

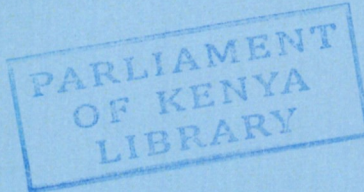
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL


Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 MAR 2022	DAY: TUESDAY
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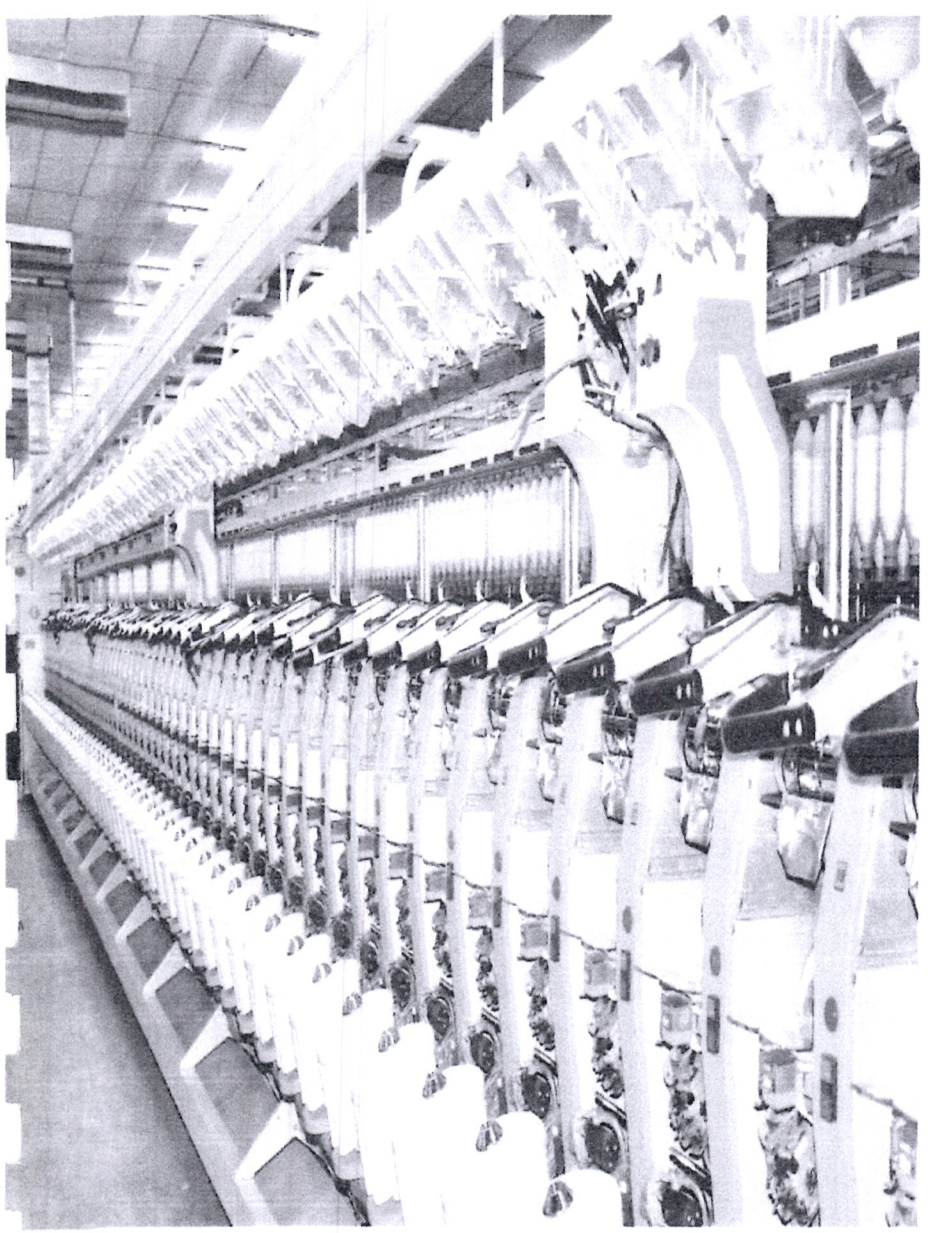
ON

RIVATEX EAST AFRICA LIMITED

FOR THE YEAR ENDED 30 JUNE, 2020



OFFICE OF THE AUDITOR GENERAL
NORTH RIFT REGIONAL OFFICE
27 JAN 2022
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P O Box 2774-30100, ELDORET



**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDING JUNE 30, 2020**

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

TABLE OF CONTENTS

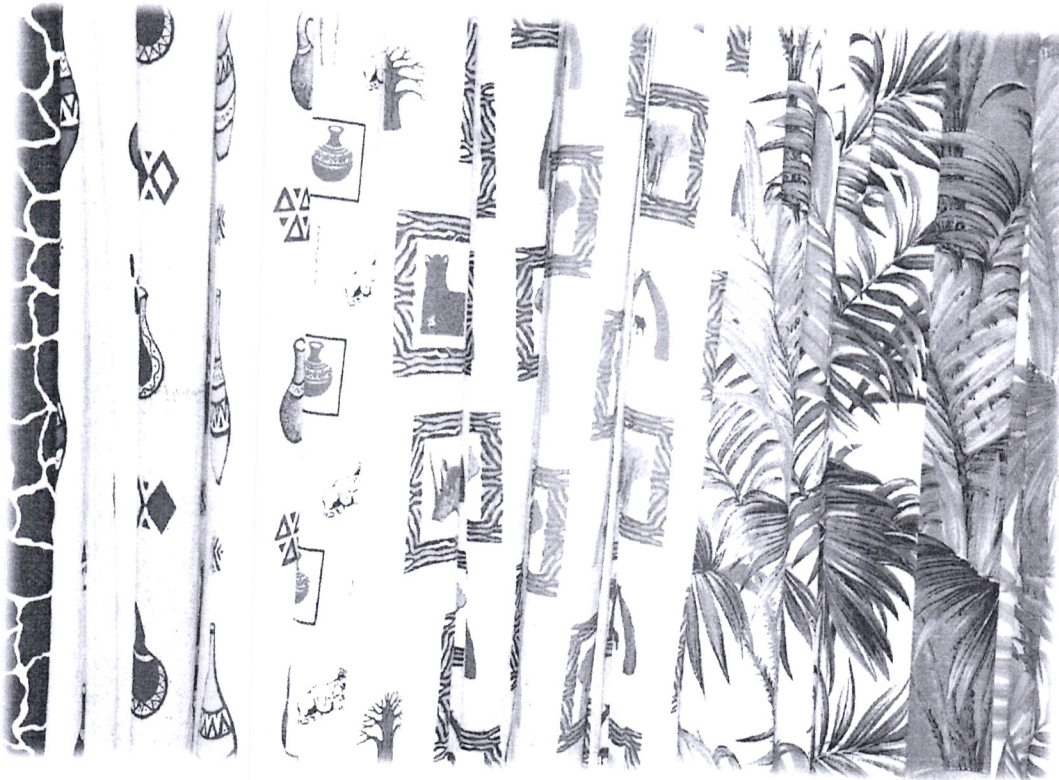
CORPORATE INFORMATION	ii - vi
BOARD OF DIRECTORS	vii - xi
MANAGEMENT TEAM	xii-xvi
CHAIRMAN'S STATEMENT	xvii - xix
MANAGING DIRECTOR'S STATEMENT	xx -xxii
CORPORATE GOVERNANCE STATEMENT	xxv-xxxi
CORPORATE SOCIAL RESPONSIBILITY	xxxii-xxxvii
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxviii
STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASHFLOWS	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5-6
NOTES TO THE FINANCIAL STATEMENTS	7-34
APPENDIXES	35-41

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

KEY CORPORATE INFORMATION AND MANAGEMENT

ESTABLISHMENT/INCORPORATION

Rivatex East Africa Limited (REAL) is incorporated as a limited liability company under the Companies Act No. 17 of 2015 and its operations are also regulated in accordance with the State Corporations Act. Its shareholders comprise of Moi University with ninety nine percentum (99%) shareholding and Moi University Holdings with one percentum (1%) shareholding. Moi University acquired the company in the year two thousand & seven (2007) for training, research, extension purposes as well as for commercial purposes.



CURTAIN MATERIAL

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

VISION

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

MISSION

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

CORE VALUES

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

CORE BUSINESS OF RIVATEX EAST AFRICA LIMITED

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



RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

1. INSTITUTIONAL DETAILS

PRINCIPAL PLACE OF BUSINESS & CONTACTS



Rivatex East Africa Limited factory, Kipkaren road, off Eldoret- Kisumu road, Eldoret.



(254) 53 2030901



info@rivatex.co.ke



P.O. Box 4744 – 30100



www.rivatex.co.ke



Rivatex East Africa limited



@rivatex ltd



rivatextextile

BANKERS

Equity Bank of Kenya ltd

P.O. Box 2210- 30100, Eldoret

Tel: +254-053-2060907

Fax: +254-053-2031777

E-mail: info@equitybank.co.ke

Website: www.equitybank.co.ke

Eldoret.

Kenya Commercial Bank ltd

P.O. Box 560 – 30100, Eldoret

Tel: +254-053-2062241/2

Fax: +254-053-2061259

E-mail: xretailmngreld@kcb.co.ke

Website: www.kcbbankgroup.com

Eldoret

INDEPENDENT AUDITORS

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

CORPORATION SECRETARY

Tecla Tum (Mrs), (CPS), LLB,

Kipkaren road, off Eldoret- Kisumu road

P.O. Box 4744-30100,

Eldoret.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

PRINCIPAL LEGAL ADVISER

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

SOLICITORS

Rioba Omboto and Company advocates
Muya House, 2nd floor
Kenyatta Street
P.O. Box 4837-30100
Eldoret, Kenya

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

BOARD OF DIRECTORS



Chairman

Dr. Jeremiah Ole Koshal is a seasoned governance and leadership expert with over twenty one (22) years of experience mainly in academia and social sector. He is currently an Assistant Professor of Leadership at United States International University (USIU)-Africa. He has previously taught at Strathmore University and was also a Research Fellow at Regent University, USA, where he helped found the Regent Centre for Entrepreneurship, which advocated for starting ethical and sustainable businesses that bring about social, economic and spiritual transformation among disadvantaged populations.

Dr. Jeremiah Ntoloji
Koshal

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

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

Director



Prof. Colleta
Suda

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Director



Ms. Betty Maina

Ms. Betty Maina is the Principal Secretary, State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. Before her appointment, she served as the Principal Secretary in the Ministry of East African Affairs. Ms. Maina has more than 22 years' experience in organizational leadership and development, with an ability to prepare and implement strategic business plans and mobilize resources for implementation, traits that place her at a strategic position to effectively lead the coordination of East African Community integration in Kenya.

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

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

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

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

Director



Dr. Kamau Thugge

Dr. Kamau Thugge serves as the Principal Secretary of the National Treasury. Dr. Thugge served at Treasury and as permanent Secretary of Kenya Reinsurance Corporation Ltd. He worked as a senior Economic Advisor in the Ministry of Finance from the year 2010.

He also worked at the International Monetary Fund (IMF) in various capacities for over 22 years, both in policy making Departments and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief. He served as Head of the Fiscal and Monetary Affairs Department, Treasury from 2004 to 2005 and the Economic Secretary and Head of Economic Affairs Department, Treasury from 2005 to 2008.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020



Mr. John Temba

Director

Temba is a Deputy Director in the State Department for University Education and Research, Ministry of Education. With a career spanning over 22 years' experience in the education sector, he has served at the Teachers Service Commission as a senior administrative officer before moving to the Ministry of education. His expertise is in quality assurance and ICT in education. He holds a Master degree in Education management and a post graduate diploma in ICT and knowledge management.



Mr. Hezekiah Okeyo

Director

Hezekiah B. Okeyo holds a Master of Business Administration (MBA) in Strategic Management from the Eastern and Southern African Management Institute (ESAMI), Tanzania; Master of Science (MSc) in Environmental Science and Technology from the UNESCO Institute for Environment and Water, Delft, The Netherlands; and Bachelor of Science (BSc) in Industrial Chemistry from the University of Nairobi. He has over 27 years' experience in private sector development and industrial policy/strategy research and analysis. He has represented the Ministry to the Board of Directors of several State Corporations for a period spanning over 17 years.



Ms. Eunice Kigen

Director

Ms. Eunice Kigen holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and an Executive Masters of Business Administration from the Jomo Kenyatta University of science and Technology. She is also a Certified Public Accountant CPA (K). Ms. Eunice has wide experience in Public Sector Financial Management, having worked in the Government in senior positions in that field for the past 17 years. Currently, she is the Senior Deputy Director of Budget at the National Treasury. She is also the Alternate Director representing the Cabinet Secretary National Treasury at the Board of Kenya Airports Authority.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020



Director

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

Prof. Isaac S. Kosgey

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

Prof. Kosgey has wide experience in public and university administration and management having served as the Chairman of the Department of Animal Sciences (October 24, 2005-September 10, 2006) and Dean of the Faculty of Agriculture (September 11, 2006-September 10, 2010) at Egerton University, Deputy Principal (Administration, Planning and Development) at Laikipia University College of Egerton University (October 3, 2011-February 20, 2013), Acting Deputy Vice-Chancellor (Administration, Finance and Development) (February 21, 2013-June 17, 2013) and Acting Dean, Institute of Arid Lands Management (May 9, 2012 - October 23, 2014) both at Laikipia University, and an Associate Professor of Animal Sciences, specializing in animal breeding and genetics at Egerton University (May 1, 2010 - October 22, 2014).



Independent Director

Lucy Wanjiru Gitundu is an accountant by profession having shown exemplary service in various departments in the civil service. She has over 40 years of work experience in the same field having the opportunity to diversify her qualifications. Her areas of expertise include corporate governance, auditing, strategic planning, budget making among others. She has worked in several government ministries including Ministry of Defence, Ministry of Finance-Customs Department, Ministry of Home Affairs and National Heritage, Ministry of Transport and Communication and then back to the Ministry of Finance- Department of Government Investments and Public Enterprise (DGIPE). She has had the opportunity to serve as the Alternate Director to the Permanent Secretary (then), Treasury and has sat

Ms. Lucy W. Gitundu

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

on various boards including Rivatex East Africa Limited, Agricultural Finance Corporation, and Council Member in the Board of Directors governing Council of Moi University among others.

Director



Dr. Eric Oyondi

Dr. Eric Oyondi Nganyi is the head Department of Manufacturing, Industrial and Textile Engineering at Moi University. He holds a Bachelor's degree, a Master's degree and PhD degree in Textile Engineering. He is a member of the Textile Institute, Manchester. He is also a member of Kenya Institute of Management. He has over 22 years' experience as a lecturer, and further 18 years of working in the textile industry in Kenya.



Prof. Thomas Kipkurgat, EBS

Managing Director

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

Before joining Rivatex East Africa Limited, he worked with Moi University as the Director of International Linkages. He also worked as the Director of International and Multicultural Linkages at Oklahoma State University (USA) for more than 10 years. He has also attended and presented in numerous seminars, conferences and workshops both locally and internationally, presenting on various areas such as in transformative leadership, management, micro-enterprise development, among others.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020



Mr. Titus Kipkemboi

Finance & Administration Manager

He holds MBA in Strategic Management, Bachelors in Accounts and CPA K. He is a member of ICPAK.

He is responsible to the Managing Director for the overall management of the Finance and Accounting Function.

He advises the Board on all financial and accounting matters; ensuring preparation of annual budgets; verifying financial management and budget performance; mobilizing and managing the Company's financial resources; ensuring compliance to accounting standards and regulations; ensuring maintenance of proper books of Accounts; overseeing the preparation and submission of statutory returns; the preparation of Board papers on financial matters.



Mr. Geoffrey Lang'at

Sales & Marketing Manager

Mr Geoffrey Lang'at holds a Bachelor's degree in Sales and Marketing

He is responsible for developing and reviewing sales and marketing policies, plans and strategies; coordinating the implementation of sales and marketing plans and strategies for the company; marketing and promoting Company's products; coordinating market surveys to determine customer requirements; identifying potential markets for the Company's products and recommend appropriate mechanisms and initiative to enhance sales increase;



Eng. Hosea Kipsang

Quality Control & Assurance Manager

Eng. Hosea Kipsang holds a Bachelor of Science in Textile Engineering and Master's degree in Project Management.

He is responsible for developing, reviewing and implementing Factory (Production) infrastructure policies, regulations, procedures, systems and strategies; developing, reviewing and implementing quality assurance operating manuals for the manufacturing Division; developing quality parameters, instruments and guidelines for quality assurance; implementing quality parameters of basic raw materials (Cotton, sliver, yarns, modern fabrics, net processing of finished goods) in liaison with the respective Departments; creating awareness on quality of raw materials, production and finished products; promoting and institutionalizing quality and continuous improvement in production chain; carrying out scheduled and random quality test checks and process control; analyzing samples as per plan and standards;

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020



Eng. Caroline Mureithi

Engineering Manager

Eng. Caroline Mureithi holds a Bachelor Science degree in Mechanical and Production Engineering.

She is responsible for developing reviewing and implementing Factory (Production) infrastructure policies, regulations, procedures, systems and strategies; developing, reviewing and implementing production and maintenance operating manuals for the manufacturing Division; coordinating the fabrication of production machines, equipment, parts and spare parts; coordinating installation and testing of machines and equipment; producing and distributing utilities (Steam, compressed air, water, hydrant system, electricity and Humidification plants); carrying out civil, electrical and mechanical works; monitoring and evaluating engineering works; conducting inspection of contractors works for issuance of completion certificates.



Mr. Joseph Kurgat

Human Resources and Development Manager

Mr Joseph Kurgat holds a Bachelor's degree in Human Resource Management

He is a member of IHRM.

He is responsible for coordinating the formulation, review, harmonization and implementation of human resource management policies, guidelines and regulations; ensuring institutionalization of performance management including performance appraisal system; interpreting and advising on human resource management policies and regulations; developing human resource management plans to ensure effective succession management in the company; monitoring the implementation of human resource management policies, rules and regulations and analyzing their impact on the company's staff; overseeing the development and maintenance of an up-to-date human resource management database; overseeing the monitoring, evaluation and auditing of the company's human resource management activities and programmes; and facilitating human resource planning, communication, discipline, employee relations, remuneration and staff welfare in the company.



Eng. Charles Kipchoge

Spinning Manager

Eng. Charles Kipchoge holds a Bachelor of Science degree in Textile Engineering.

He is responsible for developing reviewing and implementing Factory (Production) infrastructure policies, regulations, procedures, systems and strategies; developing, reviewing and implementing production and maintenance operating manuals for the manufacturing Division; coordinating the testing of machines to determine its performance; coordinating the carrying out of preliminary feasibility and detailed studies on production of yarn; coordinating the preparation and review of detailed design works; determining the appropriate raw materials from suppliers; coordinating the preparation of draw frame sliver to reduce its linear density and inserting slight twist to form roving; undertaking research and technological innovations on emerging issues on spinning process; preparing roving through drafting rollers to a required yarn, linear density and inserting the required twist to yarn to strengthen the yarn and packaging in a bobbin; providing specification of machine parts to the engineering/purchasing entity; monitoring and evaluating spinning processing steps to ensure quality standards of the yarn; coordinating the undertaking of preventive maintenance;



Eng. Peter Mugo

Preparation & Weaving Manager

Eng. Peter Mugo holds a Bachelor of Science degree in Textile Engineering.

He is responsible for developing reviewing and implementing Factory (Production) infrastructure policies, regulations, procedures, systems and strategies; developing, reviewing and implementing production and maintenance operating manuals for the manufacturing Division; carrying preliminary feasibility and detailed studies on production of fabrics; preparing detailed designs works; identifying defects in raw material and make appropriate recommendation; coordinating the testing of machines to determine its performance; providing specifications for the procurement of machines and equipment parts and spare parts; coordinating the conversion of cones/cheese from spinning to soft package for dyeing; coordinating the rewinding of remnant cone/cheese from waring machine; overseeing the Conversion of cones/cheese (yarn) to warpers beam (warping); strengthening obtained wapers beam (yarn) through sizing (adding starch binder, softener and Pva); undertaking research and

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

technological innovation on emerging issues on spinning process; promoting quality and continuous improvement in preparation and weaving; supervising the converting yarn into fabric.



Processing Manager

Eng. Christopher Maingi holds a Bachelor of Science degree in Chemistry

He is responsible for developing reviewing and implementing Factory (Production) infrastructure policies, regulations, procedures, systems and strategies; developing, reviewing and implementing production and maintenance operating manuals for the manufacturing Division; coordinating the conversion of fabrics to finished products through value addition namely i.e. bleaching, mercerizing, printing, dyeing and finishing (mechanical and chemical finishing); designing, reviewing and engraving new designs as per customer requirements; coordinating the Setting of recipes and chemical formulation; supervising the matching of colours and patterns to ensure customer satisfaction; coordinating the testing of machines to determine its performance; ensuring the implementation of health and safety requirements in operations; coordinating the overhaul and modification of machines and machine parts; promoting quality and continuous improvement in textile manufacturing; undertaking research on emerging issues on processing matters; coordinating the inspection of finished products and conducting periodic product analysis of finished goods; and preparing reports on quality, stock levels and general operations.

Eng. Christopher Maingi

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

CHAIRMAN'S STATEMENT

Dear Shareholders

It is my pleasure to present the annual financial statements for the year ended 30th June, 2020.

Rivatex East Africa Limited is driven by the goal of becoming the leading fully integrated textile mill in the East and Central African region that produces high quality and superior textiles products. In order for us to realize this goal, we have focused on modernizing all our machinery in the entire factory with the sole determination of becoming an industry leader in production of quality textiles in the region. I am pleased to announce that we have successfully commissioned the modernization project funded by Export import (EXIM) Bank of India within the stipulated time and budget. Other machines acquired through the funding from Government are still being installed and will be commissioned before the end of the 2019/2020 financial year. We believe that the new state-of-the-art machinery and ultra-modern factory will support our ambition and ensure efficient and sustainable production is achieved cost effectively and grow our market leadership position in the region.

Overview of Business Environment

The Government has identified the textile industry under the manufacturing as among the 'BIG Four' Agenda of the Government which will catalyze economic growth in the country as well as increase employment opportunities for the youth and women. The Government is keen on strengthening manufacturing industries through the 'Buy Kenya - Build Kenya strategy' which seeks to enhance competitiveness and consumption of locally produced goods and services. The Presidential Directive on Reservation of Minimum 40% of public procurement budget for locally produced goods will spur the growth of locally produced textile products.

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

Corporate Social Responsibility

Rivatex recognizes that for sustainable growth and profitability it must play its role in society as an ethical and compliant company in respect to communities, legal requirements and the environment. During the financial year Rivatex East Africa Limited supported several projects and activities that impacted positively on the lives of communities and society at large. During the period, the company supported two students in secondary schools and donated fabrics five children homes. The Company adopted greener production practices that protect the environment and minimizes the damage to the

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

environment and the society. We take cognizance of the fact that abiding by the set regulations and doing the right things in terms of decisions and actions, immensely contributes and sustains our future success as a Company.

Future Outlook

The Board remains focused in its effort to steer the Company to sustainable profitability. Rivatex is now finalizing the installation of machines in processing department. We have modernized all the departments aggressively with a view of maximizing on the emerging opportunities and consequently deliver superior shareholder value. The company will realize immense production accrued from the intensive modernization being implemented and it shall address the input challenges of various EPZ and other apparels manufacturers who have to import over Kshs.20 billion worth of fabrics every year in order to supply the stitched apparels to the AGOA market.

The Company foresees continuing growth in the fashion and textile sector, driven by fashion and brand conscious consumers who care about latest design and highest quality products at a relatively affordable price. Accordingly, the Company expects to benefit from this increasing demand by leveraging its research and innovation coupled with our competitive edge is our finishing technology and past unprecedented reputation in terms of quality and loyalty among customers.

The Company is in consultation with Global design houses at Export Processing Zone who have visited the factory and identified the Effluent Treatment plant as the only remaining modernization for our products to meet the standards required under Africa Growth Opportunity Act for textile products to be exported to the US market.

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

Corporate governance

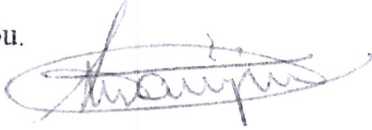
The Company continues to believe in the importance of good governance and sees it as imperative to our business at all levels. The company has a properly constituted Board of Directors with the four Board Committees with properly set out terms of reference. The Board Charter in place contributes in guiding the interaction between the Board and other stakeholders.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Appreciation

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

Thank you.



Ag. Chairman, Board of Directors

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

MANAGING DIRECTOR'S STATEMENT

Allow me to present the financial statements for the year ended 30th June 2020.

Production Capacity Enhancement

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of funds which have been utilized prudently through acquisition of state-of-the-art machinery. We have successfully installed and commissioned 95% of the machinery acquired under Exim Bank of India and H.E. President Uhuru Kenyatta officially inaugurated the launching of the ultra-modern factory on 21st June, 2019. Through modernization we shall be able to produce cost effectively, increase productivity and quality of our products, and thus be competitive to attract huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve our existing clientele.

Financial and Business Performance

This year's performance was adversely impacted by extensive modernization works in the production floor. With enormous civil works, demolition of old machinery, coupled with challenging business environment that was characterized by high operating costs due to the inefficiency and the persistent breakdown of the old machines.

Despite the challenges experienced, the management with the support of the Board of Directors synchronized the production with the ongoing works without interruptions which would have necessitated the company to close down in order to finalize on full modernization. Management dedicatedly ensured that civil works were completed as planned, training of staff was carried out successfully and the installation of new machines were done consecutively as envisaged in the contract with Lakshmi Machine Works.

The company registered a one hundred and forty-two per centum (141%) increase in turnover from one hundred and four million, nine hundred and forty-six thousand, seven hundred and sixty-four shillings (Kshs. 104,946,764) recorded in the previous financial year to two hundred and fifty-three million, two hundred and seventy two thousand, eight hundred and sixty-six shillings (Kshs. 253,272,866).

Despite the challenges, the company recorded an increase of twenty four per centum (24%) in its non-current assets from five billion, one hundred and eighty three million four hundred and twenty four thousand seven hundred and eight shillings (Kshs.5,183,424,708) to six billion, four hundred and twenty seven million, five hundred and sixty one thousand, one hundred and eight shillings (Kshs.6,427,561,108).

Rivatex East Africa Limited registered a twenty four per centum (24%) growth in its financial position from six billion, sixty six million, seven hundred and ninety six thousand, nine hundred and twenty four shillings (Kshs.6,066,796,924) recorded in the previous financial year to seven billion, five

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

hundred and nineteen million, three hundred and sixty six thousand, one hundred and eighty eight shillings (Kshs.7,519,366,188). We expect to record a further growth in net assets in the 2020/2021 financial year especially with the transformative modernization in processing department.

Business Environment

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

Rivatex East Africa Limited will continue scanning its environment for opportunities and options to pursue in order to ensure sustainable growth and profitability. The company will continue to innovate new products to its customers and maximize value for shareholders in line with the corporate values of team work, quality and innovation. Emphasis will be placed on cost reduction through efficient use of plant and working capital resources.

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

The company is also banking on the 'Buy Kenya Build Kenya' initiative to boost market shares and penetration to Government tenders which would otherwise be inaccessible without the initiative. The initiative will go a long way in promoting ease of business and boosting our revenues thus profitability.

Corporate Strategy

The company is formulating a five year Strategic Plan to cover the period 2019/2020 to 2024/2025. The main purpose for the Strategic Plan is to fast track the achievements of specific milestones supporting the sustainable production and long term profitability of the company. The company has finalized one year production plan which was informed by sales and marketing plan which was developed with clear analysis of products to be produced for both the local, regional and international market. The management is also reviewing the organizational structure and human resource policy with the intention of having a lean management that would facilitate fast decision making and ensure efficient and efficient workforce.

Staff development remains a key strategy to enhance the value of our human capital. During the financial year, 43 employees were sent to India for trainings and we other short training have been

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

carried out across all cadres of staff to ensure that identified training needs are addressed to develop skills relevant to the Company's business.

The company falls under the Manufacturing pillar of the Government's Big four Agenda, given the vital role the agenda plays in supporting the industry, the company is making progress of actualizing this pillar and aligning its corporate strategy with the Vision 2030.

Appreciation

The progress that we have been able to make in 2019/2020 financial year would not have been possible without the dedication and expertise of our employees, to whom I extend my sincere appreciation.

During the year, the tenure of Dr. Koshal as the chairman of the Board ended. We wish to sincerely thank Dr. Koshal for the contribution during his tenure on the board.

I would also like to thank the Board of Directors who have provided wise counsel to my colleagues and myself during the year.

Thank you.



Prof. Thomas Kipkurgat, EBS
Managing Director

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

REVIEW OF RIVATEX EAST AFRICA LIMITED PERFORMANCE FOR FY 2019/2020

Rivatex East Africa limited has 3 Strategic Pillars and objective within its strategic plan for the FY 2018/2019 -2022/2023. These strategic pillars are as follows:

Pillar 1. Improve productivity and competitiveness of the factory.

Pillar 2. Develop and expand markets for products and Product diversification.

Pillar 3. Capacity and management efficiency

Pillar 1. Improve productivity and competitiveness of the factory.

While for a long period the company had been using the traditional spinning technology which had low productivity and longer production chain before meaningful realization of usable yarn in weaving. The company also was lacking in combing technology for enhanced spinning of finer counts. The production process needed a way of curbing higher process waste levels.

Pillar 2. Develop and expand markets for products and Product diversification.

Having been out of market for almost a decade, the market penetration for REAL products was facing challenges. The market awareness that REAL existed was limited. The market share for the products was negligible nationally and almost nonexistent internationally. Also product diversification to meet different market segments was necessary.

Pillar 3. Capacity and management efficiency

The company was to efficiently manage its human capital to create value for customers and achieve competitive advantage in the market. The structures for recruitment, human resource development and retention was put in place. The organization structure was reviewed to meet the expanded company mandate. There was need for information management system to automate processes.

Rivatex East Africa limited develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2019/2020 period for its three pillars, as indicated in the diagram below.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Pillar 1	Improve productivity and competitiveness of the factory	<ol style="list-style-type: none"> 1. shortened production chain in spinning 2. Spinning of Finer yarn counts 3. Variety of fabric for the market 4. Reduction of process waste levels 	<ol style="list-style-type: none"> 1. Installation of modern ring frame 2. Installation of combing machine 3. Installation of new blow room. 4. Installation of modern looms. 5. Equipping laboratories with modern apparatus. 	<ol style="list-style-type: none"> 1. Increased of production of yarn to 3 tons per day. This increased sales from yarn. 2. Production of finer yarn counts NM 46 NM 47 and NM 50 3. Installation of new equipment led to Training of staff. This contribute to increase in efficiency, productivity and quality.
Pillar 2	Develop and expand markets for products and Product diversification	<ol style="list-style-type: none"> 1. Enhance real awareness 2. Increase market share 3. Products diversification 	<ol style="list-style-type: none"> 1. Opening and equipping tailoring Unit 2. Establishing and staffing of factory outlets in major towns and an E- Shop for diaspora markets 3. Creation of flagship products like Kitenge, and Bed sheets 	<ol style="list-style-type: none"> 1. Sales budget increased to over 300,000 Million 2. Brand awareness increased nationally when president introduced Friday Wear directive in all government agencies. 3. Flagship product orders increased significantly in the military and hospitals through Buy Kenya Build Kenya
Pillar 3	Capacity and management efficiency	<ol style="list-style-type: none"> 1. Put in place structures for recruitment and retention. 2. Establish schemes of service, job analysis and job evaluation 3. Put in place a management information system. 	<ol style="list-style-type: none"> 1. Establish performance evaluation system to enhance job evaluation and appraisal 2. Develop human resource development policy to enhance recruitment and retention 3. Develop an Occupational Safety and Health services. 4. Develop clear job descriptions and performance evaluation/motivation criteria 	<ol style="list-style-type: none"> 1. improved capacity for service delivery 2. Recruitment of the best qualified employees. This addressed organization culture and change management. 3. Employee turnover was reduced to acceptable levels.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors of Rivatex East Africa Limited has embraced corporate governance to direct, control and be held accountable by the shareholders. Rivatex East Africa Limited is in compliance with the Mwongozo Code of corporate governance for state corporations. The Mwongozo Code offers corporate governance framework for all state corporations. The Board has undergone training on this Code which culminated to the Evaluation of all Board members by State Corporations Advisory Committee. Rivatex East African Limited is committed to the highest standards of Corporate Governance and business ethics. The company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and is in compliance with the States Corporation Advisory Committee.

Board of Directors

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

The Board comprises of nine (9) Directors of which three (3) of them are independent non-executive including the Chairman. The Board defines Rivatex East Africa Limited's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring their diverse experience and qualifications into the Board's deliberations.

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

Board Charter

The Charter is a critical corporate governance tool of the Board which documents the composition, roles and responsibilities of the Board. This ensures effectiveness of each Director's contribution in the governance of the Company by facilitating independent judgement, decision making and professional competencies.

Rivatex East Africa Limited Board Charter provides guidelines to the Board in the exercise of its mandate of:

- Appointment, induction, skills requirement, gender mix and capacity development of the directors
- Articulation of, and commitment to, respect of the rights of the shareholders
- Separation of roles and responsibilities of the board's individual director
- Terms of reference for all board members.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

The Charter does not replace or supersede any statutory laws and regulations that govern the Company.

Declaration of Conflict of Interest

The Board members have a statutory duty not to have interest that conflict with those of the company. All business transactions with all directors or their related parties are carried out at arms' length.

At all meetings of the Board, an agenda item exists which requires members to make a declaration of any interest they may have in the business under discussion. Board Members are mandated to disclose any real or potential conflict of interest. The Company Secretary maintains a conflict of interest register where all board members are required to register any conflict. For any conflict of interest, the Director is obligated to declare the same and exclude himself/herself from any discussion or decision over the subject matter.

Board Remuneration

The Board establishes and approves formal and transparent remuneration policies to attract and retain the Board members. These policies clearly stipulate remuneration elements such as directors' fees, taxable sitting allowances for meetings attended, travel and accommodation allowance while on Company duty as well as the monthly honorarium for the Chairman.

Board Induction and Training

Board members undergo regular training and education to enable them to fulfil their responsibilities. All Board members receive an induction upon joining. This provides an overview of the Company, new developments in the environment in which the Company operates, accounting and financial reporting developments, as well as any regulatory changes.

As part of the induction training, detailed presentations by Management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions. The Board receives regular briefings on legal and regulatory developments at the Board meetings, with particular emphasis on regulations that directly impact the operations of the Company.

Board evaluation

In line with the provisions of the Mwongozo Code of Conduct, the Board undertook an annual evaluation carried out by States Corporation Advisory Committee (SCAC) of its performance as an entity, its committees, the Chairman and each individual Director and the Company Secretary. This was aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Code of Ethics and Conduct

Rivatex East Africa Limited pursues ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability. The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company.

Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Board Meetings

The Board meets quarterly in accordance with the requirements of the business. The Board work plan and calendar are prepared at the beginning of the year and adequate notice is given for all meetings. The agenda and board papers are circulated within the stipulated timelines.

During the year under review, the main Board held eight (8) meetings attended as follows:

S/no	Name	Attendance
1.	Dr. Jeremiah Koshal	5
2.	Prof. Isaac Kosgei	7
3.	Ms. Lucy Gitundu	8
4.	Dr. Eric Oyondi	8
5.	Mr. Hezekiah Okeyo	8
6.	Ms. Eunice Kigen	7
7.	Mr. John Temba	6
8.	Prof. Thomas Kipkurgat	8

N/B

Dr. Jeremiah Koshal – Retired on 14th March 2020

Mr. John Temba – Was on medical leave until 15th October 2020

Committees of the Board

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

- 1) Production, Operations and Technical committee
- 2) Finance, Administration and Strategy committee
- 3) Audit and Risk Management committee

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

- 4) Human Resources, Training and Development committee

Production, Operations and Technical committee

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

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

Attendance

The Committee held Four (4) meetings which were attended as follows:

S/No	Name	Attendance
1	Dr. Eric Oyondi	4
2	Mr. Hezekiah Okeyo	3
3	Ms. Lucy Gitundu	4
4	Prof. Thomas Kipkurgat	4

Finance, Administration and Strategy committee members

1. Ms. Eunice Kigen
2. Mr. John Temba
3. Dr. Eric Oyondi
4. Prof. Thomas Kipkurgat

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

Attendance

The Committee held Five (5) meetings which were attended as follows:

S/No	Name	Attendance
1	Ms. Eunice Kigen	5
2	Mr. John Temba	3
3	Dr. Eric Oyondi	5
4	Prof. Thomas Kipkurgat	5

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

(Mr. John Temba – Was on medical leave until 15th October 2020)

Audit and Risk Management committee members

1. Ms. Lucy W. Gitundu
2. Mr. Hezekiah Okeyo
3. Dr. Eric Oyondi

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

Attendance

The Committee held Five (5) meetings which were attended as follows:

S/No	Name	Attendance
1	Ms. Lucy W. Gitundu	5
2	Mr. Hezekiah Okeyo	4
3	Dr. Eric Oyondi	5
4	Prof. Thomas Kipkurgat	5

Human Resource, Training and Development committee members

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Attendance

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

(Mr. John Temba – Was on medical leave until 15th October, 2020)

MANAGEMENT DISCUSSION AND ANALYSIS

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of funds which have been utilized prudently through acquisition of state-of-the-art machinery. We have successfully installed and commissioned 95% of the machinery acquired under Exim Bank of India and H.E. President Uhuru Kenyatta officially inaugurated the launching of the ultra-modern factory on 21st June, 2019. Through modernization we shall be able to produce cost effectively, increase productivity and quality of our products, and thus be competitive to attract huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve our existing clientele.

This year's performance was adversely impacted by extensive modernization works in the production floor. With enormous civil works, demolition of old machinery, coupled with challenging business environment that was characterized by high operating costs due to the inefficiency and the persistent breakdown of the old machines.

Despite the challenges experienced, the management with the support of the Board of Directors synchronized the production with the ongoing works without interruptions which would have necessitated the company to close down in order to finalize on full modernization. Management dedicatedly ensured that civil works were completed as planned, training of staff was carried out successfully and the installation of new machines were done consecutively as envisaged in the contract with Lakshmi Machine Works.

The company registered a one hundred and forty-two per centum (141%) increase in turnover from One Hundred and Four Million, Nine Hundred and Forty-Six Thousand, Seven Hundred and Sixty-Four Shillings (Kshs. 104,946,764) recorded in the previous financial year to Two Hundred And Fifty-Three Million, Two Hundred and Seventy Two Thousand, Eight Hundred and Sixty-Six Shillings (Kshs. 253,272,866).

Despite the challenges, the company recorded an increase of twenty four per centum (24%) in its non-current assets from Five Billion, One Hundred and Eighty Three Million Four Hundred and Twenty

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Four Thousand Seven Hundred and Eight Shillings (Kshs.5,183,424, 708) to six billion, four hundred and twenty seven million, five hundred and sixty one thousand, one hundred and eight shillings (Kshs.6,427,561,108).

Rivatex East Africa Limited registered a twenty four per centum (24%) growth in its financial position from six billion, sixty six million, seven hundred and ninety six thousand, nine hundred and twenty four shillings (Kshs.6,066,796,924) recorded in the previous financial year to seven billion, five hundred and nineteen million, three hundred and sixty six thousand, one hundred and eighty eight shillings (Kshs.7,519,366,188). We expect to record a further growth in net assets in the 2020/2021 financial year especially with the transformative modernization in processing department.

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

Rivatex East Africa Limited will continue scanning its environment for opportunities and options to pursue in order to ensure sustainable growth and profitability. The company will continue to innovate new products to its customers and maximize value for shareholders in line with the corporate values of team work, quality and innovation. Emphasis will be placed on cost reduction through efficient use of plant and working capital resources.

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

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RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING

Rivatex East Africa Limited exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the Company's pillars: improving productivity and competitiveness of the factory, develop and expand markets for products and product diversification, and improving capacity and management efficiency. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

The government through the Vision 2030 policy document has given prominence to the manufacturing sector as the key to industrialization and job creation. The role of the manufacturing sector in Vision 2030 is to create employment and wealth. The sectors overall goal in the Medium Term Plan (MTP) is to increase its contribution to the Growth Domestic Product (GDP) by more than 10% per annum. A number of interventions are proposed in the Vision and its first Medium Term Plan which will lead Kenya to be globally competitive and prosperous. The objectives to be pursued in the medium term period are:

1. To strengthen the capacity and local content of domestically manufactured goods
2. To increase the generation and utilization of Research and Development results
3. To raise the share of products in the regional market from 7% to 15 %
4. To develop niche products for existing and new markets

To achieve these objectives, a set of key target areas have been identified and specific goals and targets set to steer industrial growth. These include the development of Special Economic Zones (SEZs), Industrial Parks, Industrial Clusters, promotion of small and medium scale manufacturing firms, development of niche products, commercialization of research and development results, attraction of strategic investors in strategic sectors, i.e. iron and steel industries, manufacture of fertilizer, agro-processing, machine tools and machinery, motor vehicle assembly and manufacture of spare parts.

In our quest to increase shareholder value and remain competitive in the market the company has sort to increase its array of products in order to sustain both growth and profitability in the long-run. This Company has invested in latest textile production technology.

We expect to see an improvement in the sales volumes once we receive and install processing department machines to process the existing work-in-progress. The major bottleneck that has not enabled us process and dispatch the grey cloth at the right time is obsolescence of major wet processing machines which have no spares owing to closing down of former manufacturers and the technology that's not currently being used in similar machines by manufacturers.

Economies of scale will lead lower unit cost owing to costs being spread among many units being produced and delivered to the market. It is expected that cost of sales will gradually reduce as output increases to the targeted output and sales of 30,000 meters per day. Operating costs upon full upgrade

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

will see the company reduce on mainly employee related costs leading to a slight drop in employment cost since fewer employees will be required to run the machines.

During the financial year the Company produced and stitched garments for the disciplined forces (Kenya Wildlife Services, Administration Police, Kenya police) and also corporates besides wooing individual/walk-in clients to purchase our products at favorable prices. This move has seen our revenues rise even as the company enjoys the Buy Kenya Build Kenya initiative championed by President Uhuru Kenyatta where manufacturing stands out in the big four economic pillars.

The textile facility is also keen on prudent use of power supply to run the multibillion machines that are instrumental in the conversion of yarn to lint. Already, engagements are in place with the energy ministry to implement a 50 percent reduction as proclaimed by President Uhuru Kenyatta during his visit to the facility in the year 2019.

At the peak of the output of 30,000 per day the company shall register 55% Gross profit margin and 48% Net profit margin.

2. Environmental performance

The company continued to support environmental conservation which remains a key focus in the Company's corporate social investment. During the financial year, Rivatex East Africa Limited worked with communities in its operational areas to raise awareness of environmental conservation and promote planting of trees to minimize the impact of climate change as well as expand livelihood opportunities through the growing of fast-maturing, commercial trees. The Company provided two thousands seedlings and donated T-shirts and Caps to 1,200 participants working with Kenya Forest Service – Uasin Gishu and Elgeyo Marakwet Counties as part of the tree-planting effort.

The activation of cotton farming through the Cotton Subsidy and Extension Support Program supported by Ministry of industrialization Trade and Enterprise Development by providing free seeds and pesticides to 24 cotton growing Counties shall have the following positive impacts:-

- It will lead to reduction in charcoal burning as an economic activity
 - Elimination of cattle rustling incidences because of alternative economic activity
 - Divestment into arable farming and thus reduction of livestock population per home steads thus prevent environmental degradation.
 - Increase the possibility converting waste land into irrigated farmland in the country
- Wastes

During the financial year, the company expanded the existing effluent and water treatment plant to cater for expanded production output.

The company has explored possibility of utilizing waste fiber for medical surgical cotton and non-woven fabrics for domestic use.

The old boilers utilized more tones of wood fuel and this project has acquired new boilers that produce more steam output with lesser negative impact on the environment.

Since the new machines acquired are manufactured with greener technologies compared to the old ones use they will be able to utilize chemicals, water among other resources and produce fewer pollutants than the current obsolete machines.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

The company has reduced water wastage and harvest water together with borehole water.

3. Employee welfare

Recruitment and selection process is conducted competitively as directed by the Board and in accordance with labour laws in place. Affirmative action is being followed in order to fulfill the constitutional requirements as far as gender, regional balance, disability etc.

The company is wholly owned by Moi University whose mandate is training. Rivatex has been in the forefront in enhancing the university's mandate of practical training.

Being a Center of Excellence in Textile Engineering, the company has a training institute to train operatives and also works in conjunction with the Directorate of Industrial Training and Ministry of Labour. Other staff have been trained at Kenya Textile Training Institute.

Development of senior employees' skills capacity has been ongoing through collaborations locally with Kenya Institute of Management, Kenya Association of Manufacturers and abroad with the assistance of the Indian High Commission to Kenya including China.

Health and safety is key in an organizational setup and the company has come up with a safety policy and guideline for prevention and protection of employees against accidents and occupational hazards arising at the work place. The policy does provide for the procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted during and outside the course of work. The policy is in line with the organizational health and safety act 2007.

4. Market place practices-

The company produces wide variety of products to target different market segments. The products are also competitively priced to attract sizeable market share.

Our most important vehicle for sales promotion is the participation in major industry events, symposia, exhibitions, and shows.

We have also rolled out a promotion campaign through distribution of catalogues, calendars, diaries, pens, brochures and fliers plus related merchandise of interest to the target market.

Our marketing strategy is based mainly on making the right information available to the right target customer. What we do is make sure that those who have the purchasing power and appreciate the product know that it exists, and know where to find it.

The marketing team conveys the sense of quality in every picture, every promotion, and every publication. We also leverage our comeback using high-quality advertisements, fliers, brochures and respected distributors.

There exists a sales team that is capable of meeting targets and delivering value to customers by addressing their various requests and complaints promptly.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

To enhance and implement the direct sales initiatives the company has opened various factory outlets across the country in Nairobi, Kisumu, Moi University and Eldoret to penetrate new markets and reduce dependence on distribution channels which also stock competitors' products which sometimes are unreliable in the target markets.

Our sales strategy focuses first on maintaining the identity with the bulk buyer who appreciates the best available quality. We've been able to find these customers using our past distribution networks which existed before the collapse of the factory.

The procurement processes that have been put in place has enabled the company obtain quality machinery at the right value capable of fulfilling the modernization project's objectives.

The main objectives of the project include but not limited to:-

- Compliance with the procurement laws
- Realization of Kenya Vision 2030 goal on industrialization
- Jubilee manifesto of job creation and youth economic empowerment
- Enhancing Kenya's balance of payments by satisfying local textile needs thereby reducing importation and export of textiles products as a result of improved quality, right price and reduced lead time.
- Rejuvenate rural economies by setting up of cotton ginnery
- To encourage farmers in cotton growing belts to embrace cotton farming and thus localize raw materials supply
- Stimulate forward and backward linkages to improve citizens' livelihoods in rural areas.

5. Community Engagements-

During the year, the country experienced a number of disasters, both natural and manmade. Rivatex East Africa Limited joined hands with the government and other institutions to alleviate the suffering occasioned by the calamities. The company supported landslide victims of West Pokot and Elgeyo Marakwet counties with 350 pairs of bed sheets, baby flannels and Khanga. The most affected group were women and children. The consignment was handed over to the local leadership by Managing Director Professor. Thomas Kipkurgat.

The Company stepped in to assist the National Government in fight against Covid 19 pandemic by donation of face masks worth Kshs.4.3 million. The masks were used in protecting citizens from the spread of COVID – 19 pandemic.

The masks were donated to the following; Nandi, Uasin Gishu, Elgeyo Marakwet counties, Constituencies (Kesses, Moiben, Kapseret, Ainabkoi, Turbo, Soy, Homa Bay, Nyeri, Aldai, Bumula, Marakwet West) Health institutions in North Rift, Media fraternity, Government institutions such as

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

Prisons, State House, National assembly, Education, Industry and trade committee members, Ministry of Industry among others.

As part of our giving back to the society, the company donated 500 face masks to Ngeria prisons. The donations were handed over by the Managing Director Professor. Thomas Kipkurgat to the officer in charge aimed at benefitting both the wardens and prisoners.

Health institutions in Uasin Gishu County also benefitted from the donation of face masks. The masks were to be used by employees at the various facilities while discharging their duties and they were a target group due to the nature of their work while combating COVID – 19.

As part of our norm of reaching out to the society, Rivatex also partnered with Moi University and distributed 3,000 face masks and umbrellas to The National Police service officers in Uasin Gishu County. Furthermore, the company donated 5,000 mtrs of fabric for stitching facemasks to Homa Bay County, Kenya Prisons, residents of Eldoret to stitch masks on their own.

The company continued to support residence living in areas growing cotton by donating of cotton seeds in Baringo County Mogotio Area with a view of building thriving communities, we have engaged the gear in the last year, empowering communities and increasing access to opportunity through empowering women, enabling entrepreneurship, employability and skills, as well as access to clean water, sanitation and hygiene for all.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2020 which show the state of the *entity's* affairs.

1. Principal activities

The principal activities of the entity are (continue to be) textile production of woven textiles and garments.

2. Results for the year

The results of the entity for the year ended June 30, 2020 are set out on page 1

3. Dividends

The Directors have not recommended payment of dividends.

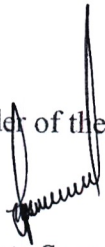
4. Directors

The members of the Board of Directors who served during the year are shown on page vii to xi.

5. Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *entity* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015.

By Order of the Board



Corporate Secretary

Date:



RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act No. 17 of 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Rivatex East Africa Limited as at 30th June 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act No. 17 of 2015.

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

Approval of the financial statements

Approved by the Board of Directors on 27 / ... JAN 202³²~~1~~ and signed on its behalf by:



PROF. ISAAC S KOSGEY

DIRECTOR

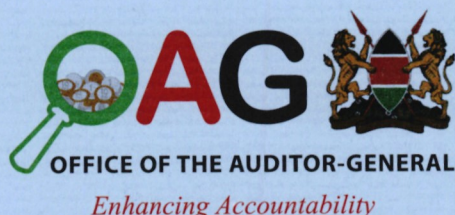


DR. ERIC OYONDI

DIRECTOR

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rivatex East Africa Limited set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, 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, the financial position of the Rivatex East Africa Limited as 30 June, 2020, 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

1.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.6,376,418,952 as at 30 June, 2020. However, the following anomalies were noted;

- i. The property, plant and equipment balance of Kshs.6,376,418,952 is at variance with the assets register balance of Kshs.4,393,706,604 provided for audit resulting in an unexplained and unreconciled balance of Kshs.1,982,712,348 as detailed below:

Description of Item	Balance as per Note 14 to the Financial Statements (Kshs.)	Balance as per Assets Register (Kshs.)	Unreconciled Difference (Kshs.)
Buildings	95,466,154	91,862,680	3,603,474
Buildings Work in Progress	459,076,570	0.00	459,076,570
Plant and Equipment	4,345,360,857	4,300,242,963	5,117,894
Plant and Equipment (work in Progress)	1,474,336,766	0.00	1,474,336,766
Furniture and Fittings	2,178,605	1,600,961	577,644
Total	6,376,418,952	4,393,706,604	1,982,712,348

- ii. Review of assets register revealed that assets with carrying value of Kshs.105,293,801 were dismantled to pave way for installation of new machines during the year ended 30 June, 2019. The dismantled assets have not been included under non-current assets. The assets were not impaired in accordance with the requirements of International Accounting Standard (IAS) No 36 on Impairment of Assets. Management explained that the assets were held for sale in accordance with the International Financial Reporting Standard 5 on Non-current Assets Held for Sale and Discontinued Operations.
- iii. Included in the property, plant and equipment balance of Kshs.6,387,002,889 is work-in-progress balance of Kshs.1,933,413,336 comprising of buildings with a carrying value of Kshs.459,076,570 and plant and equipment with a carrying value of Kshs.1,474,336,766. However, the Management did not maintain a work-in-progress register.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.6,387,002,889 as at 30 June, 2020 could not be confirmed.

2.0 Fair Statement of Expired Chemicals Inventories

The statement of financial position and as disclosed in Note 16 to the financial statements reflects inventories balance of Kshs.923,125,119 as at 30 June, 2020. Included in the inventories balance is amount of Kshs.15,484,686 relating to expired chemicals. The inventories are valued at lower of cost and net realizable value. However, the value of the expired chemicals has not been written down in accordance with Paragraph 6 of the International Accounting Standard (IAS) No. 2 on Inventories.

Consequently, the accuracy, and fair valuation of the expired chemicals inventories balance of Kshs.15,484,686 as at 30 June, 2020 could not be confirmed.

3.0 Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Notes 17 to the financial statements reflects trade receivables of balance of Kshs.97,202,416 as at 30 June, 2020. Included in this balance is an amount of Kshs.18,712,474 which had been outstanding

for over 90 days as at 30 June, 2020. Management explained that the past due debtors are not impaired and continue to be settled. However, it was noted that the company does not hold any collateral against the past due or impaired receivables.

Consequently, in the absence of a collateral, the recoverability of the long outstanding trade receivables of Kshs.18,712,474 could not be confirmed.

4.0 Unsupported Retention/Contract Monies

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables balance of Kshs.97,202,416 as at 30 June, 2020. Included in this amount is Kshs.17,640,172 in respect of retention/contract monies. However, the Management did not provide the bank account details and retention monies register for audit.

Consequently, the accuracy and completeness of retention /contract monies balance of Kshs.17,640,172 as at 30 June, 2020 could not confirmed.

5.0 Unaccounted for Development Grants

During the financial year the Company received grants of Kshs.1,080,000,000 being Kshs.1,050,000,000 received from the Ministry of Industry, Trade and Co-operatives and Kshs.30,000,000 received from the Ministry of Education, Science and Technology. However, Management did not provide for audit documents and explanation on how the Kshs.1,080,000,000 was used.

Consequently, the accuracy of the use of the receipts of Kshs.1,080,000,000 being development grant could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rivatex East Africa 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.

Material Uncertainty Related to Going Concern

During the year under review, the Company reported a net loss Kshs.376,569,160 resulting in accumulated loss to Kshs.1,810,610,245 as at 30 June, 2020. The Management attributes the poor performance to constant breakdown in processing machines that had hindered the company's ability to supply goods of the right quality and on time.

My opinion is not modified in respect of this matter.

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 comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.355,505,570 and Kshs.353,474,308 respectively resulting to an under-realization of. Similarly, the Company incurred expenditure of Kshs.730,043,468 against an approved expenditure budget of Kshs.716,570,408 resulting to an over-expenditure of Kshs.13,473,060. The underfunding affected the planned activities 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

1.0 Failure to Remit Pension and Benevolent Fund Deductions

The Company had not remitted pensions deductions to the Moi University Staff Pension Scheme and RIVATEX Staff Benevolent Fund amounts of Kshs.22,000,746 and Kshs.1,133,565, respectively. Management did not provide explanation for failure to remit the deductions.

Consequently, Management was in breach of law.

2.0 Payment Against Expired Lease Agreement

Management made payment of Kshs.420,000 for rent charges for Kisumu outlet shop in Kisumu Municipality under Plot 55/35. The payment was made against a lease that had expired on 31 October, 2015 and had not been renewed.

In the circumstances, the payment and continued occupation was irregular.

3.0 Non-Compliance with the One Third of Basic Salary Rule

Review of the Company's payroll for the months of July, August, September and December, 2019, and May and June, 2020 revealed that eighty-one (81) officers of the company earned salaries which were less than a third of their respective basic salaries, This was contrary to Section 19 (3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

Consequently, Management was in breach of law.

4.0 Non-Compliance with Law on Ethnic Composition

An audit of human resource showed that the company had seven hundred and seventy-nine (779) employees out of whom six hundred and eighteen (618) or 79 % were from the dominant community, while one hundred and sixty-one (161) or 21% were from non-dominant communities. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, Management was in breach of law.

5.0 Enterprise Resource Planning

The Company entered into a contract for the supply, delivery, implementation, training and commissioning of the Enterprise Resource Planning (ERP) system at a contract sum of Kshs.4,449,334 on 27 April 2016. The ERP was to have the following modules; ledger accounting, fixed asset register, purchase order processing, inventory control, sales order processing, production, factory/ equipment maintenance, payroll and human resources.

Review of correspondences between the company and the vendor revealed that the server had failed thus rendering the system non-operational. However, Management did not provide for audit reports on why the system failed and the remedial actions taken. This was contrary to Part (b) of the contract agreement required that the service provider to provide the said services and to remedy the defects therein and to provide any other service related to the subject matter of the contract in conformity with and in respect of the provision of the contract.

Consequently, value for money has not been realised in the procurement of the ERP system and the expenditure of Kshs.4,449,334 incurred on acquisition of the ERP.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Approved Human Resource Policy and Staff Establishment

Review of the human resource records revealed that the company did not have approved human resource policy and staff establishment in place during the year under review. Without the approved staff establishment, it was not possible to confirm the optimum number of employees or deficit or surplus per department or the institution as a whole.

Consequently, the Management was in contravention of Section B2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every Ministry/State Department to prepare human resource plans to support achievement of goals and objectives in their strategic plans.

2.0 Lack of Approved Information Technology Security Policy

Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 Kenyan Companies Act, 2015 I report based on the audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- iii. The company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- iv. The report of the Directors has been provided to enable me give an opinion whether the information contained therein is consistent with the financial statements.

Responsibilities of Management and 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, 2015, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the 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 to 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 noncompliance. 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

15 February, 2022

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	Restated 2018-2019 Kshs	2018-2019 Kshs
REVENUES				
Revenue	6	253,272,866	104,946,764	104,946,764
Cost of sales	7	492,005,276	157,470,683	157,470,683
Gross profit		(238,732,410)	(52,523,919)	(52,523,919)
Grants from the National Government	8	100,000,000	100,843,012	-
Other Income	9	195,000	19,600,000	19,600,000
Other gains/(losses)	10	6,442	-	-
TOTAL REVENUES		(138,530,968)	67,919,093	(32,923,919)
OPERATING EXPENSES				
Administration Costs	11	213,343,421	198,084,807	-
Administration Expenses		-	-	45,404,406
Board Expenses		-	-	4,395,570
Honoraria		-	-	811,800
Audit Fees		-	-	290,000
Personnel Emoluments		-	-	46,340,019
Selling and Distribution Costs	12	13,694,706	10,379,314	10,379,314
Finance Costs	13	11,000,065	6,917,651	6,111,979
Ledger Charges		-	-	805,672
TOTAL OPERATING EXPENSES		238,038,192	215,381,772	114,538,760
PROFIT/(LOSS) BEFORE TAXATION		(376,569,160)	(147,462,679)	(147,462,679)
INCOME TAX EXPENSE/(CREDIT)		-	-	-
PROFIT/(LOSS) AFTER TAXATION		(376,569,160)	(147,462,679)	(147,462,679)
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(376,569,160)	(147,462,679)	(147,462,679)

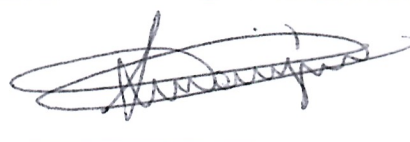
RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2019-2020 Kshs	Restated 2018-2019 Kshs	2018-2019 Kshs
ASSETS				
Non-Current Assets				
Property, plant and equipment	14	6,387,002,889	5,142,115,411	5,284,267,720
Right-of-use asset	15	40,558,219	41,309,297	-
Total Non-Current Assets		6,427,561,108	5,183,424,708	5,284,267,720
Current Assets				
Inventories	16	923,125,119	781,958,436	781,958,436
Trade and other receivables	17	97,202,416	57,379,147	59,859,481
Bank and cash balances	18	71,477,545	44,034,632	44,034,632
Total Current Assets		1,091,805,080	883,372,216	885,852,550
TOTAL ASSETS		7,519,366,188	6,066,796,924	6,170,120,270
EQUITY AND LIABILITIES				
Capital and Reserves				
Ordinary share capital	19	1,000,000	1,000,000	1,000,000
Revaluation reserve	20	73,652,680	73,652,680	73,652,680
Retained earnings	21	(1,810,610,245)	(1,434,041,084)	(1,434,041,084)
Capital and Reserves		(1,735,957,565)	(1,359,388,404)	(1,359,388,404)
Non-Current Liabilities				
Grants	22	8,982,098,977	7,399,488,299	7,500,331,311
Total Non-Current Liabilities		8,982,098,977	7,399,488,299	7,500,331,311
Current Liabilities				
Trade and other payables	23	273,224,777	26,697,029	26,697,029
Provisions for Bad & Doubtful Debts		-	-	2,480,334
Total Current Liabilities		273,224,777	26,697,029	29,177,363
TOTAL EQUITY AND LIABILITIES		7,519,366,188	6,066,796,924	6,170,120,270

The financial statements were approved by the Board on 27 JAN ²⁰²⁰ ~~2021~~ and signed on its behalf by:


 Managing Director


 Ag. Chairman of the Board

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2020

	NOTE(S)	Share Capital Kshs	Retained Earnings Kshs	Revaluation Reserves Kshs	Capital reserves Kshs	Total Kshs
At 1st July 2018		1,000,000	(1,286,578,406)	73,652,680	4,119,769,099	2,907,843,373
Net Profit/Loss for the Year	21		(147,462,679)	-	-	(147,462,679)
Transfers to Capital reserves						
-LMW Machines	26	-	-	-	2,400,062,212	2,400,062,212
-GoK Grants	8				879,656,988	879,656,988
At 30th June 2019		1,000,000	(1,434,041,085)	73,652,680	7,399,488,299	6,040,099,895
At 1st July 2019		1,000,000	(1,434,041,085)	73,652,680	7,399,488,299	6,040,099,895
Net Profit/Loss for the Year	21	-	(376,569,160)	-	-	(376,569,160)
Transfers to Capital reserves						
- LMW Machines	26				602,610,677	602,610,677
-GoK Grants	8				980,000,000	980,000,000
At 30th June 2020		1,000,000	(1,810,610,245)	73,652,680	8,982,098,976	7,246,141,411

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	Restated 2018-2019 Kshs	2018-2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from/(used in) operations	25	(182,991,831)	(202,119,728)	(202,119,728)
Net cash generated from/(used in) operating activities		(182,991,831)	(202,119,728)	(202,119,728)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment-Grant	14	(769,565,255)	(807,265,170)	(908,108,182)
Net cash generated from/(used in) investing activities		(769,565,255)	(807,265,170)	(908,108,182)
CASH FLOWS FROM FINANCING ACTIVITIES				
Government grants	8	980,000,000	879,656,988	980,500,000
Net cash generated from/(used in) financing activities		980,000,000	879,656,988	980,500,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,442,914	(129,727,910)	(129,727,910)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		44,034,631	173,762,542	173,762,542
Effects of foreign exchanges rate fluctuations		-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	71,477,545	44,034,631	44,034,631

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Explanation
Revenue	2019-2020	2019-2020		2019-2020	2019-2020	
	Kshs	Kshs		Kshs	Kshs	
Sale of goods	254,305,701	-	254,305,701	253,272,866	(1,032,835)	
Transfers from the Government	100,000,000	-	100,000,000	100,000,000	-	
Finance Income	-	-	-	6,442	6,442	
Other income	1,200,000	-	1,200,000	195,000	(1,005,000)	
Total income	355,505,701	-	355,505,701	353,474,308	(2,031,393)	
Expenses						
Administration Cost	211,311,375	-	211,311,375	213,343,421	2,032,046	
Use of goods and services (Cost of sales)	251,948,039	226,286,144	478,234,183	492,005,276	13,771,093	The receipt of the working capital in February 2020 of Kshs. 650,000,000 from the Ministry of Industrialization necessitated upward revision of the original budget. The availability of raw materials i.e. fibres and dyes & chemicals enabled the company to actualize the production efficiency across the production line hence the increase in cost of production.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Selling and Distribution Costs	4,529,767	3,495,083	8,024,850	7,248,164	(776,686)	The realization of increased production levels necessitated increased marketing activities which translated to increased selling and distribution costs.
Finance cost	7,687,194	4,812,806	12,500,000	11,000,065	(1,499,935)	Finance cost relates to Exim Bank loan letter of credit which are issued from time to time.
Rent paid	6,500,000	-	6,500,000	6,446,542	(53,458)	
Total expenditure	481,976,375	234,594,033	716,570,408	730,043,468	13,473,060	
Surplus for the period	(126,470,674)		(361,064,707)	(376,569,160)	(15,504,453)	

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) BASIS OF PREPARATION

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

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

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

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

b) REVISED AND NEW STANDARDS

i. Amendment to IFRS 16 and COVID-19

The amendment permits lessee, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

account for those rent concessions as if they are not lease modifications. The amendment does not affect the lessors. This amendment of IFRS 16 is as follows;

- a) Provide lessees with an exemption from assessing whether a COVID-19 related concession is a lease modification.
- b) Require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications
- c) Require lessees that apply the exemption to disclose that fact
- d) Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior figure. Instead, a lessee would recognise any difference arising on initial application of the amendment in opening retained earnings (or other component of equity, as appropriate) in the annual reporting period that includes the date of initial application.

The company will seek to negotiate with its lessors to obtain lease reliefs and account for COVID-19 related rent concessions.

ii. Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest rate benchmark reform)

The amendments in Interest Rate Benchmark Reform clarifies that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reforms.

The amendments affect the following areas;

- a) Highly probable requirements for cash flow hedges (IFRS 9 and IAS 39) – If the hedged item is a forecast transaction, the company shall determine whether the forecast transaction is highly probable assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.
- b) Reclassification of the amounts in the cash flow hedged reserve to profit or loss (IFRS 9 and IAS 39) – To determine whether the hedged cash flows are expected to occur, the company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.
- c) Assessment of economic relationship between the hedged item and the hedging instruments (IFRS 9) – The company shall assume that the interest benchmark on which the hedged cash flows and/or the hedged risks are based, or the interest rate interest benchmark on which the cash flows of the hedging instruments are based, are not altered as a result of the interest rate benchmark reform.
- d) Prospective assessment and retrospective assessment (IAS 39) – The Company shall assume that the interest rate benchmark on which the hedged cash flows and/or hedged risks are based, or the interest rate benchmark on which the cash flows of the hedging instruments are based, is not altered as a result of the interest rate benchmark reform.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e) Designation of a component of an item as a hedged item (IFRS 9 and IAS 39) – The company shall apply the specific requirement in IFRS 9 and IAS 39, to determine whether the risk component is separately identifiable, only at the inception of the hedging relationship.

iii. Amendments to Definition of Materials (IAS1 & IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 & IAS 8) clarify the definition of material align the definition used in the Conceptual Framework and the Standards. The revised Definition of Material is “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity.”

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

i) Revenue recognition

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

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

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

ii) In-kind contributions

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Property, plant and equipment

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

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

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

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

iv) Depreciation and impairment of property, plant and equipment

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

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

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Amortization and impairment of Intangible assets

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

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

vi) Investment property

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

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

vii) Inventories

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

viii) Trade and other receivables

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

ix) Taxation

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

x) Cash and cash equivalents

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

xi) Trade and other payables

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

xii) Provision for staff leave pay

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

xiii) Exchange rate differences

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

xiv) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. During the financial year a general provision of Kshs. 3,953,745 being 5% of the total trade debtors was provided as required under IAS 39.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Rivatex East Africa Limited's activities expose it to a variety of financial risks including credit and market risks. The Rivatex East Africa Limited's overall risk management policies are set out by the Board and implemented by the management, and focus on the unpredictability of changes in the operating environment and seek to minimize the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. Rivatex East Africa Limited does not hedge against

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

any risks. Rivatex East Africa Limited's activities expose it to a variety of financial risks, including credit risk and a description of the significant risk factors is given below together with the risk management policies applicable.

i. Credit risk

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

ii. Market risk

a. Foreign exchange risk

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

b. Cash flow and fair value interest rate risk

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

Property, plant and equipment

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

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

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

4. REVALUATION RESERVES

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

5. UTILITIES DEPOSITS

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

Utilities deposits

	2019/2020	2018/2019
	Kshs	Kshs
Rent & power connection deposits b/f	380,140	380,140
Rent deposit refund Narok outlet	-	-
Rent deposits- Kitale & Nakuru outlets	-	-
Total	380,140	380,140

6. REVENUE

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

	2019/2020	2018/2019
	Kshs	Kshs
<u>Products</u>		
Printed fabrics	96,319,430	39,852,306
Dyed	49,807,506	20,607,929
Cloth (Grey)	8,153,170	3,373,386
Bleached	11,465,395	4,743,824
Garments	86,117,857	35,631,390
Waste	1,273,934	527,092
Others	509,574	210,837
	253,646,866	104,946,764
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Dyed fabrics	(374,000)	-
	(374,000)	-
Total Sales	253,272,866	104,946,764

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

7. COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
DIRECT COST		
Opening Stock	106,149,833	70,350,581
Add: Purchases	330,104,493	87,207,928
Less: Closing stock	(307,511,842)	(106,149,833)
Cost of Raw materials	128,742,484	51,408,675
Direct labour	73,161,594	38,353,247
Factory Electricity	84,584,634	23,411,125
Factory Water	13,385,798	6,046,576
Sub-Total	299,874,509	119,219,623
INDIRECT COST		
Fuelwood expenses	10,458,060	5,135,070
Salaries & Wages	51,454,911	41,835,352
Packaging materials	497,913	356,884
Designs & Screens	3,133,984	530,310
Lubricants & Oils	9,738,651	382,619
Spares & Consumables	1,522,825	821,289
Staff uniforms & Consumables	1,911,250	702,295
Tailoring Consumables	7,403,684	6,343,573
Depreciation	118,873,579	41,527,769
Sub-Total	204,994,856	97,635,160
TOTAL COST	504,869,366	216,854,783
Add: Opening Work-In-Progress	317,517,112	279,925,314
Less: Closing Work-In-Progress	324,285,643	317,517,112
COST OF GOODS MANUFACTURED	498,100,835	179,262,985
Add Opening Finished goods	79,724,508	57,932,206
Less Closing Finished goods	85,820,067	79,724,508
COST OF SALES	492,005,276	157,470,683

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

8. GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. During the financial year the Company received grants of Kshs.1,080,000,000 (nine hundred and eighty million shillings (Kshs.980,000,000) for capital expenditure and one hundred million shillings (Kshs.100,000,000) for cotton development) while in 2018/2019 the government grants were nine hundred and eighty million, five hundred thousand shillings (Kshs.980, 500,000)

	2019/2020	Restated 2018/2019	2018/2019
	Kshs	Kshs	Kshs
Reccurent grants received	100,000,000	100,843,012	-
Capital grants realized (see note below)	980,000,000	879,656,988	980,500,000
Total	1,080,000,000	980,500,000	980,500,000

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs
Ministry of Industrialization, Trade and Enterprise Development.	100,000,000	950,000,000	1,050,000,000
Ministry of Education	-	30,000,000	30,000,000
Total	100,000,000	980,000,000	1,080,000,000

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

Restatement: In the financial year 2018/2019, the company received Grants of Kshs. 980,500,000. However, Kshs. 100,843,012 was intended for Cotton Development Program which was then classified under capital fund; this has been restated as a recurrent grant and the same recognized in the statement of comprehensive income.

9. OTHER INCOME

Other Income

Lease of motor vehicle to Confucius Institute
 Training fee

Other Income

2019/2020 Kshs	2018/2019 Kshs
195,000	1,800,000
-	17,800,000
195,000	19,600,000

10. OTHER GAINS AND LOSSES

FOREX gain

Other Operating Income

2019/2020 Kshs	2018/2019 Kshs
6,442	0
6,442	0

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

1.1 ADMINISTRATION COSTS

(a) Administration Expenses

	2019/2020	Restated	2018/2019
	Kshs.	2018/2019	2018/2019
		Kshs.	Kshs.
General administration expenses	3,725,708	2,194,221	2,194,221
Postage and stationery	1,757,147	2,174,127	2,174,127
Sundry expenses	2,152,333	1,267,476	1,267,476
Telephone and internet expenses	3,063,191	1,487,289	1,487,289
Travelling, Air Tickets and subsistence allowances	4,833,983	3,959,337	3,959,337
Depreciation Property, plant and equipment(PPE)	8,414,876	4,614,197	4,614,197
Legal fees	750,000	1,563,605	1,563,605
Motor vehicle Repairs and Maintenance	2,977,312	1,987,561	1,987,561
Research and product development	4,334,600	3,970,740	3,970,740
Water	704,516	671,842	671,842
Electricity	3,067,836	2,601,236	2,601,236
Fuel and Oil	5,620,624	6,531,077	6,531,077
Staff costs	6,050,066	4,024,078	4,024,078
Insurance	6,307,118	5,877,287	5,877,287
General provisions for bad debts	1,473,411	2,480,334	2,480,334
Cotton development	100,000,000	100,843,012	-
Sub-total	155,232,721	146,247,418	45,404,406

Restatement: In the financial year 2018/2019, the company recognized Kshs. 100,843,012 in the statement of comprehensive income. This was expensed against cotton development programs i.e. purchase of cotton seeds, pesticides and fertilizers for farmers in cotton growing regions which the company has signed agreements with.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

11 (b) Personnel Expenses

	2019/2020 Kshs.	2018/2019 Kshs.
Salaries	38,886,015	34,522,210
NSSF Employer Contribution	1,604,800	1,154,000
Employer's Pension Contribution	11,646,355	9,777,346
Gratuity	1,266,376	886,463
Sub-total	53,403,545	46,340,019

11 (c) Board Expenses

	2019/2020 Kshs.	2018/2019 Kshs.
Board Expenses	3,808,305	4,395,570
Sub-total	3,808,305	4,395,570

11 (d) HONORARIA

	2019/2020 Kshs.	2018/2019 Kshs.
Honoraria	608,850	811,800
Sub-Total	608,850	811,800

11 (e) AUDIT FEES

	2019/2020 Kshs.	2018/2019 Kshs.
Audit fees	290,000	290,000
Sub-total	290,000	290,000

	2019/2020 Kshs.	2018/2019 Kshs.
Total Administration Cost (Note 11a-11e)	213,343,421	198,084,807

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

12. SALES & MARKETING EXPENSES

	2019/2020 Kshs.	2018/2019 Kshs.
Selling & Distribution expenses	6,532,573	3,289,606
Outlets Sundry expenses	715,591	491,836
Rent-outlets	6,446,542	6,597,872
Total Sales & Marketing Expenses	13,694,706	10,379,314

13. FINANCE COSTS

	2019/2020 Kshs.	2018/2019 Kshs.
a. <u>Bank Charges</u>		
Ledger Fees	1,609,052	805,672
Total	1,609,052	805,672

	2019/2020 Kshs.	2018/2019 Kshs.
b. <u>Letter of Credit</u>		
Letter of credit	9,391,013	6,111,979
Total	9,391,013	6,111,979

The letter of credit relates to Exim Bank loan issuance charges

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO FINANCIAL STATEMENTS

14. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Land Kshs	Buildings Kshs	Buildings (Work- In-Progress) Kshs	Plant & Equipment Kshs	Plant & Equipment (Work-In- Progress) Kshs	Biological Asset (Cotton Development) Kshs	Furniture & Fittings Kshs	Computers & Accessories Kshs	Office Equipment Kshs	Motor Vehicles Kshs	Total Kshs
Cost/Valuation											
As At 1st July 07	50,322,233	84,513,920	-	112,271,815	-	-	3,165,874	323,000	255,000	-	250,851,842
As at 1st July 2019	41,309,297	123,708,020	353,015,778	1,385,404,848	3,457,133,648	100,843,012	4,147,979	3,426,105	2,060,945	48,243,392	5,519,293,024
Transfers				236,649,191	(236,649,191)	-					
EXIM Loan-Bank of India				3,002,672,889	(2,400,062,212)	-					602,610,677
Additions 2019/2020		5,765,720	106,060,792	742,500	653,914,521		95,600	2,932,762	53,360		769,565,255
Reclassification	(41,309,297)					(100,843,012)					(142,152,309)
As at 30th June 2020	-	129,473,740	459,076,570	4,625,469,429	1,474,336,766		4,243,579	6,358,867	2,114,305	48,243,392	6,749,316,647
Accum. Depreciation											
As at 1st July 2019		30,770,743		164,471,836			1,534,527	2,060,007	1,281,456	34,906,735	235,025,304
Disposals/Obsolete		3,236,844		115,636,736			530,447	1,589,717	264,288	6,030,424	127,288,455
Charge for the year		34,407,587	-	280,108,572	-		2,064,974	3,649,724	1,545,744	40,937,159	362,313,759
As at 30th June 2020											
Net Book Value											
As at 30th June 2020	-	95,466,154	459,076,570	4,345,360,857	1,474,336,766	-	2,178,605	2,709,143	568,561	7,306,233	6,387,002,889
Restated as at 30th June 2019	-	92,937,276	353,015,778	1,220,933,012	3,457,133,648	-	2,613,452	1,366,098	779,489	13,336,657	5,142,115,411
As at 30th June 2019	41,309,297	92,937,276	353,015,778	1,220,933,012	3,457,133,648	100,843,012	2,613,452	1,366,098	779,489	13,336,657	5,284,267,720

Restatement: During the 2018/19 financial year, the Statement of Financial Position reflected Property, Plant and Equipment of Kshs. 5,284,267,720 which included land of Kshs. 41,309,297 and Biological assets of Kshs. 100,843,012. The land and Biological assets were incorrectly included in property, plant and equipment instead of recognizing land under right-of-use assets as the land is under lease & recognizing Kshs. 100,843,012 in the statement of comprehensive income and expense the same against cotton development programs i.e. purchase of cotton seeds, pesticides and fertilizers.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including motor cycles	18,324,391.72	2,290,548.97
Computers and related equipment	6,833,466	231,200
Office equipment, furniture and fittings	657,800	82,225
	25,815,657.72	2,603,973.97
	=====	=====

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO FINANCIAL STATEMENTS

15. RIGHT-OF-USE ASSET

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	50,322,233	50,322,233
At June 30	50,322,233	50,322,233
AMORTISATION		
At July 1	9,012,936	8,261,858
Charge for the year	751,078	751,078
At June 30	9,764,014	9,012,936
NET BOOK VALUE		
At June 30	40,558,219	41,309,297

Note The cost (Land) carried in the financial statements is amortized to the income statement on a straight-line basis over 67 years of the remaining 99 year lease period.

16. INVENTORY

	2019/2020	2018/2019
	Kshs	Kshs
Raw materials	307,511,842	106,149,833
Finished goods	85,820,067	79,724,508
Work-In-Progress	324,285,643	317,517,112
Sub-Total	717,617,552	503,391,453
Consumables, spares & accessories	205,507,567	278,566,983
Sub-Total	205,507,567	278,566,983
Total	923,125,119	781,958,436

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE & OTHER RECEIVABLES

Trade and other receivables as at the end of financial year was Kshs. 84.53 million.

	2019/2020	Restated	2018/2019
	Kshs	2018/2019	2018/2019
		Kshs	Kshs
Trade receivables	79,074,907	49,778,670	49,778,670
Prepayments (Note 24(a))	14,148,800	2,555,126	2,555,126
Other receivables from related parties (Note 24 (b))	5,071,981	7,145,545	7,145,545
Utilities deposits (Note 5)	380,140	380,140	380,140
Provisions for bad & doubtful debts	(1,473,411)	(2,480,334)	-
Total	97,202,416	57,379,147	59,859,481

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

Restatement: In the financial year 2018/2019, the provision for bad & doubtful debts was classified under current liabilities; instead, the amount should have been netted off against the gross trade receivables as provided by the revised financial reporting formats.

18. BANK AND CASH BALANCES

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

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	71,296,814	43,969,617
Cash in hand	180,731	65,015
Total	71,477,545	44,034,632

The bulk of the cash at bank was held at Equity Bank of Kenya and Kenya Commercial Bank, the company's main bankers.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

The make-up of bank balances is as follows:

	2019/2020 Kshs	2018/2019 Kshs
Cash at Hand	180,731	65,015
Bank Balance		
<u>Equity Bank</u>		
Main Account (0300291345310)	187,641	238,209
Sales Account (0300292559317)	7,774,689	6,487,344
Nairobi Account (0300297531263)	263,955	371,446
Moi University Account (0300294911893)	903,611	163,539
Canteen Account (0300294868414)	138,923	183,751
Narok Account (0300297531280)	16,040	23,509,067
Dollar Account (0300295572845)	162,458	156,016
<u>Kenya Commercial Bank</u>		
KCB Main Account (1182314430)	59,817,534	11,320,243
MUPEN Account (1120920809)	18,508	186,624
Nakuru Account (1178072886)	1,873,418	1,308,788
Kisumu Account (1121365930)	33,962	29,323
Showroom Account (1136152989)	106,074	15,267
Sub-total	71,296,814	43,969,617
Total	71,477,545	44,034,632

19. SHARECAPITAL

AUTHORISED

50,000 Ordinary shares of @ Kshs.20

ISSUED & FULLY PAID

50,000 Ordinary shares of @ Kshs.20

	2019/2020 Kshs	2018/2019 Kshs
	1,000,000	1,000,000
	1,000,000	1,000,000

20. REVALUATION RESERVES

The revaluation reserve relates to Work-in Progress which was carried forward from last financial year.

Revaluation reserves b/f

Total

	2019/2020 Kshs	2018/2019 Kshs
	73,652,680	73,652,680
	73,652,680	73,652,680

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

21. RETAINED EARNINGS

This is made up of:-

	2019/2020 Kshs	2018/2019 Kshs
Retained earnings b/f	(1,434,041,085)	(1,286,578,406)
Net Loss for the year	(376,569,160)	(147,462,679)
Total	(1,810,610,245)	(1,434,041,084)

22. CAPITAL RESERVES

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

	2019/2020 Kshs	Restated 2018/2019 Kshs	2018/2019 Kshs
Capital Reserves	7,399,488,299	4,119,769,099	4,119,769,099
Grants for the year-Government subventions	980,000,000	879,656,988	980,500,000
- LMW Machines	602,610,677	2,400,062,212	2,400,062,212
Total	8,982,098,976	7,399,488,299	7,500,331,311

Restatement: In the financial year 2018/2019, the company received Grants of Kshs. 980,500,000. However, Kshs. 100,843,012 was intended for Cotton Development Program which was then classified under capital fund; this has been restated as a recurrent grant and the same recognized in the statement of comprehensive income.

23. TRADE AND OTHER PAYABLES

This is made up of:-

	2019-2020 Kshs	2018-2019 Kshs
Trade payables	255,254,605	26,407,029
Accrued expenses	330,000	290,000
Retention/ contract monies	17,640,172	-
Total	273,224,777	26,697,029

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

24 (a). PREPAYMENTS

The prepayments for various goods and services as follows:-

	2019/2020	2018/2019
	Kshs	Kshs
Insurance (General & Motor Vehicle)	-	2,555,126
Motor vehicle (Fire fighting vehicle (Kshs. 9,351,800 & Isuzu double cabin(Kshs. 4,797,000)	14,148,800	-
Total	14,148,800	2,555,126

24 (b). RELATED PARTY TRANSACTIONS

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

	2019/2020	2018/2019
	Kshs	Kshs
Trade debts	5,071,981	7,145,545
Total	5,071,981	7,145,545

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

Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Sales to related parties		
Sales of goods to Moi University	3,208,677	2,471,916.33
Sales of services	-	-
Total	3,208,677	2,471,916.33
b) Grants from the Government		
Grants from National Govt	1,080,000,000	980,500,000
Grants from County Government	-	-
Donations in kind	-	-

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Total	1,080,000,000	980,500,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	4,417,155	5,207,370
Compensation to the CEO	1,602,000	1,602,000
Compensation to key management	22,253,250	21,603,800
Total	28,272,405	28,413,170

25. OPERATING PROFIT/ (LOSS) TO CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs	Kshs
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(376,569,160)	(147,462,679)
Depreciation	127,288,455	45,390,887
Amortisation	751,078	751,078
Operating profit/(loss) before working capital changes	(248,529,627)	(101,320,714)
(Increase)/decrease in inventories	(141,166,683)	(117,480,234)
(Increase)/decrease in trade and other receivables	(39,823,269)	(1,926,970)
Increase/(decrease) in trade and other payables	246,527,748	18,608,189
Cash generated from/(used in) operations	(182,991,831)	(202,119,728)

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

26. LMW MACHINES

Lakshmi Machine Works (LMW) installed and commissioned machines amounting to Kshs.602,610,677 which was financed through a bilateral agreement between the Kenyan and Indian governments.

27 (a) PROFIT BEFORE TAX

The Net loss before tax is arrived after charging:

	2019/2020	2018/2019
	Kshs	Kshs
Depreciation (Note 13)	127,288,455	46,141,965
Employee benefits expense (Note 26 (b))	178,020,051	126,526,117
Directors' fees & emoluments	3,808,305	4,395,570
Auditors remuneration	290,000	290,000
Total	309,406,812	177,353,652

(b) Employee benefit expense

	2019/2020	2018/2019
	Kshs	Kshs
Salary and wages	163,502,520	114,710,808
Retirement benefits costs:		
- Defined contribution scheme	11,646,355	9,777,846
- National Social Security Fund	1,604,800	1,154,000
Gratuity	1,266,376	886,463
Sub-Total	178,020,051	126,526,117

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

28. STATEMENT OF TAXATION

	2019/2020	2018/2019
	Kshs	Kshs
Operating results before tax	(376,569,160)	(147,462,679)
<u>Add back: Disallowed items:</u>		
Depreciation	127,288,455	46,141,965
Amortization	751,078	751,078
	(248,529,627)	(100,569,636)
<u>Less allowed items:</u>		
Wear & tear allowance	(748,087)	(3,126,002)
Industrial Buildings	(2,882,860)	-
Deductions	(118,324,596)	(256,084,989)
Investment deductions	(118,324,596)	(256,084,989)
NET PROFIT/LOSS	(370,485,170)	(359,780,672)
Less Brought Forward losses	(2,535,115,697)	(2,175,335,070)
	(2,905,600,867)	(2,535,115,697)
Corporation tax	nil	nil
Add: brought forward	nil	nil
Less: paid during the year	nil	nil
Balance carried forward	nil	nil

- The tax losses are carried forward for 9 years as per the Finance Act of 2015.
- Machinery that qualify under wear & tear are classified as follows;-
 - a. Commercial Building -10%per year on a reducing balance basis.
 - b. Motor vehicles and heavy earth moving equipment -25% per year on a reducing balance basis.
 - c. Computer and peripheral computer hardware and software, calculators, copiers and duplicating machines -25%per year on a reducing balance basis.
 - d. Furniture and fittings -10%per year on a reducing balance basis.
- Industrial Building Deduction-50% in the first year and 25% on residual value per year on a reducing balance basis.
- Investment Deduction-50% in the first year and 25% on residual value per year on a reducing balance basis.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

29. CAPITAL COMMITMENT

The capital commitments relates to the ongoing capital projects and new projects which have been approved for implementation but are at various stages of implementation. These projects are financed by the Government Grants. These projects are: Installation costs for Continuous Dyeing machine, Continuous Scouring & Bleaching Range, 3-Stage Caustic Soda Recovery Plant and Yarn Dyeing & Rapid Dryer machine and construction of perimeter wall.

Capital commitments at the year-end for which no provision has been made in these financial statements are:

	2019-2020	2018-2019
	Kshs	Kshs
Amounts authorised and contracted for	76,538,720	-
Amounts authorizes but not contracted for	17,000,000	-
Less: Amounts included in Work in progress	(14,661,731)	-
Total	78,876,989	-

30. CONTINGENT LIABILITIES

a) The company is subject to a number of contractual, legal & business claims incidental to its operations, the outcome of which cannot at present be foreseen and the possible loss or range of which cannot at present be meaningfully quantified. The company has various ongoing legal cases from former employees and contractual disputes arising from normal course of business. Our lawyers have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on this financial statements. Based on the professional advice received from our lawyers, the provisions made for all the claims sufficiently covers the expected losses arising from them.

b) During the commissioning of the modernised factory on 21st June 2019, His Excellency the President issued a presidential directive waiving 50% electricity costs incurred by the company in the course of operations. The management is still following up on the implementation of the waiver with the Energy and Petroleum Regulatory Authority (EPRA). Consequently, 50% of the electricity cost has been recognized in full on manufacturing cost. The remainder fifty percent as per the Kenya Power electricity bills has been recognized as a contingent liability awaiting confirmation by EPRA.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

c) Letter of Credit signify commitment by the company to make payments to third parties for contracts entered into. The letter of credit of Kshs. 9,391,013 relates to EXIM Bank Loan (Bank of India) obtained by the Government of Kenya.

	2019/2020	2018/2019
	Kshs	Kshs
Probable Legal costs	15,900,000	
Electricity cost	54,327,976	0
Finance cost	9,391,013	6,111,979
Total	79,618,989	6,111,979

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.

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.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS

(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.

31. COVID-19 PANDEMIC

The Company is continuously tracking the developing issues around COVID-19 and has put in place measures to mitigate the impact of the outbreak to customers, employees and other stakeholders. Additional overtime allowances were paid to staff working in the night shifts as a result of the curfew that was imposed by the government.

Owing to the pandemic, the company realized cash flow deficits as clients were not able to meet due debt in time. Marketing activities were also greatly affected as movement restrictions were effected by Government this shrank our market share.

Based on cash flow projections under the different scenarios, there is no significant deterioration in the free cash flows under each scenario. The company does not expect any asset impairment resulting from the pandemic.

Based on the assessments made, the management is not aware of any material uncertainties related to these events or conditions that may cast doubt upon the company's ability to continue as a going concern.

32. STAFF COST

Following the onset of the COVID-19 pandemic, the Company has incurred additional costs as towards provision of personal protective equipment for staff, establishment of sanitization stations, face masks, sanitizers etc. to prevent infection/spread of the pandemic amongst our staff in line with Ministry of Health protocols.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

33. INCORPORATION

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

34. EVENTS AFTER THE REPORTING PERIOD

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

35. CURRENCY

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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.

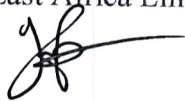
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-maintenance of works in progress Register	The work in progress register was provided in support of Kshs. 353,015,778 relating to the construction of the new spinning shed which was at 91% level of completion and Kshs. 3,457,133,648 being assorted machines from Lakshmi Machine works as per the financial statements.	CPA. Bett K. Stanley (Chief Accountant)	Resolved	NA
2.0	Overstatement of inventory	Included in the raw materials is chemicals figure of Kshs. 15,484,685 which are classified as 'not moving'. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were specifically to be used by some of the old obsolete wet processing machinery that were dismantled. However after modernization these chemicals are no longer in	CPA. Bett K. Stanley (Chief Accountant)	Not Resolved	30/06/2022

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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)
		use and therefore the management through the board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA)			


Managing Director

(Rivatex East Africa Limited)



Date.....

Ag. Chairman of the Board



Date.....

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
MODERNIZATION OF TEXTILE MACHINERY	1175	EXIM BANK OF INDIA	COMPLETED	USD 29,950,000	NO	YES

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Trade, Industry and Enterprise Development /State Department of Education				
FY 2019/2020				
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>
		10/04/2019	50,000,000	2019/2020
		10/04/2019	300,000,000	2019/2020
		27/02/2020	650,000,000	2019/2020
		27/02/2020	50,000,000	2019/2020
		18/03/2020	20,000,000	2019/2020
		18/03/2020	10,000,000	2019/2020
		Total	1,080,000,000	

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the IDA/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 Industrialization and Enterprise Development	10/04/2019	Development	50,000,000	-	50,000,000	-	-	-	50,000,000
Ministry of Industrialization and Enterprise Development	10/04/2019	Development	300,000,000	-	300,000,000	-	-	-	300,000,000
Ministry of Industrialization and Enterprise Development	27/02/2020	Development	650,000,000	-	650,000,000	-	-	-	650,000,000
Ministry of Industrialization and Enterprise Development	27/02/2020	Development	50,000,000	-	50,000,000	-	-	-	50,000,000

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Ministry of Education	18/03/2020		20,000,000		20,000,000				20,000,000
Ministry of Education	18/03/2020		10,000,000		10,000,000				10,000,000
Total					-	1,080,000,000			1,080,000,000

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS, FINANCIAL STATEMENTS, SIGNIFICANT ACCOUNTING
POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2020

OUTLETS

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

Nairobi Outlet

Bazaar Building along Moi Avenue, Biashara Street.

Mobile no: +254727846879

Email:

nairobioutlet@rivatex.co.ke

Kisumu Outlet

RahemtullaBunja Building along Paul- Mboya Road.

Mobile no: +254790163631

Email:

kisumuoutlet@rivatex.co.ke

Nakuru Outlet

Baraka Plaza along Kenyatta Street Opposite Equity Biashara Street.

Mobile no: +254714106594

Email: nakuruoutlet@rivatex.co.ke

Eldoret Outlet

Mupen Building along Ronald Ngala Street.

Mobile no: +254725104530

Email:

eldoretoutlet@rivatex.co.ke

Eldoret Head Office

Off Kisumu Road, along Kipkaren Road.

P.O Box 4744-30100,

Eldoret.

Mobile no: +254725004376

Email: showroom@rivatex.co.ke

Moi University Outlet

Administration Block, main Campus

Mobile no: +254721439191

Email:

moiuniversityoutlet@rivatex.co.ke

RVTTI Outlet

RVTTI, Eldoret

Mobile no: +254721439191

Email: rvttioutlet@rivatex.co.ke

Website: www.rivatex.co.ke E-mail: info@rivatex.co.ke

