

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 FEB 2019

TABLED BY: The Hon. Azlan Diale

CLERK AT THE TABLE: Mose Lemwa

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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
RIVATEX EAST AFRICA LIMITED

FOR THE YEAR ENDED
30 JUNE 2018

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P. O. Box 30084 - 00100, NAIROBI
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RIVATEX EAST AFRICA LIMITED



THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2018

ESTABLISHMENT/INCORPORATION

Rivatex East Africa Limited (REAL) is incorporated as a limited liability company under the Companies Act No. 17 of 2015 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) for training, research, extension purposes as well as for commercial purposes.



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KEY CORPORATE INFORMATION AND MANAGEMENT

VISION

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

MISSION

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

CORE VALUES

- Maintain efficiency in production and service delivery at all times
- 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
- 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

OUR BUSINESS OF RIVATEX EAST AFRICA LIMITED

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 textile mill in East and central Africa that incorporates training, research, product development, extension and production.



1. NEW SINGEING MACHINE

1. INSTITUTIONAL DETAILS

PRINCIPAL PLACE OF BUSINESS

Rivatex East Africa Limited factory
Kipkaren road, off Eldoret- Kisumu road,
P.O. Box 4744 – 30100,
Eldoret.

CONTACTS

Telephone: (254) 53
2030901 E-mail:
info@rivatex.co.ke Website:
www.rivatex.co.ke
Facebook: Rivatex East Africa limited
Twitter: @rivatex_ltd
Instagram: rivatextextile

BANKERS

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

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

INDEPENDENT AUDITORS

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

CORPORATION SECRETARY

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

PRINCIPAL LEGAL ADVISER

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

SOLICITORS

Rioba Omboto and Company advocates

Muya house, 2nd floor

Kenyatta Street

P.O. Box 4837-30100

Eldoret, Kenya

BOARD OF DIRECTORS



**Dr. Jeremiah Ntloi
Koshal**

Chairman

Dr. Jeremiah Ole Koshal is a seasoned governance and leadership expert with over twenty (20) years of experience mainly in academia and social sector. He is currently an Assistant Professor of Leadership at United States International University (USIU)-Africa. He has previously taught at Strathmore University and was also a Research Fellow at Regent University, USA, where he helped found the Regent Centre for Entrepreneurship, which advocated for starting ethical and sustainable businesses that bring about social, economic and spiritual transformation among disadvantaged populations.

Dr. Koshal has also presented in international conferences in the areas of leadership and governance, and business development. He has authored a book, a book chapter, papers and reports on research conducted on entrepreneurship, economic development, kingdom business and leadership. He has also undertaken several consulting projects in the area of leadership and business development, as well as helping train entrepreneurs and corporate leaders for a more transformative workplace and society. Further, Dr. Koshal helped design practical social enterprise that generate income and jobs for the local people. Dr. Koshal is also an avid grant proposal writer.

Dr. Koshal's areas of expertise include corporate governance, servant leadership, change management, cross-cultural leadership and entrepreneurship.

PS-Ministry of Education, Science & Technology



**Prof. Colleta
Suda**

Prof. Collette Akoth Suda, currently the Principal Secretary, State department for University Education, Ministry of Education. She is the former Secretary for Gender and Social Development, Ministry of Gender, Children and Social Development. Previously, she was the Director, Institute of African Studies and Director, Board of Common Undergraduate Courses, University of Nairobi.

She also served as a member of the National Commission on Gender and Development and a member of the Advisory Board of the Women Enterprise Fund, among others. Prof. Suda is a full Professor of Sociology at the Institute of African Studies. She is a fellow of the National Academy of Sciences (FKNAS). She has served as an external Examiner at Moi University, Maseno University and the University of Dar-es-Salaam.

PS-Ministry of Industrialization & Enterprise Development



Ms. Betty Maina

Ms. Betty Maina is the Principal Secretary, State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. Before her appointment, she served as the Principal Secretary in the Ministry of East African Affairs. Ms. Maina has more than 20 years' experience in organisational leadership and development, with an ability to prepare and implement strategic business plans and mobilise resources for implementation, traits that place her at a strategic position to effectively lead the coordination of East African Community integration in Kenya.

Ms Maina was Chief Executive Officer of the Kenya Association of Manufacturers where she not only oversaw the doubling of membership of the association, but also established seven satellite offices to compliment the services offered at the national office.

Ms Maina also has keen interest and experience in Trade Policy, Regional Integration, Private Sector Development, Industrial Development, Public Private Dialogue, Business and Society, Sustainable Development, Integrated development, Education, Corporate Sustainability, Government Relations and Advocacy.

She attained a Master of Science Degree in Development Administration and Planning from the University College of London in 1998, having studied Land Economics at the University of Nairobi where she attained her undergraduate degree in 1988. She has also undertaken short courses in several key areas, among them Budgeting and Financial Management (Harvard University), Developing Anti Corruption Strategies (World Bank, Washington), Gender and Development Planning (University College of London), and the Role of Public Policy in Private Sector Development (Strathmore University College), to name just a few.

Prior to joining the Public Service, Ms Maina was the Director of her consultancy firm: BECEM Solutions and East Africa Regional Representative of Genetics:Analytics, an economic consulting group with offices in Nairobi, New Delhi and Johannesburg.

CS-National Treasury



Mr. Henry Rotich

**Mr. Henry Rotich, B.A. (Econ.), MA (Econ.),
MPA - Cabinet Secretary, the National Treasury**

Mr. Henry Rotich (48 years) is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Economics and a Bachelor's Degree in Economics (First Class Honours), both from University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from Harvard University. Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist.



Mr. Emilio Mugo

Chief Conservator of Forests

Mr. Mugo is the Chief conservator of forests and sits on the Board of the Kenya Forest Research Institute. He is a career forest officer with a master's degree in teams and financing, a post graduate diploma in project management and a bachelor's degree in forestry with over thirty one (31) years' experience in the field and in management. He has also undergone basic training at the National Youth Service and officer's paramilitary course at the Administration Police Training College in addition to being a member and past chairperson of the Forestry Society of chairperson of the Forestry Society of Kenya



Mr. John Temba

Alternate -PS –Ministry of Education Science & Technology

Temba is a Deputy Director in the State Department for Basic Education, Ministry of Education. With a career spanning over 20 years' experience in the education sector, he has served at the Teachers Service Commission as a senior administrative officer before moving to the Ministry of education. His expertise is in quality assurance and ICT in education. He holds a Master degree in Education management and a post graduate diploma in ICT and knowledge management.



Mr. Hezekiah Okeyo

Alternate – PS - Ministry of Industrialization & Enterprise Development

Hezekiah B. Okeyo holds a Master of Business Administration (MBA) in Strategic Management from the Eastern and Southern African Management Institute (ESAMI), Tanzania; Master of Science (MSc) in Environmental Science and Technology from the UNESCO Institute for Environment and Water, Delft, The Netherlands; and Bachelor of Science (BSc) in Industrial Chemistry from the University of Nairobi. He has over 25 years' experience in private sector development and industrial policy/strategy research and analysis. He has represented the Ministry to the Board of Directors of several State Corporations for a period spanning over 15 years.

He joined the Company in the year 2009.



Ms. Eunice Kigen

Alternate CS-National Treasury

Ms. Eunice Kigen holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and an Executive Masters of Business Administration from the Jomo Kenyatta University of science and Technology. She is also a Certified Public Accountant CPA (K).

Ms. Eunice has wide experience in Public Sector Financial Management, having worked in the Government

in senior positions in that field for the past 15 years. Currently, she is the Senior Deputy Director of Budget at the National Treasury. She is also the Alternate Director representing the Cabinet Secretary National Treasury at the Board of Kenya Airports Authority.



Mr. Patrick Nyaga

Alternate to Chief Conservator of Forests

Mr. Nyaga is the Senior manager in charge of Finance and Administration and represents the Chief Conservator on the Board of Rivatex East Africa Limited. He holds a master's degree in Strategic management, is a certified public accountant (K), holds diplomas in: Supply chain management, financial services and customer service management as well as a bachelor's degree in commerce with over nineteen (19) years' experience. He is a member of: Life Office Management Association (LOMA), Institute of Certified Public Accountants (ICPAK) and associate - Kenya Institute of Supplies and Management (KISM), as

well as being a certified retirement benefits trustee.



Prof. Isaac S. Kosgey

Vice-Chancellor Moi University

Prof. Kosgey is a Professor of Animal Sciences (Animal Breeding and Genetics). He is currently the Vice-Chancellor of Moi University. Before his appointment as the Vice-Chancellor, he was the Deputy Vice-Chancellor (Administration, Finance and Development) at Laikipia University (Laikipia, Kenya).

Prof. Kosgey holds a Doctor of Philosophy degree in Animal Sciences and a Master of Science degree in Animal Sciences with Distinction from Wageningen University (Wageningen, The Netherlands), a First Class Honours Bachelor of Science degree in Animal Production and a Diploma in Animal Husbandry with Distinction, both from Egerton University (Njoro, Kenya), a Diploma in Law with Distinction from Mt. Kenya University (Thika, Kenya) and a Master of Business Administration(strategic management) from Kenyatta University (Nairobi, Kenya).

Prof. Kosgey has wide experience in public and university administration and management having served as the Chairman of the Department of Animal Sciences (October 24, 2005-September 10, 2006) and Dean of the Faculty of Agriculture (September 11, 2006-September 10, 2010) at Egerton University, Deputy Principal (Administration, Planning and Development) at Laikipia University College of Egerton University (October 3, 2011-February 20, 2013), Acting Deputy Vice-Chancellor (Administration, Finance and Development) (February 21, 2013-June 17, 2013) and Acting Dean, Institute of Arid Lands Management (May 9, 2012 - October 23, 2014)

both at Laikipia University, and an Associate Professor of Animal Sciences, specializing in animal breeding and genetics at Egerton University (May 1, 2010 - October 22, 2014).



Ms. Lucy W. Gitundu

Director

Lucy Wanjiru Gitundu is an accountant by profession having shown exemplary service in various departments in the civil service. She has over 38 years of work experience in the same field having the opportunity to diversify her qualifications. Her areas of expertise include corporate governance, audits, strategic planning, budget making among others. She has worked in several government ministries including Ministry of Defence, Ministry of Finance-Customs Department, Ministry of Home Affairs and National Heritage, Ministry of Transport and Communication and then back to the Ministry of Finance- Department of Government Investments and Public Enterprise (DGIPE). She has had the opportunity to serve as the Alternate Director to the Permanent Secretary (then), Treasury and has sat on various boards including Rivatex East Africa Limited, Agricultural Finance Corporation, and Council Member in the Board of Directors governing Council of Moi University among others.



Dr. Eric Oyondi

Director

Dr. Eric Oyondi Nganyi is the head Department of Manufacturing, Industrial and Textile Engineering at Moi University. He holds a Bachelor's degree, a Master's degree and PhD degree in Textile Engineering. He is a member of the Textile Institute, Manchester. He is also a member of Kenya Institute of Management. He has over 20 years' experience as a lecturer, and further 17 years of working in the textile industry in Kenya

Managing Director



Prof. Thomas Kipkurgat, EBS

Professor Thomas Kipkurgat is the Managing Director and Chief Executive Officer at Rivatex East Africa Limited. He holds a Doctor of Philosophy degree in Agribusiness Management from Texas Tech University (USA). He has a Masters in Business Administration from Abilene Christian University (USA).

Before joining Rivatex East Africa Limited, he worked with Moi University as the Director of International Linkages. He also worked as the Director of International and Multicultural Linkages at Oklahoma State University (USA) for more than 10 years.

He has also attended and presented in numerous seminars, conferences and workshops both locally and internationally, presenting on various areas such as in transformative leadership, management, micro-enterprise development, among others.

MANAGEMENT TEAM



Prof. Thomas Kipkurgat - Managing Director



Mr. Richard Tanui - Factory Manager



Mr. Titus K. Kipkemboi - Finance & Administration Manager



Mr. Josphat Cheruiyot - Processing Manager



Mr. Allan K. Biwott - Internal Auditor



Mr. Geoffrey Langat - Sales & Marketing Manager



Mr. Charles Kemei - Quality Control Manager



Mr. Peter Mugo - Weaving Manager



Mr. Hosea K. Kangogo - Engineering Manager



Mr. Charles Lagat - Spinning Manager



Mr. Joseph Keter - Human Resource Manager



Mr. Cornelius Omoke - Finished Goods Manager

CHAIRMAN'S STATEMENT

Dear Shareholders

It is my pleasure to present the annual report for the year ended 30th June 2018.

Rivatex East Africa Limited continues to focus into modernizing all the production sequence with determination of becoming an industry leader in production of quality textiles in the region. We are driven by the goal of becoming the leading fully integrated textile mill in the East African region, one that produces quality and embraces innovation for consistent and sustainable supply of quality fabrics and apparels both locally and internationally.

Towards the realization of its mandate and vision of becoming a leader in textile technology, innovation and production, Rivatex East Africa Limited received a Line of Credit of USD 23,240,120 from the Export import (EXIM) Bank of India to undertake full modernization of the mill. We acknowledge the rapid and dynamic changes in textile technology and appreciate the fact that in order for the company to be competitive we must invest in a modern technology with the state-of-the-art machinery that will ensure efficient and sustainable production is achieved cost effectively.

Overview of Business Environment

According to World Bank, in their April 2018 forecast report, the Kenyan economy is projected to accelerate to five decimal eight percentum (5.8%) in 2018 and six decimal one percentum (6.1%) in 2019. The Government has identified the textile industry under the manufacturing as among the 'BIG Four' Agenda of the Government which will catalyze economic growth in the country as well as increase employment opportunities for the youth and women. The Government is keen on strengthening manufacturing industries through the 'Buy Kenya - Build Kenya strategy' which seeks to enhance competitiveness and consumption of locally produced goods and services. The Presidential Directive on Reservation of Minimum 40% of public procurement budget for locally produced goods will spur the growth of locally produced textile products.

The preferential access to regional and world markets under a number of agreements/arrangements creates a roadmap for future sustainable market for export. Within the COMESA trading bloc, the Kenyan textile industrial base is one of the most developed. Member countries of the regional bloc enjoy preferential tariff treatment for their imports and exports. REAL can benefit immensely from this market in selling textile products. The ten (10) year extension of African Growth and Opportunity Act (AGOA) in 2015 has further increased the opportunities that Rivatex East Africa Limited can exploit in order to grow and be profitable upon completion of the modernization that is being undertaken. Going by the positive global developments and shifts Rivatex is strategically placed to be a global textile industry player in the near future.

Corporate Social Responsibility

Rivatex recognizes that for sustainable growth and profitability it must play its role in society as an ethical and compliant company in respect to communities, legal requirements and the environment. During the financial year Rivatex East Africa Limited supported projects and activities that positively impacted on the lives of communities and society at large. Rivatex East Africa Limited also adopted greener production practices that protect the environment and minimizes the damage to the environment and the society. We take cognizance of the fact that abiding by the set regulations and

doing the right things in terms of decisions and actions, immensely contributes and sustains our future success as a Company.

Future Outlook

Rivatex continues to progress with modernization which will ensure both the spinning, weaving and processing departments are equipped with new machinery. We are aggressively modernizing all the departments in order to maximize on the emerging opportunities and consequently deliver superior shareholder value. The company will realize immense production accrued from the intensive modernization being implemented and it shall address the input challenges of various EPZ and other apparels manufacturers who have to import over Kshs.20 billion worth of fabrics every year in order to supply quality apparels to the AGOA market.

On cotton sensitization, Rivatex East Africa Limited through the Ministry of Industry, Trade and Co-operatives collaborates with other Government institutions like Fiber Crops Directorate of Agriculture and Food authority (AFA), Kenya Plant Health inspectorate service (KEPHIS), Kenya Agriculture & Livestock Research organization (KALRO), farmers, ginners and spinners through signed tripartite agreements for the creation of public awareness (sensitization), sustainability and multi sectoral rural industrialization. Through these industry linkages the farmers will be sure of ready market for their produce and at competitive prices leading to job creation, wealth creation and poverty alleviation.

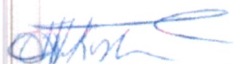
Corporate governance

The Company continues to believe in the importance of good governance and sees it as imperative to our business at all levels. During the year, Prof. Isaac Kosgey was appointed as the Vice Chancellor of Moi University replacing Prof. Laban Ayiro who had served as the acting Vice Chancellor and a member of the board for a period of one year. I welcome the new director and wish to sincerely thank Laban Ayiro for his contribution during his tenure on the board.

Appreciation

On behalf of the Board of Directors of Rivatex East Africa Limited, I want to thank the government of Kenya, Moi University Council, management team and all the employees for their commitment and support the continue to extend to the company to ensuring that Rivatex becomes a world-class textile manufacturing, research and product development facility.

Thank you.



Dr. Jeremiah Ntolo Koshal
Chairman, Board of Directors

MANAGING DIRECTOR'S STATEMENT

Allow me to present the financial statements for the year ended 30th June 2018.

Production Capacity Enhancement

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of funds which have been utilized prudently through acquisition of state-of-the-art machinery. Through modernization we shall be able to produce cost effectively, increase productivity and quality of our products, and thus be competitive to attract huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve our existing clientele.

During the 2017/2018 financial year Rivatex East Africa Limited acquired one one (1) continuous bleaching range and (1) continuous dyeing range machine, while (1) one mercerizing machine and one (1) pad steam machine were delivered during the financial year and are currently being installed. Full installation and commissioning of these machines will make Rivatex East Africa Limited effectively serve the local and international markets adequately with quality products. The full modernization of the mill has continued to be the management's key agenda in order to break-even and sustain its growth through internally generated income.

Financial and Business Performance

This year's performance was adversely impacted by the challenging business environment that was characterized by high operating costs due to the inefficiency and the persistent breakdown of the old machines, prolonged and uncertainty over the general elections and the intensive modernization works in the production sequence that saw the company demolish the obsolete machines in spinning and weaving departments. Despite the challenges experienced, the management team has been determined to ensure that the company's operations continue with the view of achieving our mandate and realizing our vision. Production in spinning and weaving department declined significantly due to the ongoing civil works which majorly affected the production process.

The company registered a seven percentum (7%) increase in turnover from one hundred and seventeen million seven hundred and two thousand and sixty shillings (Kshs.117,702,060) recorded in the previous financial year to one hundred and twenty five million, nine hundred and seventy six thousand, seven hundred and fifty two shillings (Kshs.125,976,752). The positive trend in turnover is expected to be sustained with the commissioning of new machines which is expected to improved efficiency in all the production sequence, the company will be in a position to attain a sustainable growth in sales and profitability.

Despite the challenges, the company recorded an increase of nineteen decimal six percentum (19.6%) in its non-current assets from one billion, six hundred and ninety million six hundred and eight thousand three hundred and sixty four shillings (Kshs.1, 690,608,364) to two billion, twenty one million five hundred and seventy nine thousand four hundred and eight shillings (Kshs.2,021,579,408).

Rivatex East Africa Limited registered a thirty two decimal nine percentum (32.9%) growth in its financial position from two billion, one hundred and eighty five million five hundred and fifty two thousand four hundred and twenty five shillings (Kshs.2,185,552,425) recorded in the previous financial year to two billion, nine hundred and seven million, eight hundred and forty three thousand, three

hundred and seventy three shillings (Kshs.2,907,843,373). We expect to record a further growth in net assets in the 2018/2019 financial year especially with the transformative modernization of the Spinning, Weaving and processing departments of the company.

Business Environment

The textile and apparel sector has been identified by the Kenyan Government as one of the sectors that will accelerate the country's economic growth. With the recent positive trends and developments in the global and regional textile industry Rivatex East Africa Limited is fast-tracking the implementation of its modernization strategies in order to take advantage of the expected shift of production and manufacturing sites by leading textile brands. Rivatex East Africa Limited will continue scanning its environment for opportunities and options to pursue in order to ensure sustainable growth and profitability.

As a Moi University facility the company has continued to assist the University to achieve its goals as stipulated in its charter through training, research and extension. Moi University through REAL was awarded a Center of Excellence in textile by the World Bank, further the company played a vital role in the accreditation of both Masters and Doctorate Degrees in Manufacturing Industrial and Textiles curriculum by Commission of University Education and during the establishment of the Digital Literacy Programme.

Appreciation

The progress that we have been able to make in 2017/2018 financial year would not have been possible without the dedication and expertise of our employees, to whom I extend my sincere appreciation. I would also like to thank the Board of Directors who has provided wise counsel to my colleagues and myself during the year.

Thank you.



Prof. Thomas Kipkurgat, EBS
Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act No. 17 of 2015 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:

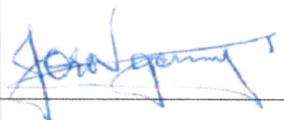
- i. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. selecting and applying appropriate accounting policies; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Rivatex East Africa Limited as at 30th June 2018 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 No. 17 of 2015.

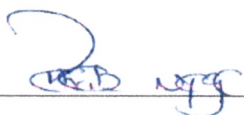
Nothing has come to the attention of the directors to indicate that Rivatex East Africa Limited will not remain a going concern for twelve (12) months from the date of this statement.

Approval of the financial statements

Approved by the Board of Directors on14...../.....11..... 2018 and signed on its behalf by:



DR. ERIC OYONDI - DIRECTOR



MR. PATRICK NYAGA - DIRECTOR

CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, laws, practices and processes by which Rivatex East Africa Limited is directed and involves balancing of interests of all stakeholders in order to achieve long term strategic objectives of the company.

The Board of Directors of Rivatex East Africa Limited has embraced corporate governance to direct, control and be held accountable by the shareholders. Rivatex East Africa Limited is in compliance with the Mwongozo Code of corporate governance for state corporations. The Mwongozo Code offers corporate governance framework for all state corporations. The Board has undergone training on this Code which culminated to the Evaluation of all Board members by State Corporations Advisory Committee.

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 (9) directors of which three (3) of them are independent non-executive including the Chairman. The Board defines Rivatex East Africa Limited'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 Board and committee meetings on regular basis while Special meetings are called when deemed necessary to do so.

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) **Production, Operations and Technical committee**
- 2) **Finance, Administration and Strategy committee**
- 3) **Audit and Risk Management committee members**
- 4) **Human Resources, Training and Development committee**

Production, Operations and Technical committee

- | | |
|----------------------|-------|
| 1. Dr. Eric Oyondi | Chair |
| 2. Mr. Patrick Nyaga | |

3. Mr. Hezekiah Okeyo
4. Ms. Lucy Gitundu
5. Prof. Thomas Kipkurgat

Finance and General Purposes committee members

1. Mr. Patrick Nyaga Chair
2. Ms. Eunice Kigen
3. Mr. John Temba
4. Prof. Thomas Kipkurgat

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. Ms. Lucy W. Gitundu Chair
2. Mr. Hezekiah Okeyo
3. Dr. Eric Oyondi
4. Prof. Thomas Kipkurgat

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.

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. Mr. John Temba chair
2. Prof. Daniel Tarus
3. Ms. Eunice Kigen
4. Dr. Eric Oyondi
5. Prof. Thomas Kipkurgat

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.

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rivatex (E.A) Ltd set out on pages 21 to 44, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity 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 35 of the Public Audit Act, 2015. 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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rivatex (E.A) Ltd as at 30 June 2018, and of 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, 2015.

Basis for Qualified Opinion

1.0 Inventory

The statement of financial position as at 30 June 2018 reflects inventory balance of Kshs.664,478,202 and as disclosed in note 18 to the financial statements. As explained in note 18 to the financial statements the Company's inventories are valued at lower of cost and net realizable value as the accounting policy ensures that inventories are properly disclosed in the financial statements. However, available records revealed that included in the inventory figure of Kshs.664,478,202 in the year ended 30 June 2018 is chemicals which had expired amounting to Kshs.15,484,685. Accordingly, had the company complied with the accounting policy, the figure for inventories would have been less than the figure reflected in the financial statements as at 30 June 2018. Management explained that these were chemicals which were waiting for approval for disposal, However, the same has not been disclosed in the financial statements.

Consequently, the accuracy, valuation and completeness of the inventory balance of Kshs.664,478,202 as at 30 June 2018 could not be confirmed.

Report of the Auditor-General on the Financial Statements of Rivatex East Africa Limited for the year ended 30 June 2018

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Rivatex (E.A) Ltd in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Financial Performance

During the year under review, the company net loss increased from Kshs.132,015,501 in 2016/2017 to Kshs.133,959,051 bringing the accumulated loss to Kshs.1,286,578,406 as at 30 June 2018. The management attributes the poor performance to constant breakdown in processing machines that had hindered the company's ability to supply goods of the right quality and on time. Although the management indicates that it has partially addressed this challenge through acquisition of new machinery, no indication has been provided of measures being taken to increase sales volume.

In the circumstances, if this loss making trend is not reversed, the company is likely to face difficulties in meeting its operating obligations as they fall due.

2.0 Budget as a Control Tool

2.1 Receipts

The company budgeted to collect income of Kshs.166,812,408 during the year under review. However, Kshs.125,976,752 was realized resulting in a short fall of Kshs.40,835,656 or 24% of the budgeted income. There is need for the management to realign its budget process in line with the realities on the ground in order to plan and budget for achievable realistic targets.

2.2 Expenditure Budget

A review of the company budgeted and actual expenditure for the year ended 30 June 2018 revealed that the total budget for the year 2017/2018 was Kshs.280,153,858 against which total expenditure of Kshs.261,135,802 was incurred resulting to an under expenditure of Kshs.29,209,758 or approximately 10.4 % of the budgeted expenditure. The under absorption of approved budget is an indication of activities and projects in the annual work plan not implemented by Rivatex East Africa Ltd which is likely to have a negative effect on

goods and services produced for sales which may have contributed to the company's poor performance. Further, no evidence has been provided to confirm whether the over expenditure totalling Kshs.10,191,702 on sales and marketing expenses, personnel emoluments and finance costs were approved by the Board of Directors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for conclusion

1.0 Trade and Other Receivables

1.1 Failure to Collect Debts Due

A review of the debtors' records provided for audit revealed that debts totalling Kshs.12,210,936 had been outstanding for more than one year. This was contrary to paragraph 5.2 of the company's Credit control policy that stipulates that credit period will be between 30 and 90 days. Further, the management did not explain the measures undertaken to collect the debts before they turn bad as required by paragraph 1.4 of the credit control policy.

In the circumstances, the company might lose Kshs.12, 210,936 as a result of non-collection of debts arising from credit sales.

2.0 Human Resource Management

2.1 Failure to Observe One Third of Basic Salary Payment Rule

A review of the payroll records for the period 2017/2018, revealed that a number of staff earned less than a third of their basic salaries contrary to the provisions of section 17(3) of the employment Act. In some cases, there were those who earned nil salaries. The management did not provide explanations for not complying with the provision of the Employment Act. Consequently, the management was in contravention of section 17(3) of the Employment Act.

2.2 Ethnic Composition

Included in the statement of comprehensive income are employee costs amounting to Kshs.117,115,780 for the year ended 30 June 2018. However, audit review of the payroll showed that the Company had four hundred and fifty-nine (459) employees out of whom three hundred and four (304) or 66% of employees were from the dominant community,

while one hundred fifty-five (155) or 34% are from non-dominant communities as detailed below:

Details	Number of staff	No. from Dominant Community	No. From Non-Dominant Community	% Dominant Community
Board of Directors	17	11	6	65
Senior management	8	7	1	88
Other permanent staff	459	304	155	66
Total	491	322	169	66

In addition, eleven (11) out of the seventeen (17) appointed board members are from the same ethnic community being 65% of the board membership. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the management is in breach of the law.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Companies Act, 2015, 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, adequate accounting records have been kept by the Company's so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Company's or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively

low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

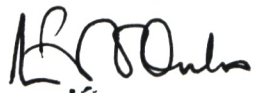
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the company's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

16 January 2019

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2018

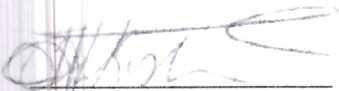
	NOTE(S)	2017/2018 Actual Kshs	Growth %	2016/2017 Actual Kshs
Turnover	7	125,976,752	7 %	117,702,060
Cost of Sales	8	156,222,881	1 %	153,950,016
GROSS PROFIT/LOSS		(30,246,129)	17%	(36,247,956)
Other Operating Income	9	1,200,000	0 %	1,200,000
TOTAL OPERATING PROFIT		(29,046,129)	17%	(35,047,956)
EXPENDITURE				
Administration expenses	10	36,447,881	9 %	40,145,522
Board expenses	11	3,856,300	20%	4,807,716
Honoraria	12	648,000	0 %	648,000
Audit fees	13	250,000	0 %	250,000
Sales & Marketing expenses	14	10,512,227	-8%	9,699,122
Personnel emoluments	15	49,621,017	-22%	40,818,443
Finance Costs	16	3,577,496	-498%	598,742
TOTAL EXPENDITURE		104,912,922	-8%	96,967,545
NET PROFIT/(LOSS)		(133,959,051)	-1%	(132,015,501)

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2018

	NOTE(S)	2017/2018 Kshs.	2016/2017 Kshs.
ASSETS			
<i>Non Current Assets</i>			
Property, Plant & Equipment	17	2,021,579,408	1,690,608,364
		2,021,579,408	1,690,608,364
<i>Current Assets</i>			
Inventory	18	664,478,202	664,336,193
Trade And Other Receivables	19	57,932,511	43,081,682
Cash & Cash Equivalents	20	189,933,779	8,429,729
		912,344,492	715,847,604
<i>Current Liabilities</i>			
Bank Overdraft	21	16,171,237	1,736,741
Trade creditors and other payables	22	8,088,840	218,067,484
Provisions	1c(xiv)	1,820,450	1,099,318
		26,080,527	220,903,542
WORKING CAPITAL		886,286,425	494,094,612
TOTAL NET ASSETS		2,907,843,373	2,185,552,425
FINANCED BY:			
Share Capital	23	1,000,000	1,000,000
Retained Earnings	24	(1,286,578,406)	(1,152,619,354)
Revaluation reserves	25	73,652,680	73,652,680
Capital reserves	26	4,119,769,099	3,263,519,099
TOTAL OWNERS' EQUITY & LIABILITIES		2,907,843,373	2,185,552,425


CHAIRMAN

Date: 17-11-2018


MANAGING DIRECTOR

Date: 14/11/2018

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2018

	Share Capital Kshs	Retained Earnings Kshs	Revaluation Reserves Kshs	Capital reserves Kshs	Total Kshs
At 1st July 2016	1,000,000	(1,020,603,854)	73,652,680	2,653,519,099	1,707,567,926
Net Profit/Loss for the Year	-	(132,015,501)	-	-	(132,015,501)
Transfers to Capital reserves	-	-	-	610,000,000	610,000,000
Transfers from Revaluation reserves	-	-	-	-	-
At 30th June 2017	1,000,000	(1,152,619,355)	73,652,680	3,263,519,099	2,185,552,424
At 1st July 2017	1,000,000	(1,152,619,355)	73,652,680	3,263,519,099	2,185,552,424
Net Profit/Loss for the Year	-	(133,959,051)	-	-	(133,959,051)
Transfers to Capital reserves	-	-	-	856,250,000	856,250,000
Transfers to Revaluation reserves	-	-	-	-	-
At 30th June 2018	1,000,000	(1,286,578,406)	73,652,680	4,119,769,099	2,907,843,373

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE(S)	2017/2018 Kshs.	2016/2017 Kshs.
CASHFLOWS FROM OPERATING ACTIVITIES			
Net Loss Before Taxation		(133,959,051)	(132,015,501)
Adjustment for:			
Depreciation	17	42,762,419	33,606,887
Operating results before working capital changes		(91,196,632)	(98,408,614)
(Increase) Decrease inventories	18	(142,009)	(71,381,862)
(Increase) Decrease trade & other receivables	19	(14,850,829)	723,497
Increase (Decrease) trade & other payables	22	(209,978,644)	166,660,826
NET CASH USED IN OPERATING ACTIVITIES		(316,168,114)	(2,406,154)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant & Equipment	17	(373,012,333)	(663,714,221)
NET CASH USED IN INVESTING ACTIVITIES		(373,012,333)	(663,714,221)
CASHFLOWS FROM FINANCING ACTIVITIES			
Government grants	5	856,250,000	610,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		856,250,000	610,000,000
NET INCREASE IN CASH & CASH EQUIVALENTS		167,069,554	(56,120,374)
CASH & CASH EQUIVALENTS AT 1ST JULY 2017	20	6,692,988	62,813,362
CASH & CASH EQUIVALENTS AT 30TH JUNE 2018		173,762,542	6,692,988

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.

Rivatex East Africa Limited 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 Rivatex East Africa Limited'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 recognized in the year in which the revision is made and are described in these notes to the Financial Statements.

b) REVISED AND NEW STANDARDS

i. Amendments to IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortization)

The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

NOTES TO THE FINANCIAL STATEMENTS

The company shall implement the requirement of the revised standard when identifying the actual cost of the asset with the revenue it generates. By spreading the expense out of several years, the ledger will not only reflect the true cost of doing business but also help to make tax liability more consistent.

ii. Amendment to IFRS 5 (Annual Improvements to IFRSs Cycle)

The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. The company, with the help of the management, will be able to plan on the assets needed to be disposed of through sale. The requirement to deduct cost to sell from fair value may result in an immediate charge to the profit or loss to the company.

iii. Amendments to IAS 1- Disclosure Initiative

The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The company is keen on the amendment made in order to achieve compliance with the Companies Act and related Regulations.

iv. Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)

The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values. The financial statements have been prepared taking into consideration the requirement of the revised standard.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

i) Revenue recognition

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

Revenue from the sale of goods and services is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Grants from National Government are recognized in the year in which the company actually receives such grants. Finance income comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method. Dividend income is recognized in the income statement in the year in which the right to receive the payment is established. Rental income is recognized in the income statement as it accrues using the effective lease agreements. Other income is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS

ii) In-kind contributions

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

iii) Property, plant and equipment

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

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

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

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

iv) Depreciation and impairment of property, plant and equipment

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

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

a.	Land	-Amortized over the remaining lease period
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%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

v) Amortization and impairment of Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software.

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

vi) Investment property

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

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

vii) Inventories

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

viii) Trade and other receivables

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

ix) Taxation

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

x) Cash and cash equivalents

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

xi) Trade and other payables

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

xii) Provision for staff leave pay

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

xiii) Exchange rate differences

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

xiv) 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. During the financial year a general provision of Kshs.1,820,450 being 5% of the total trade debtors was provided as required under IAS 39.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Rivatex East Africa Limited's activities expose it to a variety of financial risks including credit and market risks. The Rivatex East Africa Limited'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 minimize the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. Rivatex East Africa Limited does not hedge against any risks. Rivatex East Africa Limited'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.

NOTES TO THE FINANCIAL STATEMENTS

i. Credit risk

Rivatex East Africa Limited 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.

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

There was no revaluation made during this financial year hence the revaluation reserve value of seventy three million six hundred and fifty two thousand six hundred and eighty shillings (Kshs.73,652,681) remained the same.

NOTES TO THE FINANCIAL STATEMENTS

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 eight hundred and fifty six million, two hundred and fifty thousand shillings (Kshs.856,250,000) while in 2016/2017 the government grants were six hundred and ten million shillings (Kshs.610,000,000/-)

	Amount recognized in capital fund (Kshs.)	Total Grant Income (Kshs.)
Ministry of Industry, Trade and Cooperatives	506,250,000	506,250,000
Ministry of Education, Science and Technology	350,000,000	350,000,000
Total	856,250,000	856,250,000

6. UTILITIES DEPOSITS

These are amounts paid to the KPLC as a deposit for power connection for the factory, showground stand, Eldoret, Nairobi and Kisumu factory outlets including rent deposits for existing outlets.

Utilities deposits

	2017/2018 Kshs	2016/2017 Kshs
Rent & power connection deposits b/f	380,140	380,140
Rent deposit refund Narok outlet	-	-
Rent deposits- Kitale & Nakuru outlets	-	-
Total	380,140	380,140

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

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.

	2017/2018	2016/2017
<u>Products</u>	Kshs	Kshs
Printed fabrics	51,530,746	45,668,399
Dyed	23,112,322	22,363,391
Cloth (Grey)	3,892,602	3,766,466
Bleached	5,473,971	5,296,593
Garments	41,115,605	39,783,296
Waste	608,219	588,510
Others	243,287	235,404
	125,976,752	117,702,060
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Printed fabrics	-	-
	-	-
Total Sales	125,976,752	117,702,060

NOTES TO THE FINANCIAL STATEMENTS

8. COST OF SALES STATEMENT

	2017/2018	2016/2017
	Kshs	Kshs
DIRECT COST		
Opening Stock	94,662,553	111,873,042
Add: Purchases	24,435,145	20,033,111
Less: Closing stock	(70,350,581)	(94,662,553)
Cost of Raw materials	48,747,117	37,243,600
Direct labour	25,566,198	22,657,332
Factory Electricity	25,171,820	22,982,001
Factory Water	4,360,438	5,656,551
Sub-Total	103,845,574	88,539,485
INDIRECT COST		
Firewood expenses	4,608,000	4,700,000
Salaries & Wages	41,928,565	37,158,025
Packaging materials	314,720	586,267
Designs & Screens	338,452	859,363
Lubricants & Oils	2,371,127	2,988,044
Spare & Consumables	4,100,232	5,130,134
Staff uniforms & Consumables	341,931	1,503,159
Other indirect costs	0	0
Tailoring Consumables	6,539,920	6,259,522
Depreciation	38,486,177	30,246,198
Sub-Total	99,029,124	89,430,711
TOTAL COST	202,874,698	177,970,196
Add: Opening Work-In-Progress	245,854,154	224,979,897
Less: Closing Work-In-Progress	279,925,314	(245,854,154)
COST OF GOODS MANUFACTURED	168,803,538	157,095,939
Add:		
Opening Finished goods	45,351,549	42,205,625
Less:		
Closing Finished goods	57,932,206	(45,351,549)
COST OF SALES	156,222,881	153,950,016

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING INCOME

	2017/2018 Kshs	2016/2017 Kshs
<u>Sundry income</u>		
Lease of motor vehicle to Confucius Institute	1,200,000	1,200,000
Other Operating Income	1,200,000	1,200,000

10. ADMINISTRATION EXPENSES

	2017/2018 Kshs.	2016/2017 Kshs.
<u>Administration Expenses</u>		
General administration expenses	2,064,521	3,351,782
Postage and stationery	2,095,049	2,173,038
Sundry expenses	1,356,940	1,782,533
Telephone and internet expenses	1,195,152	1,438,660
Travelling, Air Tickets and subsistence allowances	3,464,151	5,591,841
Deprn Property, plant and equipment(PPE)	4,276,242	3,360,689
Legal fees	1,485,018	922,400
Motor vehicle Repairs and Maintenance	1,791,098	1,427,764
Research and product development	2,742,500	2,537,270
Water	484,493	628,426
Electricity	2,796,869	2,553,556
Fuel and Oil	2,568,150	1,301,202
Staff costs	2,795,230	3,580,509
Insurance	5,512,008	4,396,535
General provisions for bad debts	1,820,450	1,099,318
Ex-gratia	0	4,000,000
Total Admin Expenses	36,447,881	40,145,522

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

11. BOARD EXPENSES

	2017/2018 Kshs.	2016/2017 Kshs.
Board Expenses	3,856,300	4,807,716
	3,856,300	4,807,716

12. HONORARIA

	2017/2018 Kshs.	2016/2017 Kshs.
Honoraria	648,000	648,000
	648,000	648,000

13. AUDIT FEES

	2017/2018 Kshs.	2016/2017 Kshs.
Audit fees	250,000	250,000
	250,000	250,000

14. SALES & MARKETING EXPENSES

	2017/2018 Kshs.	2016/2017 Kshs.
Selling & Distribution expenses	3,908,436	3,913,714
Outlets Sundry expenses	545,695	563,104
Rent-outlets	6,058,096	5,222,304
Total Sales & Marketing Expenses	10,512,227	9,699,122

15. PERSONNEL EXPENSES

	2017/2018 Kshs.	2016/2017 Kshs.
<u>Personnel Expenses</u>		
Salaries	34,770,029	30,813,972
NSSF Employer Contribution	1,084,200	1,033,402
Employer's Pension Contribution	8,966,037	6,438,318
Gratuity	4,800,751	2,532,751
Total Personnel Expenses	49,621,017	40,818,443

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCE COSTS

a. Bank Charges

Ledger Fees

Total Bank Charges

2017/2018 Kshs.	2016/2017 Kshs.
893,262	598,742
893,262	598,742

b. Finance Costs

Finance costs

Total Finance Costs

2017/2018 Kshs.	2016/2017 Kshs.
2,684,234	0
2,684,234	0

The finance cost relates to Exim Bank loan letter of credit (LC) issuance charges

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

17. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Land	Buildings	Plant & Equipment	Buildings (Work-In-Progress)	Plant & Equipment (Work-In-Progress)	Furniture & Fittings	Computers & Accessories	Office Equipment	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/Valuation										
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 2017	50,322,233	113,895,343	772,713,510	41,787,256	820,976,176	6,007,026	16,575,556	2,887,171	43,479,392	1,868,643,663
Additions	-	85,605		91,399,061	280,159,703	640,964	564,500	162,500		373,012,333
Transfers	-	-	356,473,349		(356,473,349)	-	-	-	-	
Disposals/Obsolete assets	-	-	-	-	-	-	-	-	-	
As at 30th June 2018	50,322,233	113,980,948	1,129,186,859	133,186,317	744,662,530	6,647,990	17,140,056	3,049,671	43,479,392	2,241,655,990
Accum. Depreciation										
As at 1st July 2017	7,510,780	24,828,519	101,607,044	-	-	4,192,469	11,658,955	1,730,015	25,786,387	177,314,160
Disposals	-	-	-	-	-	-	-	-	-	-
Charge for the year	751,078	2,849,524	28,229,671	-	-	830,999	4,285,014	381,209	5,434,924	42,762,415
As at 30th June 2018	8,261,858	27,678,043	129,836,715	0	0	5,023,468	15,943,969	2,111,224	31,221,311	220,076,587
Net Book Value										
As at 30th June 2018	42,060,375	86,302,905	999,350,144	13,186,317	744,662,530	1,624,522	1,196,087	938,447	12,258,081	2,021,579,403
As at 30th June 2017	42,811,453	89,066,824	671,106,467	41,787,256	820,976,176	1,814,557	4,195,471	1,157,156	17,693,005	1,690,608,365

Note 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.

* Under Plant & Equipment, the company acquired one (1) mercerizing machine, one (1) pad steam dyeing range, one(1) continuous bleaching range and one (1) continuous dyeing range machine all totaling Kshs.373,012,333 (three hundred and seventy three million twelve thousand three hundred and thirty three

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

18. INVENTORY

	2017/2018 Kshs	2016/2017 Kshs
Raw materials	70,350,581	94,662,553
Finished goods	57,932,206	45,351,549
Work-In-Progress	279,925,314	245,854,154
Sub-Total	408,208,101	385,868,255
Consumables, spares & accessories	256,270,102	278,467,938
Sub-Total	256,270,102	278,467,938
Total	664,478,202	664,336,193

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

19. TRADE & OTHER RECEIVABLES

Trade and other receivables as at the end of financial year was Kshs. 57.9 million.

	2017/2018 Kshs	2016/2017 Kshs
Trade receivables	36,408,996	21,986,351
Prepayments (Note 19(a))	14,102,936	14,102,936
Other receivables from related parties (Note 19 (b))	7,040,439	6,612,255
Utilities deposits (Note 6)	380,140	380,140
TOTAL	57,932,511	43,081,682

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 the 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

NOTES TO THE FINANCIAL STATEMENTS

prepayments, no provision for bad debts is made until the imprest holder is confirmed dead or the entity is insolvent. The Company's general provision for bad and doubtful loans is as provided for in its Credit control policy.

19 (a). Prepayments

The prepayments for various goods and services as follows:-

	2017/2018 Kshs	2016/2017 Kshs
Manawa Ginneries	13,978,936	13,978,936
Seragraphics Ltd	124,000	124,000
Total	14,102,936	14,102,936

19(b). Related Party transactions

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

	2017/2018 Kshs	2016/2017 Kshs
Trade debts	7,040,439	6,612,255
TOTAL	7,040,439	6,612,255

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.

20. CASH & CASH EQUIVALENTS

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

	2017/2018 Kshs	2016/2017 Kshs
Cash at Hand	92,181	114,595
Bank Balance		
<u>Equity Bank</u>		
Main Account (0300291345310)	15,753.03	7,048,281
Sales Account (0300292559317)	189,554,808	672,262
Nairobi Account (0300297531263)	148,515	0
Kitale Account (0300297531280)	10,177	88,812
Moi University Account (0300294911893)	15,662	0
Canteen Account (0300294868414)	-	205,933
Dollar Account (0300295572845)	29,809.75	29,994
<u>Kenya Commercial Bank</u>		
MUPEN Account (1120920809)	37,215	151,513
Nakuru Account (1178072886)	22,366	41,643
Kisumu Account (1121365930)	6,513	76,696
Showroom Account (1136152989)	779	0
SUB-TOTAL	189,841,598	8,315,134
TOTAL	189,933,779	8,429,729

21. BANK OVERDRAFT

Bank Overdraft included in the Statement of Cash flows is as follows:

Kenya Commercial Bank

Main Account (1182314436)
Showroom Account (1136152989)

Equity Bank

Moi University Account (0300294911893)
Nairobi Account (0300297531263)

TOTAL

2017/2018 Kshs	2016/2017 Kshs
16,171,237	6,130
0	229,884
0	33,047
0	1,467,680
16,171,237	1,736,741

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

22. TRADE & OTHER

PAYABLES This is made up of:-

Trade Creditors
 Audit fees provision
TOTAL

2017/2018 Kshs	2016/2017 Kshs
7,838,840	217,817,484
250,000	250,000
8,088,840	218,067,484

23. SHARE CAPITAL

AUTHORISED

50,000 Ordinary shares of @ Kshs.20

ISSUED & FULLY PAID

50,000 Ordinary shares of @ Kshs.20

2017/2018 Kshs	2016/2017 Kshs
1,000,000	1,000,000
1,000,000	1,000,000

24. RETAINED

EARNINGS This is made up

of:-

Retained earnings b/f
 Net Loss for the year
TOTAL

2017/2018 Kshs	2016/2017 Kshs
(1,152,619,355)	(1,020,603,854)
(133,959,051)	(132,015,501)
(1,286,578,406)	(1,152,619,355)

25. REVALUATION RESERVES

26. The value indicated was carried forward from last financial year.

Revaluation reserves b/f
 Transfers from Revaluation reserves
TOTAL

2017/2018 Kshs	2016/2017 Kshs
73,652,680	73,652,680
-	-
73,652,680	73,652,680

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

27. CAPITAL RESERVES

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

	2017/2018 Kshs	2016/2017 Kshs
Capital Reserves (Note 25 (a))	3,263,519,099	2,653,519,099
Government Grants for the year	856,250,000	610,000,000
TOTAL	4,119,769,099	3,263,519,099

28. PROFIT BEFORE TAX

The Net loss before tax is arrived after charging:

	2017/2018 Kshs	2016/2017 Kshs
Depreciation (Note 17)	42,762,419	33,606,887
Employee benefits expense (Note 26 (a))	117,115,780	100,633,799
Directors' fees & emoluments	3,856,300	3,888,400
Auditors remuneration	250,000	250,000
TOTAL	163,984,499	138,379,086

(a) Employee benefit expense

	2017/2018 Kshs	2016/2017 Kshs
Salary and wages	102,264,792	90,629,328
Retirement benefits costs:		
- Defined contribution scheme	8,966,037	6,438,318
- National Social Security Fund	1,084,200	1,033,402
Gratuity	4,800,751	2,532,751
Sub-Total	117,115,780	100,633,799

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

29. STATEMENT OF TAXATION

	2017/2018 Kshs	2016/2017 Kshs
Operating results before tax	(133,959,051)	(132,015,501)
<u>Add back: Disallowed items:</u>		
Depreciation	42,762,419	33,606,887
Amortization	751,078	751,078
	(90,445,554)	(97,575,536)
<u>Less allowed items:</u>		
Wear & tear allowance	(313,821)	(611,287)
Industrial Buildings Deductions	(2,140)	-
Investment deductions	(356,473,349)	(206,051,628)
NET PROFIT/LOSS	(447,234,864)	(304,320,451)
Less Brought Forward losses	(1,728,100,206)	(1,423,779,755)
	(2,175,335,070)	(1,728,100,206)
Corporation tax	nil	nil
Add: brought forward	nil	nil
Less: paid during the year	nil	nil
Balance carried forward	nil	nil

- The tax losses are carried forward for 10 years as per the Finance Act of 2015.
- Machinery that qualify under wear & tear are classified as follows:-
 - a. Class I (37.5%)-Heavy moving equipment e.g. tractors, Lorries of load capacity of 3 tons and over, buses etc.
 - b. Class II (30%)-Office equipment e.g. computers, printers, photocopiers, duplicating machine etc.
 - c. Class III (25%)-self-propelling vehicles of less than 3 tons load capacity e.g. pick-ups motor cars, motor cycles, vans etc.
 - d. Class IV (12.5%)-Other machinery e.g. factory plant and machinery, fixtures and fittings, freezers, sign boards etc.
- Industrial Building Deduction (2.5%)-given in respect of capital expenditure on an industrial building.
- Investment Deduction (100%)-given on cost of building & machinery which are used for manufacture

30. CURRENCY

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



OUTLETS

We have factory outlets in various towns across the country where customers can purchase our quality products at affordable prices:

Nairobi Outlet.

Bazaar Building along Moi Avenue, Biashara Street.

Kisumu Outlet

Rahemtulla Bunja Building along Paul- Mboya Road.

Nakuru Outlet.

Baraka Plaza along Kenyatta Street Opposite Equity Bank. iashara Street.

Eldoret Outlet.

Mupen Building along Ronald Ngala Street.

Eldoret Head Office

Off Kisumu Road, along Kipkaren Road.
P.O Box 474-30100,
Eldoret.

Moi University Outlet.

Administration Block,
main Campus



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