modernizing the entire factory.

Finally, on behalf of the Board, I would like to thank the Government for its continued support through the Ministry of Education, Science & Technology, National Treasury and Ministry of Industrialization and Enterprise Development. It's my hope and prayer that the 2014/2015 financial year will usher in profitability and growth.

Thank you.



**Prof. David R. Tuigong**  
**Managing Director**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

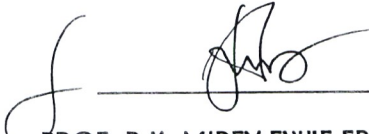
- i. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. selecting and applying appropriate accounting policies; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances.

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 as at 30<sup>th</sup> June 2014 and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for atleast twelve months from the date of this statement.

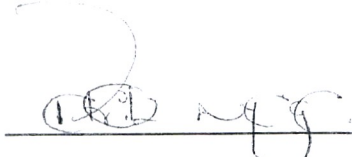
**Approval of the financial statements**

Approved by the board of directors on ..... 2014 and signed on its behalf by:



\_\_\_\_\_

**PROF. R.K. MIBEY,FWIF,EBS -DIRECTOR**



\_\_\_\_\_

**MR. P. NYAGA -DIRECTOR**

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**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.

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**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 to assist Kimwarer Women Group by donating 50 used iron sheets, building materials worth Kshs.100,000 plus labour to help construct a Honey production unit in Kerio Valley.

***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 45 students have been trained and obtained employable skills. During the financial year we managed to train five (3) youth at a cost of Kshs.5,000 each totalling Kshs.15,000.

***Education***

Being the only state institution in Kenya 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 100 visitors per week from within and outside the country. This enables the learners to have first hand knowledge on textile manufacturing. The company offered free attachments and research facilities to postgraduate students using the textile laboratory.

***Extension services***

The company continued activities at its demonstration farm at Kimose, Baringo County. It has created jobs and livelihoods, reduced poverty within the surrounding community. During the year the farm hosted researchers from Moi University and farmers from the county who were interested in understanding cotton farming best practices. The company cultivates over 300 acres of cotton in the demonstration farm.

**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 climate change, droughts, heavy flood-causing rainfall and unpredictable weather conditions. Rivatex has made various efforts to play its part in going green through adopting cleaner production practices.

**RIVATEX EAST AFRICA LIMITED**  
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*Afforestation*

The company in its quest to help conserve the environment has over 10 acres of 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 conserve tree cover 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 management 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. The company has a fully functional effluent waste management facility. It also decomposes bio-degradable waste within its facility. The company at all times strives to comply with the set guidelines and laws regarding waste management.

*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 per cubic meters has doubled thus increasing costs. The company has resorted to recycling water to reduce consumption. 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.

records kept, were inadequate to safeguard property and the collection of revenue;

- (c) money that should have been paid into the exchequer account was not so paid;
- (d) money has been spent for purposes other than the purposes for which it was appropriated by Parliament; or
- (e) satisfactory procedures have not been established to measure and report on the effectiveness of programmes.

(4) The Controller and Auditor-General shall submit the report to the Minister within six months after the end of the financial year or other period to which the accounts examined and audited relate.

(5) The National Assembly may extend, by resolution, the time limit for submitting the report.

10.(1) The Minister shall lay each report under section 9 before the National Assembly not later than seven days after the National Assembly first meets after the Minister has received the report.

(2) If the Minister fails to lay a report before the National Assembly as required under this section, the Controller and Auditor-General shall forthwith submit a copy of the report to the Speaker of the National Assembly to be presented by him to the National Assembly.

11.(1) If, in the course of an examination and audit, a matter comes to the attention of the Controller

Submitting  
report to  
National  
Assembly.

Special report in  
course of audit.

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Rivatex East Africa Limited as set out on pages 16 to 34, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity, 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 the 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.

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 judgement, 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 entity'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 Related Party Balances**

Records maintained by Moi University shows related parties account balance of Kshs.257,599,000 as at 30 June 2013 in respect of RIVATEX East Africa Limited. The amounts are said to have been paid on behalf of RIVATEX at the initial stages of its acquisition. However, the financial statements of RIVATEX as at 30 June 2014 do not reflect under liabilities the amounts owed to Moi University totaling Kshs.257,599,000.

Consequently, the liabilities of the Company as at 30 June 2014 have been understated by Kshs.257,599,000.

### **2.0 Cash and Cash Equivalents**

- 2.1 Excluded from the cash and cash equivalents balance of Kshs.82,409,913 is bank charges of Kshs.7,988.40 not recorded in the cash book. Further, included in the cash and cash equivalents balance of Kshs.82,409,913 are reversed stale cheques totalling Kshs.1,114,057.84 whose supporting details were not availed for audit review.
- 2.2 In addition, excluded from the cash and cash equivalents as at 30 June 2014 are contra balances of employees canteen bank account and staff benevolent bank account totalling to Kshs.64,385 and Kshs.492,835 respectively.
- 3.3 Further, the cash and cash equivalents balance of Kshs.82,409,913 has been arrived at after offsetting a bank overdraft of Kshs.5,917 contrary to the requirement of International Accounting Standard No.1 paragraph 54 which states that an entity shall not offset assets against liabilities unless another International Accounting Standard allows.

Consequently, the accuracy and validity of cash and cash equivalents balance of Kshs.82,409,913 as at 30 June 2014 could not be confirmed.

## **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 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap. 486 of the Laws of Kenya.

## **Other Matter**

### **Financial Performance**

During the year under review, the company recorded a net loss of Kshs.161,825,595 as compared to a net loss of Kshs.122,125,683 in the year 2012/2013 which brought the accumulated losses to Kshs.778,881,839 as at 30 June 2014. Turnover during the year

also reduced to Kshs.55,732,290 compared to Kshs.60,630,763 during the year 2012/2013.

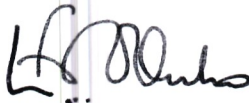
Although the management indicates that it has partially addressed the challenge of quality of goods produced, production capacity and processes through acquisition of a jigger dyeing machine, no indication has been provided of the measures being taken to increase the sales volume. The statement of comprehensive income further reflect turnover of Kshs.55,732,290 as compared to cost of sales of Kshs.150,991,974 which is over 2.7 times (2012/13: 2 times) of the turnover.

As previously reported, the financial performance of the company is precarious and if strategies are not put in place to reverse the trend, the company is likely to face financial difficulties in its future operations. My opinion is not qualified in respect of this matter

#### REPORT OF OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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 accounts.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**16 July 2015**

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

	NOTE(S)	2013/2014 Kshs.	2012/2013 Kshs.
Turnover	7	55,732,290	60,630,763
Cost of Sales	8	150,991,794	121,512,071
<b>GROSS PROFIT</b>		<b>(95,259,504)</b>	<b>(60,881,308)</b>
Other Operating Income	9	-	4,585,596
<b>TOTAL OPERATING PROFIT</b>		<b>(95,259,504)</b>	<b>(56,295,712)</b>
<b>OVERHEADS</b>			
Administration expenses	10	31,971,691	21,680,782
Board Expenses	11	4,810,870	1,815,743
Audit fees	12	250,000	250,000
Sales & Marketing expenses	13	4,964,039	11,541,251
Personnel expenses	14	24,442,501	29,495,379
Bank charges	15	127,012	1,046,816
<b>TOTAL EXPENDITURE</b>		<b>66,566,113</b>	<b>65,829,971</b>
<b>NET PROFIT/(LOSS)</b>		<b>(161,825,595)</b>	<b>(122,125,683)</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

STATEMENT OF FINANCIAL POSITION

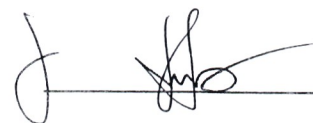
AS AT 30<sup>TH</sup> JUNE 2014

	NOTE(S)	2013/2014 Kshs.	2012/2013 Kshs.
<b>ASSETS</b>			
<i>Non Current Assets</i>			
Property, Plant & Equipment	16	505,995,951	461,858,256
		<b>505,995,951</b>	<b>461,858,256</b>
<i>Current Assets</i>			
Inventory	17	456,963,707	463,047,976
Trade And Other Receivables	18	28,090,763	73,915,700
Cash & Cash Equivalents	19	82,409,913	100,924,194
		<b>567,464,383</b>	<b>637,887,870</b>
<i>Current Liabilities</i>			
Trade Creditors and Other payables	20	6,686,788	6,146,985
Provisions	1(i)	2,590,050	2,590,050
		<b>9,276,838</b>	<b>8,737,035</b>
<b>WORKING CAPITAL</b>		<b>558,187,545</b>	<b>629,150,835</b>
<b>TOTAL NET ASSETS</b>		<b>1,064,183,496</b>	<b>1,091,009,091</b>
<b>FINANCED BY:</b>			
Share Capital	21	1,000,000	1,000,000
Retained Earnings		(778,881,839)	(617,056,244)
Revaluation reserves	22	58,546,236	58,546,236
Capital reserves	23	1,783,519,099	1,648,519,099
<b>TOTAL OWNERS' EQUITY &amp; LIABILITIES</b>		<b>1,064,183,496</b>	<b>1,091,009,091</b>



CHAIRMAN

Date: 10/6/2015



MANAGING DIRECTOR

Date: 10/6/15

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

	Share Capital Kshs	Retained Earnings Kshs	General Reserves Kshs	Capital reserves Kshs	Total Kshs
<b>At 1st July 2012</b>	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
<b>At 30th June 2013</b>	<b>1,000,000</b>	<b>(617,056,244)</b>	<b>58,546,236</b>	<b>1,648,519,099</b>	<b>1,091,009,091</b>
<b>At 1st July 2013</b>	1,000,000	(617,056,244)	58,546,236	1,648,519,099	1,091,009,091
Net Profit/Loss for the Year	-	(161,825,595)	-	-	(161,825,595)
Transfers to Capital reserves	-	-	-	135,000,000	135,000,000
<b>At 30th June 2014</b>	<b>1,000,000</b>	<b>(778,881,839)</b>	<b>58,546,236</b>	<b>1,783,519,099</b>	<b>1,064,183,496</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

NOTE(S)	2013/2014 Kshs.	2012/2013 Kshs.
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss Before Taxation	(161,825,595)	(122,125,683)
Adjustment for:		
Depreciation	14,767,638	14,741,963
<b>Operating results before working capital changes</b>	<b>(147,057,957)</b>	<b>(107,383,721)</b>
(Increase) Decrease inventories	6,084,269	(88,225,012)
(Increase) Decrease trade & other receivables	45,696,110	(37,749,550)
Increase (Decrease) trade & other payables	539,803	(5,243,615)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(94,737,776)</b>	<b>(238,601,898)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Plant & Equipment	(58,905,332)	(24,500,203)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(58,905,332)</b>	<b>(24,500,203)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Government grants	135,000,000	290,000,000
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>135,000,000</b>	<b>290,000,000</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(18,643,108)</b>	<b>26,897,899</b>
<b>CASH &amp; CASH EQUIVALENTS AT 1<sup>ST</sup> JULY 2013</b>	<b>100,924,195</b>	<b>74,026,296</b>
<b>CASH &amp; CASH EQUIVALENTS AT 30<sup>TH</sup> JUNE 2014</b>	<b>82,409,913</b>	<b>100,924,195</b>

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**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**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 pres

cribed 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) 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. This figure is composed of Kshs.2,167,178 brought forward from 2008/2009 financial plus a figure of Kshs.422,873 being under provision for obsolete assets during 2009/2010 financial year.

**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.

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

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.

**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) 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.

**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

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

determining the surplus Tools and other minor office equipments are fully (100%) depreciated in the year of acquisition.

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%

**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.

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.

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

*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.

**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 one hundred and thirty five million shillings (Kshs 135,000,000/-). In 2012/2013 grants were one billion three hundred and forty five million shillings (Kshs. 1,345,000,000 /-).

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS

**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.

**a. Utilities deposits**

	2013/2014 Kshs	2012/2013 Kshs
KPLC power connection deposits	12,500	12,500
Rent deposits-Eldoret & Narok outlets	263,240	263,240
<b>Total</b>	<b>275,740</b>	<b>275,740</b>

**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. The quantity of fabrics sold was 445,000 meters.

	2013/2014 Kshs	2012/2013 Kshs
<b><u>Products</u></b>		
Printed fabrics	32,675,197	21,177,878
Dyed	12,175,339	14,952,947
Cloth (Grey)	4,410,580	8,067,747
Garments	-	12,010,333
Bleached	7,070,754	-
Fibre Waste	-	1,094,058
Others	476,460	4,796,000
<b>Total</b>	<b>56,808,330</b>	<b>62,098,963</b>
Printed fabrics	-	(1,468,200)
Dyed	(1,076,040)	-
	<b>(1,076,040)</b>	<b>(1,468,200)</b>
<b>Net Turnover</b>	<b>55,732,290</b>	<b>60,630,763</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS

**8. COST OF SALES STATEMENT**

	2013/2014 Kshs	2012/2013 Kshs
<b>DIRECT COST</b>		
Opening Stock	197,290,645	156,249,300
Purchases	29,874,068	115,294,763
Closing stock	127,787,000	197,281,525
<b>Cost of Raw materials</b>	<b>99,377,713</b>	<b>74,262,538</b>
Direct labour	15,012,546	14,497,293
Electricity	21,061,493	22,883,794
Water	1,986,986	2,486,299
<b>Sub-Total</b>	<b>137,438,738</b>	<b>114,129,924</b>
<b>INDIRECT COST</b>		
Firewood expenses	6,865,636	5,947,731
Salaries & Wages	24,620,575	23,775,561
Packing materials	382,057	355,656
Designs & Screens	-	417,612
Fuels-Diesel etc	-	16,716
Lubricants & Oils	404,003	445,484
Spares & Consumables	6,313,677	15,500,952
Machinery Repair & Maintenance	690,118	2,116,726
Tailoring Consumables	1,261,553	819,447
Depreciation	13,290,874	13,206,341
Other indirect expenses	21,660	141,932
<b>Sub-Total</b>	<b>53,850,152</b>	<b>62,744,158</b>
<b>TOTAL COST</b>	<b>191,288,890</b>	<b>176,874,082</b>
Add:		
Opening Work-In-Progress	151,628,720	91,009,877
Less:		
Closing Work-In-Progress	192,509,940	151,628,720
<b>COST OF GOODS MANUFACTURED</b>	<b>150,407,670</b>	<b>116,255,239</b>
Add:		
Opening Finished goods	28,576,641	33,833,473
Less:		
Closing Finished goods	27,992,517	28,576,641
<b>COST OF SALES</b>	<b>150,991,794</b>	<b>121,512,071</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING INCOME

	2013/2014 Kshs	2012/2013 Kshs
<u>Rent income</u>		
Directorate of Distance Learning	-	714,000
School of Aerospace	-	3,871,601
Other Operating Income		<b>4,585,601</b>

10. ADMINISTRATION EXPENSES

	2013/2014 Kshs.	2012/2013 Kshs.
<u>Administration Expenses</u>		
General administration expenses	7,536,866	2,145,046
Postage and stationery	652,450	468,777
Sundry expenses	-	587,272
Telephone and internet expenses	703,043	615,654
Subscriptions	279,013	16,000
Travelling and subsistence	1,407,861	2,879,931
Land rates & licences	-	14,100
Deprn Property, plant and equipment(PPE)	1,476,764	1,467,371
Transport and courier services	609,703	1,121,778
Insurance	1,749,168	1,766,117
Legal fees	708,000	674,870
General Repair & Maintenance	1,791,739	2,047,716
Motor vehicle Repairs and Maintenance	1,398,081	1,094,959
Research, development and extension	3,297,233	2,408,343
Water	207,863	270,655
Electricity	2,340,166	2,642,644
Fuel and Oil	2,316,942	1,459,549
Insurance (W.I.B. A)	2,159,064	
Staff costs	1,798,977	
Miscellaneous expenses	145,795	
Provision for bad debts	1,392,963	
<b>Total Admin Expenses</b>	<b>31,971,691</b>	<b>21,680,782</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**  
NOTES TO THE FINANCIAL STATEMENTS

**11. BOARD EXPENSES**

	2013/2014 Kshs.	2012/2013 Kshs.
Board Expenses	4,810,870	1,815,743
	4,810,870	1,815,743

**12. AUDIT FEES**

	2013/2014 Kshs.	2012/2013 Kshs.
Audit fees	250,000	250,000
	250,000	250,000

**13. SALES & MARKETING EXPENSES**

	2013/2014 Kshs.	2012/2013 Kshs.
Selling & Distribution expenses	212,135	4,593,383
Advertising Expenses	-	1,049,220
Outlets Sundry expenses	90,000	-
Rent-outlets	4,661,904	5,898,648
<b>Total Sales &amp; Marketing Expenses</b>	<b>4,964,039</b>	<b>11,541,251</b>

**14. PERSONNEL EXPENSES**

	2013/2014 Kshs.	2012/2013 Kshs.
<u>Personnel Expenses</u>		
Salaries	20,417,062	19,716,320
NSSF Employer Contribution	1,091,422	888,000
Employer's Pension Contribution	2,934,017	2,555,923
Insurance (W.I.B.A)	-	2,141,253
Staff costs	-	3,518,826
Miscellaneous expenses	-	675,057
<b>Total Personnel Expenses</b>	<b>24,442,501</b>	<b>29,495,379</b>

**15. BANK CHARGES**

	2013/2014 Kshs.	2012/2013 Kshs.
<u>Bank charges</u>		
Bank charges	127,012	1,046,816
<b>Total Bank Charges</b>	<b>127,012</b>	<b>1,046,816</b>

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 2013	45,815,765	90,855,081	304,574,886	1,801,077	1,029,464	913,804	16,868,180	461,858,257
Additions 2013/2014	-	-	58,608,937	92,395	-	-	204,000	58,905,332
Disposals/Obsolete assets	-	-	-	-	-	-	-	-
As at 30th June 2013	45,815,765	90,855,081	363,183,823	1,893,472	1,029,464	913,804	17,072,180	520,763,589
<u>ACCUM. DEPRECIATION</u>								
As at 1st July 2013	4,506,468	13,895,444	52,267,869	1,903,009	1,512,122	537,539	6,682,721	81,305,172
Disposals	-	-	-	-	-	-	-	-
Charge for the year	751,078	2,390,923	7,999,207	307,938	343,155	147,952	2,827,384	14,767,638
As at 30th June 2014	5,257,546	16,286,367	60,267,076	2,210,947	1,855,277	685,491	9,510,105	96,072,810
<u>Net Book Value</u>								
As at 30th June 2014	45,064,687	88,464,158	355,184,616	1,585,534	686,309	765,852	14,244,796	505,995,951
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	461,858,257

## 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.

	2013/2014 Kshs	2012/2013 Kshs
Balance B/d	45,815,765	46,566,843
Amortization for the year	751,078	751,078
<b>NET BOOK VALUE</b>	<b>45,064,687</b>	<b>45,815,765</b>

### 17. INVENTORY

	2013/2014 Kshs	2012/2013 Kshs
Raw materials	127,787,000	174,924,718
Finished goods	27,992,517	28,576,641
Work-In-Progress	192,509,940	151,628,720
<b>Sub-Total</b>	<b>348,289,458</b>	<b>355,130,079</b>
Consummables, spares & accessories-New stock	65,390,071	59,580,401
Consummables, spares & accessories-Old stock	43,284,178	48,337,497
<b>Sub-Total</b>	<b>108,674,249</b>	<b>107,917,898</b>
<b>Total</b>	<b>456,963,707</b>	<b>463,047,976</b>

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

### 18. TRADE & OTHER RECEIVABLES

Trade and other receivables as at the end of financial year was Kshs. 28.1 million.

	2013/2014 Kshs	2012/2013 Kshs
Trade receivables	8,402,187	13,723,408
Prepayments (Note 18(a))	15,731,615	56,636,540
Other receivables from related parties (Note 18 (b))	3,681,222	3,555,752
Utilities deposits (Note 6)	275,740	-
<b>TOTAL</b>	<b>28,090,763</b>	<b>73,915,700</b>

**RIVATEX EAST AFRICA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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 provided for bad debt during the 2013/2014 financial year of Kshs.1,392,963.

**a. Prepayments**

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

	2013/2014 Kshs	2012/2013 Kshs
Insurance cover	1,628,679	747,137
Thies GMBH & Co.	-	41,770,768
Manawa Ginneries	13,978,936	13,978,936
Comhard Ltd	-	15,700
Seragraphics Ltd	124,000	124,000
<b>Total</b>	<b>15,731,615</b>	<b>56,636,540</b>

**b. Related Party transactions**

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

	2013/2014 Kshs	2012/2013 Kshs
Trade debts	3,681,222	3,555,752
<b>TOTAL</b>	<b>3,681,222</b>	<b>3,555,752</b>

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:

	2013/2014 Kshs	2012/2013 Kshs
Cash at Hand	128,825	107,440
Bank balance	82,281,088	100,816,754
<b>TOTAL</b>	<b>82,409,913</b>	<b>100,924,194</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS

**20. TRADE & OTHER PAYABLES**

This is made up of:-

	2013/2014 Kshs	2012/2013 Kshs
Trade Creditors	6,436,788	5,896,985
Audit fees provision	250,000	250,000
<b>TOTAL</b>	<b>6,686,788</b>	<b>6,146,985</b>

**21. SHARECAPITAL**

**AUTHORISED**

50,000 Ordinary shares of @ Kshs.20

**ISSUED & FULLY PAID**

50,000 Ordinary shares of @ Kshs.20

	2013/2014 Kshs	2012/2013 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.

	2013/2014 Kshs	2012/2013 Kshs
Revaluation reserves	58,546,236	58,546,236
<b>TOTAL</b>	<b>58,546,236</b>	<b>58,546,236</b>

This is in regards to spares and consumables in the main store that were not valued at the time of acquisition of the company but later valued at cost (See Note 4)

**23. CAPITAL RESERVES**

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

	2013/2014 Kshs	2012/2013 Kshs
Government grants	1,648,519,099	1,345,000,000
Govt Grants for the year	135,000,000	285,855,767
Donations	-	17,663,332
<b>TOTAL</b>	<b>1,783,519,099</b>	<b>1,648,519,099</b>

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS

**24. PROFIT BEFORE TAX**

The Net loss before tax is arrived after charging:

	2013/2014 Kshs	2012/2013 Kshs
Depreciation (Note 16)	14,767,638	14,741,963
Employee benefits expense (Note 24 (a))	64,075,622	37,657,536
Directors' fees & emoluments	4,810,870	1,815,743
Auditors remuneration	250,000	250,000
<b>TOTAL</b>	<b>83,904,130</b>	<b>54,465,241</b>

**(a) Employee benefit expense**

	2013/2014 Kshs	2012/2013 Kshs
Salary and wages	60,050,183	34,213,613
Retirement benefits costs:		
- Defined contribution scheme	2,934,017	2,555,923
- National Social Security Fund	1,091,422	888,000
<b>Sub-Total</b>	<b>64,075,622</b>	<b>37,657,536</b>

**25. STATEMENT OF TAXATION**

	2013/2014 Kshs	2012/2013 Kshs
Operating results before tax	(161,825,595)	(122,125,683)
<b>Add Disallowed items:</b>		
Depreciation	14,016,560	13,990,885
Amortization	751,078	751,078
Donations	-	-
	<b>(147,057,957)</b>	<b>(107,383,721)</b>
<b>Less allowed items:</b>		
Wear & tear allowance	(33,723,271)	(33,723,271)
Industrial Buildings Deductions	-	-
Investment deductions	(30,364,582)	(30,364,582)
<b>NET PROFIT/LOSS</b>	<b>(211,274,636)</b>	<b>(171,471,573)</b>
Less Brought Forward losses	(704,396,805)	(532,925,232)
	<b>(915,542,615)</b>	<b>(704,396,805)</b>
<b>CORPORATION TAX</b>	Nil	Nil
<b>ADD BROUGHT FORWARD</b>	Nil	Nil
<b>LESS PAID DURING THE YEAR</b>	Nil	Nil
<b>BALANCE CARRIED FORWARD</b>	Nil	Nil

There was no Corporation tax paid during the financial year.

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

**26. CURRENCY**

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

**RIVATEX EAST AFRICA LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**BRANCHES**

We have factory outlets various towns across the country where customers can purchase 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