

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*By the leader
of majority
party, Hon*

*Donald
on trust
14.3.2017
2017*

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REPORT

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OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**



RIVATEX EAST AFRICA LIMITED



THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016



TABLE OF CONTENTS

PAGE No.

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	8
MANAGING DIRECTOR'S STATEMENT	10
STATEMENT OF DIRECTORS' RESPONSIBILITIES	12
CORPORATE GOVERNANCE STATEMENT	13
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASHFLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18-32

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

CORPORATE INFORMATION

1. ESTABLISHMENT / INCORPORATION

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

2. INSTITUTIONAL DETAILS

PRINCIPAL PLACE OF BUSINESS

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

BANKERS

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

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

SOLICITORS

Kalya and Company advocates,
Sagong house, 2nd floor,
P.O. Box 235-30100,
Eldoret.

AUDITORS

The Auditor General,
P.O. Box 30084-00100, Eldoret.
Tel: +254-020-342330
Fax: +254-020-311482
E-mail: cag@kenyaweb.com
Nairobi.

CORPORATION SECRETARY

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

3. VISION, MISSION & CORE VALUES

OUR CORPORATE VISION

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

OUR CORPORATE MISSION

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

OUR CORE VALUES

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

4. CORE BUSINESS OF RIVATEX EAST AFRICA LIMITED

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

The company is one of the institutions in Africa that incorporates textiles research, training and manufacturing.

5. BOARD OF DIRECTORS

- | | |
|--|----------------------------------|
| 1. Prof. Jenesio Kinyamario | - Chairman |
| 2. Prof. Richard K. Mibey, FWIF, EBS | - Member |
| 3. Mr. Emilio Mugo (alternate – Mr. Patrick Nyaga) | - Member |
| 4. Dr. Eric Oyondi | - Member |
| 5. PS- The National Treasury (alternate – Ms. Rose Magondu) | - Member |
| 6. PS-Ministry of Education, Science & Technology
(alternate - Mr. John Temba) | - Member |
| 7. PS-Ministry of Industrialization & Enterprise
Development (alternate - Mr. Hezekiah Okeyo) | - Member |
| 8. Ms. Lucy W. Gitundu | - Member |
| 9. Prof. Thomas Kipkurgat | - MD &
Secretary to the Board |

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

6. CORPORATE GOVERNANCE

Finance and General Purposes committee members

- | | | |
|----|------------------------|-------|
| 1. | Mr. Patrick Nyaga | Chair |
| 2. | Ms. Rose Magondu | |
| 3. | Mr. John Temba | |
| 4. | Prof. Thomas Kipkurgat | |

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

Audit and Risk Management committee members

- | | | |
|----|---------------------|-------|
| 1. | Ms. Lucy W. Gitundu | Chair |
| 2. | Mr. Hezekiah Okeyo | |
| 3. | Dr. Eric Oyondi | |
| 4. | Ms. Rose Magondu | |

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

Production, Operations and Technical committee

- | | | |
|----|------------------------|-------|
| 1. | Dr. Eric Oyondi | Chair |
| 2. | Mr. Patrick Nyaga | |
| 3. | Mr. Hezekiah Okeyo | |
| 4. | Ms. Lucy Gitundu | |
| 5. | Prof. Thomas Kipkurgat | |

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

Human Resource Management and Development committee

- | | | |
|----|------------------------|-------|
| 1. | Prof. Richard K. Mibey | Chair |
| 2. | Mr. John Temba | |
| 3. | Mr. Hezekiah Okeyo | |
| 4. | Ms. Lucy W. Gitundu | |

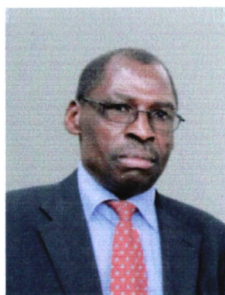
RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

5. Prof. Thomas Kipkurgat

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

BOARD OF DIRECTORS



Prof. Jenesio Kinyamario
Chairman



Prof. Colleta Suda
PS-Ministry of Education,
Science & Technology



Mr. Julius Korir
PS-Ministry of Industrialization &
Enterprise Devt



Dr. Kamau Thugge
PS-National Treasury



Mr. Emilio Mugo
Director Kenya Forest Service



Mr. John Temba
Alternate -PS –MoEST



Mr. Hezekiah Okeyo
Alternate -PS-MoIED



Ms. Rose Magondu
Alternate PS-TNT



Mr. Patrick Nyaga
Alternate-Director KFS



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



Ms. Lucy W. Gitundu
Director



Dr. Eric Oyondi
Director



Prof. Thomas Kipkurgat, EBS
Managing Director

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

MANAGEMENT TEAM

- | | |
|-----------------------------|----------------------------------|
| 1. Prof. Thomas Kipkurgat | Managing Director |
| 2. Mr. Joseph K. Sum | Factory Manager |
| 3. Mr. Charles Kemei | Mill Manager |
| 4. Mr. Titus K. Kipkemboi | Finance & Administration Manager |
| 5. Mr. Josphat Cheruiyot | Processing Manager |
| 6. Mr. Allan K. Biwott | Internal Auditor |
| 7. Mr. John Murei | Sales & Marketing Manager |
| 8. Mr. Cornelius Omoke | Quality Control Manager |
| 9. Mr. Peter Mugo | Weaving Manager |
| 10. Mr. Hosea K. Kangogo | Engineering Manager |
| 11. Mr. Victoria M. Muthami | Finished Goods Manager |
| 12. Mr. Joseph Keter | Human Resource Manager |

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

CHAIRMAN'S STATEMENT

Dear Shareholders

I am sincerely privileged to table this annual report for the year ended 30th June 2016.

We are driven by the goal of becoming a leading textile factory in the East African region, one that produces quality and embraces innovation for consistent and sustainable supply of quality fabrics and apparels both locally and internationally. During the year we utilized three hundred and ninety seven million seven hundred thousand nine hundred ninety three thousand two hundred and twenty two shillings (Kshs.397,775,748/-) to modernize processing department of the factory in order for Rivatex East Africa Limited to be more competitive to withstand threats and take advantage of emerging opportunities in the fast changing global textile manufacturing arena. We recognize that in order to build a formidable textile industry giant we must invest in modern plant and machinery that will enable the company to sustainably produce both efficiently and cost effectively. We continued to manage our costs while ensuring that quality not compromised by availing to the market high quality textile products despite having to overcome various machinery breakdowns and obsolescence.

Board Changes

During the financial year Mr. John Temba replaced Mr. Michael Kahiti as the alternate of PS-State Department of Higher Education. Dr. Eric Oyondi also joined the Board to replace Prof. John T. Githaiga. The Board wishes to thank Mr. M. Kahiti and Prof. J. T. Githaiga for their expert contributions and sacrifices that they made while serving as Board members of the company.

Overview of Business Environment

According to World Bank, in their April 2016 forecast report, the Kenyan economy will grow by five decimal nine percentum (5.9%) in 2016 and six decimal one percentum in 2017 buoyed by the ongoing infrastructural investments. The government has also identified the textile industry as one sector of the economy that can catalyze economic growth in the country as well as increase employment opportunities for the youth and women. The Ministry of Industrialization and Enterprise Development has prioritized the textile sector in the country's industrialization road map. One of the key enablers in the road map is enhancement of skills for industrial development for which Rivatex is strategically placed by virtue of being owned by Moi University, which happens to be the only University in the country that trains and equips graduates with textile industry related expertise. Last year sixteen (16) students in textiles sciences graduated from Moi University with undergraduate degrees.

The ten (10) year extension of African Growth and Opportunity Act (AGOA) in 2015 has further increased the opportunities that Rivatex East Africa Limited can exploit in order to grow and be profitable upon completion of the modernization that is being undertaken. Furthermore the East African region has been tipped as the next global textile manufacturing frontier after China and South East Asia. Going by the positive global developments and shifts Rivatex is strategically placed geographically to be a global textile industry player in the near future.

Corporate Social Responsibility

Rivatex recognizes that for sustainable growth and profitability it must play its role in society as an ethical and compliant company in respect to people, communities, legal requirements and natural environment. During the financial year Rivatex East Africa Limited supported projects and activities that positively impacts on the lives of communities and society at large. Rivatex East Africa Limited also

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

adopted greener production practices that protect the environment and minimizes the damage to the natural environment and the society. We take cognizance of the fact that abiding by the set regulations and doing the right things in terms of decisions and actions, immensely contributes and sustains our future success as a Company.

Future Outlook

Rivatex continues to maintain its solid reputation of home of quality textiles. The local textile industry is expected to receive much attention from potential investors given the Government's various interventions and efforts to revive the cotton value chain. Other positive developments have been witnessed in the region following proven regional textile industry's milestones in the past five years. East African countries have been increasing their relentless efforts to expand their respective textile industry infrastructure and sphere to tap into the unfolding global shifts in textile manufacturing sites. The company has not been left behind in strategically placing itself to benefit from the opportunities that will accrue from leading textile manufacturers shifting their manufacturing bases to Kenya and the larger East Africa. We are aggressively modernizing the spinning and processing departments in order to maximize on the emerging opportunities and consequently deliver superior shareholder value.

Strategic Direction

The Board and management developed and approved the implementation of the company's 2015-2020 Strategic Plan. The Strategic plan took into consideration the achievements of the strategic objectives envisaged in the 2010-2015 Strategic Plan. The 2015-2020 Strategic Plan is expected to guide the company through the next phase of modernization, human capital optimization and growth for five (5) years to become a textile industry leader in the East African region.

Appreciation

I would like to extend my thanks to Moi University Council and Rivatex Board of Directors, the management team and employees for their continued dedication and hard work to ensure that Rivatex is fully revived and grows to be an industry giant. I urge the Board and management, as a team, to tackle the next financial year with the same enthusiasm and effort with a view to positioning ourselves as a leader in the global textile environment.

Thank you.



Prof. Jenesio Kinyamario
Chairman, Board of Directors

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

MANAGING DIRECTOR'S STATEMENT

Production Capacity Enhancement

Allow me to present the financial statements for the year ended 30th June 2016.

The government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of funds which have been utilized prudently through acquisition of state-of-the-art machinery. Through modernization we shall be able to produce cost effectively 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 strongholds. During the 2015/2016 financial year Rivatex East Africa Limited acquired one (1) singeing machine, one (1) steamager, one (1) carding machine, two (2) draw frames and one (1) washing range. This will make Rivatex East Africa Limited effectively serve the local and regional markets with quality products. We consider the investment in the above machines will enable the company increase its sales volumes tremendously while retaining more clients during the 2016/2017 financial year. The company plans to procure, in the 2016/2017 financial year, one (1) padsteam, one (1) mercerizing machine, one (1) plaiting and folding machine and one (1) automatic inspection machine. These modernization efforts will together enable Rivatex East Africa Limited increase production and sales volumes in the long run.

Financial Results

During the financial year under review Rivatex East Africa Limited recorded an increase of sixty two percentum (62%) in its non-current assets from six hundred and fifty six million one hundred and ninety thousand seven hundred and twenty eight shillings (Kshs.656,190,728/-) to one billion, sixty million, four hundred and thirty one thousand and thirty two shillings (Kshs.1,060,431,032/-).

Rivatex East Africa Limited registered a forty four percentum (44%) growth in its financial position from one billion, one hundred and eighty seven million seven hundred and forty two thousand three hundred and twenty shillings (Kshs. 1,187,742,320/-) recorded in the previous financial year to one billion, seven hundred and seven million five hundred and sixty seven thousand nine hundred and twenty six shillings (Kshs. 1,707,567,926/-). We expect to record a further growth in net assets in the 2016/2017 financial year especially with the transformative modernization of the Processing department of the company.

The company registered a seventeen percentum (17%) drop in turnover from one hundred and eighteen million four hundred and twenty five thousand six hundred and forty shillings (Kshs.118,425,640) recorded in the previous financial year to ninety eight million one hundred and seventy two thousand and fifty eight shillings (Kshs.98,172,058) due to wet processing machinery challenges and ongoing installation of new machines which necessitates that machines are stopped and obsolete ones removed from the factory.

Business Environment

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Appreciation

The achievements that we have been able to fulfill in 2015/2016 financial year would not have been possible without the dedication and expertise of our employees, to whom I extend my sincere thanks. I would also like to show my appreciation to the Board of Directors who have provided wise counsel to my colleagues and myself during the year.

On behalf of the Board, I would like to thank the Government for its continued support through the Ministry of Education, Science & Technology, National Treasury and Ministry of Industrialization and Enterprise Development. It's my sincere hope that the 2016/2017 financial year will usher in profitability and sustainable growth.

Thank you.



Prof. Thomas Kipkurgat, EBS
Managing Director

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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:

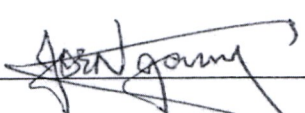
- i. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. selecting and applying appropriate accounting policies; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances.

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 2016 and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act No. 17 of 2015.

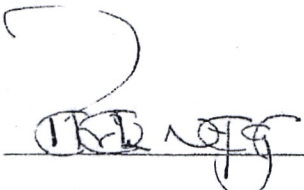
Nothing has come to the attention of the directors to indicate that Rivatex East Africa Limited will not remain a going concern for twelve (12) months from the date of this statement.

Approval of the financial statements

Approved by the Board of Directors on^{30th}...../.....^{SEPTEMBER}..... 2016 and signed on its behalf by:



DR. E. OYONDI - DIRECTOR



MR. P. NYAGA - DIRECTOR

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors

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

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

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

Board Meetings

The Board holds Board and committee meetings on regular basis while Special meetings are called when deemed necessary to do so.

Committees of the Board

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

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

Internal audit function

Rivatex East Africa Limited has a fully operational internal audit function that is led by a senior member of staff who is a member of the Institute of Certified Public Accountants of Kenya. Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the company through its audit programmes.

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Rivatex East Africa Limited set out on pages 14 to 32, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Inaccuracy in the Financial Statements

The statement of cash flows for the year ended 30 June 2016 discloses purchase of plant and equipment figure of Kshs.461,559,841 while note 16 to the financial statements indicates a figure of Kshs.538,834,819 for additions to property, plant and equipment resulting in a variance of Kshs.77,274,978 which has not been explained or reconciled.

2.0 Company Land

Included in the statement of financial positions under property, plant and equipment figure of Kshs 1,060,431,032 is net book value figure for land of Kshs 43,562,531. The Company headquarters sits on land measuring 17.18 Ha. (Tittle No. Eldoret Municipality/Block 12/164). The land is leased from the Government of Kenya at annual rent of Kshs.36,000 for a term of 99 years from 1.1.1976. The title is in the name of Rivatex East Africa Limited and was issued on 30 August 2007. The original title deed was not availed for audit verification. The cost of land reported in the financial statement of Kshs.50,322,233 appears understated given the locality of the land. In addition, the land is also under-utilized given that the company occupies only half of it contrary to Public Finance Management Act 2012 Section 72(1) which states that the accounting officer for a national government entity shall be responsible for the management of the entity's assets and liabilities and manage those assets in a way which ensures that the national government entity achieves value for money in acquiring, using and disposal of those assets. Consequently, the accuracy and completeness of the property, plant and equipment figure of Kshs.1,060,431,032 as at 30 June 2016 could not be confirmed.

3.0 Trade and Other Receivables

3.1 Prepayments

Included in the trade and other receivables and as disclosed in note 18(a) to the financial statements is prepayments of Kshs.14,102,936 relating to 2013/2014 and prior years. However, no documentary evidence was availed for audit verification to determine the nature of the good or services paid for and why they have not been delivered three years since the prepayment was made. Consequently, the propriety of the prepayment of Kshs.14,102,936 as at 30 June 2016 could not be confirmed.

3.2 Long Outstanding Trade Other Receivables

Included in the trade and other receivables balance of Kshs.43,805,179 are receivables amounting to Kshs.14,384,290 which have been outstanding for a period of more than 90 days. The management has not provided evidence to show efforts being made to recover the long outstanding amount. Consequently, the accuracy and completeness of the trade and other receivable figure of Kshs.43,805,179 as at 30 June 2016 could not be confirmed.

4.0 Trade Creditors and Other Payables

Note 20 to the financial statement discloses that the company had accumulated trade creditors and other payables amounting to Kshs.51,406,658 as at 30 June 2016 compared to Kshs.13,535,674 in the previous year 2014/2015 resulting in an increase of Kshs.37,870,984 contrary to Treasury Circular Ref: AG3/101/ (7S) which require accounting officers to institute stringent financial controls and maintain financial discipline in order to achieve efficient utilization of resources and ensure strict adherence to financial regulation and procedures and to curb accumulation of pending bills. Further, creditor's ledger and the supporting documents such as Quotation/tenders, Local Purchase order, invoices, demand notices or suppliers' statements were not availed for audit verification.

Consequently, the accuracy and completeness of the trade creditors and other payables figure of Kshs.51,406,658 as at 30 June 2016 could not be confirmed.

5.0 Unsupported Prior Year Adjustment

Included in the cost of sales balance of Kshs.154,892,211 and as disclosed in note 8 to the financial statements is prior year adjustment figure of Kshs.51,511,214 for which no supporting documents were availed for audit review. In the circumstances, the validity, accuracy and completeness of cost sales figure of Kshs.154,892,211 for the year ended 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Rivatex East Africa Limited as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenyan Companies Act.

Other Matter

1.0 Financial Performance

The company recorded turnover of Kshs.98,172,058 during the year 2015/16 as compared to Kshs.118,425,640 during the year 2014/2015 a decrease of Kshs.20,253,582 or approximately 17.10%. Net loss increased from Kshs 109,178,538 in 2014/2015 to Kshs.132,543,477 which is approximately 17.62% to bring the accumulated losses to Kshs.1,020,603,854. The management attributes the poor performance to constant breakdown in wet processing machine that had hindered the company's ability to supply goods of the right quality and on time.

Although the management indicate that it has partially addressed this challenge through acquisition of new machinery, no indication has been provided on the measures being taken to increase the sales volume. If this loss making trend is not reversed, the company is likely to face financial difficulties in its future operations.

2.0 Budget Control and Performance

2.1 Receipts

The company budgeted to collect income of Kshs.185,575,022 during the year under review. However, Kshs.99, 372,058 was realized resulting in a shortfall of Kshs.86,202,964 or approximately 46.45% of the budgeted income.

2.2 Expenditure

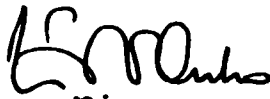
A review of company budgeted and actual expenditures for the year ended 30 June 2015 revealed that the total budget for the year 2015/2016 was Kshs.82,736,254 against which total expenditure of Kshs.77,023,323 was incurred resulting to an under expenditure of Kshs. 5,712,931 or approximately 6.90% of the budgeted expenditure. This is an indication of poor budgetary strategies and there is need for the management to re-engineer its budgeting processes to come up with realistic budgets to avoid the downward trend in financial performance.

My opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, proper books of accounts have been kept by the Company, so far as appears from examination of those books; and
- iii. The Company's statement of financial position and statement comprehensive income are in agreement with the books of account.



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

Nairobi

22 February 2017

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE(S)	2015/2016 Kshs.	2014/2015 Kshs.
Turnover	7	98,172,058	118,425,640
Cost of Sales	8	154,892,211	159,076,099
GROSS PROFIT		-56,720,153	-40,650,460
Other Operating Income	9	1,200,000	4,320,000
TOTAL OPERATING PROFIT		-55,520,153	-36,330,460
OVERHEADS			
Administration expenses	10	32,816,814	32,018,262
Board Expenses	11	4,638,500	3,764,843
Audit fees	12	250,000	250,000
Sales & Marketing expenses	13	8,497,144	7,516,042
Personnel emoluments	14	30,343,722	29,045,003
Bank charges	15	477,143	253,929
TOTAL EXPENDITURE		77,023,323	72,848,079
NET PROFIT/(LOSS)		-132,543,477	-109,178,538

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF FINANCIAL POSITION

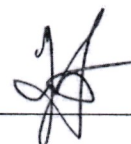
AS AT 30TH JUNE 2016

	NOTE(S)	2015/2016 Kshs.	2014/2015 Kshs.
ASSETS			
<i>Non Current Assets</i>			
Property, Plant & Equipment	16	1,060,431,032	656,190,728
		1,060,431,032	656,190,728
<i>Current Assets</i>			
Inventory	17	593,105,620	499,714,762
Trade And Other Receivables	18	43,805,179	23,340,854
Cash & Cash Equivalents	19	62,813,362	23,130,227
		699,724,161	546,185,843
<i>Current Liabilities</i>			
Trade Creditors and Other payables	20	51,406,658	13,535,674
Provisions	1(i)	1,180,609	1,098,578
		52,587,267	14,634,252
WORKING CAPITAL		647,136,894	531,551,592
TOTAL NET ASSETS		1,707,567,926	1,187,742,320
FINANCED BY:			
Share Capital	21	1,000,000	1,000,000
Retained Earnings	22	-1,020,603,854	-888,060,377
Revaluation reserves	23	73,652,680	106,283,598
Capital reserves	24	2,653,519,099	1,968,519,099
TOTAL OWNERS' EQUITY & LIABILITIES		1,707,567,926	1,187,742,320



CHAIRMAN

Date:



MANAGING DIRECTOR

Date:

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2016

	Share Capital Kshs	Retained Earnings Kshs	Revaluation Reserves Kshs	Capital reserves Kshs	Total Kshs
At 1st July 2014	1,000,000	-778,881,839	58,546,236	1,783,519,099	1,064,183,496
Net Profit/Loss for the Year	-	-109,178,538	-	-	-109,178,538
Transfers to Capital reserves	-	-	47,737,362	185,000,000	232,737,362
At 30th June 2015	1,000,000	-888,060,377	106,283,598	1,968,519,099	1,187,742,320
At 1st July 2015	1,000,000	-888,060,377	106,283,598	1,968,519,099	1,187,742,320
Net Profit/Loss for the Year	-	-132,543,477	-	-	-132,543,477
Transfers to Capital reserves	-	-	-	685,000,000	685,000,000
Transfers from Revaluation reserves	-	-	-32,630,918	-	-32,630,918
At 30th June 2016	1,000,000	-1,020,603,854	73,652,680	2,653,519,099	1,707,567,926

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30TH JUNE 2016

	2015/2016 Kshs.	2014/2015 Kshs.
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Loss Before Taxation	-132,543,477	-109,178,538
Adjustment for:		
Depreciation	24,770,652	23,584,950
Operating results before working capital changes	-107,772,825	-85,593,589
(Increase) Decrease inventories	-93,390,858	-42,751,055
(Increase) Decrease trade & other receivables	-20,464,325	4,749,909
Increase (Decrease) trade & other payables	37,870,984	6,848,886
NET CASH USED IN OPERATING ACTIVITIES	-175,605,995	-116,745,850
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	-461,559,841	-127,533,836
NET CASH USED IN INVESTING ACTIVITIES	-461,559,841	-127,533,836
CASHFLOWS FROM FINANCING ACTIVITIES		
Government grants	685,000,000	185,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES	685,000,000	185,000,000
NET INCREASE IN CASH & CASH EQUIVALENTS	47,834,164	-59,150,861
CASH & CASH EQUIVALENTS AT 1ST JULY 2015	23,130,227	82,281,088
CASH & CASH EQUIVALENTS AT 30TH JUNE 2016	62,813,362	23,130,227

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) BASIS OF PREPARATION

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

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

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

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

REVISED AND NEW STANDARDS

Several Standards were revised and their clarifications came into effect for periods ending 30th June 2016. They are:

a. IFRIC 21: Levies

IFRIC 21 is applicable to all levies other than outflows within the scope of other standards and fines and other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. Rivatex East Africa Limited shall implement the requirements of the revised standard when recording levies that are mandatory but accrue economic benefits to the company.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

i) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. During the financial year a general provision of Kshs.1,180,609 being 5% of the total trade debtors was provided as required under IAS 39.

b) REVENUE RECOGNITION

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognized when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is recognized on an accruals basis in the Statement of Comprehensive Income. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest bearing instruments on an accrual basis taking into account the effective yield on the assets. Fees income is generally recognized on an accrual basis.

c) STAFF OBLIGATIONS

Rivatex East Africa Limited runs a defined contribution pension scheme for its permanent and pensionable staff, the assets of which are held in a separate trustee administered scheme managed by independent scheme administrators, fund managers & custodians engaged at arms length as well as a gratuity scheme for its contracted employees which is fully funded by the Company. Where employees are entitled to annual leave, gratuity and awards, these are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave, gratuity and awards as a result of services rendered by the employees up to the end of the reporting period.

Rivatex East Africa Limited also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF), a national retirement benefit scheme. It also contributes to a statutory defined health insurance scheme, the National Hospital Insurance Fund (NHIF). Both of these contributions are defined by local statutes.

Rivatex East Africa Limited's contributions to the above schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

d) NON FINANCIAL ASSETS

Rivatex East Africa Limited reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, the management makes prudent judgments as to whether there are any conditions that indicate potential impairment of such assets.

e) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation & accumulated impairment losses. Cost includes expenditure directly attributable to acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset where appropriate, only when it is probable that future economic benefits associated with them will flow to Rivatex East Africa Limited and the cost can be reliably measured. The carrying amount of a replaced part is derecognized and all other repairs and maintenance expenses are

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income. All other decreases are charged to the statement of comprehensive income. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the statement of comprehensive income based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus tools and other minor office equipments are fully (100%) depreciated in the year of acquisition.

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

a.	Land	-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%

f) TRANSLATION OF FOREIGN CURRENCIES

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which Rivatex East Africa Limited operates), which is Kenya shillings.

Transactions in foreign currencies during the financial period are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the Statement of Comprehensive Income in the year in which they arise.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

and A description of the significant risk factors is given below together with the risk management policies applicable.

i. Credit risk

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

ii. Market risk

a. Foreign exchange risk

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

b. Cash flow and fair value interest rate risk

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

Property, plant and equipment

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

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

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

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

4. REVALUATION RESERVES

The Revaluation reserves reduced by thirty two million six hundred and thirty thousand nine hundred and seventeen shillings (Kshs 32,630,917) from one hundred and six million two hundred thousand and eighty three five hundred and ninety eight shillings (Kshs.106, 283,598/-) in 2014/2015 financial year to seventy four million eight hundred and thirty three thousand two hundred and eighty nine shillings (Kshs.73,652,681). This reduced reserve had resulted from revaluation of work-in-progress during 2014/2015 financial year.

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

5. GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. During the financial year the Company received capital grants of six hundred and eighty five million shillings (Kshs 685,000,000/-) while in 2014/2015 the government grants were one hundred and eighty five million (Kshs. 185,000,000/-).

6. UTILITIES DEPOSITS

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

Utilities deposits

	2015/2016 Kshs	2014/2015 Kshs
Rent & power connection deposits b/f	380,140	275,740
Rent deposit refund Narok outlet	-	(50,000)
Rent deposits- Kitale & Nakuru outlets	-	154,400
Total	380,140	380,140

7. TURNOVER

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

	2015/2016 Kshs	2014/2015 Kshs
<u>Products</u>		
Printed fabrics	38,529,342	46,006,932
Dyed	16,428,576	22,542,297
Cloth (Grey)	2,805,621	3,849,703
Bleached	3,901,504	5,353,408
Garments	35,902,828	40,133,470
Waste	428,317	587,710
Others	175,871	241,320
	98,172,058	118,714,840
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Printed fabrics	-	(289,200)
	-	(289,200)
Total Sales	98,172,058	118,425,640

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

8. COST OF SALES STATEMENT

	2015/2016 Kshs	2014/2015 Kshs
DIRECT COST		
Opening Stock	114,149,743	127,787,000
Purchases	38,990,499	20,545,985
Closing stock	111,873,042	114,149,743
Cost of Raw materials	41,267,200	34,183,242
Direct labour	18,312,293	17,475,941
Electricity	24,257,615	22,445,655
Water	5,370,661	3,957,178
Sub-Total	89,207,769	78,062,017
INDIRECT COST		
Firewood expenses	4,216,000	4,972,055
Salaries & Wages	30,032,161	28,542,432
Packaging materials	396,772	5,280,586
Designs & Screens	143,528	10,966
Lubricants & Oils	1,498,616	890,008
Spares & Consumables	3,455,351	8,621,785
Other indirect costs	2,991	-
Tailoring Consumables	4,007,094	6,279,990
Depreciation	22,293,586	21,226,455
Sub-Total	66,046,099	75,824,277
TOTAL COST	155,253,868	153,886,294
Add: Opening Work-In-Progress	195,047,435	192,509,940
Prior year adjustment	51,511,214	-
Less: Closing Work-In-Progress	224,979,897	195,047,435
COST OF GOODS MANUFACTURED	176,832,620	151,348,798
Add:		
Opening Finished goods	20,265,216	27,992,517
Less:		
Closing Finished goods	42,205,625	20,265,216
COST OF SALES	154,892,211	159,076,099

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING INCOME

	2015/2016 Kshs	2014/2015 Kshs
<u>Sundry income</u>		
Lease of motor vehicle to Confucius Institute	1,200,000	4,320,000
Other income from staff canteen	-	13,210
Other Operating Income	1,200,000	4,333,210

10. ADMINISTRATION EXPENSES

	2015/2016 Kshs.	2014/2015 Kshs.
<u>Administration Expenses</u>		
General administration expenses	1,749,321	613,574
Postage and stationery	1,809,864	1,616,699
Sundry expenses	1,246,415	1,258,015
Telephone and internet expenses	1,376,583	979,647
Subscriptions	-	128,120
Travelling and subsistence allowances	6,154,190	3,920,489
Deprn Property, plant and equipment(PPE)	2,477,065	2,359,757
Transport and courier services	-	1,031,412
Insurance	1,271,921	775,554
Legal fees	766,142	328,000
Motor vehicle Repairs and Maintenance	1,982,646	2,477,073
Research and product development	3,008,505	4,191,810
Water	596,740	439,687
Electricity	2,695,291	2,493,962
Fuel and Oil	1,668,229	3,424,691
Staff costs	3,927,820	1,901,594
Insurance-WIBA	905,473	2,979,600
Specific Provision for bad debts	-	1,098,578
General provisions for bad debts	1,180,609	-
Total Admin Expenses	32,816,814	32,018,262

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

11. BOARD EXPENSES

	2015/2016 Kshs.	2014/2015 Kshs.
Board Expenses	4,638,500	3,764,843
	4,638,500	3,764,843

12. AUDIT FEES

	2015/2016 Kshs.	2014/2015 Kshs.
Audit fees	250,000	250,000
	250,000	250,000

13. SALES & MARKETING EXPENSES

	2015/2016 Kshs.	2014/2015 Kshs.
Selling & Distribution expenses	3,896,128	2,195,340
Outlets Sundry expenses	96,312	406,400
Rent-outlets	4,504,704	4,914,302
Total Sales & Marketing Expenses	8,497,144	7,516,042

14. PERSONNEL EXPENSES

	2015/2016 Kshs.	2014/2015 Kshs.
Personnel Expenses		
Salaries	24,904,719	23,767,102
NSSF Employer Contribution	943,400	939,400
Employer's Pension Contribution	4,495,603	4,338,501
Total Personnel Expenses	30,343,722	29,045,003

15. BANK CHARGES

	2015/2016 Kshs.	2014/2015 Kshs.
<u>Bank charges</u>		
Bank charges	477,143	253,929
Total Bank Charges	477,143	253,929

NOTES TO THE FINANCIAL STATEMENTS

16. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Land Kshs	Buildings Kshs	Plant & Equipment Kshs	Buildings (Work-In- Progress) 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 07	50,322,233	84,513,920	112,271,815	-	-	3,165,874	323,000	255,000	-	250,851,842
As At 1st July 2015	50,322,233	113,895,343	440,442,580			4,922,573	10,438,922	2,637,541	43,365,431	666,024,623
Additions	-	-	126,219,302	10,000,000	397,775,748	-	4,645,834	193,935	-	538,834,815
Disposals/Obsolete assets	-	-	-	-	-	-	-	-	-	-
Accum. Depreciation										
As at 1st July 2015	6,008,624	19,133,751	71,278,141	-	-	2,826,269	4,465,007	1,015,184	14,930,784	119,657,760
Disposals	-	-	-	-	-	-	-	-	-	-
Charge for the year	751,078	2,847,384	11,011,065	-	-	615,322	3,771,189	353,935	5,420,679	24,770,652
As at 30th June 2016	6,759,702	21,981,135	82,289,206	-	-	3,441,591	8,236,196	1,369,119	20,351,463	144,428,412
Net Book Value										
As at 30th June 2016	43,562,531	91,914,208	484,372,677	10,000,000	397,775,748	1,480,982	6,848,560	1,462,358	23,013,968	1,060,431,032
As at 30th June 2015	44,313,609	94,761,592	369,164,440	-	109,823,863	2,096,304	5,973,914	1,622,358	28,434,647	656,190,728

Note

* The cost is carried in the financial statements as long-term prepayment and is amortized to the income statement on a straight-line basis over 67 years of the remaining 99 year lease period.

* Under Plant & Equipment the company acquired one (1) singeing machine, one (1) carding machine, two (2) draw frames, one steamager and one (1) washing machine worth a total of Kshs.397, 295, 222. All the other machines have been received except for the one (1) washing machine which is expected to be received in November 2016.

NOTES TO THE FINANCIAL STATEMENTS

17. INVENTORY

	2015/2016 Kshs	2014/2015 Kshs
Raw materials	111,873,042	114,149,743
Finished goods	42,205,625	20,265,216
Work-In-Progress	224,979,897	246,558,649
Sub-Total	379,058,564	380,973,608
Consumables, spares & accessories	214,047,056	118,741,154
Sub-Total	214,047,056	118,741,154
Total	593,105,620	499,714,762

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

18. TRADE & OTHER RECEIVABLES

Trade and other receivables as at the end of financial year was Kshs. 43.8 million.

	2015/2016 Kshs	2014/2015 Kshs
Trade receivables	23,612,175	8,097,952
Prepayments (Note 18(a))	14,102,936	14,102,936
Other receivables from related parties (Note 18 (b))	5,709,928	809,827
Utilities deposits (Note 6)	380,140	330,140
TOTAL	43,805,179	23,340,854

The past due debtors are not impaired and continue to be settled. The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables. Periodically, each debt is assessed individually and provisions recalculated based on a history of debt recovery. In case of liquidation, receivership and insolvency the provision is always be a hundred percentum (100%). In the case of imprests and supplier prepayments, no provision for bad debts is made until the imprest holder is confirmed dead or the entity is insolvent. The Company's general provision for bad and doubtful loans is as provided for in its Credit control policy. The company did not provide for bad debts during the 2015/2016 financial year.

18(a). Prepayments

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

	2015/2016 Kshs	2014/2015 Kshs
Manawa Ginneries	13,978,936	13,978,936
Seragraphics Ltd	124,000	124,000
Total	14,102,936	14,102,936

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

18(b). Related Party transactions

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

	2015/2016 Kshs	2014/2015 Kshs
Trade debts	5,709,928	809,827
TOTAL	5,709,928	809,827

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

19. CASH & CASH EQUIVALENTS

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

	2015/2016 Kshs	2014/2015 Kshs
Cash at Hand	32,162	31,300
Bank balance	62,781,200	23,098,927
TOTAL	62,813,362	23,130,227

20. TRADE & OTHER PAYABLES

This is made up of:-

	2014/2015 Kshs	2013/2014 Kshs
Trade Creditors	51,156,658	13,285,674
Audit fees provision	250,000	250,000
TOTAL	51,406,658	13,535,674

21. SHARECAPITAL

AUTHORISED
50,000 Ordinary shares of @ Kshs.20
ISSUED & FULLY PAID
50,000 Ordinary shares of @ Kshs.20

	2015/2016 Kshs	2014/2015 Kshs
	1,000,000	1,000,000
	1,000,000	1,000,000

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

22. RETAINED EARNINGS

This is made up of:-

	2015/2016 Kshs	2014/2015 Kshs
Retained earnings b/f	(888,060,377)	(778,881,839)
Net Loss for the year	(132,543,477)	(109,178,538)
TOTAL	(1,020,603,854)	(888,060,377)

23. REVALUATION RESERVES

The value indicated was carried forward from last financial year.

	2015/2016 Kshs	2014/2015 Kshs
Revaluation reserves b/f	106,283,598	58,546,236
Transfers from Revaluation reserves	(32,630,918)	47,737,362
TOTAL	73,652,680	106,283,598

This is in regards to spares and consumables in the main store that were not valued at the time of acquisition of the company but later valued at cost (See Note 4). During 2014/2015 Work-In-Progress were revalued upwards by Kshs.47.7 million and reduced by Kshs.32.6 million during the year due to completion of the products through the various production processes and sold in the market.

24. CAPITAL RESERVES

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

	2015/2016 Kshs	2014/2015 Kshs
Capital Reserves (Note 24 (a))	1,968,519,099	1,783,519,099
Government Grants for the year	685,000,000	185,000,000
TOTAL	2,653,519,099	1,968,519,099

a. Capital reserves

	2015/2016 Kshs	2014/2015 Kshs
Capital reserves b/f	1,968,519,099	1,480,000,000
Shareholders funds b/f	-	257,599,000
Donations	-	45,920,099
Government grants for the year	685,000,000	185,000,000
TOTAL	2,653,519,099	1,968,519,099

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

25. PROFIT BEFORE TAX

The Net loss before tax is arrived after charging:

	2015/2016 Kshs	2014/2015 Kshs
Depreciation (Note 16)	24,770,652	23,584,950
Employee benefits expense (Note 25 (a))	78,688,175	75,181,144
Directors' fees & emoluments	4,638,500	3,764,843
Auditors remuneration	250,000	250,000
TOTAL	109,310,969	102,780,937

(a) Employee benefit expense

	2015/2016 Kshs	2014/2015 Kshs
Salary and wages	73,249,172	69,903,243
Retirement benefits costs:		
- Defined contribution scheme	4,495,603	4,338,501
- National Social Security Fund	943,400	939,400
Sub-Total	78,688,	75,181,144

26. STATEMENT OF TAXATION

	2015/2016 Kshs	2014/2015 Kshs
Operating results before tax	-132,543,477	-109,178,538
Add Disallowed items:		
Depreciation	24,770,652	23,584,950
Amortization	751,078	751,078
Donations	-	-
	-107,021,747	-84,842,510
Less allowed items:		
Wear & tear allowance	-33,723,271	-33,723,271
Industrial Buildings Deductions	-	-
Investment deductions	-126,219,302	-121,380,210
NET PROFIT/LOSS	-268,291,149	-239,945,991
Less Brought Forward losses	-	-915,542,615
	1,155,488,606	-1,155,488,606
	1,423,779,755	
CORPORATION TAX	Nil	Nil
ADD BROUGHT FORWARD	Nil	Nil
LESS PAID DURING THE YEAR	Nil	Nil
BALANCE CARRIED FORWARD	Nil	Nil

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

27. CURRENCY

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

RIVATEX EAST AFRICA LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

BRANCHES

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

1. Nairobi Outlet.

Bazaar Building along Moi Avenue, Biashara Street.

2. Kisumu Outlet.

Rahemtulla Bunja Building along Paul- Mboya Road.

3. Nakuru Outlet.

Baraka Plaza along Kenyatta Street Opposite Equity Bank.

4. Kitale Outlet.

Next to North Rift, Mumias Highway.

5. Eldoret Outlet.

Mupen Building along Ronald Ngala Street.

6. Eldoret Head Office.

Off Kisumu Road, along Kipkaren Road.

7. Moi University Outlet.

Administration Block, main Campus.

8. Moi Teaching and Referral Hospital Outlet.

At Amenity gate next to KCB Bank.