

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 06 JUN 2023	DAY: TUES
TABLED BY:	HON. KIMANI LITUNGWA MAJORITY LEADER
CLERK AT THE TABLE:	INZOFU M

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**NEW KENYA CO-OPERATIVE
CREAMERIES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



NEW KENYA CO-OPERATIVE CREAMERIES LTD
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Table of Contents	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT.....	iii
II. THE BOARD OF DIRECTORS.....	vi
III. CONSTITUTION OF BOARD COMMITTEES 2021-2022	ix
IV. MANAGEMENT TEAM.....	x
V. CHAIRMAN’S STATEMENT.....	xiii
VI. REPORT OF THE MANAGING DIRECTOR	xiv
VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022.....	xvi
VIII. CORPORATE GOVERNANCE STATEMENT.....	xix
IX. MANAGEMENT DISCUSSION AND ANALYSIS	xxii
X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxvii
XI. REPORT OF THE DIRECTORS	xxx
XII. STATEMENT OF DIRECTORS’ RESPONSIBILITIES	xxxii
XIII. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY.....	xxxii
XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	1
XV. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2022	2
XVI. STATEMENT OF CHANGES IN EQUITY	3
XVII. STATEMENT OF CASH FLOWS.....	5
XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	6
FOR THE PERIOD ENDED 30 JUNE 2022.....	6
XIX. NOTES TO THE FINANCIAL STATEMENTS	7
XX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	51
XXI. CAPITAL PROJECTS UPDATE AS AT 30 TH JUNE 2022	53
XXII. APPENDIX II: INTER-ENTITY TRANSFERS	55
XXIII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOV’T ENTITIES	56

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

On 24th June 2003, New Kenya Co-operative Creameries (NKCC) Limited was registered under the Co-operative Societies Act to facilitate the takeover of all assets, business, control and management of Kenya Co-operative Creameries (KCC) 2000 Limited. On the 19th November 2004, NKCC Limited was incorporated under the Companies Act with 100% Government of Kenya Shareholding to take over the business from NKCC the Co-operative Society.

(b) Principal Activities

The company's principal activity is buying, processing, selling and distribution of milk and milk products.

(c) Directors

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

1.	Dr. Ignatius Kahi	Chairman	Appointed on 3rd May 2019
2.	Mr. Nixon Sigey	Managing Director	Appointed on 1 st Jan 2015
3.	Mr. Edward Gacau Kariuki	Director	Appointed on 14 th Dec 2018
4.	Dr. Christopher Ayienda	Director	Appointed on 20 th Sept 2018
5.	Ms. Mary Cheroni Chebet	Director	Appointed on 20 th Sept 2018
6.	Ms. Alphina Bwaley Kisorio	Director	Appointed on 3 rd May 2019
7.	Mr. Yasir Noor	Director	Appointed on 20 th Sept 2018
8.	Mr. David Maina Kamiru	Director	Appointed on 3 rd May 2019
9.	Dr. Stephen Ikikii	Director	Appointed on 26 th Nov 2018
10.	Dr. Obadiah Nyaga Njagi	Director	Appointed on 10 th June 2018
11.	Mr. David Baariu	Director	Appointed on 11 th March 2020
12.	Mr. David Obonyo	Director	Appointed on 20 th Sept 2019

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

(d) Entity Headquarters

P.O. Box 30131-00100
Creamery House
Dakar Road, Industrial Area
Nairobi, KENYA

(e) Entity Contacts

Telephone: +254 020 3980000
E-mail: info@newkcc.co.ke
Website: www.newkcc.co.ke

(f) Entity Bankers

1. Co-operative bank of Kenya limited
Industrial Area Branch.
Nanyuki road
P.O. Box 18119- 00500
Nairobi.
2. Kenya commercial bank limited
Industrial Area Branch.
P.O. Box 18031-00500
Nairobi.
3. Standard chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box18081-00500
Nairobi.
4. CFC Stanbic bank limited
Industrial Area Branch.
P.O. Box 30550-00100
Nairobi.
5. Equity Bank Ltd,
Enterprise Branch,
P.O. Box 41895-00100,
Nairobi.

• **(g) Independent Auditors**





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






(h) Principal Legal Adviser

1. The Attorney General,
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Waweru Gatonye & Co. Advocates,
Timau Plaza, 4th Floor
PO.Box 55207-00200
Nairobi.
3. Onyinkwa & Co. Advocates,
Sakong House, 1st Floor,
PO.Box 2052-30100,
Eldoret.




NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

II. THE BOARD OF DIRECTORS

 <p>DR. IGNATIUS KAHU-CHAIRMAN M.SC ,B.V.M</p>	<p>DR. IGNATIUS KAHIU was appointed as the Chairman of the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds a Bachelor's degree in Veterinary Medicine and a Master's of Science degree in Organizational Development. For over three decades, he has demonstrated sound leadership, management and technical experience, overseeing donor-and public-funded programs that improve economic and social well-being, natural resource management, livestock productivity, value chains and food security in Kenya and East Africa. In his work, he has developed strong relationships with communities, the government, and the private sector, as well as with USDA and USAID.</p>
 <p>MR. NIXON SIGEY MBA ,B.SC.</p>	<p>Mr. Nixon Sigey born on 1st January 1970 was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-five (25) years working experience in Public Service, thirteen (13) of which have been in Senior Management.</p> <p>Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management.</p>
 <p>MR. DAVID MWIRABUA BAARIU M.ED ,B.ED.</p>	<p>MR. DAVID MWIRABUA BAARIU was appointed to the Board of New Kenya Co-operative Creameries on 17th March, 2020. He holds Bachelor's and a Master's Degree in Education and was the Chief Officer Education Department in the County Government of Meru. He has over Ten years' experience as an Administrator and Education Consultant. He is the chairperson of Audit committee.</p>
 <p>MR. EDWARD GACAU KARIUKI L.L.B.</p>	<p>MR. EDWARD GACAU KARIUKI was appointed to the Board of New Kenya Co-operative Limited on 14th December, 2018. He holds a Bachelor of Laws degree and is an Advocate of the High Court of Kenya. He has over twenty years' experience in the areas of Constitutional and Administrative Law, Conveyancing, Commercial Banking and Insurance law and Legal Advisory and consultancy Services. He offers legal guidance to the NKCC Board.</p>

 <p>DR. CHRISTOPHER M. AYIENDA PhD-ED.</p>	<p>DR. CHRISTOPHER AYIENDA was appointed to New KCC Board of Directors on 20th Sept 2018. Dr. Ayienda holds a Doctorate in Educational Research and Evaluation and has worked as a Senior Lecturer in various Universities within the East African Region. He has a wealth of experience in the fields of Education, Project and Human Resource Management.</p>
 <p>MS. MARY CHERONO CHEBET Teacher</p>	<p>MARY CHERONO CHEBET was appointed to the Board of New Kenya Co-operative Creameries Limited on 20th September, 2018. She is an experienced teacher and a community leader in the dairy farming industry in Trans Nzoia District with experience in project planning and management. She is the Chairperson of Technical committee.</p>
 <p>DR. STEPHEN IKIKII PhD,M.Sc,BSc</p>	<p>Alternate to the Cabinet Secretary, the National Treasury DR. STEPHEN MUTEMI IKIKII was appointed to the Board of New Kenya Co-operative Limited on 17th July, 2020 as an Alternate Director representing the National Treasury. Stephen holds a PhD in Economics, MSc in Financial Economics and BSc (Mathematics). He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA). Stephen is an Economist with over 16 years' experience at the National Treasury.</p>
 <p>MS. ALPHINA BWALEY KISORIO MBA</p>	<p>MS. ALPHINA BWALEY KISORIO was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. She holds a Master's degree in Business Administration and is a Trained Counselling Psychologist and Certified Professional Mediator. She has over Thirty years' experience in the banking sector and currently practices as a Counselling Psychologist and Professional Mediator. She is chairperson of Finance & General purpose committee</p>
 <p>MR. YASIR NOOR</p>	<p>MR. YASIR NOOR was appointed to New KCC Board of Directors on 20th Sept 2018. He is a Business man in the Coastal region of Kenya with an interest in Sales and Marketing. He is keen to enhance the growth and sustainability of New KCC.</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022





 <p>MR. DAVID OBONYO MBA,CPA(K)</p>	<p>MR. Obonyo was appointed to the Board of New Kenya Co-operative Limited on 20th September, 2019 as an Alternate Director representing the Ministry of Industry, Trade and Co-operatives (State Department for Co-operatives). He holds a Master's degree in Business Administration and is a Certified Public Accountant. He has over 25 years' experience in co-operatives management.</p>
 <p>MR. DAVID MAINA KAMIRU BBA</p>	<p>MR. DAVID MAINA KAMIRU was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds Bachelor's degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years' experience in sales and marketing with primary focus in fast moving consumer goods. He is the chairman of Marketing & Logistics Committee.</p>
 <p>DR. OBADIAH NYAGA NJAGI Ph.D,MSC,BVM</p>	<p>DR. OBADIAH NYAGA NJAGI was appointed to the Board of New Kenya Co-operative Creameries on 3rd May, 2019 as an Alternate Director Ministry of Agriculture, Livestock, Fisheries & Cooperatives (State Department of Livestock). He holds Doctor of Philosophy (Ph.D) in Immuno-Parasitology; Masters of Science in Veterinary Pathology & Micro-Biology and a Bachelor's Degree in Veterinary Medicine. He has over 30 years' experience as a Veterinary Consultant.</p>
 <p>MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS</p>	<p>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS Ms. Irene K. Mbito was born on 30.8.1968. She was employed at New KCC as Company Secretary & Chief Manager Legal Affairs in May, 2021. She holds a Masters of Business Administration Degree (MBA) and a Bachelor of Laws degree; Post graduate Diploma in Law and is a Certified Public Secretary. Has 20 years' work experience as a legal practitioner. She is a member of ICS.</p>






NEW KENYA CO-OPERATIVE CREAMERIES LTD**Annual Reports and Financial Statements****For the year ended June 30, 2022****- III. CONSTITUTION OF BOARD COMMITTEES 2021-2022**

COMMITTEE	CHAIRPERSON		MEMBERS
TECHNICAL COMMITTEE	MS. MARY RONO		DR. OBADIAH NYAGA NJAGI
			MR. DAVID OBONYO
			MS. ALPHINA KISORIO
			DR. CHRISTOPHER AYIENDA
			MANAGING DIRECTOR
MARKETING & LOGISTICS COMMITTEE	MR. DAVID MAINA		DR. OBADIAH NYAGA NJAGI
			DR. STEPHEN IKIKII
			MR. DAVID BAARIU
			MR. EDWARD GACAU
			MR. YASSIR NOOR
			MANAGING DIRECTOR
FINANCE & GENERAL PURPOSES COMMITTEE	MS. ALPHINA KISORIO		MR. EDWARD GACAU
			DR. STEPHEN IKIKII
			MR. DAVID MAINA
			MANAGING DIRECTOR
AUDIT COMMITTEE	MR. DAVID BAARIU		MR. YASSIR NOOR
			MR. DAVID OBONYO
			MS. MARY RONO
			DR. CHRISTOPHER AYIENDA

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

IV. MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>MR. NIXON SIGEY MBA ,B.SC.</p>	<p><u>CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR</u> Mr. Nixon Sigey was born on 1st January 1970 appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-two (25) years working experience in Public Service, thirteen (13) of which have been in Senior Management.</p>
 <p>MR. SAMUEL ICHURA MBA ,BBA,CPA(K),CISA.</p>	<p><u>CHIEF MANAGER FINANCE</u> Mr. Ichura was born on 6th November 1977 and is in charge of Finance Department at NKCC</p>
 <p>MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS</p>	<p><u>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS</u> Ms. Irene K. Mbito was born on 30.8. 1968.She is the company secretary and in charge of Legal Affairs Department.</p>
 <p>MS. DAMARIS CHIRCHIR MBA,B.SC.</p>	<p><u>CHIEF MANAGER FACTORY OPERATIONS</u> Ms. Chirchir was born on 8th August 1962 and is in charge of Factory Operations Department at NKCC.</p>

	<p><u>CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION</u> Dr. Muthoka was born on 31st December 1973 and is in charge of Human Resource & Administration Department at NKCC</p>
	<p><u>CHIEF MANAGER SALES AND MARKETING</u> Dr. Gateru was born on 20th Nov 1969 and is in charge of Sales & Marketing Department at NKCC</p>
	<p><u>CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE</u> Mr. Marusoi Burgo was born on 11th October 1979 and is in charge of Internal Audit & Risk Compliance Department.</p>
	<p><u>HEAD OF ICT</u> Eng. Onyango was born on 22nd June 1977 and is in charge of ICT Department at NKCC.</p>
	<p><u>HEAD OF CORPORATE AFFAIRS</u> Ms. Stacy Too was born on 15th November 1970 and is in charge of Corporate Affairs Department at NKCC</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

 <p>MR. ANTHONY KINOBU MBA, B.SC.</p>	<p><u>HEAD OF QUALITY ASSURANCE</u> Mr. Anthony Kinogu born on 25th July 1975 and is in charge of Quality Assurance Department.</p>
 <p>MR. PHILIP PYEKO B.SC.</p>	<p><u>HEAD OF RAW MILK & EXTENSION SERVICES</u> Mr. Philip Pyeko was born on 9th May 1977 and is in charge of Raw Milk & Extension Services Department.</p>
	<p><u>HEAD OF STRAEGY AND BUSINESS DEVELOPMENT</u> Dr. Linah Boit heads Strategy and Business Development docket at NKCC</p>
 <p>MS. SHEILA AKALA M.SC,B.COM,MCIPS</p>	<p><u>HEAD OF PROCUREMENT</u> Ms. Sheila Akala was born on 11th December 1981 and is in charge of Procurement Department at NKCC.</p>

• **V. CHAIRMAN'S STATEMENT**

The 2021/2022 Financial Year was characterized by a convergence of factors including lingering effects of the covid-19 crisis, an extended dry period that saw cost of animal feeds rise and milk production fall significantly. These were further compounded by rising costs of living as tough economic conditions became the hallmark of the year under review.

The organization rose to the occasion and took the necessary steps to navigate an otherwise difficult environment and keep things moving.

We are pleased to report that there has been commendable progress with the modernization exercise at our remaining processing facilities in Kiganjo, Miritini and Kitale Factories, as well as the new Nyambene Milk Plant and Sales Depot, where construction was since successfully completed and has begun receiving raw milk.

During the year under the review, we processed over 82 million litres of raw milk, which despite it being below our target of 120 million litres processed in the previous year, is a testament of the dedication of our farmers despite the challenging year occasioned by the prolonged drought and resulting scarcity and subsequent rise in cost of animal feeds. On our part, New KCC ensured timely payment to farmers, with prices averaging Kes 48 per litre, among the highest in the market and which translated in Kes 4 billion paid out to farmers.

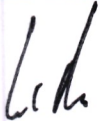
Our dairy farmers remain an integral part of our operations, and apart from the direct economic benefits of competitive pricing and timely payments, the company through its extension services program, ensures our farmers have access to essential farm services and are exposed to both local and international forums and exchange programs to not only gain knowledge but also benchmark against best dairy practices.

In Appreciation

Ours is a dynamic business, and I am grateful for the support we continue to receive from all our stakeholders including the National and County Governments, and the Ministry of Agriculture, Livestock and Fisheries, whose collective efforts have kept us moving forward.

Our sincere gratitude also goes out to our farmers, customers and well-wishers for their continued partnership and support, without whom, none of this would have been possible.

On behalf of the Board of Directors and Management of New KCC..... Thank you!



Mr. David Maina Kamiru

Board Chairman

VI. REPORT OF THE MANAGING DIRECTOR

Thriving in an age of turbulence

The 2021/2022 financial year came with its fair share of challenges including the lingering effects of the pandemic, a prolonged drought in the milk catchment areas that saw a sharp drop in raw milk, and increasingly tough socio-economic climate.

Despite the prolonged dry spell that saw milk production drop significantly, we stepped up our efforts to actively engage dairy farmers through our robust extension services program. At the close of the period under review, we had received and processed **82,568,848** litres of raw milk against a projected intake of 120 million litres. This translated to Kes **4,000,782,508** in milk pay out to farmers.

As earlier indicated, the 2021/2022 FY was anything but rosy, and ours was to ensure we were remained acutely aware of the business environment and make timely decisions to meet our obligations and to keep the business moving forward amidst tough operating conditions. We closed the year with a sales turnover of Kes 8,493,089,151.

We are well into the final stretch of an ambitious billion-shilling modernisation program that started in 2015 to increase capacity and enhance efficiency across all our processing facilities. We have successfully upgraded our facilities in Eldoret, Sotik, Dandora and Nyahururu, and work is at an advanced stage at our facilities in Kiganjo, Kitale, Miritini and our new processing facility and sales sub-depot in Nyambene, Meru County where procurement of dairy equipment and machinery is at an advanced stage.

Our commitment to quality across our entire processing network remains paramount, and this has seen all our processing facilities successfully transition and maintain the standards for ISO 22000:2018 Certification for Food Safety Management Systems.

Despite the challenges brought about by the pandemic and milk shortage that hampered our ability to sufficiently meet market demands, we were still able to introduce our cup yoghurt in an affordable 100ml cup and re-launched our fat free milk with a fresh new look in both 500ml and 1 litre.

We remain alive to the fact that our continued success is to a large extent dependent on our ability to provide a wide and equally exciting range of quality, innovative and affordable products, and to do so consistently.

As a state corporation, we also ensured that we complied with all the statutory and regulatory requirements, including reserving 30% our budget for procurement opportunities for youth, women and PWDs as set out in the PPAD Act 2015, and which translated to Kes 223M against the set budget of Kes 217M for the year under review.

Under the '*Buy Kenya, Build Kenya Initiative*', New KCC awarded procurement contracts valued at Kes 2.33B for various goods, works & services to local suppliers, surpassing the set target of Kes 1.87B for the 2021/2022FY.

In addition the company held an online supplier capacity building for the Youth, Women and PWD and which was aimed at providing the target group with a platform to gain valuable knowledge on government procurement procedures and also the specific procurement opportunities that New KCC Ltd had reserved for them.

NEW KENYA CO-OPERATIVE CREAMERIES LTD

Annual Reports and Financial Statements

For the year ended June 30, 2022

As a customer-oriented organization, we have dedicated ourselves to always affording our customers' and stakeholders with quality service. Our customer interaction is supported by an active online social media presence on our official Facebook page, Twitter handle (@newkcckenya) and Company website. In addition, is a dedicated customer service mobile and landline, all of which serve to enhance our customers' and stakeholders' experience. This has been made possible through the establishment of a complaint handling procedure with supporting infrastructure, which has also seen the company at the close of each financial year, including the one under review, consistently receive a certificate of compliance with a 90+ score from the Commission on Administrative Justice on Resolution of Public Complaints and Access to Information.

We have continued to ensure that our entire workforce remains fully aware of the established Covid-19 protocols and have them equipped with necessary safety gear including masks, sanitizer and strategically placed handwashing stations.

Acknowledgment

I remain proud of the continued support from all our stakeholders, both within and without the company, whose cooperation and commitment has proved invaluable to our continued success. I am particularly grateful for the support that we have received from the National Government, whose support and confidence in the viability and continued growth and success of New KCC and will prove a key factor in the realization of our strategic goals.

I also wish to acknowledge support from various county governments, our parent Ministry, Board of Directors, Management and Staff of New KCC whose dedication and commitment were instrumental in the Company's positive showing.

Delivering '*Life's goodness everyday*' remains our clarion call.



Mr. Nixon Sigey, MBS.

Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

NKCC has Five (5) strategic objectives within the current Strategic Plan for the 2017-2022 FY. These strategic objectives are as follows:

- Strategic Objective 1: To Grow Revenue by 10% Annually
- Strategic Objective 2: To Increase Profit before Tax by 15% annually
- Strategic Objective 3: To maintain high levels of customer satisfaction
- Strategic Objective 4: To increase production output with an annual growth rate of 10%
- Strategic Objective 5: To Strengthen Institutional Capacity Building

NKCC develops its annual work plans based on the above five (5) Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. NKCC achieved its performance targets set for the FY 2021/2022 period for its 5 strategic pillars, as indicated in the diagram below:

Below is a summary of key achievements under each strategic objective.

Strategic Objective	Objective	Achievement
<p>Strategic Objective No:1</p> <p>To Grow revenue by 10% annually</p>	<p>Establish strong distribution systems</p> <p>Enhance brand visibility</p> <p>Establish a competitive and affordable product offering</p>	<p>Revenue grew from Kshs. 34.5B in the Period 2012-2017 to KShs. 46.6B in 2017-2022 representing 18% growth. This growth is attributed to, among others;</p> <ul style="list-style-type: none"> • NKCC introduced a distribution model of Super Distributors which now stands at twenty one (21). These are distributors with a strong financial muscle and are able to cover a large segment without financial challenges. • In the year 2020 the Government imposed a ban on raw and powdered milk imports to protect local industries from cheap imports which have been diluting the market. NKCC became the main supplier of milk powder to other processors. However due to adverse weather conditions experienced in the years 2021 and 2022, powder production was low due to low milk production at the farmer level • NKCC has a reliable and efficient fleet of vehicles for transportation purposes both company owned and contracted. A total 27 sales and distribution vehicles were procured. This improved distribution significantly. • Development and introduction of Lactose free products, Natural Yoghurt and TR

**Annual Reports and Financial Statements
For the year ended June 30, 2022**

Strategic Objective	Objective	Achievement
<p>Strategic Objective No: 2 Increase profit before Tax by 15% annually</p>	<p>Revenue Enhancement Cost Management Enhance Risk mitigation measures in business environment Cash flow management</p>	<p>250ML into the market created new streams of revenue</p> <p>During the Strategic Plan period 2017-2022 NKCC recorded a cumulative profit of K.Shs. 295.2M, representing an average increase of 35% from the period 2012-2017. This achievement is attributed to;</p> <ul style="list-style-type: none"> • Implemented a raft of cost management strategies. Energy management stood out on cost management with a total of Kes. 143 million from the year 2020. Reduction of utility costs of KPLC electricity, thermal electrical energy, steam generation costs and water were achieved using renewable energy, sinking of boreholes and water re-use, elimination of energy and water leakages, equipment scale down and use of new Equipment technology among others. These initiatives were implemented across various facilities. • Bank interest rates were negotiated from 12.5% to 11.5% and M-Pesa charges from 1.5% to 0.5%. • Research and product development unit actively involved in new product development. • Implemented tracking system that improves customer service • Corporate Social Responsibility programs were undertaken
<p>Strategic Objective No 3: To maintain high level of customer satisfaction</p>	<p>Develop & maintain local market-Push strategy</p>	<p>250ML into the market created new streams of revenue</p> <p>During the Strategic Plan period 2017-2022 NKCC recorded a cumulative profit of K.Shs. 295.2M, representing an average increase of 35% from the period 2012-2017. This achievement is attributed to;</p> <ul style="list-style-type: none"> • Implemented a raft of cost management strategies. Energy management stood out on cost management with a total of Kes. 143 million from the year 2020. Reduction of utility costs of KPLC electricity, thermal electrical energy, steam generation costs and water were achieved using renewable energy, sinking of boreholes and water re-use, elimination of energy and water leakages, equipment scale down and use of new Equipment technology among others. These initiatives were implemented across various facilities. • Bank interest rates were negotiated from 12.5% to 11.5% and M-Pesa charges from 1.5% to 0.5%. • Research and product development unit actively involved in new product development. • Implemented tracking system that improves customer service • Corporate Social Responsibility programs were undertaken

Strategic Objective	Strategies	Achievements
<p>Strategic Objective No:4 Increase production output at an annual growth rate of 10%</p>	<p>Ensure adequate raw milk supply Enhance processing capacity utilization across network</p>	<ul style="list-style-type: none"> • Achievement in milk processing was at an average of 91% of target in the period. • NKCC developed and implemented a transparent pricing model for raw milk procurement which saw increased confidence from the farmers • There was insufficient raw milk supply from the farmers as a result of prolonged

**Annual Reports and Financial Statements
For the year ended June 30, 2022**

Strategic Objective	Strategies	Achievements
	<p>Enhance quality assurance in all processes along the value chain</p>	<p>drought and effects of Covid -19 pandemic in 2020 to 2022. The impact of the drought was felt mainly in the 3rd and 4th quarters of 2021-2022 when the cost the end product was increased to compensate for the increased cost of raw milk at the farm level.</p> <ul style="list-style-type: none"> • On quality matters, NKCC continued to sustain and implement ISO 22000:2018 Food Safety Management Systems and ISO 9001:2015 Quality Management System • Modernization of factories has improved efficiencies. Processing capacity increased from 700,000 litres per day in 2017 to the current 850,000 litres. NKCC continues to modernize its factories in a bid to reduce maintenance cost. Further, NKCC renovated and or built stores in various locations. This provided more space for finished goods and hence efficient stores management.
<p>Strategic Objective No: 5 Enhance Institutional Capacity Development</p>	<p>Establish a highly productive human resource</p>	<ul style="list-style-type: none"> • Institutional policies were reviewed and implemented. These include Human resource, Finance, Procurement, ICT, land management policies among others. Further, NKCC organization structure and Human Resource instruments (schemes of service and job descriptions) were approved by State Corporations Advisory Committee (SCAC). These helped to streamline operations at the Company. • Continuous training of Board members and Management on corporate Governance and leadership was undertaken as per the Mwongozo Code of Conduct for State Corporations. This ensured harmonious relationship between the Board and Management in running the affairs of the Company. Further, NKCC entered into partnership with Kenya School of government to train staff on performance management. This is a gateway to instilling a culture of high performance amongst staff • NKCC leverages on a robust ICT system in carrying out its processes. The system has been integrated with M-PESA and bank platforms

VIII. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

Vision: To be the market leader in quality refreshing dairy products in East and Central Africa.

Mission: New KCC is committed to provide quality dairy beverage and food products and services that are of international standing through sustainable innovation and value chain management.

Core Values

- Integrity
- Loyalty
- Innovativeness
- Quality

PART B: Corporate Governance Statements

Introduction

New KCC understands the importance of good corporate governance to ensure maximum value for all its stakeholders, as well as maintaining business integrity and stakeholder confidence.

In addition, the Company strives to act in accordance with the Laws of Kenya and in full appreciation of the diversity of the Kenyan people.

It has in place a Code of Conduct which is in conformity with the highest standards of integrity, honesty and ethics, in its dealings with stakeholders including government, directors, employees, customers, suppliers and the society at large. It also clearly spells out the policies and guidelines regarding employees' personal conduct.

It is expected that at all times, the Board of Directors and Employees of New KCC will act with honesty, integrity, transparency and justice.

Board Composition

The Board comprises Twelve members whose unique skills, knowledge and experience collectively contribute to the running of the company and corporate governance. Among them is the Chairman, who is appointed by the President and remaining directors who are appointed by the Cabinet Secretary, Ministry of Ministry of Agriculture, Livestock, Fisheries and Co-operatives

The Board and its Role

The New KCC Board of Directors is mandated to provide clear definitions of the Company's objectives and values as a whole, ensuring that proper procedures and practices are put in place to protect the company's assets and reputation, and that at all times, their conduct is in line with their duties and responsibilities to the company.

The Board holds quarterly meetings with provisions for special board meetings whenever circumstances demand.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Board Committees

The State Corporations Act permits the Board to set up committees consisting of Board Members and Departmental Heads, who are tasked with assisting the Board in the execution of its duties and authorities, and as defined by the Board.

These committees are: -

- i) Marketing & Logistics Committee
- ii) Audit Committee
- iii) Finance & General Purposes Committee
- iv) Technical Committee

BOARD MEETING	NO. OF MEETINGS	MEMBERSHIP CONSTITUTION/ ATTENDANCE	AVERAGE %
Full Board meeting	Four (4) - (Annually)	12 Members	100%
Technical Committee Meeting	Four (4) – (Annually)	6 Members	100%
Marketing & Logistics Committee meeting	Four (4) – (Annually)	7 Members	100%
Finance & General Purposes Committee Meeting	Four (4) – (Annually)	5 Members	100%
Audit Committee Meeting	Four (4) – (Annually)	5 Members	100%
Annual General meeting	One (1) - (Annually)	12 Members	100%
Special Board meeting	Two (2) - (Annually)	12 Members	100%

PROCESS OF APPOINTMENT OF BOARD OF DIRECTORS.

The process of appointment of Board Directors shall be as provided for under Section 6 (2) of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.6(2) Every appointment under subsection (1)(a) and (e) shall be by name and by notice in the Gazette and shall be for a renewable period of five years or for such shorter period as may be specified in the notice, but shall cease if the appointee—

(a) serves the Minister with written notice of resignation; or (b) is absent, without the permission of the Minister notified to the Board, from three consecutive meetings; or (c) is convicted of an offence

and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or (d) is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or (e) conducts himself in a manner deemed by the Minister, in consultation with the Committee, to be inconsistent with membership of the Board.

PROCESS OF REMOVAL OF BOARD OF DIRECTORS

The process of removal of Board Directors shall be as provided for under Section 7 of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.

(7.) Power to issue directions and to remove Board

(1) The President may give directions of a general or specific nature to a Board with regard to the better exercise and performance of the functions of the state corporation and the Board shall give effect to those directions. (2) Notwithstanding subsection (1), directions under this section may require that the memorandum and articles or any other documents establishing a state corporation, be amended to conform with any requirement of this Act where the same is inconsistent therewith. (3) Notwithstanding the provisions of any other written law or the articles of association establishing and governing a Board, the President may, if at any time it appears to him that a Board has failed to carry out its functions in the national interest, revoke the appointment of any member of the Board and may himself nominate a new member for the remainder of the period of office of that member or he may constitute a new Board for such period as he shall, in consultation with the Committee, determine.

SUCCESSION PLAN FOR DIRECTORS

The appointing Authority for Board of Directors in a State owned Corporation is the Cabinet Secretary and the President of Kenya for a Board Chairman. The mandate on succession planning will therefore rest in the said offices for appointments of Board of Directors.

BOARD REMUNERATION

Board remuneration shall be as provided for in the Guidelines on Terms and Conditions of Service for State Corporations dated 23rd November, 2004 (Annex IV) as read with Circular No.OP/SCAC.9/21/2A and No.OP/SCAC.9/21.2 VOL.1 (164)

BOARD CHARTER

The Board charter of NKCC details the role of the board, board size and composition, the role of chairman, directors, board meetings, board committees, calling and procedure of board meetings.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

IX. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

1.0 TRADING RESULTS

Below is a summary of the company's financial performance for the Twelve Months' period ended 30th June, 2022. It highlights the performance of the company in comparison with the set Budgets and the prior-year results.

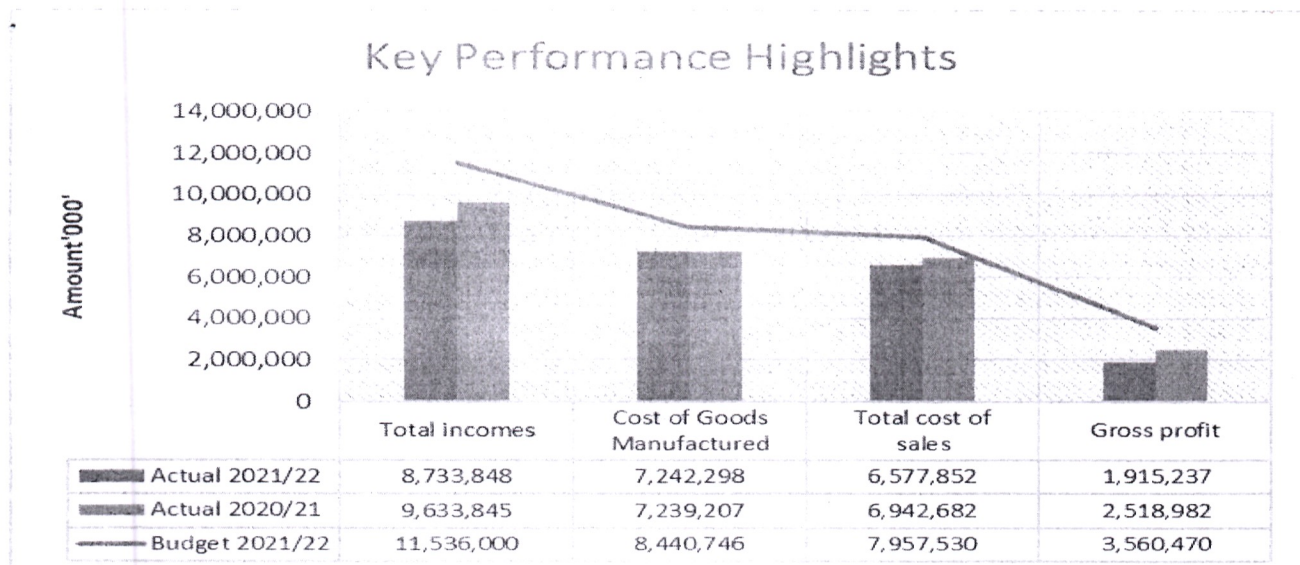
Table 1: Summary Financial Results for the period ended 30.06.2022

2021/2022 FINANCIAL SUMMARY	Actual	Budget	Variance Against	Actual	Variance against
	July'21- Jun'22	July'21- Jun'22	Budget	July'20- Jun'21	Prior Year
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Income					
Sales Revenue	8,493,089	11,500,000	(3,006,911)	9,461,664	(968,575)
Govt Grant(Restricted)	160,302	-	160,302	140,313	19,989
Other Income	80,458	36,000	44,458	31,868	48,590
Total Income	8,733,848	11,536,000	(2,802,152)	9,633,845	(899,997)
Cost of sales					
Total Cost of sales	6,577,852	7,957,530	(1,379,678)	6,942,682	(364,830)
Gross Profit	1,915,237	3,542,470	(1,627,233)	2,518,982	(603,745)
Gross Profit Margin	22.6%	30.8%	-8.3%	26.6%	-4.1%
Operating Expenses					
Administration Expenses	978,499	1,718,121	(739,623)	1,042,436	(63,937)
Selling & Distr Expenses	892,911	1,039,348	(146,437)	1,039,481	(146,570)
Finance Costs	150,986	261,600	(110,614)	135,290	15,696
Depreciation & Amortization	425,614			471,261	(45,647)
Net Profit Before Tax	(292,013)	559,401	(851,414)	2,695	(294,708)

1.1 Key Highlights

The company registered Kshs.292 Million pre-tax loss for the Twelve Months' period ended 30th June, 2022. This performance was Kshs 851 Million below the budgeted pre-tax profit of Kshs 559.4 Million. The below budget performance was as a result of a shortfall in revenue by Kshs. 3.0Billion and the high cost of raw milk which increased by Kshs 883 Million compared to the budget and also cost of reconstituting milk increased by Kshs 937 Million due to raw milk intake shortfall during the period under review.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022



1.1.1 Total Income

From the above, it is noted that the Income of the company is below Budget by Kshs 2.8 Billion. This is attributed to the shortfall in sales revenue by Kshs. 3.0 Billion during the period. The restricted Government grant of Kshs 160 Million reported as Income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.

1.1.2 Cost of Goods Manufactured

The cost of production for the period was Kshs 7.2 Billion against a budget of Kshs 8.4 Billion. This was below budget by Kshs 878 Million. Low intake volumes led to the reconstitution process to service market orders. This is an expensive process which contributed to the average cost per litre to increase to Kshs 69 per litre.

1.1.3 Cost of Sales

The cost of sales for the period was Kshs 6.6 Billion against a budget of Kshs 7.9 Billion. This expenditure was below budget by Kshs 1.3 Billion. During the period, we witnessed a decrease in the cost of sales compared to the same period last year mainly due to raw milk intake shortfall during the period under review.

1.1.4 Gross Profit

The company recorded a gross profit margin of 22.6% for the period under review compared to a budget of 31% hence a shortfall of 8.4%. This is mainly attributed to the shortfall in sales revenue, increase in the cost of goods sold and some SKUs recorded margins below 15%. for instance, Taifa Fresh 250ml had 10%, Fresh Aseptic Longlife(ESL) 500ml had 7% margins each., TFA Taifa Fresh 250ml had a 3% margin, TFA KCC Fresh 500ml had 7% margin and TFA Gold Crown 500ml had 7% margin. These products effectively reduced the average margins which in turn reduced the ability to absorb overhead costs.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

2.0 ANALYSIS OF KEY EXPENDITURES

2.1 Raw Milk

This is one of the key raw materials used by the company and it is the highest cost of production for the entity. During the period ended 30th June, 2022, raw milk supplied, and the amount paid was as below:

Table 2: Analysis of Raw Milk Intake Figures and Pay-out Summary for the Period ended 30th June, 2022.

Period	Actual Lts 2021/22	Budget Lts 2021/22	2021/22 Actual Payout	2021/22 Budget Payout	Actual Lts 2020/21	Actual Average cost/Li tre (21/22)	Actual Average cost/Litre (20/21)
July	9,273,852	10,859,720	429,895,679	406,696,527	6,770,875	46.4	39.3
Aug	8,071,849	10,809,720	361,269,573	404,824,027	5,956,132	43.1	36.6
Sept	6,865,011	10,435,213	237,091,931	390,798,736	5,332,047	45.4	34.9
Oct	7,164,276	11,431,198	332,548,052	428,098,381	5,619,617	46.4	43.5
Nov	7,141,329	11,202,482	335,565,753	425,694,329	6,000,729	47.0	44.0
Dec	7,793,322	11,791,198	378,236,473	448,065,540	7,401,836	48.5	45.1
Jan	7,241,836	9,806,027	354,450,824	382,435,071	8,449,339	48.9	45.5
Feb	5,953,439	9,194,671	296,017,895	358,592,163	7,710,195	49.7	45.8
Mar	5,498,670	9,692,027	273,720,155	377,989,071	8,358,567	49.8	45.7
Apr	4,128,923	8,345,642	282,581,125	319,638,074	7,117,087	52.4	37.5
May	5,254,845	8,340,830	282,581,125	312,364,071	8,642,393	53.8	37.8
June	8,181,496	8,105,642	436,823,923	303,556,279	10,586,648	53.4	37.9
Total	82,568,848	120,014,370	4,000,782,508	4,558,752,269	87,945,465	48.7	41.1

The company managed to collect 82.5 Million litres of milk against a budget of 120 Million litres at an average cost of Kshs 48.7 per litre. The total payout for the period was Kshs 4 Billion against a budgeted payout of Kshs 4.5 Billion. The payout was higher by 883M due to increase in unit price per litre by ksh 10.7 from the budgeted unit cost of Ksh 38 per litre. The intake levels dipped during the period due to unfavourable weather which affected the production at the farm level. However, compared to the prior year, there was a decrease in the collection by 5.3 Million litres.

SECTION B

Entity's compliance with statutory requirements

Organization is fully compliant of all statutory obligations and there are no major compliance issues that may expose the company

SECTION C

Key projects and investment decisions the entity is planning/implementing

1.	KIGANJO FACTORY
	a) Water Bottle Filling Line
	b) Lagging and Cladding of Steam and Condensate Lines
2.	SOTIK COMPLEX
	a) Supply, Install and Commission automatic CIP System
	b) Design and Construction of Sales Depot
3.	NYAMBENE PLANT
	(a) Construction of a new dairy plant with Sub Depot
4.	DANDORA COMPLEX
	a) Construction of Sales Depot Store and Sales Shop
	b) Supply, Install and Commission Yoghurt Processing Tanks

SECTION D

Major risks facing the entity

Capital Risk

The company manages its capital to ensure that it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents, equity attributed to equity holders and debt.

Financial Risk

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimize potential adverse effects of such risks on its financial performance within the options available by setting acceptable levels of risks.

Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Credit Risk

Credit risk refers to the risk of financial loss to the company arising from a default by counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by debt control unit.

Trade receivables consist of major players in the dairy industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee is requested.

SECTION E

Statutory/financial obligations

Statutory/financial obligations/contingent liability:						
As At:		30 Sept	31 Dec	31 Mar	30 Jun	Prior Year
Loan Arrears:	Principal	305,236,913	666,895,874	631,589,502	635,921,061	345,920,109
	Interest	36,628,430	80,027,505	75,790,740	76,310,527	41,137,618
	Total	341,865,343	746,923,379	707,380,242	712,231,588	387,057,727
Statutory Obligations:	NSSF	752,466	773,666	754,466	696,766	800,966
	NHIF	1,730,450	1,772,550	1,726,450	1,885,800	1,853,850
	PAYE	13,715,314	13,521,528	13,332,655	18,920,242	14,944,502
	Corporate Tax.					
	Pension.	8,622,154	8,884,852	8,624,303	11,066,094	9,440,510

SECTION F

The entity's financial probity and serious governance issues

During the period under review, there was neither any major financial improbity reported nor was there any serious governance issues raised.

- X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

New KCC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

a) Sustainability strategy and profile:

New KCC employs various strategies to enable it operate within limited financial resources to ensure sustainability of its operations. The Company is in business of buying raw milk from farmers, processing it into various milk and dairy products and selling these products to consumers.

b) Environmental Performance:

As a company whose raw product depends heavily on climatic conditions, New KCC has taken deliberate efforts to reduce its carbon footprint including use of 100% recyclable packaging material for all its products and use of outsourced steam generation at all our major processing facilities that has cut energy costs by up to 30%.

c) Employee welfare

We are continually equipping our staff with relevant skills and knowledge to enable us to meet the demands of an ever-changing business environment and offer competitive salaries commensurate with one's skills and experience.

In line with our policy on safety in the workplace, New KCC has complied with all relevant laws on health and safety in the workplace and has put in place adequate controls and resources to ensure a safe and healthy working environment for all its employees. In the past year, New KCC in an effort to remain vigilant to the covid-19 pandemic continues to raise awareness among its staff to continue to observe the established protocols including wearing of masks, social distancing and has continued to avail hand-sanitizers to its entire workforce in all its locations.

All our locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations and, also available on our digital platforms and in braille format, is our citizen's service delivery charter that outlines our services and the standards we have committed to upholding while delivering these services to members of the public.

Ours is to deliver 'Life's goodness everyday'.

d) Market Place Practices

All NKCC locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations and, also available on our digital platforms, is our citizen's service delivery charter that outlines our services and the standards we have committed to uphold while delivering these services to members of the public.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NKCC operates a robust distribution model that ensures all our products reach to the market place in good time. NKCC has contracted suppliers/farmers who deliver raw milk to our cooling plants and factories and are paid within stipulated time stated in their contracts.

To ensure consumer rights and interests are safeguarded, our quality policy reaffirms our commitment to delivering products that are made to the highest standards and continually improving on our processes in a way that is not only innovative but sustainable. New KCC is ISO 9001:2015 certified for Total Quality Management Systems, further underscoring our commitment to adhering to not just local quality standards but have also benchmarked against international best practices.

With the widest range of quality dairy products, we have taken steps to ensure that our products are available in various packaging and size, to meet the needs of our consumers at every socio-economic level without compromising on quality.

e) Corporate Social Responsibility / Community Engagements

In appreciation of our reach in virtually all parts of the country, New KCC endeavours to ensure it has integrated its business operations and guiding values and find the right balance where the interests of all its stakeholders both internal and external and which go beyond the boardroom are continually reflected in the company's policies, actions as well as its day-to-day activities.

New KCC has been an active participant in initiatives aimed at improving the livelihoods of communities wherever it operates in the areas of education, environmental preservation, health, and sports. To this end, we have extended our support in both cash and in-kind towards supporting medical camps, sporting events, environmental clean-up exercises and food drives in times of national emergency and need.



New KCC donates soccer balls and milk to Trans Nzoia Football Association



New KCC donates aluminium milk cans to Kabianga Dairy Farmers Co-operative Society

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

Principal activities

The company's principal activity is buying, processing, selling and distribution of milk and milk products.

Results

The results of the New Kcc Ltd for the year ended June 30, 2022 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	(292,013,042)
Taxation Charge/Credit	70,453,859
Profit after Taxation	(221,559,183)

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment of dividends for the year.

Directors

The members of the Board of Directors who served during the year are shown on page II.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Irene Mbito
Company Secretary

Nairobi

Date..12/04/2023

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Companies Act Chapter 486 require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act chapter 486. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2022, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

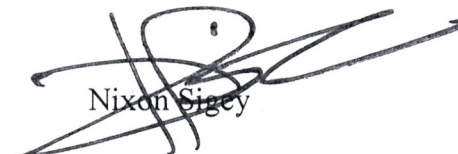
Approval of the financial statements

The Company's financial statements were approved by the Board on 12/04/2023 and signed on its behalf by:



Mr. David Maina Kamiru

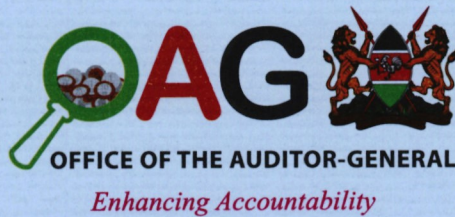
Chairman



Nixon Sigey

Managing Director

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the New Kenya Co-operative Creameries Limited set out on pages 1 to 56, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of New Kenya Co-operative Creameries Limited (NKCC) as at 30 June, 2022 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Ownership Documents and Valuation

The statement of financial position and as disclosed in Notes 15 and 16 to the financial statements reflects balances of Kshs.307,500,000 and Kshs.3,345,117,066 in respect to freehold land and leasehold land, respectively. As previously reported, the ownership documents for eighteen (18) properties valued at Kshs.853,900,000 were not provided for audit verification.

Further, the value of six (6) other parcels of land, two (2) of which are disputed properties in Nairobi and claimed to have been transferred to third parties have not been disclosed in the financial statements. Another twenty-three (23) disputed parcels of land and which had not been valued were registered in the names of third parties. The legal status of the properties has not yet been determined. Although, Management explained that the Company had initiated legal proceedings besides engaging the National Land Commission and Ministry of Lands on the matter with a view to recovering the disputed properties, no tangible change in status of the parcels of land has been attained so far.

In addition, out of 32.94 acres of the parcel on which the Miritini Milk Processing Factory is located, a five (5) acres parcel of land has been encroached by informal settlers some of whom have already built residential and other structures. As a result, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk.

In the circumstances, the valuation and ownership of land balances amounting to Kshs.3,652,617,066 reflected in the financial statements as at 30 June, 2022, could not be confirmed.

2. Trade and Other Receivables

As disclosed in Note 19(a) to the financial statements, the statement of financial position reflects net trade and other receivables balance of Kshs.1,886,454,901 which includes trade receivables balance of Kshs.1,484,280,490. However, review of the trade receivables analysis and related records revealed the following anomalies;

- i. The balance includes trade customers amounting to Kshs.954,663,047, receivables from salesmen long outstanding debts amounting to Kshs.31,135,912, receivables from agents of Kshs.30,762,496 and exports receivables of

Kshs.1,495,430 all totalling Kshs.1,018,056,884 which have been outstanding for more than 120 days.

- ii. In addition, as previously reported the balance includes an amount of Kshs.175,085,958 that has been outstanding for more than one (1) year due from a Company which has since ceased operations.
- iii. The Company has made a provision of bad and doubtful debts of Kshs.334,507,677. However, the basis for the provision was made was not provided.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.1,886,454,901 could not be confirmed.

3. Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.4,016,421,397 which exceeds the current assets balance of Kshs.3,304,716,006 resulting to a negative working capital of Kshs.711,705,391. The Company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon support from the National Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements.

In the circumstances, the Company may be unable to meet its short-term liabilities as and when they fall due.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the New Kenya Co-operative Creameries Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of the Matter

Long Outstanding Erroneous Direct Debits

The statement of financial position reflects bank and cash balances of Kshs.29,672,403 and as disclosed in Note 22 to the financial statements. However, review of the bank reconciliation statement for the month of June 2022, revealed a payment in bank statement not in cashbook of Kshs.3,308,561 which has been outstanding since June, 2015.

Although Management has explained that these were erroneous debits made by the bank and provided an extract of correspondences with the bank of Kenya, the issue had not been resolved as at the time of this report.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.11,536,000,000 and Kshs.8,733,848,448 respectively resulting to an under-collection of Kshs.2,802,151,552 or 24% of the budget. Similarly, the Company spent Kshs.9,025,861,490 against an approved budget of Kshs.10,976,598,717 resulting to an under-expenditure of Kshs.1,950,737,227 or 18% of the budget.

The under-collection and underperformance affected the planned activities of the Company and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Employees in Acting Capacity Beyond Six Months

Review of payrolls and human resources records revealed that thirty-eight (38) employees had been in acting appointments beyond six (6) months and were paid acting allowances amounting to Kshs.11,629,516 during the year under review. This is contrary to the provisions of Human Resource Policies and Procedures Manual for the Public Service, May 2016 that limit the duration of acting appointments to only six (6) months and Section 4.5.5 of the Company's Board Human Resource Policies and Procedures Manual, 2021.

In the circumstances, Management was in breach of the regulations.

2. Non-Compliance with the One Third of Basic Salary Rule

Review of sampled monthly payroll records revealed that some employees were earning net salaries that were below a third of their basic salaries as detailed in the table below;

Month	Number of Staff with Net Salary Below One Third of Basic Salary
July, 2021	63
August, 2021	61
December, 2021	90
March, 2022	88
May, 2022	57
June, 2022	27

This is contrary to Section 19(3) of the Employment Act, 2007 which requires that all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about 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. 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, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. 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 the 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, so far as appears from the examination of those records; and,
- iii. The Company financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit 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 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. 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.
- 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 May, 2023

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2022 Kshs	2021 Kshs
REVENUES			
Sales/Turnover	1	8,493,089,151	9,461,663,552
Cost of Sales	2	(6,577,851,712)	(6,942,681,939)
Gross profit		1,915,237,439	2,518,981,613
Other Income			
Grants from National Government	3	160,301,760	140,313,009
Other Income	4	80,457,537	31,067,262
Finance Income	5	-	801,109
TOTAL REVENUES		8,733,848,448	9,633,844,933
OPERATING EXPENSES			
Administration Costs	6(a)	978,498,731	1,042,435,529
Selling and Distribution Costs	7	892,911,114	1,039,481,092
Finance Costs	8	150,985,675	135,289,696
Depreciation of property, plant and equipment	13	420,869,809	387,526,146
Amortisation of Intangible Assets	14	512,418	78,292,010
Amortization of Leasehold land	16	4,232,031	5,442,743
TOTAL OPERATING EXPENSES		2,448,009,778	2,688,467,216
PROFIT/(LOSS) BEFORE TAXATION		(292,013,042)	2,695,778
INCOME TAX EXPENSE/(CREDIT)	10	70,453,859	(4,949,219)
PROFIT/(LOSS) AFTER TAXATION		(221,559,183)	(2,253,441)
Earnings per share – basic and diluted	11	(4.05)	(0.04)
Dividend per share	12	(0.81)	(0.01)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(221,559,183)	(2,253,441)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(221,559,183)	(2,253,441)

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	2022 Kshs	2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	7,089,304,006	4,535,856,889
Intangible assets	14	162,836	675,254
Freehold land	15	307,500,000	307,500,000
Leasehold Land	16	3,345,117,066	3,449,519,083
Investment property	17	6,456,475	6,456,475
Total Non-Current Assets		10,748,540,383	8,300,007,701
Current Assets			
Inventories	18	1,388,588,702	3,024,471,944
Trade and other receivables	19	1,886,454,901	2,375,316,752
Tax recoverable	20	-	7,394,118
Bank and cash balances	22	29,672,403	404,852,582
Total Current Assets		3,304,716,006	5,812,035,396
Total Assets		14,053,256,389	14,112,043,096
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	5,649,603,169	5,147,934,862
Retained earnings	26	1,376,406,830	1,603,345,931
GOK Grant		1,889,290,790	2,649,592,550
Capital and Reserves		9,462,329,659	9,947,902,213
Non-Current Liabilities			
Borrowings	27	453,249,774	226,231,845
Deferred tax liability	28	122,532,133	200,599,389
Total Non-Current Liabilities		575,781,907	426,831,234
Current Liabilities			
Borrowings	27	182,671,287	119,688,264
Trade and other payables	29	2,485,127,038	2,292,321,893
Retirement benefit obligations	30	62,549,201	47,903,173
Provision for leave pay	31	27,427,014	29,019,753
Related Party Balances	34	700,000,000	700,000,000
Tax Payable	20	266,520	-
Bank Overdraft	22(a)(I)	557,103,762	548,376,567
Total Current Liabilities		4,015,144,822	3,737,309,649
TOTAL EQUITY AND LIABILITIES		14,053,256,389	14,112,043,096

The financial statements were approved by the Board on _____ 2022 and signed on its behalf by:

Managing Director/CEO

Name: *N. N. N. N. N.*

Head of Finance

Name: *SAMUEL ICHURA*

ICPAK M/NO: *4239*

Chairman of the Board

Name: *L. A.*

Annual Reports and Financial Statements
For the year ended June 30, 2022

XVI. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Grants from National Government	Total
At July 1, 2020	547,028,870	5,316,585,036	-	1,605,599,372	-	2,389,905,560	9,859,118,838
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(2,253,441)	-	-	(2,253,441)
Capital/Development grants received during the year	-	-	-	-	-	400,000,000	400,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2020	-	-	-	-	-	-	-
Depreciation Write back on Gov't Grant	-	-	-	-	-	(140,313,009)	(140,313,009)
Interim dividends paid – 2020	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	(-)
At June 30, 2021	547,028,870	5,147,934,862	-	1,603,345,931	-	2,649,592,550	9,947,902,213
At July 1, 2021	547,028,870	5,147,934,862	-	1,603,345,931	-	2,649,592,550	9,947,902,213
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	620,983,464	-	-	-	-	620,983,464
Transfer of excess depreciation on revaluation	-	(119,315,157)	-	-	-	-	(119,315,157)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment-Deferred Tax	-	-	-	(44,451)	-	-	(44,451)
Prior year adjustment-Rebates	-	-	-	(5,335,467)	-	-	(5,335,467)
Total comprehensive income	-	-	-	(221,559,183)	-	-	(221,559,183)

**Annual Reports and Financial Statements
For the year ended June 30, 2022**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Grants from National Government	Total
Capital/Development grants received during the year	-	-	-	-	-	50,000,000	50,000,000
Dividends paid – 2021	-	-	-	-	(-)	(-)	(-)
Depreciation Write back on Gov't Grant						(160,301,760)	(160,301,760)
Interim dividends paid – 2019	-	-	-	(-)	-	-	(-)
Raw milk grant utilized						(650,000,000)	(650,000,000)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2022	547,028,870	5,649,603,169	-	1,376,406,830	-	1,889,290,790	9,462,329,659

Note: Prior year adjustment relates to sales rebates that had not been captured in the previous year hence overstating the retained earnings which has now been corrected.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XVII. STATEMENT OF CASH FLOWS

	Note	2022 Kshs	2021 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	2,481,261,709	627,311,214
Interest received	5	-	801,109
Interest paid	8	(138,194,771)	(135,289,696)
Dividends paid	33 (e)	-	-
Taxation paid	20	(309,560)	(15,365,710)
Net cash generated from/(used in) operating activities		2,342,757,378	477,456,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(557,682,823)	(805,955,184)
Revaluation Reserve		(2,500,255,687)	
Net cash generated from/(used in) investing activities		(3,057,938,510)	(805,955,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(171,910,282)	(189,729,495)
Proceeds from borrowings	33 (b)	461,911,234	89,492,892
GOK Grant	3	50,000,000	400,000,000
Net cash generated from/(used in) financing activities		340,000,952	299,763,397
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(375,180,180)	(28,734,870)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	404,852,583	433,587,452
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33 (c)	29,672,403	404,852,582

Annual Reports and Financial Statements
For the year ended June 30, 2022

**XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2022**

	Original budget 2021-2022	Adjustments 2021-2022	Final budget 2021-2022	Actual on comparable basis 2021-2022	Performance difference 2021-2022	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Sale of goods	11,500,000,000	-	11,500,000,000	8,493,089,151	(3,006,910,849)	74%
Sale of services	-	-	-	-	-	
Government grant - Writeback	-	-	-	160,301,760	160,301,760	100%
Donations in kind						
Finance Income	-	-	-	-	-	
Other income	36,000,000	-	36,000,000	80,457,537	44,457,537	100%
Total income	11,536,000,000	-	11,536,000,000	8,733,848,448	(2,802,151,552)	76%
Expenses						
Use of goods and services	7,596,961,876	-	7,596,961,876	6,577,851,712	1,019,110,164	87%
Administration cost	1,607,169,387	-	1,607,169,387	978,498,731	628,670,656	61%
Selling & Distribution Cost	1,022,079,454	-	1,022,079,454	892,911,114	129,168,340	87%
Depreciation & Amortization	488,788,000	-	488,788,000	425,777,094	63,173,742	87%
Finance cost	261,600,000	-	261,600,000	150,985,675	110,614,325	58%
Total expenditure	10,976,598,717	-	10,976,598,717	9,025,861,490	1,950,737,227	82%
Surplus for the period	559,401,284	-	559,401,284	(292,013,042)	(851,414,325)	

XIX. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

New KCC Ltd is established by and derives its authority and accountability from the Company's Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is buying, processing, selling and distribution of milk and milk products.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act 2015; and Companies Act Cap 486, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

C. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified	The amendments are effective for annual periods beginning on or after January 1, 2022. Early

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Title	Description	Effective Date
recognition of Financial Liabilities	financial liability are substantially different from the terms of the original financial liability.	application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Title	Description	Effective Date
<p>IFRS 17 Insurance Contracts (issued in May 2017)</p>	<p>The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted</p>
<p>IAS 12 — Income Taxes</p>	<p>IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.</p>	<p>The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p>
<p>IAS 8- Accounting Policies, Errors and Estimates</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p>	<p>The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021-2022.

i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the 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 for each of the company's activities as described below.

- i) **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.
- ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 160 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.
- iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement on receipt.
- vi) **Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Property, plant and equipment

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

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

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

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

c) 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. Leasehold land is amortized over the number of years under lease. Upon revaluation, leasehold land is amortized over the remaining lease life period.

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:

Buildings	5%
Motor Vehicles	25%
Industrial plant and machinery	12.5%
Office equipment	12.5%
Office Furniture & fittings	12.5%
Computers and accessories	33.3%
Loose tools	12.5%
Cans & crates	33.3%

Freehold land is not depreciated.

Depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation and impairment of property, plant and equipment (Continued)

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. The revaluation reserve is being amortized annually at a rate of Kshs. 168,650,174 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses..

e) Amortisation and impairment of intangible assets

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

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

f) 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 values. Changes in fair values are included in profit or loss in the income statement.

g) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

j) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

m) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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.

n) Deferred tax

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

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

q) Borrowings

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

r) Trade and other payables

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

s) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an external administrator (Liberty Pensions and Britam) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined

contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly in June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded nil additional appropriations on the 2021-2022 budget following the governing body's approval.

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

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

Notes to the Financial Statements (Continues)

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

1. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2022	2021
	Kshs	Kshs
Gross sales of goods	8,594,299,615	9,606,998,061
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(101,210,464)	(145,334,509)
Total	8,493,089,151	9,461,663,552

2 COST OF SALES

	2022	2021
	Kshs	Kshs
Cost of sales on goods	6,577,851,712	6,942,681,939
Total	6,577,851,712	6,942,681,939

3 GRANTS FROM NATIONAL GOVERNMENT

	2022	2021
	Kshs	Kshs
Restricted Gov't Grant	160,301,760	140,313,009
Total	160,301,760	140,313,009

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortization equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Grants from National Government. KShs	Total grant income during the year KShs	2020-2021 KShs
Ministry of Trade, Industry & Co-operatives	-	-	50,000,000	50,000,000	400,000,000
Total	-	-	50,000,000	50,000,000	400,000,000

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

	2022	2021
	Kshs	Kshs
Gain on Disposal	45,523,587	-
Rent Income	30,822,577	27,351,876
Other miscellaneous receipts	4,111,372	3,715,386
Total	80,457,537	31,067,262

5 FINANCE INCOME

	2022	2021
	Kshs	Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	-	801,109
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total		801,109

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

6 (a) ADMINISTRATION COSTS

	2022	2021
	Kshs	Kshs
Staff costs (note 5(b))	399,106,523	395,346,615
Directors' emoluments	11,256,664	16,515,236
Electricity and water	4,737,696	4,811,397
Communication services and supplies	14,782,940	12,457,520
Transportation, travelling and subsistence	95,490,177	70,261,222
Advertising, printing, stationery and photocopying	16,030,674	14,333,506
Rent expenses	2,000,808	3,998,029
Staff training expenses	10,069,961	12,000,202
Hospitality supplies and services	16,358,129	17,244,462
Insurance costs	72,039,444	62,659,877
Bank charges and commissions	13,712,455	13,756,529
Office and general supplies and services	942,577	1,119,268
Auditors' remuneration	2,860,105	2,860,105
Legal fees	8,034,635	20,452,632
Consultancy fees	28,831,377	22,649,554
Repairs and maintenance	3,048,240	7,944,362
Provision for bad and doubtful debts	168,314,752	143,954,388
Other operating expenses	110,881,572	220,070,627
Total	978,498,731	1,042,435,529

6 (b) STAFF COSTS

Salaries and allowances of permanent employees	236,885,064	240,910,139
Wages of temporary employees	10,367,672	11,169,804
Compulsory national health insurance schemes	84,075,971	78,500,934
Compulsory national social security schemes	456,800	465,200
Other pension contributions	10,937,061	11,280,388
Leave pay and gratuity provisions	26,880,551	28,448,294
Staff welfare	29,503,405	24,571,856
Total	399,106,523	395,346,615
The average number of employees at the end of the year was:		
Permanent employees – Management	266	286
Permanent employees – Unionisable	681	784
Temporary and contract employees	679	774
Total	1,626	1844

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

7 SELLING AND DISTRIBUTION COSTS

	2022	2021
	Kshs	Kshs
Salaries and wages of sales personnel	325,159,544	360,826,417
Marketing and promotional expenses	91,541,105	137,991,404
Other selling and distribution costs	476,210,465	540,663,271
Total	892,911,114	1,039,481,092

8 FINANCE COSTS

	2022	2021
	Kshs	Kshs
Exchange losses on cash and bank balances	12,790,905	-
Mpesa Charges	24,805,188	33,872,775
Interest expense on loans	57,220,248	45,633,723
Interest expense on bank overdrafts	56,169,334	55,783,198
Total	150,985,675	135,289,696

9 OPERATING PROFIT/(LOSS)

	2022	2021
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4(b))	399,106,523	395,346,615
Depreciation of property, plant and equipment	420,869,809	471,260,899
Provision for bad and doubtful debts	168,314,752	143,954,388
Directors' emoluments – fees	11,256,664	16,515,236
Auditors' remuneration - current year fees	2,860,105	2,860,105
- prior year under-provision	-	-
Net foreign exchange loss	-	-
Total	(-)	(-)

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2022	2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year	(9,246,773)	(8,205,563)
Current tax: prior year under/(over) provision	-	(1,210,028)
Current year deferred tax charge	79,700,632	4,466,372
Prior year under-provision for deferred tax	-	-
Total	70,453,859	(4,949,219)

11 EARNINGS PER SHARE

The earnings per share of (4.05) is calculated by dividing the loss after tax of Kshs. 223,441,820 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 DIVIDEND PER SHARE

The Dividend per share of Ksh (0.81) is calculated by dividing 20% of the loss after tax of Kshs. 223,441,820 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)
13 PROPERTY, PLANT AND EQUIPMENT

COSTOR VALUATION- 2021	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
At July 1, 2021	5,004,031,748	3,992,652,446	730,338,563	450,827,845	67,831,862	188,329,363	136,860,398	340,123,410	10,910,995,635
Additions	4,246,547	2,959,147	5,129,438	15,863,913	11,819,226	9,729,000	16,914,841	491,020,711	557,682,823
Transfers In from W.I.P	101,793,429	311,026,792						(412,820,221)	-
Revaluation	-	2,475,092,882	-	-	-	-	25,162,805	-	2,500,255,687
At June 30, 2022	5,110,071,724	6,781,731,267	735,468,001	466,691,758	79,651,088	198,058,363	178,938,044	418,323,900	13,968,934,146
DEPRECIATION									
At July 1, 2021	2,309,205,335	2,724,116,647	631,715,770	408,499,111	32,638,703	174,573,821	94,389,363	-	6,375,138,749
Charge for the year	163,350,025	171,873,545	41,912,705	20,996,044	6,282,815	6,415,857	10,038,817	-	420,869,808
Transfer of excess Dep on Revaluation	43,075,907	40,545,677							83,621,584
Eliminated on disposal									
At June 30, 2022	2,515,631,267	2,936,535,869	673,628,475	429,495,155	38,921,518	180,989,678	104,428,180	-	6,879,630,142
NBV									
At June 30, 2022	2,594,440,458	3,845,195,398	61,839,526	37,196,603	40,729,571	17,068,685	74,509,863	418,323,900	7,089,304,004

**Annual Reports and Financial Statements
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
13 PROPERTY, PLANT AND EQUIPMENT (Continued)**

2020	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Furniture & fittings	Grates & Cans	Equipment & Loose Tools	Capital work in progress	Total
COST OR VALUATION									
At July 1, 2020	4,831,006,887	3,721,634,876	660,257,463	420,494,769	60,990,931	178,979,363	122,035,766	109,640,398	10,105,040,453
Additions	7,061,423	2,869,753	70,081,100	30,333,076	6,840,931	9,350,000	14,824,632	664,594,269	805,955,182
Transfers	165,963,439	268,147,818						434,111,256	-
At June 30, 2021	5,004,031,748	3,992,652,446	730,338,563	450,827,845	67,831,862	188,329,363	136,860,398	340,123,410	10,910,995,635
DEPRECIATION									
At July 1, 2020	2,111,465,412	2,515,189,741	603,729,122	396,517,344	27,398,609	167,822,188	82,041,104	-	5,904,163,519
Charge for the year	154,664,016	168,381,230	27,986,648	11,981,767	5,240,094	6,751,634	12,348,258	-	387,353,646
Transfer of excess Dep on Revaluation	43,075,907	40,545,677							83,621,584
At June 30, 2021	2,309,205,335	2,724,116,647	631,715,770	408,499,111	32,638,703	174,573,821	94,389,363	-	6,375,138,749
NBV									
At June 30, 2021	2,694,826,414	1,268,535,799	98,622,793	42,328,734	35,193,160	13,755,542	42,471,035	340,123,410	4,535,856,886

1) Included in property, plant and equipment are 23 (Twenty-three) properties that were acquired from Kenya Co-operative Creameries (2000) Limited whose ownership is in dispute and are in possession of third parties. The company has initiated legal process on the disputed properties. The directors are of the opinion that the company holds good title to the assets and therefore, no provision has been made in the financial statements to cater for any loss that might arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

	2022	2021
	Kshs	Kshs
COST		
At July 1	234,947,771	234,947,771
Additions	-	-
Disposals	(-)	(-)
At June 30 th	234,947,771	234,947,771
AMORTISATION		
At July 1	234,272,517	155,980,507
Charge for the year	512,418	78,292,010
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30 th	234,784,935	234,272,517
NET BOOK VALUE		
At June 30 th	162,836	675,254
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

	2022	2021
	Kshs	Kshs
Opening valuation	307,500,000	307,500,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note18)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	307,500,000	307,500,000
	=====	=====
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
NET BOOK VALUE		
At June 30 th	307,500,000	307,500,000
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LEASEHOLD LAND

	2022	2021
	Kshs	Kshs
COST		
At July 1	3,883,175,220	3,883,175,220
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(72,249,913)	(-)
At June 30	3,810,925,307	3,883,175,220
AMORTISATION		
At July 1	(433,656,138)	(343,184,805)
Charge for the year	(4,232,031)	(5,442,743)
Excess Depreciation on Revaluation	(35,693,573)	(85,028,590)
Disposals	7,773,501	(-)
At June 30	(465,808,241)	(433,656,138)
NET BOOK VALUE		
At June 30	3,345,117,066	3,449,519,083

17 INVESTMENT

	2022	2021
	Kshs	Kshs
Opening valuation	6,456,475	6,456,475
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	6,456,475	6,456,475
	=====	=====

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares Current year	Fair value of shares Prior year
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%			
Uchumi Supermarket	100	0	100	8.41	6,456,475	6,456,475
	100	0	100	8.41	6,456,475	6,456,475

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

	2022	2021
	Kshs	Kshs
Finished Product	445,297,372	1,817,970,898
Work in Progress	5,778,797	2,977,671
Production Materials	316,405,066	597,464,835
Engineering Stores	565,117,042	544,428,368
Furnace oil, Gases and Lubricants	17,734,347	26,427,418
Motor vehicle spare parts	23,785,719	21,393,670
Stationery and general stores	14,470,358	13,809,084
	1,388,588,702	3,024,471,944

19 (a) TRADE AND OTHER RECEIVABLES

	2022	2021
	Kshs	Kshs
Trade receivables	1,484,280,490	1,820,550,766
Deposits and prepayments	63,575,846	65,614,097
VAT recoverable	481,859,888	961,308,769
Staff receivables	4,561,085	13,701,925
Bounced cheques Account	-	19,583,145
Chaka Property sale	110,000,000	-
Rent Customers-Commercial	76,685,269	57,950,625
Other: Provision for bad and doubtful receivable	(334,507,677)	(563,392,576)
Net trade and other receivables	1,886,454,901	2,375,316,752

19 (b) TRADE RECEIVABLES

	2022	2021
	Kshs	Kshs
Gross trade receivables	1,484,280,490	1,820,550,766
Provision for doubtful receivables	(334,507,677)	(563,392,576)
	1,149,772,813	1,257,158,191
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	248,377,523	144,670,072
Between 30 and 60 days	64,121,254	98,243,375
Between 61 and 90 days	27,970,514	37,978,488
Between 91 and 120 days	24,145,660	50,968,989
Over 120 days	785,157,863	925,297,268
	1,149,772,813	1,257,158,191

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

	2022	2021
	Kshs	Kshs
Gross staff loans and advances	4,561,085	13,701,925
Provision for impairment loss	(4,006,193)	(11,889,404)
	554,892	1,812,521
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20 TAX RECOVERABLE/PAYABLE

	2022	2021
	Kshs	Kshs
At beginning of the year	7,394,118	233,971
Income tax charge for the year	(9,246,773)	(8,205,563)
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	1,586,135	15,365,710
At end of the year	(266,520)	7,394,118

21 SHORT TERM DEPOSITS

	2022	2021
	Kshs	Kshs
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
	-	-

Example: The average effective interest rate on the short term deposits as at June 30, 2020 was Nil (2019: Nil).

22 BANK AND CASH BALANCES

	2022	2021
	Kshs	Kshs
Cash at bank	22,199,531	394,024,881
Mpesa Utility	5,644,061	7,780,261
Cash in hand	1,828,811	3,047,439
	29,672,403	404,852,582

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (a) BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
I. Current account(Overdraft)			
Cooperative Bank		(557,103,762)	(548,376,567)
Total		(557,103,762)	(548,376,567)
II. Current Account Cash Balances			
Kenya Commercial bank		18,023,961	383,231,788
Equity Bank		2,983,107	8,809,004
Standard Chartered Bank		171,906	300,986
CFC Stanbic Bank		16,895	855,551
Cooperative Bank USD A/c		1,003,662	827,553
Sub- total		22,199,531	394,024,882
a) Others(specify)		-	-
cash in hand		1,828,811	3,047,439
M pesa		5,644,061	7,780,261
Sub- total		7,472,872	10,827,700
Total		29,672,403	404,852,582

23 ORDINARY SHARE CAPITAL

	2022	2021
	Kshs	Kshs
Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

This is the amount paid by the Government of Kenya to New Kcc 2000 Ltd, now for allotment for ksh 10 per share for 54,702,887 shares

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

25 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

26 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

27 (a) BORROWINGS

	2022	2021
	KSh	KSh
Balance at beginning of the year	345,920,109	446,156,712
External borrowings during the year	-	-
Domestic borrowings during the year	461,911,234	89,492,892
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	(171,910,282)	(189,729,495)
Balance at end of the year	635,921,061	345,920,109
Less: Amounts due within one year (current portion)	182,671,287	119,688,264
Amounts due after one year (non-current portion)	453,249,774	226,231,845

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b) BORROWINGS (Continued)

The analyses of both external and domestic borrowings are as follows:

	2022	2021
	Kshs	Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	-	-
Loan - Stanbic Asset finance facility	-	-
Loan - Co-operative Bank Asset Finance	275,921,062	310,920,109
Long Term Loan (co-op Bank)-Restructured	360,000,000	35,000,000
Total balance at end of year	635,921,062	345,920,109

28 DEFERRED TAX LIABILITY

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date. Refer to summary of significant accounting policies, deferred tax. (Item m).

	2022	2021
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	200,599,389	205,065,761
Credit to revaluation reserve		
Under provision in prior year	1,633,376	
Income statement charge/(credit)	(79,700,632)	(4,466,,372)
Balance at end of the year	122,532,133	200,599,389

29 TRADE AND OTHER PAYABLES

	2022	2021
	Kshs	Kshs
Trade payables	2,178,892,972	2,011,019,265
Accrued expenses	101,397,731	144,747,453
Other payables	204,836,336	136,555,175
	2,485,127,038	2,292,321,893
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees which is administered externally by Liberty pensions and Britam. The company also operates a gratuity for its senior management who are on contract. The liability at the end of the year is as follows:

	2022	2021
	Kshs	Kshs
Gratuity for senior management	62,549,201	47,903,173

The report from the administrator for the defined benefits scheme as at 31st Dec 2021 is as follows:

	2022	2021
	Kshs	Kshs
Valuation at the beginning of the year	739,074,406	646,676,897
Changes in valuation during the year	112,458,493	92,397,509
Valuation at end of the year	851,532,899	739,074,406

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

Apart from the gratuity liability for senior management, the company has remitted the total contribution to the statutory pension schemes for all the employees.

31 PROVISION FOR LEAVE PAY

	2022	2021
	Kshs	Kshs
Balance at beginning of the year	29,019,753	28,880,076
Decrease/Increase in provision at end of year	(574,801)	3,588,740
Leave paid out or utilized during the year	(1,017,938)	(3,449,061)
Balance at end of the year	27,427,014	29,019,753

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

32 DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analyzed in annual amount below.

	2022	2021
	Kshs	Kshs
Year 2021	-	-
Year 2020	-	-
Balance at end of the year	-	-
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

	2022	2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(292,013,042)	2,695,778
Depreciation/Amortization	425,614,258	471,260,889
Amortisation	-	-
(Gain)/loss on revaluation	-	-
Operating profit/(loss) before working capital changes	133,601,216	473,956,677
(Increase)/decrease in inventories	1,635,275,800	(173,702,254)
(Increase)/decrease in trade and other receivables	488,861,851	5,802,908
(Increase)/decrease in tax recoverable	7,394,118	(7,160,147)
Increase/(decrease) in tax payable	1,543,095	
Increase/(decrease) in trade and other payables	192,805,146	321,158,762
Increase/(decrease) in retirement benefit obligations	14,646,029	(8,082,657)
Increase/(decrease) in provision for staff leave pay	(1,592,739)	139,677
Increase/(decrease) in Bank Overdraft	8,727,195	15,198,248
Cash generated from/(used in) operations	2,481,261,709	627,311,214
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	345,920,109	446,156,712
Receipts during the year	461,911,234	89,492,892
Repayments during the year	(171,910,282)	(189,729,495)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	635,921,061	345,920,109
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	22,199,531	394,024,881
Cash in hand	1,828,811	3,047,439
Mpesa Collection Utility Account	5,644,061	7,780,261
Balance at end of the year	29,672,403	404,852,582

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2022	2021
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	57,220,248	45,633,723
Interest on bank overdraft (note 10)	56,169,334	55,783,198
	113,389,582	101,416,921
Interest on loans capitalized	57,220,248	45,633,723
Balance at beginning of the year	345,920,109	446,156,712
Balance at end of the year (note 36(b))	635,921,062	345,920,109
Interest paid	57,220,248	45,633,723
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-
	=====	=====

34 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya is the principal shareholder of the company, holding 100% of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

Amount Due from related parties

	2022	2021
	Kshs	Kshs
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	700,000,000	700,000,000

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2022 Kshs	2021 Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	50,000,000	400,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	50,000,000	400,000,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	11,256,664	16,515,236
Compensation to the CEO	9,602,000	9,605,000
Compensation to key management	65,030,245	64,042,883
Total	85,888,909	90,163,119

35 CAPITAL COMMITMENTS

	2022 Kshs	2021 Kshs
Amounts authorized and contracted for	635,500,000	823,880,000
Less: Amounts incurred and included in work-in-progress	(418,323,901)	(341,336,165)
	212,176,099	482,543,835

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2022	2021
	Kshs	Kshs
Legal claims against the <i>entity</i>	58,759,121	58,759,121
	58,759,121	58,759,121

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

37 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables from exchange transactions	1,484,280,490	468,643,732	843,384,189	172,252,569
Receivables from non-exchange transactions	481,856,855	481,856,855	-	-
Bank balances	29,672,403	29,672,403	-	-
Total	1,995,809,748	980,172,990	843,384,189	172,252,569
At 30 June 2021				
Receivables from exchange transactions	1,820,550,766	406,773,013	824,098,261	538,626,242
Receivables from non-exchange transactions	961,308,769	961,308,769	-	-
Bank balances	404,852,582	404,852,582	-	-
Total	3,186,712,117	1,772,934,364	824,098,261	538,626,242

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from trade creditors (exchange transactions).

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	320,470,119	404,942,533	273,514,712	998,927,365
Current portion of borrowings	-	-	1,193,224,813	1,193,224,813
Provisions	-	-	168,000,000	168,000,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	62,549,201	62,549,201
Total	320,470,119	404,942,533	1,697,288,726	2,422,701,379
At 30 June 2021				
Trade payables	634,936,910	191,240,625	66,697,586	892,875,120
Current portion of borrowings	-	-	991,951,089	991,951,089
Provisions	-	-	143,954,388	143,954,388
Deferred income	-	-	-	-
Employee benefit obligation	-	-	47,903,173	47,903,173
Total	634,936,910	191,240,625	1,250,506,236	2,076,683,770

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2022				
	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	6,456,475			6,456,475
Non- financial Assets				
Investment property				
Land and buildings				
	=====	=====	=====	=====
At 30 June 2021				
Financial Assets				
Quoted equity investments	6,456,475	-	-	6,456,475
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	6,456,475	-	-	6,456,475
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	=====	=====	=====	=====
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	=====	=====	=====	=====

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	5,649,603,169	5,147,934,862
Retained earnings	1,376,406,830	1,603,345,931
Capital reserve	547,028,870	547,028,870
Grant from Government	1,889,290,790	2,649,592,550
Total funds	9,462,329,659	9,947,902,213
Total borrowings	1,193,224,813	991,951,089
Less: cash and bank balances	(29,672,403)	(404,937,005)
Net debt/(excess cash and cash equivalents)	1,163,552,410	587,014,084
Gearing	12.5 %	5.89%

38 INCORPORATION

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

39 EVENTS AFTER THE REPORTING PERIOD

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

40 CURRENCY

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022


XX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Ownership documents for twenty-two (22) properties with a value of Kshs 853,900,000 were not availed for audit verification.	These are properties whose ownership is vested to New KCC ltd through a court vesting order with the only available evidence being copies of allotment letters. Our legal team has been working closely with NLC to register and issue titles for these parcels.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	The property, plant and equipment balance of Kshs 4,073,796,762 excludes four (4) parcels of land and buildings which had not been valued.	These are properties which in the vesting order are owned by New KCC Ltd but with time came to be "disputed" under third party possession.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	Twenty-three (23) disputed unvalued properties were registered in the name of third parties. The company failed to disclose in the financial statements that the Ethics and Anti-Corruption Commission had cleared two disputed properties; LR No.37/371 and LR No.37/22 situated in Upper Hill, Nairobi which had legally been transferred to third parties.	These are properties under third party possession. Some have been listed as disputed under the Vesting Order for the properties previously owned by the defunct KCC, while some few cases are third party possession after the vesting order. All these properties were not valued due to access barrier and also some have active court cases pending determination.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Five (5) acres of out 32.94 acres (13.33ha) LR.NO.MNVI/2860 on which Mirtini factory is located have been encroached by squatters some of whom have already put up permanent structures thereby exposing the Company to likely loss of vital property. Although the Company filed a case in Mombasa ELC case No.183 of 2015 (New Kenya Co-operative Creameries Limited vs Hassan Ali Mbooga and Others) seeking the removal of squatters, and stoppage of any other developments on the land, the case is yet to be determined.	The legal suit is still active and pending determination. Our Advocates still pursuing the case.	Ms. Irene Mbito, Company Secretary and Chief Manager Legal Services	Not Resolved	Ongoing
	As previously reported, included in trade and other receivables balance of Kshs. 2,381,119,660 as at 30 June 2020 is an amount of Kshs. 1,557,037,263 reflected in Note 18(a) for trade receivables which in turn includes Kshs. 290,690,273 and Kshs. 77,619,144 relating to receivables from Nakumatt Holding Limited and Uchumi Supermarkets Limited respectively. Information available indicates that the companies are either in receivership or liquidation	Correct Uchumi amount as previously disclosed is Kshs 88,500,549. Creditors in March, 2020 voted for a Voluntary Arrangement to have Uchumi operate	Mr. Samuel Ichura, Chief Manager Finance	Resolved	
		NKCC is unlikely to recover the amount outstanding in the books amounting to Kshs 290,839,391 and kshs 88,500,549 NKCC Full Board in April, 2021, approved the write off proposal and submitted to The national treasury for concurrence.			

Managing Director (Nixon Sigeo)

 Date: 12/04/2023

Chairman of the Board (Mr. David Maina Kamiru)

 Date: 12/04/2023

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XI. CAPITAL PROJECTS UPDATE AS AT 30TH JUNE 2022

LOCATION	PROJECT	BENEFITS	TOTAL PROJECT COST (KSHS)	COMPLETION % AS AT 30 TH JUNE 2022	STATUS
Sotik	NKCC/T/082/2019-20. Supply, Install and Commission automatic CIP System	Enhancement of cleaning efficiency	33,987,696	100%	<ul style="list-style-type: none"> Commissioned and under defects liability period. (PC 4)
Dandora	NKCC/T/086/2020-21 – Proposed Design and Construction of Sales Depot Store and Sales Shop – Dandora	Enhancement of finished products storage capacity	49,235,649	85%	<ul style="list-style-type: none"> Construction works ongoing. Walling is completed Roofing trusses is completed. Internal finishes work is in progress. (PC 1)
Dandora	NKCC/T/053/2019-20. Supply, Install and Commission Yoghurt Processing Tanks	Enhancement of Yoghurt Fermentation Capacity	20,400,000	90%	<ul style="list-style-type: none"> Equipment delivered to site awaiting installation window for interconnection.
Kiganjo	NKCC/T/077/2019-20. Supply, Install and Commission Water Bottle Filling Line	Introduction of new product – Bottled Water	24,794,830	100%	<ul style="list-style-type: none"> Commissioned and under defect liability period.
Kiganjo	NKCC/T/081/2019-20. Lagging and Cladding of Steam and Condensate Lines	Replacement of worn insulation to prevent energy loses	20,453,000	95%	<ul style="list-style-type: none"> Work in progress and nearing completion.
Kericho	NKCC/T/080/2019-20. Design and Construction of Sales Depot	Enhancement of finished products storage capacity	33,570,400	95%	<ul style="list-style-type: none"> Construction nearing completion but challenges experienced due to un-availability of construction materials.
Nyambene	Construction of New Milk Cooling Plant and Sales Depot	Dairy farmers support Increase in catchment area	134,466,015	95%	<ul style="list-style-type: none"> Building works completed, awaiting completion of other works. External paint work completed Internal fixtures installation is in progress. Installation work at 95% completion
Nyambene	NKCC/T/084/2019-20. Supply, Install	New Milk Cooling Plant	89,705,210	95%	<ul style="list-style-type: none"> Installation work at 95% completion

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

	and Commission Dairy Equipment					
Nyambene	NKCC/T/086/2019-20. Supply, Install and Commission Electrical Services	New Milk Cooling Plant	35,050,460	95%	Works ongoing	
Nyambene	NKCC/T/089/2019-20. Supply, Install and Commission Steam Generation and Distribution System	New Milk Cooling Plant	27,990,000	80%	<ul style="list-style-type: none"> Equipment delivered to site. Installation work is in progress. 	
Nyambene	NKCC/T/085/2019-20. Supply, Install and Commission Internal Drainage and Plumbing System	New Milk Cooling Plant	21,300,000	95%	<ul style="list-style-type: none"> Internal fixtures installation in progress. 	
Nyambene	NKCC/T/088/2020-21 Supply, installation and commissioning of Long Life Milk Processing Line	Enhance long life milk processing capacity	58,854,986.33	60%	<ul style="list-style-type: none"> Fabrication works completed awaiting shipping (PC 2) 	
Nyambene	NKCC/T/085/2020-21 – Supply, Installation and Commissioning of Aseptic Plastic Pouch Filling Machine – Nyambene	Filling capacity for the new long life line	30,409,400	60%	<ul style="list-style-type: none"> Fabrication works completed awaiting shipping (PC 3) 	
Nyambene	NKCC/T/089/2020-21 – Supply, Installation and Commissioning of Fresh Milk Separator and Homogenizer – Nyambene	Capacity building for milk process	34,447,061.88	60%	<ul style="list-style-type: none"> Manufacturing of the equipment is in an advanced stage. 	
Kericho	NKCC/T/052/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility			<ul style="list-style-type: none"> Evaluation stage. 	
Nakuru	NKCC/T/053/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system			<ul style="list-style-type: none"> Evaluation stage. 	
Kisumu	NKCC/T/054/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system			<ul style="list-style-type: none"> Evaluation stage. 	

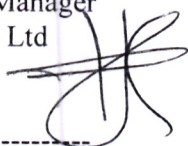
NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2022

XXII. APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		NEW KCC LTD		
Break down of Transfers from the State Department of Co-operatives				
FY 2021/2022				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		05.05.2022	50,000,000	2022
		Total	50,000,000	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
 New Kcc Ltd



Sign-----

Head of Accounting Unit
 State Department of
 Cooperatives

Sign-----

Annual Reports and Financial Statements
For the year ended June 30, 2022

XIII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOV'T ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Trade, Industry & Cooperatives	05.05.2022	Development	50,000,000	-	50,000,000	-	-	-	50,000,000
Total			50,000,000	-	50,000,000	-	-	-	50,000,000