

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

RIVATEX EAST AFRICA LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2023**

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RIVATEX EAST AFRICA LIMITED



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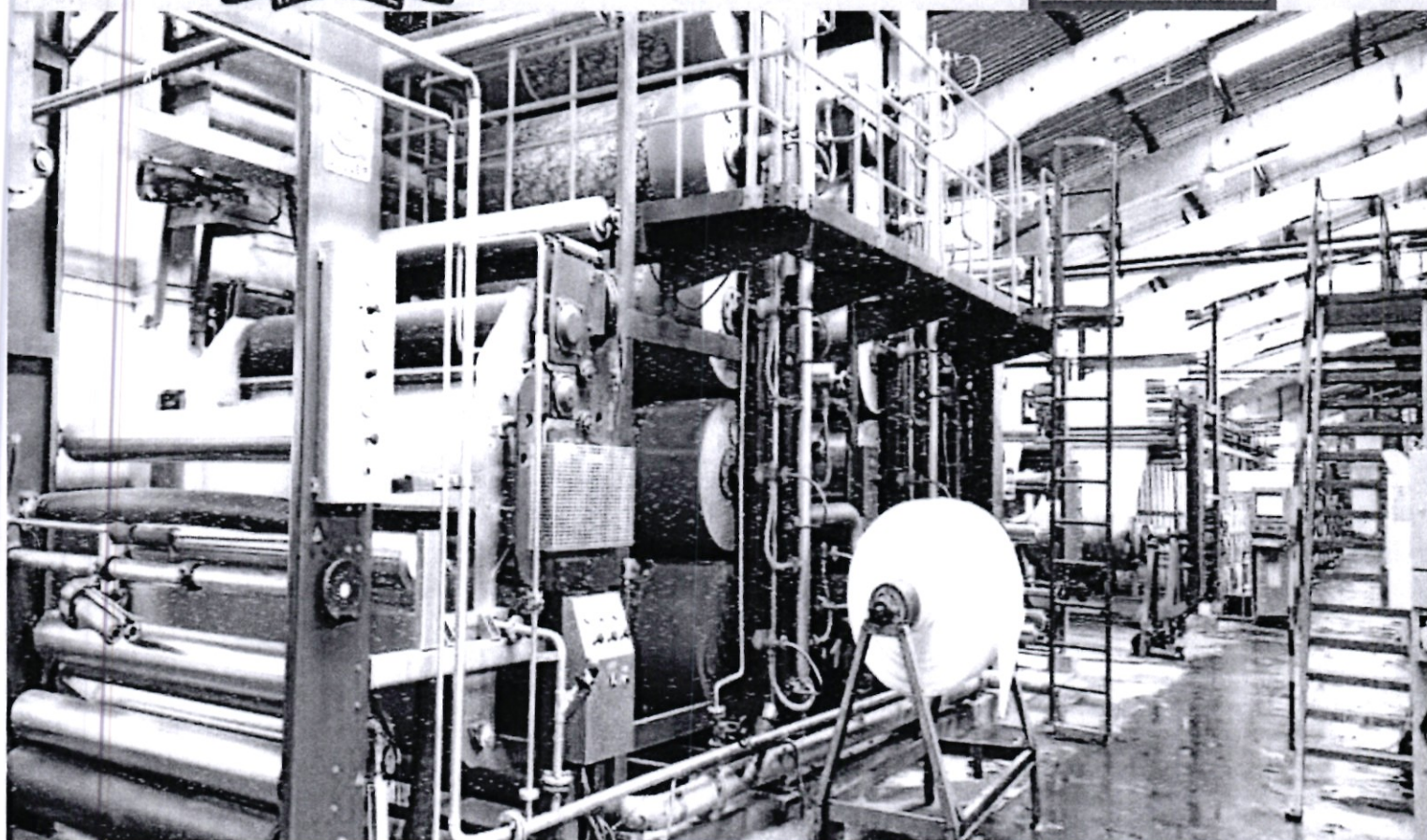
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RIVATEX E.A LTD

REAL



HOME OF QUALITY TEXTILES



**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED JUNE 30, 2023**

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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I. ACRONYMS AND GLOSSARY OF TERMS

<i>REAL</i>	<i>Rivatex East Africa Limited</i>
<i>MD</i>	<i>Managing Director</i>
<i>CAPEX</i>	<i>Capital Expenditure</i>

II. KEY ENTITY INFORMATION

a) Background information

Rivatex East Africa Limited (REAL) is a state corporation domiciled in the Ministry of Investments, Trade and Industry as per Executive Order No.I of 2023 Organization of the Government of Kenya. At Cabinet level, Rivatex East Africa Limited (REAL) is represented by the Cabinet Secretary for of Investments, Trade and Industry, who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya and has outlets in Eldoret, Nakuru, Kisumu & Nairobi.

Rivatex East Africa Limited (REAL) is incorporated as a limited liability company under the Companies Act No. 17 of 2015 on 16th August 2007 and its operations are also regulated in accordance with the State Corporations Act.

Its shareholders comprise of Moi University with ninety-nine per centum (99%) shareholding and Moi University Holdings with one per centum (1%) shareholding.



Rivatex East Africa team receiving the trophy for the best local manufacturer (non-consumable)

CORE BUSINESS OF RIVATEX EAST AFRICA LIMITED

b) PRINCIPAL ACTIVITIES

The company's major objects as set out in the company's Memorandum and Articles of Association

include; textile manufacturing, training, research and extension

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 teamwork 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

c) DIRECTORS.

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

	NAME	DESIGNATION	DATE OF APPOINTMENT	DATE OF EXIT
I.	Dr. Cleophas Lagat	Board Chairman	February 2023	Still the Chairman
2.	Prof. Isaac Kosgei	Vice Chancellor – Moi University.	February 2019	Still a Director
3.	Ms. Dorcas Achapa	Independent Member.	August 2022	Still a Director
4.	Mr. David Chepkwony	Independent Member	August 2022	Still a Director
5.	Mr. Dipesh Ganatra	Independent Member	August 2022	Still a Director
6.	Mr. Nobby Macharia	Alternate to the PS - Ministry of Investments, Trade and Industry.	October 2021	Still a Director
7.	Mr. Isaac Memusi	Alternate to the CS - The National Treasury & Planning.	May 2021	Still a Director
8..	Prof. Thomas Kipkurgat	Managing Director & Secretary to the Board.	July 2017	Still a Director



Rivatex Shirts

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

INSTITUTIONAL DETAILS

d) CORPORATION SECRETARY

Tecla Tum (Mrs), (CPS), LLB, Kipkaren road, off
Eldoret- Kisumu Road



4744-30100,

Eldoret, Kenya.

e) REGISTERED OFFICE

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



4744 – 30100,

Eldoret, Kenya.

f) CORPORATE HEADQUARTERS

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



4744 – 30100

Eldoret, Kenya.

g) CORPORATE CONTACTS



(254) 53 2030901.



info@rivatex.co.ke



@rivatex ltd



Rivatex textile



www.rivatex.co.ke

h) CORPORATE BANKERS

Central Bank of Kenya



60000- 00200, Eldoret



+254-20-2860000



+254-286-0000



info@centarbank.co.ke



www.centralbank.go.ke

Equity Bank of Kenya Ltd



2210- 30100, Eldoret



+254-053-2060907



+254-053-2031777



info@equitybank.co.ke



www.equitybank.co.ke

Kenya Commercial Bank Ltd



560 – 30100, Eldoret



+254-053-2062241/2



+254-053-2061259



xretailmngreld@kcb.co.ke



www.kcbbankgroup.com

Cooperative Bank of Kenya Ltd



2948 – 30100, Eldoret



+254-053-2062717



+254-053-2063663



eldoretbr@co-opbank.co.ke



www.co-opbank.co.ke

I) INDEPENDENT AUDITORS

Auditor-General,

The Office of the Auditor-General,
Anniversary Towers, University Way.

✉ 30084 – 00100,

Nairobi, Kenya.

j) PRINCIPAL LEGAL ADVISERS

I. The Attorney General

State Law Office & Department of
Justice,

Harambee Avenue

✉ 40112, City Square 00200

2. Rioba Omboto and Company advocates

Muya House, 2nd floor, Kenyatta Street

✉ 4837-30100

Eldoret, Kenya



Kitchen Uniforms

III. THE BOARD OF DIRECTORS



Dr. Cleophas Lagat, EGH

CHAIRMAN

Dr. Cleophas Lagat is a Kenyan politician and the first Governor of Nandi County, who served from 2013 to 2017. He joined politics after resigning as a Principal of Eldoret Polytechnic in 2012. He had previously held other positions in Kenyan tertiary colleges. He is a seasoned scholar, administrator and politician rolled into one. He is a classic example of a progressive, proactive and pro-people leader with keen interest in education, youth and women empowerment. In his teaching career spanning close to three decades he has stayed the course focusing to leave his places of work better than he found it. While at Eldoret Polytechnic, he was recognized as a 'Friend of Europe' owing to his exemplary and commendable way of managing donor funds particularly resources from European Union.

Dr. Lagat's career growth has been attributed to his commitment and dedication to exhibit consultative and participatory leadership. This is a feat he accomplished with ease by handling others with sobriety and with humanity.

Dr. Lagat holds a Doctor of Philosophy degree in Engineering systems and management from Egerton University, Master's degree & Bachelors (Hons) of Technology Education from Moi University and Higher Diploma in Mechanical Engineering from Technical University of Kenya. He is a member of Engineers Registration Board (ERB). He has also attended and presented papers in a number of workshops, conferences and seminars both locally and internationally. He has published papers in scientific journals on mechanization.

Additionally, Dr. Lagat was the Chairman of Education and ICT committee of the Council of Governors (CoG) an achievement attributed to his career as a teacher, administrator and scholar. His determination, clarity of thought, hard work, honest, humility and focus are the drivers of his will to lead.

DIRECTOR.



Ms. Dorcas Auma

Ms. Dorcas Auma is an accomplished Public Servant with expertise in international negotiations having been head of International Law division for over 15 years in the office of the Attorney General. She has had an extensive experience in various aspects of Public International Law including Regional Integration and participating in International, Multilateral and Bilateral conferences and negotiations. She has been an advisor to the

Government on the interpretation and application of various conventions including the convention on the Law of the sea.

She has Bachelor of Laws (LLB) from University of Nairobi, Diploma in Legal studies, and Diploma for Advanced Studies in Economics and Social Studies from Manchester, United Kingdom, Diploma in Human Rights. She has worked as a member of the joint Appeals Board of the International seabed, member of the Legal and Technical Commission of the International Seabed, Deputy Solicitor General, Chief State Counsel.

Dorcas joined the Attorney Generals Chambers as State Counsel in the year 1984.



CPA David Chepkwony

DIRECTOR.

Mr. David Chepkwony is a banker and industry leader with 30 years' experience, skills and knowledge in the industry.

He has Master of Arts Business Administration from Maastricht School of management, Diploma in Asset and liability management from Euro-money and Bachelor of Arts, Economics from University of Nairobi.

Mr. Chepkwony has a wide experience from Kenya Commercial Bank having served as Officer Trainer in the year (1998-1999), as Bill Officer from (1990-1993), as Assistant Audit Inspector from the year (1994-1995), as Assistant Manager-Funds in the year (1996-2000), as Manager Funds from the year (2000-2002), as Manager Domestic money markets (2002-2005), as Head of Market Risk (2005-2009), as head of Treasury Operations in the year (2009-2011) and as Head of Shared Services in the year (2011-2018).



Mr. Dipesh Ganatra

DIRECTOR.

Mr. Dipesh Ganatra is a well networked, successful software applications account manager with 19 years of experience in enterprise software and technology/infrastructure solution sales and consultancy from positioning, identify requirements and

KPI's to solution mapping, value propositions, closing the sale and specialized in niche industry.

Mr. Ganatra has BEng (Hons) Manufacturing Engineering and Management from Loughborough University of Technology U.K. Dipesh was currently a Channel Sales Manager at SAP ERP, he has also served as an ICT Director at Sage Enterprise Africa Ltd (2017-2019), also he has been a Strategic Sales Manager –Enterprise at Sage Enterprise Ltd (2014-2017), he also served as Sales Executive at Oracle Systems Ltd, Kenya from (2006-2013).

He has attained certification upon training on designing and development of database applications, front-end forms and reports in Oracle 6i and visual basic from various institutions in India, New Delhi.



DIRECTOR.

Mr. Nobby represents the Principal Secretary, Ministry of Investments, Trade and Industry. He holds Masters in Business Administration (Entrepreneurship) from Kenya Methodist University and Bachelors of Science in Agriculture from University of Nairobi. Mr. Macharia has a wide experience from the Ministry

Mr. Nobby Chiera Macharia

of Industrialization where he has held several positions from being Industrial Development Officer, to Assistant Director of

Industries, to PA to the Assistant Minister, to Acting Head-Field services MSEA, to Acting CEO-MSEA, to Project Coordinator-Kenya Youth Employment and Opportunities Project (KYEOP).

Mr. Nobby currently is the Director of Industries-Agro Industries (State Department of Industrialization) MSEA. He has attained several certifications from the Government of Kenya.



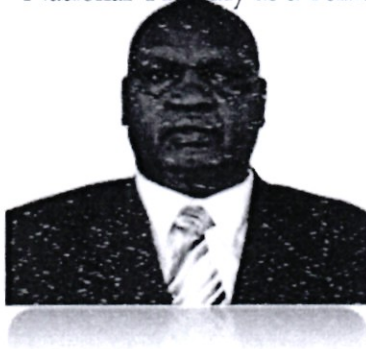
Mr. Isaac Memusi

DIRECTOR.

Mr. Isaac Memusi represents the Cabinet Secretary National Treasury. He holds a Bachelor's degree from the University of Nairobi in Public Administration and Philosophy, Postgraduate

Diploma in Public Administration from Kenya School of Government and currently pursuing Master's Degree in Public Administration from University of Nairobi.

He is a career Administrator having started as a District Officer in the year 2003 at the Office of the President and worked in Ijara and Wajir Districts until 2008 when he was posted to the Ministry of Justice and Constitutional Affairs as an Assistant Secretary. He is currently at the National Treasury as a Senior Assistant Secretary.



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).



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.

COMPANY SECRETARY & MANAGER LEGAL SERVICES

Tecla Tum was born in the year 1987. She holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 9 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate. She is an active member of the Law Society of Kenya and an associate member of the Institute of Certified Secretaries.



Tecla Tum, LL.B,
Dip (Law), CPS (K),



*RIVATEX East Africa Limited Stand at the
University Of Nairobi Educational Expo*

IV. KEY MANAGEMENT TEAM



Prof. Thomas Kipkurgat,

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 Multi-cultural 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.



Mr. Selvaraj Viswanathan

GENERAL MANAGER PRODUCTION DEPARTMENT

Mr. Selvaraj is the General Manager Production Department with professional experience of 30 years in spearheading Manufacturing & Plant Operations, Maintenance and Quality Management in Spinning Mills and Vertically Integrated Composite Textile Mills. Excelled at managing technically advanced, cost-efficient product. He is a Textile expert with qualifications from Tamil Nadu State Board of Technical Education in Textile Technology from Nachimuthu Polytechnic, Pollachi.

He reports to the Managing Director and is responsible for the Production Department.



CPA Patrick Nyaga

GENERAL MANAGER CORPORATE SERVICES

CPA Patrick Nyaga is the General Manager-Corporate Services with professional experience of 23 years. He holds a Master's degree in Strategic management, Bachelor of Commerce, & Diploma in financial services as well as being an accredited Trustee. Prior to his role in Rivatex East Africa Limited, he held senior management positions both in the private & public sector. He is responsible for the Corporate Services Department.



Mr. Willy Sang

SALES & MARKETING MANAGER

Mr. Willy Sang holds a Master's degree in Business Administration and Sales and Marketing from Egerton University with professional experience of 16 years. He held senior management position at New KCC as Brand Manager. He is responsible for sales and marketing division.



Eng. Hosea Kipsang

FASHION & APPARELS MANAGER

Eng. Hosea Kipsang holds a Bachelor of Science in Textile Engineering and Master's degree in Project Management. He joined Rivatex East Africa Limited, has held various senior management positions and has professional experience of more than 16 years.

He is responsible for the Fashion & Apparels division.



Eng. Caroline Mureithi

ENGINEERING MANAGER

Eng. Caroline Mureithi, the Chief Engineer and the Member of Engineers Board of Kenya joined Rivatex East Africa Limited in August 2018. She holds a Bachelor of Science degree in Mechanical and Production Engineering. She previously held senior management position in Wanders fashion ltd as Production manager.

She is responsible for the Engineering division.



Mr. Joseph Kurgat

HUMAN RESOURCES AND DEVELOPMENT MANAGER

Mr. Joseph Kurgat holds a Bachelor's degree in Human Resource Management and is a member of IHRM with over 6 years work experience.

He is responsible for the Human resources & development division.



Eng. Charles Kipchoge

SPINNING MANAGER

Eng. Charles Kipchoge holds a Bachelor of Science degree in Textile Engineering. He previously held senior management positions in Altex EPZ Company and has professional experience of more than 17 years. He has held various senior management positions in Rivatex East Africa Limited which includes Quality Assurance Manager and Factory Manager. He is responsible for the Spinning division.



Eng. Peter Mugo

PROCESSING MANAGER

Eng. Peter Mugo holds a Bachelor of Science degree in Textile Engineering. He has over 17 years work experience in Textile Engineering having held various senior management positions. He is responsible for the Weaving division.



Eng. Christopher Maingi

QUALITY ASSURANCE MANAGER

Eng. Christopher Maingi holds a Bachelor of Science degree in Chemistry. He has previously held senior management positions in Thika Cloth Mills Company with over 33 years' experience in textiles in various senior management positions including Deputy Mill Manager.

He is responsible for the Quality assurance division.



Tecla Tum, LL.B,
Dip (Law), CPS
(K).

COMPANY SECRETARY

Tecla Tum, LL.B, Dip (Law), CPS (K), holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 9 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate.

She is an active member of the Law Society of Kenya, and an associate member of the Institute of Certified Public Secretaries.

V. CHAIRMAN'S STATEMENT

Dear Shareholders



I am very pleased to share with you the annual financial statements for the year ended 30th June 2023.

The 2022/2023 financial year was characterized by unprecedented challenges including the persisting impact of the Covid 19 pandemic, the Ukraine-Russian Conflict, a protracted political season, intense competition in textiles markets, shortage of raw materials which hampered our financial performance and growth ambitions. Despite the challenges, we continued to implement aggressive modernization strategies which continues to play a key role in the revitalization of the cotton, textile and apparel sector in Kenya and to support the sector to anchor high-value investments from the upstream of cotton growing and ginning to the downstream of garment making.

Despite the extraordinary social and economic challenges, we had silver linings that we continued to leverage to position the company for growth and realize sustainable profitability. Among these were the focus on supplying bulk customers whose demand has been large and continuous and enabled the company to enjoy the economies of scale. We consistently improved our ability to service our existing domestic customers and focused on exploiting the opportunity of entering into export market.

Facing the fierce competition amidst high production cost, the company implemented stringent cost control and resources management, and took the production process improvement initiative to enhance efficiency and optimize utilization rate of various production facilities. With ambition and enthusiasm, the management team took measures to expand customer base and explore new markets.

The company launched innovative products, and intensified the promotion of sustainable textiles by diversifying our product range and developed new product lines for double twisted yarns/fabrics, dyed Yarns, Maasai Shuka, checked fabrics & Kikoi to name but a few. As a consumer-oriented textile mill, we take time to understand fashion trends, consumer desires as well as how best to fulfil their needs.

During the year under review, the company was able to complete the installation & commissioning of the Two for One (TFO), fusion twister, Yarn dyeing & drier machines as well as bleaching range machine. This enabled the company to successfully produce double twisted yarns for high end fabrics, and Maasai shukas as well as chequered fabrics and also bleach huge quantities of fabrics respectively.

RIVATEX EAST AFRICA LIMITED
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The Company is a major player in the local textile value chain and has continued to prove this through its participation in the Cotton development & subsidy program in twenty-two (24) counties. It has been engaging with county governments, ginners, farmers & stakeholders in cotton growing areas. The Company provided certified seeds, pesticides, advisory services, and guaranteed the market for the cotton. Going forward the Company will continue to support local farmers & ginneries to ensure cotton farming is a profitable, income generating & employment creation enterprise.

The company is finalizing the expansion of its Fashion & Apparels division in Karichen, Kieni – Nyeri county & Nyando – Kisumu County to serve the central & eastern regions of the country as well as the Nyanza, Western regions respectively. The Nyando apparels value addition center will also serve as the gateway to the East African international market. In addition, the company has diversified into providing services e.g., quality assurance, dyeing, weaving, spinning, garmenting etc. to customers who do not have the equipment's or may wish to only carry out partial value addition to their fabrics/raw materials. This will diversify our revenue streams and ensure optimal utilization of our production capacity.

The Company continues to nurture & develop its human capital. To this end staff capacity was enhanced through highly rated trainings both locally & internationally to ensure their skills meet the requirements of their responsibilities. Going forward the company will continue to be at the forefront of improving staff skills & capabilities. The company has also facilitated various research, trainings & curriculum development focused on textiles.

We have taken a strategic direction on our environmental, agenda by ensuring our factory operations are in line with internationally accredited environmental standards for Zero discharge of Hazardous chemicals & materials. We continue to adhere to national environmental standards in terms of our factory operations. We are currently working towards meeting international standards which will enable us access international markets as well as partner with Export Processing Zones (EPZ) firms to ensure fabrics are sourced locally.

As we step into the future, our commitment remains to grow the Rivatex brand in a consistent and sustainable way. The overall investment that has been put into the modernization - which is nearly complete - has been made possible by the strong support of the National Government and we will apply all our efforts to positively contribute towards the realization of the incoming Administration's textile goals. As it stands, the factory is now in a position to move to the next level to influence the direction of the textile industry in Kenya as well as being a major player in the export & African Growth & Opportunity Act (AGOA) based markets.

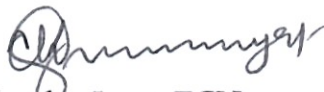
Our entry into the international market will create opportunities along the textile value chain for our farmers, ginneries, agronomists, suppliers, garments accessory, chemical & agrochemical manufacturers. It will also result in positive foreign exchange inflows, increase innovations, and create income generating opportunities & employment for Kenyans.

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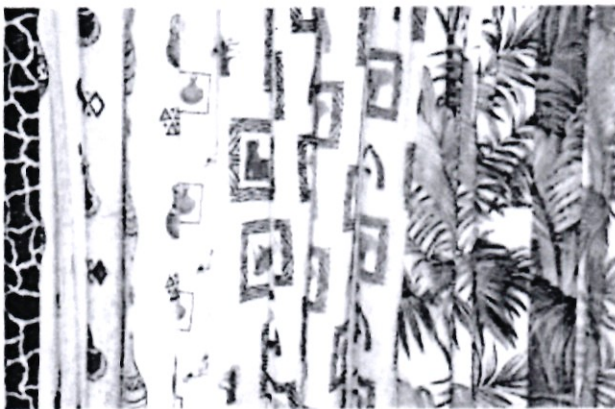
We are excited about the future given the potential of the local cotton sector, the demand for quality fabrics produced with an African touch like our beloved Kitenges, and the extraordinary character and talent of our staff.

On behalf of the Board of Directors, I would like to recognize and celebrate the Government for the support, the farmers for their Continued endeavors in growing & ensuring a reliable supply of cotton, our customers for preferring our brands, our staff for walking the journey with us and stakeholders for their positive inputs.

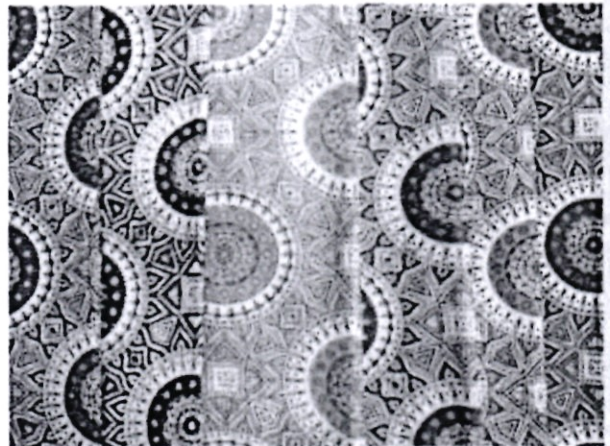
Likewise, I would like to thank my fellow Board members for their counsel and leadership as we steward the Company to greater heights.



Dr. Cleophas Lagat, EGH
Chairman, Rivatex East Africa Limited Board of Directors.



Curtains Fabric



Kitenge Fabric

VI. REPORT OF THE MANAGING DIRECTOR



Allow me to present the financial statements for the year ended 30th June 2023.

The company's strategies developed a few years ago have continued to deliver better results every year. These strategies have made the Company the largest textiles manufacturer in the country, leading in innovation, sustainability and with the best customer portfolio.

The Government of Kenya has continued to steadfastly support Rivatex East Africa Limited through provision of state-of-the-art machinery textile machinery in line with the modernization plan. 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

During the year under review, the company grappled with scarcity in supply of raw materials especially cotton that saw the prices significantly increase coupled with headline inflation, high fuel and power prices which significantly impacted negatively our business performance during the year. The global conflicts in Eastern Europe impacted prices of imported raw material and freight intensifying inflation pressures during the year. The economic recoveries were also dampened by global commodity price shocks, the long drought, and uncertainty in the run up to the Kenya 2022 general elections.

While the industry continues to be affected by abnormally high international raw material prices, it is also facing major challenges in the form of hikes in fuel prices, increasing wages and utility costs.

Despite the challenges the Management continued to focus on profitable avenues, maximizing efficiency in production activities and cost rationalization through various cost cutting measures. During the period under review, the company registered a ten per centum (10%) decrease in turnover of Forty million, seventeen thousand, four hundred and nine shillings (Kshs 40,017,409/-).

The cost of sales (manufacturing expenses) increased by eight million, six hundred fifty-two thousand, two hundred and fifty-six shillings (Kshs 8,652,256 /-) which is one per centum (1%).

During the period, we increased our product portfolio from eighteen (18) to twenty-two (22) products as well as growing our market footprint in the yarns market by re-engineering our production process & servicing bulk orders from large yarn consumers.

Modernization

We have steadfastly focused on completing the modernization strategy with the end goal of enhancing production efficiency, improving & maintaining the quality of our products. During the year, we commissioned a new yarn dyeing machine and continuous bleaching range machine in the processing division which has diversified our product range and introduced new revenue stream for dyed yarns as well significantly increasing the volumes of bleached fabrics. The commissioning of new machinery has on boarded diverse clientele along the way and cementing our name in the textile industry as the home of quality textiles products.

We are completing the installation of a new Continuous Dyeing Machine (Hot flue machine) and we believe this new technology will further enhance our processing capacity and enhance further our quality of dyed fabrics and production capacity. We are also in the process of installing a new Caustic Recovery Plant. This will ensure reduced operating costs by ensuring recovery (recycling) of caustic soda that is used in the production process, minimal effluent treatment expenses, and reduction of the amount of caustic soda that forms part of the factories effluent discharge resulting in environmentally friendly effluent.

We are moving into 2023/2024 financial year with significant momentum and we believe that we are well positioned to further expand the sales and profitability of Rivatex East Africa Limited in the upcoming year. We expect to further increase investments in our business as we build capacities to meet demand and further invest in modern technology development and information systems to drive innovation.

Corporate Strategy

We are aggressively implementing strategies to exploit the enormous opportunity in product and design innovations to address the changing preferences of young vibrant Kenyan's. We are formulating a five-year Strategic Plan to replace the current one which has run its course to cover the period 2023/2024 to 2028/2029. 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 textiles market in Kenya is growing fast due to government policy of 'Buy Kenya, Build Kenya' coupled with the growing affluence levels of Kenyan consumers who are becoming more and more demanding for locally made fabrics. The company's performance during the year was supported by the increasing population, rising income levels, increase in demand for finished products, and growth of end-use sectors like, disciplined forces, hospitality and healthcare. Our increasing efforts in quality improvement, diversification of our product range, innovations

through Research & Development programs, and other preferential value-added features have helped the company's products become more popular in the market.

The demand for categories like uniforms for disciplined forces, school uniforms, bedsheets, khanga, Kitenge and products for the export market will continue to see the good growth in the coming year.

Our Outlook

Looking into the future, we see opportunities as well as new challenges that our Company must deal with. It is in times like this that we must focus on our purpose, operating safely and ensuring reliable operations for continued and guaranteed textile and apparel supply.

The current global trends portend an uncertain future and highlight the need to be flexible and adaptable to emerging challenges and opportunities. We remain optimistic in the measures that have been put in place and being undertaken by the Government to spur economic growth which will in turn increase demand for textiles products.

Although the challenges are high, we are committed to dedicating all our efforts possible to add value to our stakeholders in order to meet the long-term goals of the Company. For improving quality of our products and get premium returns on selling prices we will continue to upgrade plant and machinery with the prime objective of reducing imbalance and inefficiencies.

Appreciation

The progress that we have been able to make in 2022/2023 financial year would not have been possible without the dedication and expertise of our employees, to whom I extend my sincere appreciation.

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

Thank you.



Prof. Thomas Kipkurgat, EBS
Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

The focus of this strategy is to improve production efficiency and profitability with emphasis on enhancing implementation capacity. These results and implementation matrices focus on strategic objectives, strategies and activities.

Strategies	Activities	Actor	Output
Strategic Objective I: Improve the productivity and competitiveness of the factory			
Modernization and refurbishment of the processing sequence and machinery	Refurbishment of machines in the spinning division	Spinning Manager	Baling machine refurbished.
	Repairs and maintenance of machines	Spinning Manager	All machines in spinning department undergo routine maintenance; Carding machine, Baling machine, Breaker draw frame, Finisher draw frame & Open-End machines.
	Acquire new machines and technologies for processing department	Processing Manager	Modern equipment acquired and installed. <ul style="list-style-type: none"> i. electronic crock meter ii. electric precision weighing machine iii. bleaching range fully installed and commissioned
	Cost reduction in the weaving department	Weaving Manager	Shift management Increasing the running machines per shift to maximise the labour and cut costs
Implement QMS to continuously improve quality and to minimize cost of production	Develop a mechanism for effective production process and documentation	General Manager	Established MIS function to help in the following: <ul style="list-style-type: none"> i. order tracking mechanism ii. monthly stock levels monitoring iii. Monitor levels of machines utilization.
	Acquire certification	General Manager	Boiler inspection certificate LPG tank inspection certificate

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Strategies	Activities	Actor	Output
	maximise machine utilization	Chief engineer	Utilization of single boiler at a time. This help in minimising boiler down times during maintenance.
Strategic Objective 2: Build human resource capacity for efficient and effective delivery of the company's mandate			
Human resource development	Development of appropriate training programmes	Human Resource & Development Manager	Training needs assessment and training programmes developed & implemented. Various of training programmes developed and undertaken – <i>i. Machine Lubrications- Both Grease and Oils by Kluber</i> <i>ii. Fabric processing operations, dyes/chemical and Effluent Treatment plant by (SITA-Supporting Indian Trade for Africa)</i> <i>iii. Covid -19 prevention measures by Moi Teaching and Referral Hospital</i>
Provision of conducive work environment	Development of Occupational Safety and Health policy	Human Resource & Development Manager	Health care policy developed & awaiting approval. Staff guidance and counselling (psycho-social) program developed & implemented.
	Training and capacity building for staff on occupational safety	Human Resource & Development Manager	Occupational health & safety committee established & operationalised. Employees training already scheduled
	Develop and display work safety procedures and provide safety gear	Safety & security Manager	Various safety gears provided e.g. <i>Overalls, Gloves, Face masks, Safety boots, Ear plugs, Goggles, etc.</i> Work safety procedures implemented & displayed in appropriate locations. Twelve (12) safety procedures implemented.

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Strategies	Activities	Actor	Output
Strategic objective 3: Develop and expand the market for products and service			
Marketing and sales strategy	Develop marketing and sales strategy	Sales & Marketing Manager	New market strategies developed and implemented.
	Development and implement feedback mechanism	Sales & Marketing Manager	Feedback mechanism developed, put in place & operationalised
	Enhance promotion and publicity for the product brand	Sales & Marketing Manager	Product promotion and publicity trade fairs carried out in the following towns: <ul style="list-style-type: none"> i. Kericho ii. Lodwar iii. Nakuru iv. Nairobi v. Eldoret
	Introducing new products and establish market entry strategies for the products.	Sales & Marketing Manager	New products developed & sold e.g. <ul style="list-style-type: none"> i. Maasai shuka ii. Kikoi iii. Chequered fabrics. Increased market share resulting in increased sales turn over
Strengthen sales and distribution networks	Establishing new distribution outlets and expand existing networks for products	Sales & Marketing Manager	New bulk customers on boarded & orders being serviced. On boarding of distributors & bulk selling.
Strategic objective 4: Establish strong research, extension and consultancy			

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Strategies	Activities	Actor	Output
Strengthening research	Establishing research centre in collaboration with the department of manufacturing industrial and textile engineering	Strategy & planning manager	<p>Research areas identified, training program carried out in <i>inter alia</i> Analytical chemistry, Textile Engineering and Chemical Engineering etc. with various research projects undertaken e.g.</p> <p><i>i. Development of Reusable sanitary pads (in collaboration with the University of Boras in Sweden)</i></p> <p><i>ii. Development of Biodegradable desizing enzymes (in collaboration with KIRDL The University of Nairobi)</i></p> <p><i>iii. Development of Natural dyes (In collaboration with Prof. Mibey et-al)</i></p>
Extension	Establish collaboration arrangement with other institutions and agencies	Quality Assurance Manager	<p>New collaborations established e.g.</p> <p><i>i. Competitiveness, Innovation and Growth to enable the company to capture the market for international textile brands. By Gatsby East Africa.</i></p> <p><i>ii. Collaborations prerequisites for supplying world major textile brands by PVH (Philips-Van Heusen)</i></p> <p><i>iii. Provision of premises, utilities and security services to Digital Literacy Program</i></p> <p><i>iv. Provision of premises, utilities and security services to school of Aerospace and IODL</i></p> <p><i>v. Provision of premises, utilities and security services to Confucius Institute</i></p>
Strategic Objective 5: Product diversification			
Increase the number & range of products.	Develop new products	General Manager	<p>New products developed.</p> <p><i>i. Maasai Shuka</i></p> <p><i>ii. Kikoi</i></p> <p><i>iii. Chequered fabrics.</i></p> <p>New products developed & sold e.g. pouch bags, bathroom robes, ponchos, mittens,</p>



Signing of the M.O.U between Investment, Trade and Industry Cabinet secretary Hon..Moses Kuria and the MegNa Group of company.



Meeting organized by Uasin Gishu County government together with Kenya Association of manufactures on the creation of industrial park and Special Economic Zone in Uasin Gishu county.



Ladies bags



School bag



Table mats

VIII. 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 best corporate governance practices. Rivatex East Africa Limited has complied with the Mwongozo Code of governance for state corporations. The Board has undergone training on this Code & evaluates all Board members annually under the guidance of the State Corporations Advisory Committee. Rivatex East Africa 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 has complied with the State Corporations Act.

Board of Directors

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

The Board comprises of eight (8), non-executive Directors of whom four (4) are independent non-executive directors. The Board defines Rivatex East Africa Limited's strategies, objectives and values and ensures that policies & processes are put 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.

The Company Secretary

The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators.

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Role of the Company Secretary

The company Secretary provides a central source of guidance and advice to the Board and the Company on matters of statutory and regulatory compliance and good governance. The company Secretary provides Board and the Directors individually with guidance on how their responsibilities should be discharged. The Secretary facilitates the induction training of new directors and assisting with the directors' professional development as required and keeps formal records of Board discussions and following up on the timely implementation of resolutions. The company Secretary also guides the Company in taking the initiative to disclose corporate governance matters as required by law and information of material importance to decision-making by shareholders, customers and other stakeholders

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.

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 interests 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, a standing 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 in line with the Salaries & Remuneration Commission guidelines & existing government regulations, 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.

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.

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Board evaluation

In line with the provisions of the Mwongozo Code of Governance for State Corporations, the Board undertakes 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 is aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement.

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 Board of Directors held five (5) meetings as follows:

	NAME	2022/2023
1	Dr. Linus Gitahi	2
	Dr. Cleophas Lagat (Repl. Linus Gitahi)	3
2	Prof. Isaac Kosgei	4
3	Dorcas Achapa ,MBS	5
4	CPA David Chepkwony	5
5	Mr. Nobby Macharia	5
6	Mr. Isaac Memusi	4
7	Mr. Dipesh Ganatra	4

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NAME		2022/2023
8	Prof. Thomas Kipkurgat	5

COMMITTEES OF THE BOARD

The Board has set up the following four (4) 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 and Strategy committee
- 3) Audit and Risk Management committee
- 4) Human Resources & Administration committee

PRODUCTION, OPERATIONS AND TECHNICAL COMMITTEE

1. CPA David Chepkwony
2. Mr. Nobby Macharia
3. Mr. Isaac Memusi
4. Prof. Thomas Kipkurgat

This committee is charged with responsibility of reviewing *inter alia* production, modernization of the factory, product development & research projects. It also reviews proposals for capital developments to enhance capacity and expand business reach for recommendation to the Board

Attendance

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

NAME		Attendance
1	CPA David Chepkwony	4
2	Mr. Nobby Macharia	4
3	Mr. Isaac Memusi	3
4	Prof. Thomas Kipkurgat	4

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FINANCE AND STRATEGY COMMITTEE MEMBERS

1. Prof. Daniel Tarus
2. Mr. Nobby Macharia
3. Mr. Isaac Memusi
4. Prof. Thomas Kipkurgat

The committee is responsible for the strategic direction of the company as well as supply chain management matters, sales & marketing performance, 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:

DIRECTOR		2022/2023
1	Prof. Daniel Tarus	5
2	Mr. Isaac Memusi	4
4	Mr. Nobby Macharia	5
5	Prof. Thomas Kipkurgat	5

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

1. CPA David Chepkwony
2. Mr. Nobby Macharia
3. Dorcas Achapa MBS

The Committee monitors the integrity of the financial statements and review of significant financial reporting judgments and advice the board on whether the financial reports are fair, balanced and understandable. The Committee provides system of internal financial control and compliance review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit. The Committee reviews the system of internal financial control, compliance with various laws

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& regulations and monitors the activities and review the effectiveness of the Internal Audit functions. The Committee also monitors the Company's risk management system, review of the principal risks and the management of those risks.

Attendance

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

	NAME	Attendance
1	CPA David Chepkwony	4
2	Mr. Nobby Macharia	4
3	Dorcas Achapa ,MBS	4

HUMAN RESOURCE & ADMINISTRATION COMMITTEE MEMBERS

1. Dorcas Achapa ,MBS
2. Prof. Daniel Tarus
3. Mr. Dipesh Ganatra
4. 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, administrative, ICT & Legal; policies, frameworks and strategies that provide the Company with the capability to achieve its short- and long-term business objectives. It also oversees the safety & security policies & frameworks of the factory as well as the corporate image & growth of the Rivatex brand.

Attendance

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

	NAME	Attendance
1	Dorcas Achapa, MBS	4
2	Prof. Daniel Tarus (Alt. to Prof. Isaac Kosgei)	4
3	Mr. Dipesh Ganatra	3
4	Prof. Thomas Kipkurgat	4

IX. MANAGEMENT DISCUSSION AND ANALYSIS

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through acquisition of state-of-the-art machinery. We have successfully installed and commissioned 92% of the machinery acquired as part of the modernization.

Through modernization we shall be able to enjoy economies of scale, reduce the cost of production, & turnaround time to clients while producing high quality fabrics & garments. The modernization will expand the range of products & services. This will increase our competitiveness resulting in repeat orders from existing customers and new bulk orders from prospective local & international customers.

Performance highlights

The company registered a ten per centum (11%) decrease in turnover of Forty million, seventeen thousand, four hundred and nine shillings (Kshs 40,017,409/-).

The cost of sales (manufacturing expenses) increased by eight million, six hundred fifty-two thousand, two hundred and fifty-six shillings (Kshs 8,652,256 /-) which is one per centum (1%).

During the period, we increased our product portfolio from eighteen (18) to twenty-two (22) as well as growing our market footprint in the yarns market by re-engineering our production process & servicing bulk orders from large yarn consumers. We continue to leverage on our state-of-the-art machinery to expand our market niche having perfected our school uniform production process following the commissioning of the Yarn dyeing machine & rapid drier. We are venturing into the lucrative school uniforms market in the upcoming 2022/2023 financial year. The company is banking on the '*Buy Kenya Build Kenya*' initiative and its renowned brand to successfully penetrate this market niche.

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. As a result, we focused our marketing activities on identifying new market segments and profiled the international market based on product segments. As a result, we will begin exporting our products to the international market in the upcoming 2022/2023 financial year as part of the journey of fulfilling our potential.

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Staff development remains a key strategy to enhance the value of our human capital. During the financial year, the company has enhanced the capacity of its production team across all cadres to ensure that identified capacity gaps are addressed and to develop skills relevant to the Company's operations.

Despite the above achievements, the performance could have been much better had it not been for the adverse effects on the company's operations due to the following:

- 1) The continued modernization works on the production floor affecting the workflow process as well as the production turnaround period.
- 2) Cotton fibre accounts for approximately 50% of per unit cost of production in the textile industry. Scarcity of global cotton fibre leading to surges in price by 73% from US \$1.83 in July 2019 to US \$3.17 per kilogram from August 2022 due to floods & dry weather that has shrunk the crop internationally. Additionally, the supply has been adversely affected by the Uyghur Forced Labor Prevention Act (UFLPA) affecting Chinese cotton, given approximately 20% of the world's cotton comes from China.
- 3) The increase in prices of Polyester fibre by 28% from US \$1.52 in July 2019 to US \$1.95 Per kilogram in January 2023 due to increase in world crude oil prices leading to increase in prices of the crude oil-linked raw materials required to make polyester such as purified Terephthalic acid (PTA) and Monoethylene glycol (MEG). Rising demand for the artificial fibre due to global cotton shortage are also driving unusual price increases in polyester.
- 4) Increase in the cost of electricity per unit from an average electricity cost of I6.27 per kWh in July 2019 to Kshs 25.28 per kWh from January 2023 for the factory (Kshs 7.50 per kWh in July 2019 to 15.56 per kWh from January 2023 for the energy charge only).
- 5) The factory utilizes approximately 58,625M³ of water annually to operate. Increase in the cost of water and sewerage charges per cubic meter by the only provider - Eldoret Water & Sanitation Company has a large impact on the operations of the factory given a textile mill cannot operate without water.
- 6) The factory requires steam to process its fabrics which is produced by wood fuel boilers that use fuel wood. Increase in cost of fuel wood due to supply shortage as domestic supply has been under pressure due to the moratorium on logging in public forests still in force given majority of commercially viable fuel wood was sourced from public forests as well as the scarcity of alternatives to fuel wood from private farms/suppliers.
- 7) The factory utilizes a variety of dyes & chemicals majority of which are not available locally & are sourced directly from manufacturers overseas. The supply shortage and rising costs of chemicals from major manufacturers in China has led to an increase in the cost of reactive dyes (color chemicals) which has gone up by 35%- 80% depending on the type of dyes given the

- £ In place career development policies that are applied based on semi-annual performance appraisals to reward excellent performance and assist improve fair performance.

iv) Market place practices, responsible marketing & advertisement

The company produces wide variety of products to target different market segments. The products are also competitively priced to attract sizeable market share. Our marketing strategy is based mainly on making the right information available to the right target customer. To enhance and implement the direct sales initiatives the company has opened various factory outlets across the country in Nairobi, Nakuru, Kisumu, Moi University, Eldoret town, Rift Valley Technical Training Institute (RVTTI) and Moi Teaching and Referral Hospital to penetrate new markets.

We adhere to government regulations by ensuring our marketplace practices promote and protect effective competition, avoid/eliminate unfair and misleading market conduct by our distributors or staff. Our operations & marketplace practices capture national obligations in competition matters with respect to regional integration initiatives; national competition law, policy and practice in line with best international practices; as well as promote the competitiveness of national undertakings in world markets given our fabrics are used outside of the national borders.

Being a state corporation modernized using exchequer funds, we adhere to all Government regulations pertaining to anticorruption with the same captured in our anticorruption policy. Being a state corporation, we are apolitical serving all Kenyans equitably regardless of their political affinity.

Product stewardship

All our products are KEBS certified and fit for purpose. Our Quality assurance policies & processes are applied rigorously with no exceptions. Our production process is world class ensuring our fabrics are safe, durable and reliable to use.

All our products are fitted with care labels the enlighten the customer on italics fiber content, country of origin and manufacturer identity, care instructions, raw material composition & cleaning instructions. We operate a return policy for products which do not meet the customer requirements at no additional cost to the customer. Our packaging adheres to environmental regulations in terms of recycling & disposal. Our customer policy & service charter spells out the rights of customers and delivery timelines as well as how to launch complaints.

Responsible Supply chain & Supplier relations

Where applicable, we source our supplies from local suppliers with preference given to the youth, women, persons living with disabilities, Small & medium enterprises as well as local cotton producers.

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We try to ensure that for all local procurements the Kenyan local content meets or exceeds the 40% threshold.

By working with them, we not only produce high-quality fabrics that are marketed responsibly but ensure sustainable supply chains while reducing our environmental impact. We are fully compliant with the Access to Government Procurement Opportunities requirements as well as the 'Buy Kenya, Build Kenya' initiative.

We are proud to be a major player in the Cotton Development and subsidy program currently being implemented across the country to support local farmers get back to commercial farming of cotton. This will ensure Kenya is self-reliant as regards cotton supply.

Our cordial relationship with suppliers ensures that it is a mutually beneficial partnership anchored on fair contract and payment terms within the agreed upon credit period.

Corporate Social Responsibility / Community Engagements

The company Continued to offer support to cotton farmers spread across the country in a bid to boost the production of much-needed raw materials. The focus was on counties such as Homabay, Migori, Busia, Kisumu, Siaya, Bungoma, Elgeyo Marakwet, and Baringo where the facility provided pesticides to cotton farmers as a quick measure to pests such as bollworms in order to enable them to get a bumper harvest.

In the same process, more sensitization and training were offered to the cotton farmers through the assistance of the chemical suppliers who ensured that the groups benefitted from immense knowledge transfer on chemical usage and best disposal methods.



Seeds distribution and sensitization exercise in Siaya County by Board Chairman –Dr. Cleophas Lagat

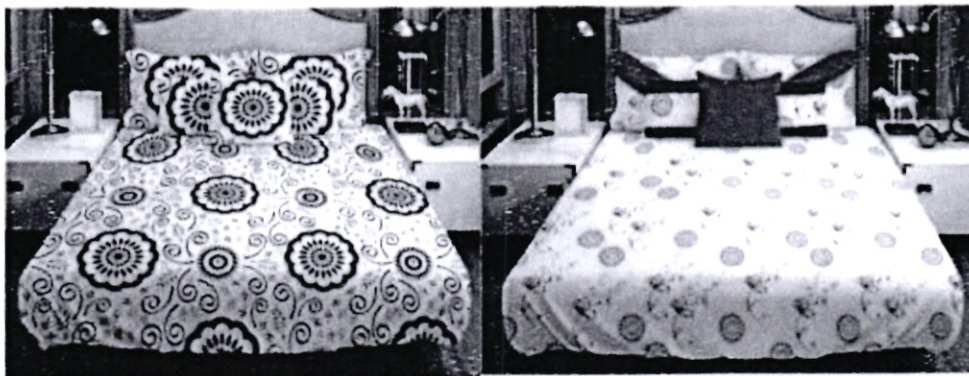


Principal Secretary, State Department of Industrialization, Dr. Juma Mukhwana (third right) together with Rivatex East Africa Managing Director, Prof. Thomas Kipkurgat (third left) during the distributing the BT cotton seeds to farmers in the cotton growing counties of Western and Nyanza region

cost of dyes & chemicals account for approximately 4% - 10% of the per unit cost in the textile industry.

- 8) The factory uses heavy furnace oil (HFO) to fire its thermos-boilers which in turn run its machines. Increase in global crude oil prices led to increase in the cost of heavy furnace oil by 64% from an average cost of Kshs 60.30 per liter in July 2019 to Kshs 98.60 per liter in May 2022 and additional increase by 35% to Kshs 133.40 per liter in April 2023.
- 9) The factory relies on Liquefied Petroleum Gas (LPG) for operating some of its machines. Liquefied Petroleum Gases are byproducts of oil and gas. That means any disruption in the supply equation of the latter will take its toll on the former. Consequently, an increase in global crude oil prices resulted in higher LPG prices which increased in July 2019 by 56% to May 2023.
- 10) The factory has a fashion & apparels division that adds value to fabrics by converting them into garments. The factory utilizes various garmenting accessories in the process. The garmenting accessories prices increased by 15% - 25% depending on the individual accessory due to rising production costs incurred to manufacture them as well as disruption of local & international supply chains.

Despite the challenges experienced, the management with the support of the Board of Directors synchronized the production with the ongoing modernization works to minimize disruptions to the workflow process. The company has also instituted measures to mitigate the challenges by adopting alternative energy sources, enhancing employee efficiency, reducing production costs, sourcing for cheaper raw materials, re-engineering production workflow processes, higher product realization, reducing the utilities consumption per unit, water harvesting & recycling, fast tracking the completion of the modernization process among other measures.



Bedsheets

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Rivatex East Africa Limited exists to transform the lives of Kenyans. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting our customer first, producing quality fabrics with fair returns, innovating and supporting research & collaborations while adhering to sustainable business practices. We are proud to be the home of quality textiles which are produced with the consumer in mind and our ambition is to be the brand leader in fabrics that are elegant, feel comfortable and affordable.

Rivatex East Africa Limited has a proud heritage spanning forty-five (45) years & operates on the simple purpose of producing quality textiles while adhering to sustainable business practices. We are proud of our long heritage of producing quality fabrics, investing in the community and enriching cotton farmers; as well as creating fashion brands that continue to meet consumer needs and bring joy to the large number of Kenyans that wear our fabrics. Although our business is concentrated in Kenya, our products transcends national borders.

i) Sustainability strategy

The government through the Vision 2030 policy & the Fourth Medium Term Plan Four (MTP IV) is set to increase the contribution of the manufacturing sector to the Growth Domestic Product (GDP) by more than 10% per annum and employment and wealth creation. This is through a number of interventions which are *inter alia*:

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

Rivatex East Africa Limited is well placed to take advantage of these interventions as an implementer of the "Big four" agenda in the manufacturing sector. Following its modernization, which is nearly complete, we will be able to produce high quality fabrics at reasonable costs due to economies of scale, efficient materials & machine resource planning, reduced production lead times as well as supply chain efficiencies arising from bulk sourcing directly from manufacturers.

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. We have also introduced textile related services to bolster our portfolio as well as expand our market footprint. The Buy Kenya Build Kenya initiative championed by President Uhuru Kenyatta

disciplined services and corporate institutions which are large continuous contracts that will contribute to its sustainability in the long run. We have also ventured into the local uniforms market which will form a large part of our product portfolio going forward.

We are a proud vertically integrated textile mill that converts cotton lint into fabrics and our business operations are premised on:

- Producing quality yarns, woven fabrics and garments (both industrial & retail).
- Investing in responsible marketing practices based on value propositions.
- Ensuring our factory operations are in line with internationally accredited environmental standards for Zero discharge of Hazardous chemicals & materials.
- Continuously innovating to unlock new opportunities and deliver new offerings that meet fast changing consumer trends.
- Sourcing locally produced cotton.
- Investing in the local community.
- Supporting the development of STEM in Kenya through research, academic & industrial collaborations, innovation & being an enabler of the Moi University international center of excellence in Phyto textiles.

We are proud to have achieved the following major milestones.

- a) Development of natural based dyes i.e., Tami dye from Marigold weed & Tea dye from Tea bush plant.
- b) Origination & production of Kenya Wildlife Service camouflage uniforms which was being done abroad.
- c) Production of KEBS certified & approved facemasks.
- d) Contributed to the development of KEBS standards for facemasks.
- e) Origination & production of the inaugural Senate uniforms.
- f) Enabled the set up & accreditation of the Moi University Phytochemicals, Textile & Renewable Energy (PTRE) Africa center of excellence.
- g) Origination & production of the Persian blue Kenya police uniforms.
- h) Enabled the introduction, approval & authorization of Bt. Cotton as the first & only Genetically Modified Organism crop (GMO) in Kenya
- i) Implemented the Cotton subsidy & development program in twenty-two (22) counties in Kenya to & entrench growing of Bt. cotton with pest resistant bio-qualities for better yields at low cultivation costs.
- j) Certified for Zero Discharge of Hazardous Chemicals (ZDHC) for the production team.

ii) Environmental performance

We continue to adhere to national and international environmental standards. We maintain an effective effluent discharge plant (ETP) that treats our effluent discharge to the required standards. Our production team is accredited for Zero Discharge of Harmful Chemical (ZDHC). The chemicals & dyes utilized in the production process are KEBS accredited and are not harmful to the environment or our clients.

Our operations are guided by legislation as well as our environmental policy which is anchored on best practice. We are in the process of integrating green energy solutions to cut our carbon footprint given that textile production relies heavily on fossil fuels and large quantities of water. Our modernized machines consume less water and are more efficient in steam production. The energy requirements are also low without affecting output. Our primary raw material, which is cotton, is sustainably grown using best agricultural practice. We are compliant with the Environmental Coordination & Management Act (EMCA) in terms of *inter alia* air & noise pollution, waste management & discharge treatment.

iii) Employee welfare

Being a Center of Excellence in Textile Engineering, the company has a training wing 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 through international courses with the assistance of the Indian High Commission to Kenya.

The diversity of our staff & management team is an important factor in the development of new products, innovation & research. The welfare of our staff is of concern to us and as such we endeavor to ensure it is always a priority. To this end we have:

- a. In place an affirmative action policy that is adhered to for recruitments, promotions, career development, resource allocation and covers gender, marginalized communities, persons living with disability and the youth.
- b. Continued to support the Staff benevolent scheme both financially & non-financially,
- c. We have in place medical facility for minor medical emergencies with arrangements in place for major medical requirements with major hospitals.
- d. Facilitate the Staff cooperative society.
- e. Complied with Occupational Safety & Health requirements (OSHA) in terms of ergonomic workstations/spaces, Personal Protective Equipment's (PPE), operational processes & emergency procedures.

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As a textile facility, cotton farmers have constantly been guaranteed the market for their produce. This was made possible through purchases of bales from Salawa ginnery as a boost for their hard work. The cotton was later processed at the factory for the production of quality apparel.

We have contributed back to society by catering for the educational expenses of children who are less fortunate in order to empower them and give them an opportunity to succeed in future. As part of its engagement with the community, the company provides free weekly educational tours to school children to enable them appreciate science, technology and mathematics. As part of Corporate Social Responsibility we were able to donate bed sheets, curtains, flannels and Khangas and number of tree seedlings to various institution and various forest stations.



Rivatex East Africa Limited staff planting trees at Kapseret Forest, during the Environmental Conservation Program

initiated by the speaker of the Uasin Gishu County assembly, Hon. Philip Muiget



Donation of bed sheets & curtains to Eldoret School for the Hearing Impaired.



Donation of Khanga to Moi Girls High school Eldoret which was to assist in Supporting the RUYA (Raising Up Young Achievers) walk and competition



Donation of bed sheets & flannels to Eldoret Women GK prisons

XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2023 which show the state of Rivatex East Africa Limited's affairs.

i) Principal activities

The principal activities of Rivatex East Africa Limited are (continue to be) textile production of yarns, woven textiles & garments and training.

ii) Results

The results of Rivatex East Africa Limited for the year ended June 30, 2023, are set out on page I to 6.

iii) Dividends

The Directors have not recommended payment of dividends.

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of Rivatex East Africa Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Rivatex East Africa Limited for the year/period ended June 30th, 2023.

By Order of the Board

Name

TECLA Tum

Signature



Date

Corporation Secretary/Secretary to the Board

XII. 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 2023 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

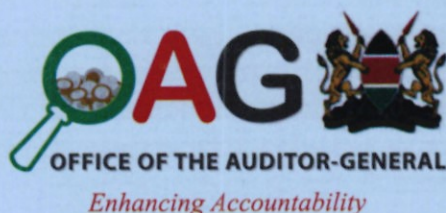
Rivatex East Africa Limited's financial statements were approved by the Board on 29th December 2023 and signed on its behalf by:

Signature: 
Name: Dr. Cleophas Lagat
Chairperson of the Board

Signature: 
Name: Pw. Thomas Kiroluget
Accounting officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rivatex East Africa Limited set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income,

statement of changes in equity, statement of cash flows and 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 effects of the matter described in the Basis for Qualified Opinion section of my report the financial statements present fairly, in all material respects, the financial position of Rivatex East Africa Limited as at 30 June, 2023, 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 Kenyan Companies Act, 2015.

Basis for Qualified Opinion

Inaccuracy of Trade and Other Receivables

The statement of financial position and Note 19 to the financial statements reflects trade and other receivables balance of Kshs.111,355,826. Included in the balance is trade receivables balance of Kshs.94,178,462. The Management made a provision for bad and doubtful debts on trade receivables at a rate of 5% as provided for in the company credit policy and procedures manual. However, trade and other receivables balance of Kshs.111,355,826 includes other receivables from related parties balance of Kshs.21,506,147 on which no provision for bad and doubtful debts was made.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.111,355,826 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.

Emphasis of Matter

1. Material Uncertainty on Going Concern

The statement of profit or loss and other comprehensive income reflects a net loss of Kshs.347,592,549 and the statement of financial position reflects accumulated loss balance of Kshs.3,041,471,831 as at 30 June, 2023. The Management attributes the poor performance to constant lack of raw materials such as cotton, high cost of inputs such as labour, electricity and water, fuel, spares and consumables, repairs and maintenance that had hindered the Company's ability to produce and supply its products on time.

In addition, the statement of financial position reflects trade and other receivables balance of Kshs.111,355,826. Review of the debtors ageing analysis reveals that out of the total

debtors' balance of Kshs.111,355,826, Kshs.29,143,198 were more than one year old. This implies that the Company is unable to collect its debts as and when they fall due.

In the circumstances, the Company's continued existence as a going concern may depend on the goodwill and support from the government, bankers and creditors.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects and Note 25 to the financial statements trade and other payables balance of Kshs.140,924,200. The balance is comprised of trade payables balance of Kshs.56,883,568, accrued expenses balance of Kshs.2,136,704, retention monies balance of Kshs.4,332,473, Moi University Pension Scheme staff deductions balance of Kshs.67,299,253 and Rivatex East Africa Limited Savings and Credit Co-operative Organization (SACCO) deductions balance of Kshs.10,272,202. However, the trade and other payables aging analysis provided for audit review revealed that payables for goods, services rendered and works done amounting to Kshs.10,851,170 have been outstanding for more than eighteen (18) months. No plausible explanation was provided for non-payment.

In the circumstances, the ability of the Company to settle its obligations as and when they become due is in doubt.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June 2023 reflects final receipts budget and actual on comparable basis amounts of Kshs.707,500,000 and Kshs.676,022,675 respectively resulting to an under-funding of Kshs.31,477,325 or 4.4% of the budget. Similarly, the Company incurred an expenditure of Kshs.1,023,615,225 against an approved expenditure budget of Kshs.707,499,566 resulting to an unapproved over-expenditure of Kshs.316,115,659.

In the circumstances, the underfunding affected the planned activities of the Company and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect to these matters.

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

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, no report or recommendations from the management of the Rivatex East Africa Limited and oversight bodies were submitted for audit verification.

Further, the issues remain unresolved contrary to Section 68 (2) (l) of the Public Finance Management Act, 2012 which require accounting officers designated for national government entities to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Directors/Management are responsible for the other information, which comprises the Chairman's Report, Directors' report, the statement of corporate governance, Management discussions and responsibilities, statement of Corporate Social Responsibility and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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. Delay in Completion of Proposed Godown at Nyando

The statement of financial position and Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.6,074,932,009 which includes buildings (work in progress) additions during the year amount of Kshs.34,569,766. Review of documents provided for audit revealed that Management awarded the contract for the construction of a Godown at Nyando to a construction company at a contract sum of Kshs.49,419,685 for a duration of twenty-four (24) weeks. The contract was signed on 2 February, 2022 and site handover was done on 28 February, 2022. The contract completion was delayed and an addendum was signed on 3 August, 2022 extending the contract period by a further one year to 3 August 2023 to enable the contractor complete the construction works.

As at the time of the audit in December, 2023, the company had paid the contractor a total sum of Kshs.34,569,766 and the project was still incomplete.

In the circumstances, value for money on the expenditure of Kshs.34,569,766 on the project could not be confirmed.

2. Failure to Remit Statutory Deductions

The statement of financial position and Note 25 to the financial statements reflects trade and other payables balance of Kshs.140,924,200 which includes Moi University Pension Scheme staff deductions balance of Kshs.67,299,253 and Rivatex East Africa Limited (SACCO) deductions balance of Kshs.10,272,202 all totaling Kshs.77,571,455. The two

balances relate to pension and SACCO dues deducted from employees' salaries but remained unremitted. Management has explained that it has entered into a plan to remit all outstanding SACCO and Pension Scheme deductions. Upon verification, it was noted that after the year end the Company repaid Kshs.8,468,112 out of the total liabilities of Kshs.77,571,455. However, the plan is contingent on the success of the measures put in place by the Company to return to profitability.

Further, failure to remit SACCO deductions was contrary to Section 35 of the Co-operative Societies Act, 2012 which states that where an employer has made a deduction from the employee's emoluments but fails to remit the deductions, he shall be liable to pay the sum deducted together with compound interest and legal proceedings may be instituted for recovery of the sums. In addition, Management also contravened Part VII, Section 53A(1) of the Retirement Benefits Act, 2012 which states that, where an employer has made a deduction from the employee's emoluments and fails to remit the deduction, the scheme may institute proceedings for the recovery of the deduction.

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

3. Non-Compliance with Law on Ethnic Diversity

Review of the payroll and human resource records revealed that the Company had a total of seven hundred and thirty-eight (738) employees out of which five hundred and eighty (580) or approximately 79% of the Company's staff are from the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have been kept by the Company, so far as it appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intentions 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2024

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30TH JUNE 2023**

	Note	2022-2023	2021-2022
REVENUES		Kshs	Kshs
Revenue	8	329,660,216	369,677,625
Cost of sales	9	<u>622,734,723</u>	<u>614,082,467</u>
Gross Loss		(293,074,506)	(244,404,842)
Grants from the National Government	10	102,222,500	-
Other Income	11	-	-
Other gains/(losses)	12	<u>1,019</u>	<u>31,885</u>
TOTAL REVENUES		(190,850,987)	(244,372,957)
OPERATING EXPENSES			
Administration Costs	13	145,863,938	136,515,050
Selling and Distribution Costs	14	9,628,993	9,719,473
Finance Costs	15	<u>1,248,632</u>	<u>1,731,415</u>
TOTAL OPERATING EXPENSES		156,741,562	147,965,939
LOSS BEFORE TAXATION		(347,592,549)	(392,338,895)
INCOME TAX EXPENSE/(CREDIT)		-	-
LOSS AFTER TAXATION		(347,592,549)	(392,338,895)
Earnings per share		-	-
Dividends per share		-	-
OTHER COMPREHENSIVE INCOME			
Loss After Taxation		-	-
Surplus or deficit on revaluation of PPE		-	-
Re-Measurement of net defined benefit liability		-	-
Fair value gain/(loss) in investments in equity instrument designated as at FVTOCI		=	=
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(347,592,549)	(392,338,895)

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	6,074,932,009	6,177,922,358
Right-of-use asset	17	<u>38,304,984</u>	<u>39,056,062</u>
Total Non-Current Assets		6,113,236,993	6,216,978,420
Current Assets			
Inventories	18	481,388,000	545,710,393
Trade and other receivables	19	111,355,826	109,916,365
Bank and cash balances	20	<u>35,881,295</u>	<u>18,048,835</u>
Total Current Assets		628,625,121	673,675,593
TOTAL ASSETS		<u>6,741,862,114</u>	<u>6,890,654,013</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	1,000,000	1,000,000
Revaluation reserve	22	73,652,680	73,652,680
Retained earnings	23	(3,041,471,831)	(2,693,879,282)
Proposed dividends		-	-
Capital and Reserves		(2,966,819,151)	(2,619,226,602)
Non-Current Liabilities			
Grants	24	<u>9,567,757,066</u>	<u>9,323,618,126</u>
Total Non-Current Liabilities		9,567,757,066	9,323,618,126
Current Liabilities			
Trade and other payables	25	140,924,200	169,475,574
Borrowings (Bank Overdraft)		-	16,786,915
Total Current Liabilities		<u>140,924,200</u>	<u>186,262,489</u>
TOTAL EQUITY AND LIABILITIES		<u>6,741,862,114</u>	<u>6,890,654,013</u>

The financial statements were approved by the Board on 29th December 2023 and signed on its behalf by:

Name: *Prof. Thomas Kaptegega*

Name: *C. PA. BETH STANLEY*

Name: *Dr Cleophas Kagya*

.....
Managing Director

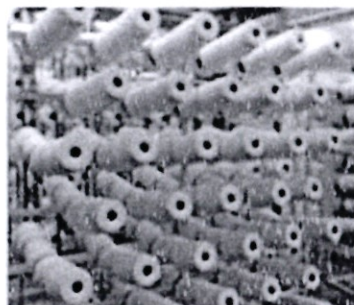
.....
Head of Finance

.....
Chairman of the Board

ICPAKM/NO 12 780

XVI. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2023

	SHARE CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	CAPITAL RESERVES	TOTAL
At 1 st July 2021	1,000,000	(2,301,540,387)	73,652,680	9,128,452,126	6,901,564,419
Net Profit/Loss for the Year		(392,338,895)			(392,338,895)
Transfers to Capital reserves					-
-Foreign Loan-LMW				-	-
-GoK Grants				195,166,000	195,166,000
At 30 th June 2022	<u>1,000,000</u>	<u>(2,693,879,282)</u>	<u>73,652,680</u>	<u>9,323,618,126</u>	<u>6,704,391,524</u>
At 1 st July 2022	1,000,000	(2,693,879,282)	73,652,680	9,323,618,126	6,704,391,524
Net Profit/Loss for the Year		(347,592,549)			(347,592,549)
Transfers to Capital reserves					-
-Foreign Loan-LMW				-	-
-GoK Grants				244,138,940	244,138,940
At 30 th June 2023	<u>1,000,000</u>	<u>(3,041,471,831)</u>	<u>73,652,680</u>	<u>9,567,757,066</u>	<u>6,600,937,915</u>



Yarn

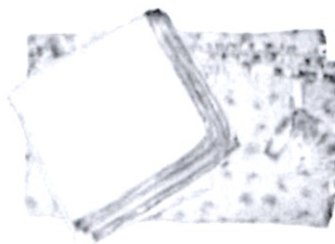


*Cotton plants with
opened cotton
bolls*

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

XVII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2023

	Note	2022/2023 Kshs.	2021/2022 Kshs.
Cashflows from operating activities			
Cash generated from/(used in) operations	27	<u>(137,837,649)</u>	<u>(156,657,625)</u>
Net cash generated from/(used in) operations		<u>(137,837,649)</u>	<u>(156,657,625)</u>
Cashflows from investing activities			
Purchase of Property, Plant & Equipment-Grants	16	<u>(71,681,916)</u>	<u>(28,008,919)</u>
Net cash generated from/(used in) investing activities		<u>(71,681,916)</u>	<u>(28,008,919)</u>
Cashflows from financing activities			
Government grants	10	<u>244,138,940</u>	<u>195,166,000</u>
Proceeds from borrowings		-	-
Repayment of borrowing		<u>(16,786,915)</u>	<u>(3,470,862)</u>
Net cash generated from/(used in) financing activities		<u>227,352,025</u>	<u>191,695,138</u>
Net increase/(decrease) in cash & cash equivalents		<u>17,832,460</u>	<u>7,028,593</u>
Cash & cash equivalents at the beginning of the year		<u>18,048,835</u>	<u>11,020,242</u>
Effects of foreign exchanges rate fluctuations		-	-
Cash & cash equivalents at the end of the year	20	<u><u>35,881,295</u></u>	<u><u>18,048,835</u></u>



Children Attire

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2023

Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2022-2023 Kshs	2022-2023 Kshs	2022-2023 Kshs	
Sale of goods	490,000,000	329,660,216	(160,339,784)	The adverse variance can be attributed to the shortages of dyes & chemicals following disruptions in the supply chain, scarcity of cotton fibers, and reduced customer purchasing power as a result of post- election as well as the effect of modernization on the production workflow process.
Transfers from the Government	217,500,000	346,361,440	128,861,440	The variance is due to supplementary budget of Kshs 138,131,440/- which was received on 6/7/2022 but was for the 2021/2022 financial year
Finance Income		1,019	1,019	
Total income	707,500,000	676,022,675	(31,477,325)	
EXPENDITURE				
Administration	133,767,520	145,863,938	(12,096,418)	The variance was attributed due to rise in fuel prices that increased the transport costs, repairs & maintenance of motor vehicles, increase in electricity and water cost due to revised charges per unit.
Use of goods and services	456,823,159	622,734,723	(165,911,564)	The variance was due increase in the global market prices for cotton due to scarcity, increased prices of polyester, dyes & chemicals, increase in global crude oil prices that led to increase in the cost of heavy furnace oil & Liquefied Petroleum Gas (LPG), increase in cost of fuel wood due to supply shortage following the moratorium on forests imposed by the government all of which combined have resulted in increased cost of production.
Selling and Distribution Costs	2,867,341	2,656,821	210,520	

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Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2022-2023 Kshs	2022-2023 Kshs	2022-2023 Kshs	
Finance cost	1,362,077	1,248,632	113,446	The variance is attributable to reduction in bank transactions.
Rent Paid	7,179,468	6,972,172	207,296	The variance is due to unpaid rent as at the end of the financial that was settled after the close of the year.
CAPEX	105,500,000	244,138,940	(138,638,940)	The variance is as a result of supplementary budget of Kshs. 138,131,439/- which relates to 2021/2022 financial year.
Total expenditure	707,499,566	1,023,615,225	(316,115,659)	



Dr. Juma Mukhwana Ps. Ministry of Investments, Trade and Industry together with Gladys Wanga – Governor Homabay County at a cotton farm in the region

Cotton Plantation

XIX. NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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

I. General Information

Rivatex East Africa Limited entity is established by and derives its authority and accountability from Companies Act No. 17 of 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is textile manufacturing.

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

2. Statement of Compliance and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.*

IFRS 17: Insurance Contracts (issued in May 2017)

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

The Company does not issue insurance contracts.

IAS 8- Accounting Policies, Errors, and Estimates

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

IAS 1: Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

IAS I: Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS I for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

IFRS I6: Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss.

IAS I: Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

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

iii. Early adoption of standards

Rivatex East Africa Limited did not early – adopt any new or amended standards in the financial year 2022-2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

b) 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.

c) 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 as the valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Where measurement at revalued amounts is desired, all items in an asset category are revalued through periodic valuations carried out by independent external valuers. Increases in the carrying amounts of assets arising from revaluation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

d) 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, 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 -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.

e) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Investment property

Buildings, or part of a building (free holder held under a finance lease) and land (free holder 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.

g) Inventories

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

h) 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.

i) 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.

j) 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 do not 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.

k) 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.

l) Provision for staff leave pay

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

m) 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.

n) 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. 4,746,067/- being 5% of the total trade debtors was provided as required under IAS39.

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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/currency fluctuations arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in dollars or foreign currency letters of credit/facilities denominated in foreign currencies is managed primarily through the holding of bank balances in dollars or foreign currency letters of credit/facilities.

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.

5. 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 4(d) above.

b) Critical judgements in applying Rivatex East Africa Limited's accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- 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

6. 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, 652,680/-) remained the same.

7. 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

	2022-2023 Kshs	2021-2022 Kshs
Rent & power connection deposits	380,140	380,140
Total	380,140	380,140

8. REVENUE

It is the gross revenue for the year. This figure is composed of fabrics, garments & services.

<u>Products</u>	2022/2023 Kshs	2021/2022 Kshs
Printed fabrics	52,676,227	71,323,467
Dyed	33,124,631	80,717,969
Cloth (Greige)	11,697,896	17,251,216
Bleached	37,512,000	81,980,449
Garments	111,581,531	58,640,000
Grade B	926,667	2,356,415
Yarn	82,208,562	57,408,110
Waste	1,367,370	-
Others	-	-
Sub-total	331,094,884	369,677,625
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Fabrics	1,434,668	-
Sub-total	1,434,668	-
Total Sales	329,660,216	369,677,625

9. COST OF SALE STATEMENT

	2022/2023 Kshs	2021/2022 Kshs
DIRECT COST		
Opening Stock	28,001,411	130,443,587
Add: Purchases	100,247,823	67,623,615
Less: Closing stock	(28,264,573)	(28,001,411)
Cost of Raw materials	99,984,662	170,065,790
Direct labour	98,686,390	106,064,006
Factory Electricity	30,512,048	35,466,961
Factory Water	7,815,726	8,736,223
Sub-Total	137,014,164	150,267,189
INDIRECT COST		
Fuel wood expenses	18,216,033	14,317,754
Salaries & Wages	48,136,080	52,281,744
Packaging & Labelling	953,733	603,645
Designs & Screens	-	-
Lubricants & Oils	4,845,795	9,980,784
Spares & Consumables	9,748,056	6,769,239
Repair and Maintenance	16,053,777	12,710,016
Staff uniforms & Consumables	469,400	23,450
Tailoring Consumables	13,201,401	7,879,617
Depreciation	170,105,644	168,178,813
Sub-Total	281,729,919	272,745,062
TOTAL COST	518,728,745	593,078,041
Add: Opening Work-In-Progress	217,557,679	309,620,822
Less: Closing Work-In-Progress	(122,882,654)	(217,557,679)
COST OF GOODS MANUFACTURED	613,403,770	685,141,184
Add: Opening Finished goods	150,155,387	79,096,670
Less: Closing Finished goods	(140,824,434)	(150,155,387)
COST OF SALES	622,734,723	614,082,467

10. GOVERNMENT GRANTS

Government grants (subventions) are assistance by government in the form of transfers of resources in return for past or future compliance with certain conditions relating to the operating activities of Rivatex East Africa Limited. 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 Rivatex East Africa Limited. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. 346,361,440/- (three hundred forty-six million, three hundred sixty-one, four hundred and forty shillings) for recurrent and capital expenditure.

Grant		2022/2023	2021/2022
		Kshs	Kshs
Recurrent grants received		102,222,500	-
Capital grants realized (see note above)		244,138,940	195,166,000
Total		346,361,440	195,166,000

Name of Rivatex East Africa Limited sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount recognized in capital fund. Kshs	Total grant income during the year Kshs
Ministry of Industrialization, Trade and Enterprise Development.	102,222,500	244,138,940	346,361,440
Ministry of Education	-	-	-
Total	102,222,500	244,138,940	346,361,440

11. OTHER INCOME

There was no other income

12. OTHER GAINS AND LOSSES

There were gains from foreign currency fluctuations of Kshs 1,019/-

	2022-2023 Kshs	2021-2022 Kshs
Other gains and losses	1,019	31,885
Total	1,019	31,885

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13. (a) Administration Expenses

	2022/2023	2021/2022
	Kshs.	Kshs.
General administration expenses	11,527,871	5,922,376
Stationery and Printing	2,966,479	1,771,138
Telephone and internet expenses	2,814,892	2,112,069
Travelling and subsistence allowances	19,065,406	17,808,287
Courier, transport	5,274,864	
Depreciation Property, plant and equipment(PPE)	5,317,700	12,251,606
Legal fees	1,112,671	1,145,200
Repairs and Maintenance	2,545,933	2,524,157
Cotton development	5,730,643	3,005,336
Water	411,354	489,618
Electricity	782,360	910,424
Fuel and Oil	7,666,600	4,842,238
Staff costs	6,419,804	6,618,046
Insurance	2,176,052	1,700,000
General provisions for bad debts	<u>(37,144)</u>	<u>792,322</u>
Sub-total	<u>73,775,485</u>	<u>61,892,817</u>

(b) Personnel Emoluments

	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries	50,519,508	54,139,036
NSSF Employer Contribution	3,950,540	1,927,700
Employer's Pension Contribution	10,644,196	11,235,307
Gratuity	<u>2,321,740</u>	<u>2,179,972</u>
Sub-total	<u>67,435,984</u>	<u>69,482,014</u>

(c) Board Expenses

	2022/2023	2021/2022
	Kshs.	Kshs.
Board Expenses	3,466,669	3,954,419
Sub-total	3,466,669	3,954,419

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(d) Honoraria

	2022/2023 Kshs.	2021/2022 Kshs.
Honoraria	895,800	895,800
Sub-Total	895,800	895,800

(e) Audit Fees

	2022/2023 Kshs.	2021/2022 Kshs.
Sub-total	290,000	290,000

	2022/2023	2021/2022
Total Administration Cost (Note I3a-I3e)	<u>145,863,938</u>	<u>136,515,050</u>

14. SALES & MARKETING EXPENSES

	2022/2023 Kshs.	2021/2022 Kshs.
Selling & Distribution expenses	2,000,231	3,188,881
Outlets expenses	656,590	69,120
Rent outlets	6,972,172	6,461,472
Total Sales & Marketing Expenses	9,628,993	9,719,473

15. FINANCE COSTS

	2022/2023 Kshs.	2021/2022 Kshs.
a. Ledger Fees	1,007,724	1,616,014
Total	1,007,724	1,616,014

b. LC fees	240,908	115,401
Total	240,908	115,401
Grand Total	1,248,632	1,731,415

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Buildings (Kshs)	Buildings (Work-In- Progress) (Kshs)	Plant & Equipment (Kshs)	Plant & Equipment (Work-In- Progress) (Kshs)	Furniture & Fittings (Kshs)	Computers & Accessories (Kshs)	Office Equipment (Kshs)	Motor Vehicles (Kshs)	Total (Kshs)
Cost/Valuation									
As at 1st July 2022	682,259,521	8,755,000	6,113,205,027	21,549,494	4,515,166	6,942,837	2,345,786	57,595,192	6,897,168,023
Transfers	-	-	4,332,644	(4,332,644)	-	-	-	-	-
Additions 2022/2023	16,211,516	34,569,766	62,500	14,761,086	-	233,716	1,046,332	4,797,000	71,681,916
Disposals/Obsolete Assets	-	-	-	-	-	-	-	-	-
As At 30th June 2023	698,471,037	43,324,766	6,117,600,171	31,977,936	4,515,166	7,176,553	3,392,118	62,392,192	6,968,849,939
Depreciation									
As at 1st July 2022	66,105,021	-	585,572,709	-	3,193,766	6,931,206	2,107,005	55,335,957	719,245,664
Disposals/Obsolete	-	-	-	-	-	-	-	-	-
Charge for the year	17,461,776	-	152,940,004	-	564,396	10,980	424,015	3,271,095	174,672,266
As At 30th June 2023	83,566,797	-	738,512,713	-	3,758,162	6,942,186	2,531,020	58,607,052	893,917,930
Net Book Value									
As At 30th June 2023	614,904,240	43,324,766	5,379,087,458	31,977,936	757,004	234,367	861,098	3,785,140	6,074,932,009
As at 30th June 2022	616,154,500	8,755,000	5,527,632,318	21,549,493	1,321,401	11,631	238,781	2,259,235	6,177,922,359

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ASSET	COST OR VALUATION	NORMAL ANNUAL DEPRECIATION CHARGE
Motor vehicles, including motorcycles	-	-
Computers and related equipment	1,026,538	256,635
Office equipment, furniture and fittings	-	-
Total	1,026,538	256,635

17. RIGHT-OF-USE ASSET

	2022/2023	2021/2022
	Kshs	Kshs
COST		
At July I	50,322,233	50,322,233
At June 30	50,322,233	50,322,233
AMORTIZATION		
At July I	11,266,170	10,515,092
Charge for the year	751,078	751,078
At June 30	12,017,248	11,266,170
NET BOOK VALUE at June 30	38,304,984	39,056,062

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.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INVENTORY

	2022/2023 Kshs	2021/2022 Kshs
Raw materials	28,264,573	28,001,411
Finished goods	140,824,434	150,155,387
Work-In-Progress	122,882,654	217,557,679
Sub-Total	291,971,661	395,714,477
Consumables, spares & accessories	185,031,396	145,112,358
Fuelwood	382,944	989,558
Furnace oil	4,002,000	3,894,000
Sub-Total	189,416,340	149,995,916
Total	481,388,000	545,710,393

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

19. TRADE & OTHER RECEIVABLES

	2022/2023 Kshs	2021/2022 Kshs
Trade receivables	94,178,462	94,921,345
Prepayments (Note 26(a))	-	-
Other receivables from related parties (Note 26 (b))	21,506,147	19,360,948
Utilities deposits (Note 7)	380,140	380,140
Provisions for bad & doubtful debts	(4,708,923)	(4,746,067)
Total	111,355,826	109,916,365

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 in solvency the provision is always 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 deceased or Rivatex East Africa Limited is insolvent. The Company's general provision for bad and doubtful loans is as provided for in its Credit control policy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. BANK AND CASH BALANCES

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

	2022-2023 Kshs	2021-2022 Kshs
Cash at bank	35,845,153	17,897,159
Cash in hand	36,142	151,676
Total	35,881,295	18,048,835

All the cash at bank was held at Equity Bank of Kenya and Kenya Commercial Bank

The make-up of bank balances is as follows:

	2022/2023 Kshs	2021/2022 Kshs
Cash at Hand	36,142	151,676
Bank Balance		
<u>Equity Bank</u>		
Main Account (0300291345310)	3,846,308	24,474
Sales Account (0300292559317)	2,200,993	15,775,337
Nairobi Account (0300297531263)	308,835	71,163
Moi University Account (0300294911893)	17,903	236,864
Canteen Account (0300294868414)	7,423	7,423
Narok Account (0300297531280)	150,899	155,508
Dollar Account (0300295572845)	8,660	196,368
<u>Kenya Commercial Bank</u>		
KCB Main Account (1182314430)	16,181,721	82,521
MUPEN Account (1120920809)	202,199	365,221
Nakuru Account (1178072886)	353,331	406,356
Kisumu Account (1121365930)	478,631	358,251
Showroom Account (1136152989)	731,118	217,673
<u>CO-OPERATIVE BANK</u>		
Co-operative Main Account(01136647198200)	11,357,132	-
Sub-total	<u>35,845,153</u>	<u>17,897,159</u>
Total	<u>35,881,295</u>	<u>18,048,835</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. SHARE CAPITAL

	2022/2023 Kshs	2021/2022 Kshs
AUTHORISED 50,000 Ordinary shares of @ Kshs.20	1,000,000	1,000,000
ISSUED & FULLY PAID 50,000 Ordinary shares of @ Kshs.20	1,000,000	1,000,000

22. REVALUATION RESERVES

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

	2022/2023 Kshs	2021/2022 Kshs
Revaluation reserves b/f	73,652,680	73,652,680
Total	73,652,680	73,652,680

23. RETAINED EARNINGS

This is made up of:-

	2022/2023 Kshs	2021/2022 Kshs
Retained earnings b/f	(2,693,879,282)	(2,301,540,387)
Net Loss for the year	(347,592,549)	(392,338,895)
Total	(3,041,471,831)	(2,693,879,282)

24. CAPITAL RESERVES

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

	2022/2023 Kshs	2021/2022 Kshs
Capital Reserves	9,323,618,126	9,128,452,126
Grants for the year-Government subventions	244,138,940	195,166,000
Total	9,567,757,066	9,323,618,126

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. TRADE AND OTHE PAYABLES

This is made up of: -

	2022/2023 Kshs	2021/2022 Kshs
Trade payables	56,883,568	97,406,125
Accrued expenses	2,136,704	3,629,972
Retention/ contract monies	4,332,473	1,030,000
EMPLOYEES OBLIGATIONS:		
Moi University Pension Scheme staff deductions;	67,299,253	53,079,746
Rivatex East Africa Limited SACCO deductions;	10,272,202	14,329,731
Total	140,924,200	169,475,574

26. (a). PREPAYMENTS

The prepayments for various goods and services as follows:-

	2022/2023 Kshs	2021/2022 Kshs
Other Receivables	0	0
	0	0

(b). RELATED PARTY TRANSACTIONS

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

	2022/2023 Kshs	2021/2022 Kshs
Trade debts	21,506,147	19,360,948
Total	21,506,147	19,360,948

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

Transactions with related parties

TRANSACTION	2022/2023	2021/2022
	Kshs.	Kshs.
a) Sales to related parties		
Sales of goods to Moi University	17,949,046	14,205,640
Sales of services	0	0
Total	17,949,046	14,205,640

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b) Grants from the Government		
Grants from National Govt	346,361,440	195,166,000
Grants from County Government	0	0
Donations in kind	0	0
Total	346,361,440	195,166,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	=====	=====
a) Key management compensation		
Directors' emoluments	3,741,669	3,954,419
Compensation to the CEO	2,321,740	2,179,972
Compensation to key management	35,763,027	36,391,144
Total	<u>41,826,436</u>	<u>42,525,535</u>

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

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations	2022/2023 Kshs	2021/2022 Kshs
Operating profit/(loss)	(347,592,549)	(392,338,895)
Depreciation	174,672,266	179,679,341
Amortisation	751,078	751,078
Operating profit/(loss) before working capital changes	(172,169,205)	(211,908,476)
Decrease in inventories	64,322,392	72,198,692
Decrease in trade and other receivables	(1,439,461)	(38,900,596)
Decrease in trade and other payables	(28,551,375)	21,952,755
Cash generated from/(used in) operations	(137,837,649)	(156,657,625)

28. (a) PROFIT BEFORE TAX

Net loss before tax is arrived after charging:

	2022/2023 Kshs	2021/2022 Kshs
Depreciation (Note I6)	174,672,266	179,679,341
Employee benefits expense (Note 28 (b))	214,258,454	227,827,764
Directors' fees & emoluments	3,466,669	3,954,419
Auditors remuneration	290,000	290,000
Total	392,687,389	411,751,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Employee benefit expenses

Salary and wages	197,341,978	212,484,786
Retirement benefits costs:		
- Defined contribution scheme	10,644,196	11,235,307
- National Social Security Fund	3,950,540	1,927,700
- Gratuity	2,321,740	2,179,972
Sub-Total	214,258,454	227,827,764

29. STATEMENT OF TAXATION

	2022/2023 Kshs	2021/2022 Kshs
Operating results before tax	(347,592,549)	(392,338,895)
Add back: Disallowed items:		
Depreciation	174,672,266	179,679,341
Amortization	751,078	751,078
	(172,169,205)	(211,908,476)
Less allowed items:		
Wear & tear allowance	(407,714)	(1,320,990)
Industrial Buildings	-	-
Deductions		
Investment deductions	(1,033,650)	(1,033,650)
NET PROFIT/LOSS	(173,610,570)	(214,263,116)
Less Brought Forward losses	(3,439,330,305)	(3,225,067,189)
	(3,612,940,875)	(3,439,330,305)
Corporation tax	Nil	nil
Add: brought forward	Nil	nil
Less: paid during the year	Nil	nil
Balance carried forward	Nil	nil

Machinery that qualifies 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. CAPITAL COMMITMENT

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

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

	2022/2023	2021/2022
	Kshs	Kshs
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in Progress	-	-
Total	-	-

31. 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 provision made for all the claims sufficiently covers the expected losses arising from them.
- b) During the commissioning of the modernized 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 upon the implementation of the waiver with the Energy and Petroleum Regulatory Authority (EPRA). Consequently, 50% of the electricity cost has been recognized on manufacturing cost. The remainder of the fifty percent (50%) as per the Kenya Power electricity bills has been recognized as a contingent liability awaiting implementation of the directive.
- c) Letter of credit issued during the Financial Year signify commitment by the company to make payments to third parties for contracts entered into.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022/2023 Kshs	2021/2022 Kshs
Probable Legal costs	15,900,000	15,900,000
Electricity cost	161,109,545	72,553,874
Finance cost	1,248,632	1,731,415
Total	178,258,177	90,185,289

32. FINANCIAL RISK MANAGEMENT

Rivatex East Africa Limited 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 minimize 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

Rivatex East Africa Limited 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 Rivatex East Africa Limited's directors, who have built an appropriate liquidity risk management framework for the management of Rivatex East Africa Limited's short, medium and long-term funding and liquidity management requirements. Rivatex East Africa Limited manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

33. COVID-19 PANDEMIC

The Company put in place measures to mitigate the impact of the outbreak to customers, employees and other stakeholders. Owing to the pandemic, the company cash flows were adversely affected as

NOTES TO THE FINANCIAL STATEMENTS (Continued)

clients were not able to settle their debts promptly. Sales were also affected as consumer spending power reduced & in some cases customers prioritized their spending.

Based on cash flow projections under the different scenarios, there is no significant deterioration in the free cash flows. 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.

34. STAFF COST

Following the onset of the COVID-19 pandemic, the Company incurred costs towards provision of additional 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.

35. INCORPORATION

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

36. EVENTS AFTER THE REPORTING PERIOD

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

37. CURRENCY

The financial statements are presented in Kenya Shilling

RIVATEX EAST AFRICA LIMITED
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XX. APPENDICES

APPENDIX I: 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.

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue <i>(Name and designation)</i>	Status: <i>(Resolved /Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.	Overstatement of inventory FY 2018/2019	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 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)	Eng. Peter Mugo (Processing Manager)	Not Resolved	December 2023
2.	Fair Statement of Expired Chemicals Inventories FY 2019/2020	Included in the inventory amount (raw materials) is chemicals figure amounting to Kshs. 15,484,685 which are classified in the stores ledger as not moving. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were to be used by some of the obsolete wet processing machines that have since been replaced. However, after modernization these chemicals are no longer in use and therefore the management through the	Eng. Peter Mugo (Processing Manager)	Not Resolved	December 2023

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	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)
		Board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA).			
3.	Material Uncertainty Related to Going Concern.	<p>The company with the support of the Government has acquired and installed new machines in ensuring that the modernization strategy is completed successfully with a goal to ensure the company operates profitably in its future operations. In the financial year 2016/2017, the National Government through The National Treasury obtained a Line of Credit of US\$ 29,950,000 (Dollars Twenty-Nine Million and Nine Hundred Fifty Thousand only) from the Government of India through Exim Bank for the purpose of fully upgrading the company.</p> <p>The new machinery shall enable the company sustainably to increase turnover and competitiveness through increase in production capacity, improvement of quality, increase in efficiency, reduction of unit production costs, reduction of delivery time for fabrics to the market among other numerous benefits that are expected to accrue to the company as a result of the modernization. The machines acquired have different critical and complementary functions they perform in the entire process of textile production from yarn production to fabric finishing.</p> <p>After modernization the company will expand its market by diversifying the products range and tap into new markets including exporting the fabrics to international markets as envisaged in the company's Strategic plan (2015-2020). The company has been undertaking continuous and rigorous marketing research and analysis to fully exploitation of all the potential markets in order to realize profitability and reverse the loss trend. The company has been producing fabrics</p>	CPA. Bett K. Stanley (Chief Accountant)	Not Resolved	December 2023

RIVATEX EAST AFRICA LIMITED
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	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)
		<p>and garments for sale to the domestic market but the management is putting modalities that to export fabrics through EPZA and will compete effectively with the global market.</p> <p>The Government has been vigorously promoting cotton production in the country through policy framework, institutional reforms, and provision of incentives. The Buy Kenya Build Kenya Policy and the requirement that a minimum of 40% of all public procurement budget be dedicated to locally produced goods and services, means that one of the products of prioritization i textile. This initiative will give the company better advantage to produce diverse products sustainably for both the local market and also for international market. The company has been working closely with other stakeholders and government agencies in the promotion of cotton growing in the country by conducting field days, farm and factory visits and other forms of technical assistance in order to get sustainable supply of raw materials. The company has been working with various county governments for example Busia, Siaya, Baringo, Elgeyo Marakwet and Makueni County government on cotton farming.</p>			
4.	Unsupported Selling and Distribution Costs:	The statement of profit or loss and other comprehensive income reflects selling and distribution costs of Kshs 9,719,473/-as disclosed in Note I4 to the financial statements. However, lease agreement with a total payment of Kshs. 1,200,000/- for a Shop outlet was not provided for audit review. In the Circumstances, the	CPA. Bett K. Stanley (Chief Accountant)	Resolved	N/A

RIVATEX EAST AFRICA LIMITED
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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)
	regularity of rental payment of Kshs.1,200,000/- in respect of a shop outlet could not be confirmed.			
5.	<p>Unsupported Provision for Bad and Doubtful Debts:</p> <p>The statement of financial position reflects trade and other receivables balance of Kshs. 109,916,365/- as disclosed in Note 19 to the financial statements. Included in this balance is trade receivable of Kshs. 94,921,345/-. The management made a provision for bad and doubtful debts on trade receivables at 5%, while 7% was charged in the previous financial year. Although, management explained that the 5% is based on credit facility and procedures manual, no adjustment has been made in the previous year provision of 7%. Further, the balance of Kshs. 94,921,345/- includes other receivables from related parties of Kshs. 19,360,948. However, no provision for bad and doubtful debts has been made for balances due from related parties. In the circumstances, the accuracy and completeness of trade receivables balance Kshs. 94,921,345/- could not be confirmed.</p>	CPA. Bett K. Stanley (Chief Accountant)	Resolved	N/A
6.	<p>Long Outstanding Trade and Other Payables;</p> <p>The statement of Financial Position reflects trade and other payables balance of Kshs. 169,475,574/- as disclosed in Note 25 to the financial statements. This balance is comprised of trade payables of Kshs.97,406 ,125/-, accrued expenses of Kshs3,629,972/-, retention monies of Kshs. 1,030,000/-, Moi University Pension Scheme staff deductions of Kshs. 53,079,746/- and Rivatex East Africa Limited SACCO deductions of 14,329,731/-. However, aging analysis revealed that payables for goods, services rendered and works done amounting to Kshs.45,571,380/- have been outstanding for more than eighteen (18) months. No plausible explanation was provided for</p>	CPA. Bett K. Stanley (Chief Accountant)	Not Resolved	December 2023

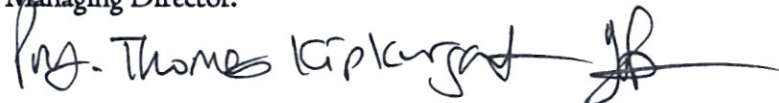
RIVATEX EAST AFRICA LIMITED
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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		non-payment. In circumstances, the accuracy and existence of payables balance of Kshs. 45,571,380/- could not be confirmed.			
7.	Budgetary Control and Performance:	The company budgeted to collect revenue of Kshs794,566,000/-. However, only Kshs 564,875,510/- was realized resulting in a shortfall of Kshs. 229,690,490/- or 29 %. The budget under collection may have negatively affected the profitability and planned development projects of the company.	CPA. Bett K. Stanley (Chief Accountant)	Resolved	N/A
8.	Payment of Salary Below One Third Rule;	Analysis of the payroll of the company for the year under review revealed that twenty-seven (27) members of staff were earning net salaries below one third of basic pay contrary to the requirements of the company Human Resource Policy and Section 19(3) of the Employment Act, 2007. In circumstance the Management is in breach of law.	CPA. Bett K. Stanley (Chief Accountant)	Resolved	N/A
9.	Lack of Notification of Termination of Employment and Notification of Vacancies	Review of the records revealed that, one hundred and fifty (150) employees separated with the company due to death, resignation, dissatisfaction of service, summary dismissal, retirement and expiry of contract and thirty-three (33) new staff were recruited. However, Management has not provided evidence to show that the company submitted to the National Employment Authority notification on termination of Employment and to the Director of Employment Vacancies which occurred in the company during the period under audit. In circumstance the Management is in breach of law	Joseph Keter (Manager Human resource & development)	Resolved	N/A

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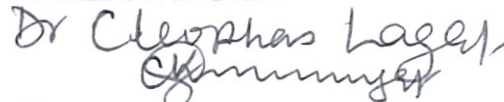
	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.	Non-Compliance with Law on Ethnic Diversity	Review of the Payroll and human resource for the period under review revealed that the company had a total of Seven hundred an forty-six (746) employees out of which five hundred and ninety-five (595) or 80% of the staff are from the same ethnic community. Further, out of the thirty-three (33) new employees recruited, twenty-eight (28) employees representing 85% were from the same dominant ethnic community, while five (5) new employees representing 15% were from other ethnic communities. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community. In circumstances, management was in breach of the law.	Joseph Keter (Manager Human resource & development)	Not Resolved	December 2023

Managing Director:



Date.....

Chairman of the Board:



Date.....

RIVATEX EAST AFRICA LIMITED
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APPENDIX II: PROJECTS IMPLEMENTED BY RIVATEX EAST AFRICA LIMITED

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)
N/A	N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX III: INTER-ENTITY TRANSFERS

RIVATEX EAST AFRICA LIMITED			
Breakdown of Transfers from the State Department of Trade, Industry and Enterprise Development and State Department of Education.			
FY 2022/2023			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
a. Recurrent Grant	19/8/2022	4,166,666	2022/2023
	30/8/2022	4,166,667	2022/2023
	20/9/2022	4,166,667	2022/2023
	7/10/2022	35,692,500	2022/2023
	1/11/2022	4,166,667	2022/2023
	1/12/2022	4,166,667	2022/2023
	28/12/2022	4,166,666	2022/2023

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		3/2/2023	4,166,667	2022/2023
		6/3/2023	4,166,667	2022/2023
		18/4/2023	4,166,666	2022/2023
		5/5/2023	3,176,667	2022/2023
		5/6/2023	19,500,000	2022/2023
		9/6/2023	3,176,667	2022/2023
		27/6/2023	3,176,666	2022/2023
		Total	102,222,500	2022/2023
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
b.	Development Grants	6/7/2022	138,131,440	2021/2022
		7/10/2022	62,600,000	2022/2023
		5/6/2023	43,407,500	2022/2023
		Total	244,138,940	

The above amounts have been communicated to and reconciled with the parent Ministry.
Grants of Kshs 138,131,440/- was received on 6/7/2022 but was for the 2021/2022 financial year.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

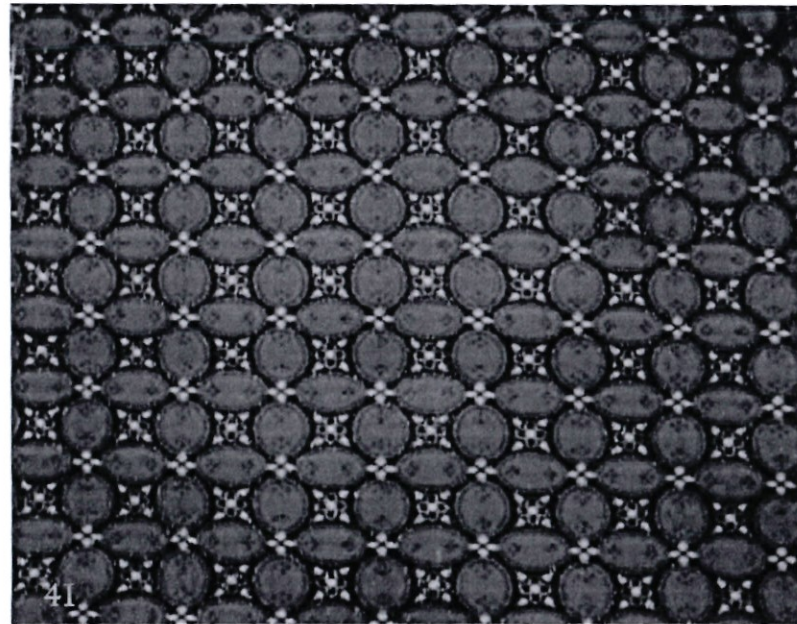
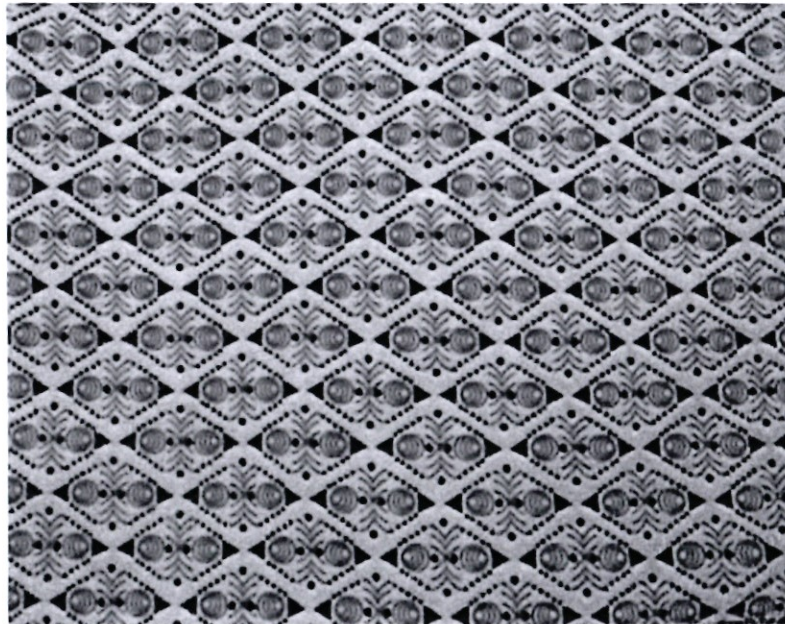
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	6/7/2022	Development	138,131,440	-	138,131,440	-	-	-	138,131,440
Ministry of Industrialization and Enterprise Development	19/8/2022	Recurrent	4,166,666	4,166,666					4,166,666
Ministry of Industrialization and Enterprise Development	30/8/2022	Recurrent	4,166,667	4,166,667					4,166,667
Ministry of Industrialization and Enterprise Development	20/9/2023	Recurrent	4,166,667	4,166,667					4,166,667
Ministry of Industrialization and Enterprise Development	7/10/2022	Development/Recurrent	98,292,500	35,692,500	62,600,000	-	-	-	98,292,500
Ministry of Industrialization and Enterprise Development	1/11/2022	Recurrent	4,166,667	4,166,667					4,166,667
Ministry of Industrialization and Enterprise Development	1/12/2022	Recurrent	4,166,667	4,166,667					4,166,667

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ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	28/12/2022	Recurrent	4,166,666	4,166,666					4,166,666
Ministry of Industrialization and Enterprise Development	3/2/2023	Recurrent	4,166,667	4,166,667					4,166,667
Ministry of Industrialization and Enterprise Development	6/3/2023	Recurrent	4,166,667	4,166,667					4,166,667
Ministry of Industrialization and Enterprise Development	18/4/2023	Recurrent	4,166,666	4,166,666					4,166,666
Ministry of Industrialization and Enterprise Development	5/5/2023	Recurrent	3,176,667	3,176,667					3,176,667
Ministry of Industrialization and Enterprise Development	5/6/2023	Development/Recurrent	62,907,500	19,500,000	43,407,500				62,907,500
Ministry of Industrialization and Enterprise Development	9/6/2023	Recurrent	3,176,667	3,176,667					3,176,667

RIVATEX EAST AFRICA LIMITED
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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	27/6/2023	Recurrent	3,176,667	3,176,666					3,176,667
Total			346,361,440	102,222,500	244,138,940				346,361,440



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RIVATEX OUTLETS

