

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 APR 2026 DAY: Tuesday

TABLED BY:	Hon. Naomi Wago, BSc MP (Deputy Majority Whip)
CLERK-AT-THE-TABLE:	Inzoi Mwale, Hsc

REPORT

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THE AUDITOR-GENERAL

ON

NEW KENYA CO-OPERATIVE CREAMERIES LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025



NEW KENYA CO-OPERATIVE CREAMERIES LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

Table of Contents

Page

1.	KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
2.	THE BOARD OF DIRECTORS.....	v
3.	CONSTITUTION OF BOARD COMMITTEES 2024-2025	viii
4.	MANAGEMENT TEAM.....	ix
5.	CHAIRMAN’S STATEMENT.....	xiii
6.	REPORT OF THE MANAGING DIRECTOR	xiv
7.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025.....	xvi
9.	CORPORATE GOVERNANCE STATEMENT.....	xxi
10.	MANAGEMENT DISCUSSION AND ANALYSIS	xxiv
11.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxvii
12.	REPORT OF THE DIRECTORS	xxxi
13.	STATEMENT OF DIRECTORS’ RESPONSIBILITIES	xxxii
14.	REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY FOR 2024/25.....	xxxiii
15.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 TH JUNE 2025	1
16.	STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2025	2
17.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE 2025.....	3
18.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2025	5
19.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025	6
20.	NOTES TO THE FINANCIAL STATEMENTS	7
21.	APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	48
22.	CAPITAL PROJECTS UPDATE AS AT 30 TH JUNE 2025	53
23.	APPENDIX II: INTER-ENTITY TRANSFERS	54
24.	APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOV’T ENTITIES	55

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Directors

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

1.	Mr. David Maina Kamiru	Chairman	Appointed on 10th Feb 2023
2.	Mr. Samuel Ichura	Ag. Managing Director	Appointed on 8 th Aug 2024
3.	Dr. Rawlynce Bett	Director	Appointed on 6th Aug 2024
4.	Ms. Sarah Keino	Director	Appointed on 6th Aug 2024
5.	Ms. Hilda Gichuki	Director	Appointed on 10th March 2023
6.	Ms. Naisula Keko	Director	Appointed on 6th Aug 2024
7.	Mr. Noah Nyachae	Director	Appointed on 6th Aug 2024
8.	Dr. Joshua Chepchieng	Alternate Director	Appointed on 6th Aug 2024
9.	Mr. Hussein Mohammed	Director	Appointed on 16th June 2023
10.	Mr. Stephen Ikikii	Alternate Director	Appointed on 7th Aug 2024
11.	Mr. David Obonyo	Director	Appointed on 20 th Sept 2019

(d) Entity Headquarters

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

(e) Entity Contacts

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

(f) Entity Bankers

1. Co-operative bank of Kenya limited
Industrial Area Branch.
Nanyuki road
P.O. Box 18119- 00500
Nairobi.
2. Kenya commercial bank limited
Industrial Area Branch.
P.O. Box 18031-00500
Nairobi.
3. Standard chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box 18081-00500
Nairobi.
4. CFC Stanbic bank limited
Industrial Area Branch.
P.O. Box 30550-00100
Nairobi.
5. Equity Bank Ltd,
Enterprise Branch,
P.O. Box 41895-00100,
Nairobi.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

<p>1.</p>	 <p>MR. DAVID MAINA CHAIRMAN</p>	<p>MR. DAVID MAINA KAMIRU was appointed as a chairman to the to the Board of New Kenya Co-operative Creameries on 10th February, 2023. He holds Bachelor’s degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years’ experience in sales and marketing with primary focus in fast moving consumer goods.</p>
<p>2.</p>	 <p>MR. SAMUEL ICHURA Ag. MANAGING DIRECTOR</p>	<p>MR. SAMUEL ICHURA was appointed as the Acting Managing Director of New Kenya Co-operative Creameries Ltd on 8th August 2024. He brings to the role over twenty (20) years of extensive experience in senior management, with a strong track record of leadership in the public and private sectors.</p> <p>Mr. Ichura holds a Master of Business Administration (MBA) in Corporate Management and a Bachelor of Business Administration (Finance). He is a Certified Public Accountant of Kenya (CPA-K) and a Certified Information Systems Auditor (CISA)</p>
<p>3.</p>	 <p>DR. RAWLYNCE BETT</p>	<p>DR. RAWLYNCE BETT was appointed to the Board of New Kenya Co-operative Creameries on 6th August,2024. He holds Bachelor’s and a PHD in Agricultural Research(livestock). He is a senior lecturer, Department of Animal production in university of Nairobi He has a wide experience in Animal production.</p>
<p>4.</p>	 <p>MS. SARAH KEINO</p>	<p>MS. SARAH KEINO was appointed to the Board of New Kenya Co-operative Limited on 6th August, 2024. She holds master’s in Business Administration- Finance and a Bachelor’s Degree in Business Administration- Accounting she has over 30 years’ experience in Finance</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

5.	 <p>MS. HILDA WANGARI GICHUKI</p>	<p>MS. HILDA WANGARI GICHUKI was appointed to the Board of New Kenya Co-operative Creameries on 10th March, 2023. She holds a masters of Laws degree and is an Advocate of the High Court of Kenya. She has over Ten (10) years' experience in the areas of Commercial and co-operate Law, Conveyancing and property Law, Commercial Banking and Financial law and Legal Advisory and consultancy Services. she offers legal guidance to the NKCC Board.</p>
6.	 <p>MS.NAISULA KEKO</p>	<p>MS. NAISULA KEKO was appointed to the Board of New Kenya Co-operative Creameries on 6th August,2024. she holds Bachelors of Art Communication and Sociology and Masters of Science in Management.</p>
7.	 <p>MR. NOAH NYACHAE</p>	<p>MR. NOAH NYACHAE was appointed to the Board of New Kenya Co-operative Creameries on 6th August,2024. he holds Bachelors of Science in Business Administration and Masters in Masters in Business Administration. He has over 21years of experience in Banking and Human Resource Industry. He offers managerial skills to the NKCC Board.</p>
8.	 <p>MR.HUSSEIN MOHAMMED</p>	<p>MR. HUSSEIN MOHAMMED was appointed to the Board of New Kenya Co-operative Creameries on 16th June, 2023. he holds a degree and is an Advocate of the High Court of Kenya. he has over Ten (10) years' experience in the areas of Commercial and Co-operate Law, Conveyancing and property Law, Commercial Banking and Financial law and Legal Advisory and consultancy Services. he offers legal guidance to the NKCC Board</p>

<p>9.</p>	 <p>DR. STEPHEN IKIKII Alternate to the Cabinet Secretary, the National Treasury</p>	<p>DR. STEPHEN IKIKII was re-appointed to the Board of New Kenya Co-operative Limited on as an Alternate Director representing the National Treasury on 7th August,2024</p>
<p>10.</p>	 <p>MR. DAVID OBONYO ALTERNATE DIRECTOR</p>	<p>MR. DAVID OBONYO was appointed to the Board of New Kenya Co-operative Limited on 20th September, 2019 as an Alternate Director representing the Ministry of Industry, Trade and Co-operatives (State Department for Co-operatives). He holds a Master’s degree in Business Administration and is a Certified Public Accountant. He has over 25 years’ experience in co-operatives management.</p>
<p>11.</p>	 <p>DR. JOSHUA CHEPCHIENG ALTERNATE DIRECTOR, MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT</p>	<p>DR. JOSHUA CHEPCHIENG was appointed to the Board of New Kenya Co-operative Limited 6th August, 2024 as an alternate director. He provides adequate advisory on relevant government policies and directives to the Board</p>
<p>12.</p>	 <p>MS. IRENE K. MBITO CS & CHIEF MANAGER LEGAL AFFAIR</p>	<p>MS. IRENE K. MBITO was employed at New KCC as Company Secretary & Chief Manager Legal Affair in May, 2021. She holds a Masters of Business Administration Degree (MBA) and a Bachelor of Laws degree; Post graduate Diploma in Law and is a Certified Public Secretary. Has 20 years’ work experience as a legal practitioner.</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025





3. CONSTITUTION OF BOARD COMMITTEES 2024-2025

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	DR. RAWLYNCE BETT	MR. HUSSEIN MOHAMMED
• ENGINEERING		MR. NOAH NYACHAE
• RAW MILK		MR. DAVID OBONYO
• PRODUCTION		DR. JOSHUA CHEPCHIENG
• QUALITY		Ag. MANAGING DIRECTOR
• STRATEGY		INSPECTORATE GENERAL OF STATE CORPORATIONS
FINANCE, SALES & MARKETING COMMITTEE	MR. HUSSEIN MOHAMMED	DR. STEPHEN IKIKII
• FINANCE		MS. NAISULA KEKO
• SALES & MARKETING		DR. RAWLYNCE BETT
• LOGISTICS & INVENT.		Ag. MANAGING DIRECTOR
• PROCUREMENT		INSPECTOR GENERAL OF STATE
HUMAN RESOURCE & GENERAL PURPOSES COMMITTEE	MS. HILDA GICHUKI	MS. SARAH KEINO
• HUMAN RESOURCE		MS. NAISULA KEKO
• LEGAL		DR. JOSHUA CHEPCHIENG
• ICT		Ag. MANAGING DIRECTOR
• CORPORATE AFFAIRS		INSPECTOR GENERAL OF STATE
AUDIT COMMITTEE & RISK	MS. SARAH KEINO	MS. HILDA GICHUKI
		MR. NOAH NYACHAE
		MR. DAVID OBONYO
		DR. STEPHEN IKIKII
		INSPECTOR GENERAL OF STATE

4. MANAGEMENT TEAM





	Name of the Staff	Responsibility
1.	 <p>MR. SAMUEL ICHURA MBA ,BBA,CPA(K),CISA.</p>	<p><u>AG. CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR</u></p> <p>MR. SAMUEL ICHURA was born on 6th November 1977, appointed as the Acting Managing Director of New Kenya Co-operative Creameries Ltd on 8th August 2024. He brings to the role over twenty (20) years of extensive experience in senior management, with a strong track record of leadership in the public and private sectors.</p> <p>Mr. Ichura holds a Master of Business Administration (MBA) in Corporate Management and a Bachelor of Business Administration (Finance). He is a Certified Public Accountant of Kenya (CPA-K) and a Certified Information Systems Auditor (CISA)</p>
2.	 <p>MR. HASSAN GUYO MBA, BSC (MATHS) CPA (K)</p>	<p><u>AG. CHIEF MANAGER FINANCE</u></p> <p>Mr. Hassan Guyo was born on 14th April 1975 and is in charge of Finance Department.</p>
3.	 <p>MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS</p>	<p><u>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS</u></p> <p>Ms. Irene K. Mbito was born on 30.08.1968. She is the company secretary and in charge of Legal Affairs Department.</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

4.	 <p>MR. BRIAN KIPKURUI SAMOEI MBA, B.SC.</p>	<p><u>CHIEF MANAGER FACTORY-OPERATIONS</u> Mr. Brian was born on 1st December 1985 and is in charge of Factory Operations Department at NKCC.</p>
5.	 <p>MR. MICHAEL KHAEMBA MUKOPI BA, HIGHER DIP (HRM)</p>	<p><u>AG. CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION</u> Mr. Mukopi was born on 22nd July 1977 and is in charge of Human Resource & Administration Department at NKCC</p>
6.	 <p>MR. GEORGE GITHAMBO WAITHAKA BBA-MARKETING & DIP IN MARKETING</p>	<p><u>AG. CHIEF MANAGER SALES AND MARKETING</u> Mr. George was born on 18th August 1980 and is in charge of Sales & Marketing Department.</p>
7.		<p><u>AG. CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE</u> Mr. Victor Migayi was born on 17th June 1975 and is in charge of Internal Audit & Risk Compliance Department.</p>

	<p>MR. VICTOR MIGAYI B.ED. ARTS MATHS/ECONOMICS CPA VI</p>	
8.	 <p>MR. SAMUEL WAMBUGU</p> <p>BSC. FOOD SCIENCE & TECHNOLOGY; POSTGRADUATE DIPLOMA MARKETING MANAGEMENT.</p>	<p><u>AG. HEAD OF RAW MILK & EXTENSION SERVICES.</u> Mr. Samuel Wambugu was born on 14th September 1977 and is in charge of Raw Milk Procurement and Extension Services at NKCC.</p>
9.	 <p>MS. STACY TOO BPA, DIP.</p>	<p><u>HEAD OF CORPORATE AFFAIRS</u> Ms. Stacy Too was born on 15th November 1970 and is in charge of Corporate Affairs Department at NKCC</p>
10.	 <p>MR. ANTHONY KINOBU MBA, B.SC.</p>	<p><u>HEAD OF QUALITY ASSURANCE</u> Mr. Anthony Kinogu born on 25th July 1975 and is in charge of Quality Assurance Department.</p>
11.	 <p>MR. PHILIP PYEKO B.SC.</p>	<p><u>HEAD OF PRODUCTION</u> Mr. Philip Pyeko was born on 9th May 1977 and is in charge of Production Department.</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

12.		<p><u>HEAD OF STRATEGY AND BUSINESS DEVELOPMENT</u> Dr Linah Boit was born on 6th September 1970. She heads Strategy and Business Development docket at NKCC.</p>
14.		<p><u>CHIEF MANAGER SUPPLY CHAIN MANAGEMENT</u> Ms. Sheila Akala was born on 11th December 1981 and is the Chief Manager, Supply Chain Management at NKCC.</p>
15.		<p><u>AG. HEAD OF ENGINEERING</u> Mr. Gilbert Serem was born on 16th March 1986 and is in charge of Engineering Department at New KCC.</p>
16.		<p><u>AG. HEAD OF ICT</u> Ms. Stella Adams was born on 5th February 1982 and is the head of ICT Department at New KCC.</p>

5. CHAIRMAN'S STATEMENT

New Kenya Co-operative Creameries remains steadfast in its commitment to delivering value to all stakeholders. Our consistent focus on operational excellence and sustainable growth has yielded positive achievements in some performance areas. During the 2024/2025 financial year, we experienced significant growth in both production capacity and market presence.

Farmer milk intake increased by 5% from the previous financial year, resulting in farmer milk pay-outs exceeding Ksh 4.5 Billion to our dairy farmers. Demonstrating our unwavering support for the dairy farming community, we strategically increased the raw milk producer price from Ksh 45 to an average of Ksh. 53.5 per litre. This move underscores our dedication to improving farmer livelihoods and promoting sustainable dairy farming practices.

In addition to financial support, we invested in farmer development. Our support forums allowed dairy farmers to learn and compare best practices, improving their knowledge of modern farming. Additionally, our extensive services offered access to quality breeds, animal feed, farm supplies, training, and technical advice, all designed to boost farm productivity and milk quality.

This year also saw the successful expansion of the school milk programme in partnering counties. Through this initiative, targeting Early Childhood Development Education (ECDE) learners, New KCC supplied over half a million litres of milk to the new entrants in the program. This programme has significantly contributed to improved school enrolment and retention, while simultaneously economically empowering local dairy farmers.

We are deeply grateful for the continued support from the National Government, particularly for providing crucial financial backing in times of need. This financial input has been critical in facilitating prompt farmer payments, thereby stabilizing the dairy industry and mitigating the impact of fluctuating seasons of high and low milk production at the farm and consumer levels. This support has also gone a long way in building trust within our farmer community and fostering sustainable long-term partnerships.

The continued success and growth of New KCC depend on strong collaboration with all stakeholders. As we advance in our corporate journey, we call upon our partners to continue working with us in unity and shared purpose.

On behalf of the Board of Directors and Management, I wish to express our heartfelt appreciation to the National Government, our parent ministry, other supporting ministries, and county governments for their unwavering support. Special thanks also go to our dedicated farmers, committed staff, loyal customers, and all well-wishers whose invaluable contributions have been instrumental to our achievements thus far.

We remain committed to driving excellence, innovation, and inclusivity in all our operations as we continue to empower the dairy industry and deliver lasting value.

Thank You.

Mr. David Maina Kamiru



Board Chairman

6. REPORT OF THE MANAGING DIRECTOR

In the 2024/2025 Financial Year, New Kenya Co-operative Creameries limited, reinforced its customer-centric approach, adapting to evolving consumer and stakeholder demands while strengthening its competitive edge through fair raw milk pricing, continuous product innovation, and high-quality product delivery.

Despite a challenging operating environment, we demonstrated significant resilience. We're pleased to report a notable improvement in raw milk intake from our partnering farmers, which substantially boosted production capacity and inventory. Through enhanced stakeholder engagement via our robust farmer extension services, the company processed over 87 Million litres of raw milk, resulting in payout exceeding Ksh 4.5 Billion to our dairy farmers, and a sales turnover exceeding Ksh 7.3 Billion, achieving 85% of our annual target. The National Government's fund injection for farmer payments underscores their confidence in our continued growth and viability.

We significantly improved customer access to safe and affordable milk by rolling out branded Automatic Milk Dispensers (ATMs) in high-traffic wholesaler outlets and New KCC shops. This initiative not only met consumer demand but also created new revenue streams. Product innovation remained key, highlighted by the successful relaunch of our Shake flavoured milk in the final quarter, offering an affordable and nutritious snack for children. Our unwavering focus on quality and safety was maintained, with all processing facilities retaining ISO 22000:2018 certification for Food Safety Management Systems.

Looking ahead, we're focused on strengthening operational efficiency, deepening stakeholder engagement, and driving sustainable growth. In compliance with the PPAD Act 2015, of reserving 30% of our budget for procurement opportunities for youth, women and PWD, we rendered over Kshs.222 million against a budget of Ksh.217 Million. Under the 'Buy Kenya, Build Kenya Initiative', we awarded over Kshs.2 Billion in procurement contracts to local suppliers, surpassing our target of Ksh.1.9 Billion.

As a customer-centric organization, New KCC remains committed to delivering high-quality service, supported by active communication platforms that enhance engagement and streamline service delivery. Notably, our comprehensive complaint-handling procedure resulted in a 100% compliance score from the Commission on Administrative Justice [CAJ] for Resolution of Public Complaints and Access to Information.

Gratitude

I extend my sincere appreciation to all internal and external stakeholders for their steadfast support and collaboration, which has been instrumental in our sustained progress. I am especially grateful to the Government for its unwavering support, and acknowledge the valuable contributions of our Parent Ministry, various County Governments, the Board of Directors, Management, and the entire New KCC team. Their dedication, professionalism, and resilience have been central to our performance. We remain committed to delivering high-quality, world-class products and upholding excellence in every aspect of our service.

Thank you.



Mr. Samuel Ichura,

Ag. MANAGING DIRECTOR

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025

four (4) Key Result Areas (KRA) each with specific objectives within the Strategic Plan 2022/23-2027/28. These are:
 Profitable Business Growth
 Operational Efficiency
 Value Chain Management
 Institutional Capacity strengthening

develops its annual work plans based on the above four (4) KRAs and eight (8) Strategic Objectives. Assessment of the Board's performance is done on a quarterly basis. NKCC implemented performance targets for the FY 2024/2025 for its KRAs and strategic objectives. The results are as indicated below:

Profitable Business Growth			
Strategic Objective	Outcome	Outcome Indicator	Achievement
Increase sales volume by an average of 10% on annual basis and a revenue target of Ksh.50.26 billion in five years	Growth in sales	% growth in sales	NKCC achieved a revenue of Ksh. 7.35B against a target of Ksh. 8.6B. This was 85% achievement
Increase market share from current 10% to %15 by the end of the five year period	Growth in market Share	Market share	Market share remained unchanged. However, management has come up with various strategies to increase sales and hence market share. These include joint business partnership with major supermarkets, market development especially the general trade, engagement of more distributors, wholesalers and agents. Others include promotion of fighter brands and marketing activities.

3. Achieve an average profit before tax of 2% on annual basis	Growth in net profit	Percentage net profit growth	The business continued to procure raw materials at higher prices than the market due to government policy directive of procurement at KShs. 50 per litre of raw milk. This has significantly increased the cost of production thus eroding the gross profit margin. The business generated lower revenue than budget impacting on ability to cover all the overheads.
KRA 2: Operational Efficiency			
1. Produce adequate stocks of all SKUs required by sales to generate an average of KShs.10 billion annual revenues	Adequate stocks of all SKUs	Volume of bulk raw milk purchased and processed per day	NKCC procured 87M litres of milk and all was processed. This ensured there was adequate SKUs for the market.
KRA 3: Value Chain Management			
1. Enhance value chain management to achieve 100% compliance	Procurement of quality goods and services as per the business requirements	Percentage of goods works and services procured as per the business requirements	NKCC clearly spelt out specifications of goods and services in the tender documents and ensured that all accepted items met the specifications. Further the quality assurance team is well equipped with instruments and technologies for raw milk testing. 0.25% of milk was rejected due to adulteration mainly by middle men and poor hygiene and low component due to improper feeding. The affected farmers were guided by the extension team on how to prevent recurrence in future.
KRA 4 Institutional Capacity Strengthening			
1. To enhance the ICT function in order to achieve 75% system automation, achieve 100% utilization, availability, reliability and security	Enhanced ICT services	Level of system automation	NKCC achieved 31% automation level against 40% target.

**Reports and Financial Statements
for the year ended June 30, 2025**

<p>Enhance legal compliance and adherence to corporate governance practices to 100% in legal compliance</p>	<p>Level of system availability, reliability and security</p>	<p>The system availability, reliability and security was at 98%. Maintenance activities were scheduled outside working hours hence there was no interruption to processes. NKCC has installed security software to guard against system security risks</p>
<p>Enhanced legal compliance and adherence to corporate governance practices</p>	<p>Level of legal compliance</p>	<p>NKCC complied 100% to laws and regulations. Further Board Members were inducted on Mwongozo Code of Conduct</p>
<p>Create an effective and efficient human resource and administrative services and Administration services to attract, motivate and retain 100%</p>	<p>Level of legal compliance Percentage of reduction in employee complaints</p>	<p>NKCC continued to motivate staff through training. A total number of 326 staff were trained in the period on professional and leadership courses</p>

9. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

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

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

Core Values

- Integrity
- Loyalty
- Innovativeness
- Quality

PART B: Corporate Governance Statements

Introduction

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

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

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

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

Board Composition

The Board comprises Twelve members whose unique skills, knowledge and experience collectively contribute to the running of the company and corporate governance. Among them is the Chairman, who is appointed by the President and remaining directors who are appointed by the Cabinet Secretary, Ministry of Ministry of Co-operatives & Micro, Small & Medium Enterprises (MSME) Development (State Department for Co-operatives).

The Board and its Role

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

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

Board Committees

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

These committees are -

- i) Human Resource and General Purpose Committee
- ii) Audit and Risk Committee
- iii) Finance, Sales and Marketing Committee
- iv) Technical Committee

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

PROCESS OF APPOINTMENT OF BOARD OF DIRECTORS.

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

(a) serves the Minister with written notice of resignation; or (b) is absent, without the permission of the Minister notified to the Board, from three consecutive meetings; or (c) is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or (d) is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or (e) conducts himself in a manner deemed by the Minister, in consultation with the Committee, to be inconsistent with membership of the Board.

PROCESS OF REMOVAL OF BOARD OF DIRECTORS

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

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

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

SUCCESSION PLAN FOR DIRECTORS

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

BOARD REMUNERATION

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

BOARD CHARTER

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

10. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

1.0 TRADING RESULTS

Below is a summary of the company's financial performance for the Twelve Months' period ended 30th June 2025. It highlights the performance of the company in comparison with the set Budgets and the prior-year results.

Table 1: Summary Financial Results for the period ended 30.06.2025

2024/2025 FINANCIAL SUMMARY	Actual	Budget	Variance Against Budget	Actual	Variance against Prior Year
	July'24- Jun'25 Kshs'000'	July'24- Jun'25 Kshs'000'		July'23-Jun'24 Kshs'000'	
Income					
Sales Revenue	7,353,550	8,694,499	(1,340,949)	7,603,285	(249,735)
Govt Grant(Restricted)	242,168	242,168	-	241,857	311
Other Income	21,889	18,946	2,944	17,918	3,972
Total Income	7,617,607	8,955,612	(1,338,005)	7,863,060	(245,453)
Cost of sales					
Total Cost of sales	6,217,816	7,024,221	806,406	7,189,388	971,572
Gross Profit	1,135,734	1,670,278	(534,543)	413,897	721,837
Gross Profit Margin	15.4%	19.2%	-3.8%	5.4%	10.0%
Operating Expenses					
Administration Expenses	935,783	1,276,274	340,490	1,081,120	145,336
Selling & Distr Expenses	925,285	894,487	(30,798)	986,044	60,759
Finance Costs	369,486	325,607	(43,880)	192,281	(177,205)
Depreciation	606,328	519,389	(86,939)	541,773	(64,555)
Net Profit Before Tax	(1,437,091)	(1,084,365)	(352,726)	(2,127,546)	690,455

Operating Environment and Business Context

The financial year 2024/25 was marked by a challenging operating environment, shaped by subdued consumer demand, increased input costs, and milk intake volatility. The business navigated an inflationary backdrop that impacted packaging, logistics, and energy, while balancing the need to maintain farmer payouts and safeguard market share. In response, New KCC implemented cost containment strategies, adjusted its supply chain operations, and restructured parts of its production and distribution model to adapt to these challenges.

Financial Performance Summary

During the year, New KCC recorded total revenue of Kshs 7.35 Billion, a slight decline from Kshs 7.60 Billion in the previous financial year. This contraction was primarily due to raw milk supply constraints in the first half of the year, which led to reduced volumes. Despite this, the company delivered a significantly improved gross profit of Kshs 1.11 Billion, representing a 169% increase from Kshs 413.9 Million in FY 2023/24. The improvement was driven by cost efficiencies realized through procurement optimization, better product mix, and increased plant-level oversight.

The company, however, closed the year with a loss before tax of Kshs 1.46 Billion, a reduction from the Kshs 2.13 Billion loss posted in the previous year. While the gross margin improved, high finance costs and persistent distribution and administrative overheads continued to weigh on the bottom line. Operating expenses remained largely stable, with total costs at Kshs 2.84 Billion compared to Kshs 2.80 Billion in the prior year. Notably, administration expenses declined by 13% to Kshs 935.8 Million, while selling and distribution expenses stood at Kshs 925.3 Million, reflecting improved cost controls.

Finance costs rose to Kshs 369.5 Million, up from Kshs 192.3 Million in FY 2023/24, owing to increased borrowing and rising interest rates during the year.

Cash Flow Performance

During the year, net cash used in operating activities amounted to Kshs (1.09) Billion, representing a significant improvement from the Kshs (1.78) Billion outflow recorded in the previous financial year. This positive shift was largely attributed to enhanced working capital management, streamlined operations, and prudent control of overheads. The improvement reflects the company's commitment to restoring operational efficiency and liquidity stability amid ongoing cost pressures.

A key funding source remained government support, with Kshs 2.4 Billion received in grants during the year. Capital expenditure was tightly controlled at Kshs 37.4 Million, reflecting the company's conservative investment approach amid constrained cash flows. Borrowings reduced by Kshs 317 Million through scheduled repayments, a signal of responsible financial stewardship.

Statement of Financial Position

The company's balance sheet remained stable, with total assets standing at Kshs 13.9 Billion, compared to Kshs 13.0 Billion in the prior year. Inventory increased to Kshs 2.33 Billion, largely due to higher volumes of finished products and critical inputs held across factories. Receivables were held steady at Kshs 1.42 Billion, supported by strengthened customer collection processes. Cash and equivalents rose slightly to Kshs 28.5 Million. On the equity side, the company closed with a net position of Kshs 7.88 Billion, bolstered by the capital grants received from the government to support operations and liquidity.

Milk Intake and Procurement

A total of 87 Million litres of raw milk was procured during the year, at an average producer price of Kshs 53.45 per litre. Cumulative payouts to farmers amounted to Kshs 4.5 Billion. The consistent payment to suppliers helped the company secure raw material flows throughout the year, despite market pressures and stiff competition for milk supply.

Strategic and Sustainability Initiatives

Aligned with the company's long-term sustainability and stakeholder value strategy, New KCC continued its focus on ESG (Environmental, Social, and Governance) initiatives. These included farmer training and extension services to improve productivity and quality, waste reduction programs at factory level, and the implementation of renewable energy pilots. Prompt farmer payments and product diversification formed the backbone of the company's social and economic sustainability objectives.

Outlook and Forward Strategy

Looking ahead, the company remains cautiously optimistic. The focus in FY 2025/26 will be on factory rationalization, enhanced cost control, and product mix rebalancing to optimize margins. Strategic priorities include deepening route-to-market efficiencies, digitalizing procurement, and reducing operational redundancies across the business. With expected stabilization in raw milk supply and renewed pricing strategies, the business anticipates improved performance and progress toward profitability restoration.

Governance and Risk Management

The Board and management remain committed to robust governance practices, prudent financial management, and proactive risk mitigation. With oversight over regulatory compliance and internal controls, New KCC continues to position itself as a strategic player in Kenya's dairy value chain, delivering both financial and social impact.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

SECTION B

Entity's compliance with statutory requirements

The Organization is committed to complying with all statutory obligations.

SECTION C

Key projects and investment decisions the entity implemented

	The management did not undertake any projects within the financial year 2024/2025.

SECTION D

Major risks facing the entity

Capital Risk

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

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

Financial Risk

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

Market risk

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

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit Risk

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

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

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

11. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

a) Sustainability strategy and profile.

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

b) Environmental Performance.

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

c) Employee welfare.

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

In line with our policy on safety in the workplace, New KCC has complied with all relevant laws on health and safety in the workplace and has put in place adequate controls and resources to ensure a safe and healthy working environment for all its employees. In the past year, all our locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations is our citizen's service delivery charter that outlines our services and the standards we have committed to upholding while delivering these services to members of the public.

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

d) Market Place Practices

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

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

e) Corporate Social Responsibility / Community Engagements

As a company with extensive reach across the nation, New KCC is deeply committed to fostering positive societal impact through responsible business practices. Our initiatives are designed to enhance the livelihoods of communities in all areas of our operation. This report outlines our key environmental and social endeavours for the financial year 2024/2025, focusing on education and environmental preservation, in direct alignment with our overarching Corporate Social Responsibility objectives.

'Feed One End Hunger' Program

New KCC proudly supported Her Excellency the First Lady's 'Feed One End Hunger' initiative, in collaboration with Kenya Dairy Board. This program is dedicated to mitigating food insecurity by providing crucial nutritional support to school-going children. As a primary partner, New KCC is supplying ESL 200 ml milk twice weekly to a Primary School in Nakuru County throughout the second school term. This effort benefits over 600 students, contributing significantly to their health and improving overall school attendance.

'Maziwa Ni School Fees' Program

We sponsored the launch of the 'Maziwa ni School Fees' program with a contribution of Kshs one Million, in partnership with the County Government of Uasin Gishu and the Ministry of Cooperatives and MSMEs. Inaugurated at Tuiyo Farmer Cooperative Society, this initiative addresses the financial challenges faced by dairy farmers. It achieves this by converting daily milk deliveries into a consistent and reliable source of school fees payments, facilitated by an automated payment check-off system integrated with milk deliveries at the cooperative societies. This program also significantly benefits New KCC by strengthening relationships with our dairy farmers and alleviating their financial burdens through guaranteed, timely school fees payments for their children.

Environmental Performance

Recognising that our operations are highly dependent on climate-sensitive raw materials, New KCC acknowledges the critical importance of environmental sustainability. In support of the Government's annual target of planting 2.5 million trees, New KCC has proactively integrated environmental sustainability into its operational framework. We have established tree nurseries across our 22 network branches, aiming to produce approximately 630,000 indigenous seedlings. These nurseries serve as a vital resource, supporting both current and future tree planting initiatives, thereby contributing to national efforts in increasing green cover, combating climate change, and restoring ecosystems.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025



Launch of the pilot programme "feed one end hunger"



Launch of 'Maziwa ni School fees Programme' in Uasin Gishu County.

12. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

Principal activities

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

Results

The results of the New KCC Ltd for the year ended June 30, 2025 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	(1,437,091,164)
Taxation Charge/Credit	483,929,010
Profit after Taxation	(953,162,155)

Dividends

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

Directors

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

Auditors

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

By Order of the Board



Irene Mbito
Company Secretary

Nairobi
Date. 25/08/25

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

13. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act chapter 486. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2025, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Company's financial statements were approved by the Board on 25th Aug 2025 and signed on its behalf by:


Mr. David Maina Kamiru

Chairman




Samuel Ichura

Ag. Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES (NKCC) LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 New Kenya Co-operative Creameries (NKCC) Limited set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2025 and statement of Profit and Loss and

Report of the Auditor-General on New Kenya Co-operative Creameries (NKCC) Limited for the year ended 30 June, 2025

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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements do present fairly, in all material respects, the financial position of New Kenya Co-operative Creameries (NKCC) Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Cooperative societies Act, 2003 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Ownership Documents

The statement of financial position reflects balances of Kshs.307,500,000 and Kshs.3,232,227,671 in respect to freehold land and leasehold land respectively, as disclosed in Notes 15 and 16 to the financial statements. However, as previously reported, the ownership documents for land measuring four (4) acres donated to the Company by Igento Farmers' Cooperative Society for the establishment of a milk processing plant in Igembe Central, Meru County were not provided for audit.

Further, the value of four (4) other land parcels was not disclosed in the financial statements, while another seventeen (17) disputed land parcels and which had not been valued were registered in the names of third parties. The legal status of the said properties could not be determined.

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

In the circumstances, the valuation and ownership of freehold and leasehold land balances of Kshs.307,500,000 and Kshs.3,232,227,671 respectively could not be confirmed.

2. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.1,415,776,326 as disclosed in Note 19(a) to the financial statements. However, review of documents relating to trade receivables revealed that the balance includes trade receivables of Kshs.710,853,970 out of which Kshs.224,592,161 has been outstanding

for more than 120 days. Further, the balance includes VAT recoverable of Kshs.791,475,902 which relates to VAT claims which have not been settled by the KRA.

In addition, the staff receivables balance of Kshs.3,269,863 has been outstanding for two (2) years.

In the circumstances, the recoverability, accuracy and completeness of trade and other receivables balance of Kshs.1,415,776,326 could not be confirmed.

3. Unsupported Payment to Exchequer

Review of IFMIS accounts on development expenditure for State Department for Cooperatives revealed that an exchequer amount of Kshs.300,000,000 was paid back to the exchequer account on 14 September, 2024. Management explained that the New KCC received funding of Kshs.600,000,000 on 29 May 2024 under Article 223 of the Constitution to cater for effects of 2023-2024 El-Nino. However, during supplementary budget, Parliament approved/regularized allocation of Kshs.300,000,000 resulting to excess funds to New KCC of Kshs.300,000,000 which was recovered from New KCC budget of 2024-2025.

The Management has however recognized the entire Kshs.600,000 in the milk mop up reserve yet the whole amount was not approved/regularized by the Parliament.

Additionally, the Constitution is silent on action to be taken on funds disbursed under Article 223 of the Constitution and regularization not done by the Parliament, hence the justification of refund of Kshs.300,000,000 was not provided for review.

In the circumstances, the regularity and propriety of the payment to exchequer of Kshs.300,000,000 could not be confirmed.

4. Unsupported Milk Mop Up Reserve/Fund

The statement of changes in equity reflects raw milk grant amount of Kshs.1,500,000,000 and Kshs.2,400,000,000 received in 2023-2024 and 2024-2025 respectively both totalling Kshs.3,900,000,000. The statement reflects raw milk grant utilized of Kshs.730,753,000 leaving the balance of Kshs.3,169,247,000 as an unutilized grant as at 30 June, 2025. However, payment records provided for audit, shows that all the funds received by the Company had been fully paid to farmers for milk delivered to various Company plants which implies that the entire reserves needed to have been utilized. have been utilized. Further, the statement of financial position reflects cash and cash equivalent balance of Kshs.228,520,546. In addition, the Company had a bank overdraft balance of Kshs.476,607,338 implying a gross negative cash book balance of Kshs.248,086,792 and therefore no evidence of asset representing the reported reserve.

In the circumstances, the accuracy and validity of milk mop up reserve/fund of Kshs.3,169,247,000 could not be confirmed.

5. Unsupported Utilization of Raw Milk Grant

The statement of changes in equity reflects raw milk grant amount of Kshs.1,500,000,000 and Kshs.2,400,000,000 received in 2023-2024 and 2024-2025 respectively both totalling Kshs.3,900,000,000. Out of the total amount, Kshs.730,753,000 has been processed as utilization of reserves during the year. However, the supporting documents on how the utilization amount was arrived at were not satisfactorily explained.

In the circumstances, the accuracy and validity of raw milk grant utilized amount of Kshs.730,753,000 could not be confirmed.

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

Material Uncertainty Related to Going Concern

The statement of profit and loss and other comprehensive income indicates that the Company recorded a loss before tax of Kshs.974,664,863. Further, the Company's current liabilities exceeded the current assets by Kshs.859,881,060, an indication of negative working capital. In addition, the statement of profit or loss and other comprehensive income reflects finance costs of Kshs.369,486,337 which includes interest expenses on loans and bank overdrafts of Kshs.270,831,338 and Kshs.97,488,562 respectively as disclosed in Note 8 to the financial statements. It is evident that the Company heavily relied on bank loans and overdrafts during the year under review.

These events or conditions, indicate that a material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.8,955,612,445 and Kshs.7,617,607,202 respectively resulting in an under-realization of Kshs.1,338,005,243 or 15% of the budget. However, the Creameries spent an amount of Kshs.9,076,201,074 against actual receipts of Kshs.7,617,907,202 resulting in an over-utilization of Kshs.1,458,293,872 or 19% of actual revenue.

The under-realization and over-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,976,121,748 as disclosed in Note 29 to the financial statements. However, included in this balance is Kshs.3,243,123,217 which was overdue for over 120 days. Failure to settle the debts as and when they fall due may attract interest hence affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, I have determined that there are no other key audit matters to communicate in my report.

Other matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issues as detailed in Appendix I remain unresolved as Parliament has not deliberated on the same.

Other Information

The Management are responsible for the Other Information set out on page ii to xxxii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Irregular Write off of Trade and Other Receivables

The statement of financial position and as disclosed in Note 19 of the financial statements reflects net trade and other receivables balance of Kshs.1,415,776,326 which excludes provision for bad and doubtful receivable amount of Kshs.374,616,872. Further, the net balance of Kshs.263,562,292. However, no approval for write from The National Treasury was provided for review. This was contrary to Section 69 (1) of Public Finance Management Act, 2012 which states that an accounting officer for a national government entity may write off any loss not exceeding a prescribed amount, and in circumstances prescribed by regulations for the purposes of this section.

In the circumstances, the Institute was in breach of the regulation.

2. Long Outstanding Capital Work-in-Progress

The statement of financial position reflects property plant and equipment balance of Kshs.5,135,653,446 which includes capital work in progress balance of Kshs.37,756,902 as disclosed in Note13 to the financial statements which relates to three (3) contracts for construction works at Kericho sales depot which were all initiated in 2021. Review of the contract documents revealed that the projects were to be completed within one year from the date of site handover. However, the projects are not yet to be completed, four (4) years since inception.

In the circumstances, the value for money of capital work in progress amount of Kshs.37,756,902 could not be confirmed.

3. Non-compliance with 1/3 Rule on Basic Salary Pay

Review of the payrolls data revealed that whereas the company has a total of one thousand four hundred and eighty-six (1,486) members of staff, five hundred and seventy (570) staff members had committed their salaries above the 2/3 of their basic salary. This is contrary to Paragraph C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that Public Officers shall not over-commit their salaries beyond two-thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Conduct a Governance Audit

During the year under review, the Board of directors did not subject the Company to an annual governance audit. This was contrary to the guidelines of Mwongozo Code of Conduct clause 1.13 that requires the Board, in consultations with the Oversight Office, ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

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

Conclusion

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. Information given in the Directors' report on pages xiv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the 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 (IFRS) and for maintaining effective internal controls 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 governance.

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

Appendix I

Unresolved Prior Year Matters

No	Observation
	Basis for Qualified Opinion
1	Lack of Ownership Documents and Valuation
2	Non revaluation of Assets
3	Trade and Other Receivables
4	Non-Compliance with International Accounting Standards 20 - Accounting for Government Grants
5	Material Uncertainty Related to Going Concern
	Emphasis of Matter
6	Budgetary Control and Performance
7	Long Outstanding Trade and Other Payables
8	Related Party Balance
	Report on Lawfulness and Effectiveness in Use of Public Resources
9	Lack of Feasibility Study in Construction of Nyambene Depot
	Report on Effectiveness of Internal Controls, Risk Management and Governance
10	Non-Compliance with Human Resource Policy
11	Staff Over-Establishment

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

**15. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2025**

	Note	2024-2025	2023-2024
		Kshs	Kshs
REVENUES			
Sales/Turnover	1	7,353,550,276	7,603,285,153
Cost of Sales	2	(6,217,815,813)	(7,189,388,074)
Gross profit		1,135,734,463	413,897,079
OTHER INCOME			
Grants from National Government	3	242,167,608	241,857,047
Other Income	4	21,889,318	17,917,664
Finance Income	5		
TOTAL OTHER INCOME		264,056,926	259,774,710
OPERATING EXPENSES			
Administration Costs	6(a)	935,783,335	1,081,119,778
Selling and Distribution Costs	7	925,284,621	986,043,568
Finance Costs	8	369,486,337	192,281,201
Depreciation of property, plant and equipment	13	572,628,807	536,549,462
Amortisation of Intangible Assets	14	661,265	991,898
Amortization of Leasehold land	16	33,038,187	4,232,031
TOTAL OPERATING EXPENSES		2,836,882,553	2,801,217,939
PROFIT/(LOSS) BEFORE TAXATION		(1,437,091,164)	(2,127,546,150)
INCOME TAX EXPENSE/(CREDIT)	10	483,929,010	598,883,748
PROFIT/(LOSS) AFTER TAXATION		(953,162,155)	(1,528,662,402)
Earnings per share – basic and diluted	11	(17.42)	(27.94)
Dividend per share	12	(3.48)	(5.59)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(953,162,155)	(1,528,662,402)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(953,162,155)	(1,528,662,402)

16. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	2025	2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	5,135,653,446	5,679,542,683
Intangible assets	14	1,322,531	1,983,796
Freehold land	15	307,500,000	307,500,000
Leasehold Land	16	3,232,227,671	3,265,265,858
Investment property	17	-	6,456,475
Deferred Tax	28	1,249,114,937	759,944,821
Total Non-Current Assets		9,925,818,585	10,020,693,633
Current Assets			
Inventories	18	2,328,603,307	1,561,523,902
Trade and other receivables	19	1,415,776,326	1,421,321,970
Short term deposits	21	200,000,000	
Bank and cash balances	22	28,520,546	26,390,881
Total Current Assets		3,972,900,179	3,009,236,753
Total Assets		13,898,718,764	13,029,930,386
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	4,601,172,806	4,601,172,806
Retained earnings	26	(1,844,044,415)	(869,382,343)
GOK Grant		4,573,562,883	3,146,483,491
Capital and Reserves		7,877,720,144	7,425,302,824
Non-Current Liabilities			
Borrowings	27	488,217,381	691,282,862
Deferred tax asset	28	-	-
Related Party Balances	34	700,000,000	700,000,000
Total Non-Current Liabilities		1,188,217,381	1,391,282,862
Current Liabilities			
Borrowings	27	274,622,277	388,787,243
Trade and other payables	29	3,976,121,748	3,243,123,217
Retirement benefit obligations	30	62,547,152	49,561,276
Provision for leave pay	31	32,151,168	26,741,929
Tax Payable	20	10,731,556	5,490,450
Bank Overdraft	22(a)(I)	476,607,338	499,640,584
Total Current Liabilities		4,832,781,239	4,213,344,700
TOTAL EQUITY AND LIABILITIES		13,898,718,764	13,029,930,386

The financial statements were approved by the Board on 23rd Aug 2025 and signed on its behalf by:

Managing Director/CEO

Name: SAMUEL ICHODIA



Head of Finance

Name: Hester Gonyo

ICPAK M/NO: 9244

Chairman of the Board

[Signature]

TATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Milk Mop up	Grants from National Government
July 1, 2023	547,028,870	4,989,328,896	-	659,280,059	-	-	1,888,340,538
Issuance of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(388,156,091)	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-
Comprehensive income	-	-	-	(1,528,662,402)	-	-	-
Development grants received during the year	-	-	-	-	-	-	-
Dividends paid – 2024	-	-	-	-	(-)	-	(-)
Provision Write back on Gov't	-	-	-	-	-	-	(241,857,047)
Dividends paid – 2023	-	-	-	(-)	-	-	-
Milk Grant Received	-	-	-	-	-	1,500,000,000	-
Milk grant utilized	-	-	-	-	-	-	-
Final dividends	-	-	-	(-)	-	-	-
June 30, 2024	547,028,870	4,601,172,806	-	(869,382,343)	-	1,500,000,000	1,646,483,491
July 1, 2024	547,028,870	4,601,172,806	-	(869,382,343)	-	1,500,000,000	1,646,483,491
Issuance of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Milk Mop up	Grants from National Government
Prior Year Adjustment	-	-	-	(21,502,708)	-		-
Total comprehensive income	-	-	-	(953,162,155)	-		-
Capital/Development grants received during the year	-	-	-	-	-		-
Dividends paid – 2025	-	-	-	-	(-)		(-)
Depreciation Write back on Gov't Grant							(242,167,608)
Interim dividends paid – 2024	-	-	-	(-)	-		-
Raw Milk Grant Received						2,400,000,000	-
Raw milk grant utilized						(730,753,000)	-
Proposed final dividends	-	-	-	(-)	-		-
At June 30, 2025	547,028,870	4,601,172,806	-	(1,844,044,415)	-	3,169,247,000	1,404,315,883

Note: Prior year adjustment on retained earnings of Kshs. 21,502,708 relates to prior year invoices initially recognized as assets at the point of requisition and booked in capital work in progress.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

18. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2025

	Note	2025 Kshs	2024 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	(715,949,846)	(1,595,483,654)
Interest received	5	-	-
Interest paid	8	(369,486,337)	(192,281,201)
Dividends paid	33 (e)	-	-
Taxation paid	20	-	-
Net cash generated from/(used in) operating activities		(1,085,436,183)	(1,787,764,855)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(50,242,277)	(84,078,264)
Purchase of Intangible asset	14	-	-
Disposal of quoted investment		-	-
Net cash generated from/(used in) investing activities		(50,242,277)	(84,078,264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	33 (b)	(317,230,448)	(197,572,752)
Proceeds from borrowings	33 (b)	-	635,999,489
GOK Grant Change	3	1,427,079,392	1,258,142,953
Net cash generated from/(used in) financing activities		1,109,848,944	1,696,569,691
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,129,667	(175,273,429)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	26,390,880	201,664,309
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			

19. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Sale of goods	8,694,499,034	-	8,694,499,034	7,353,550,276	(1,340,948,758)	84.6%
Sale of services	-	-	-	-	-	
Government grant – Writeback	242,167,608	-	242,167,608	242,167,608	-	100.0%
Donations in kind	-	-	-	-	-	
Finance Income	-	-	-	-	-	
Other income	18,945,803	-	18,945,803	21,889,318	2,943,515	115.5%
Total income	8,955,612,445	-	8,955,612,445	7,617,607,202	(1,338,005,243)	85.1%
Expenses						
Use of goods and services	7,024,221,568	-	7,024,221,568	6,239,318,521	(784,903,047)	88.8%
Administration cost	1,276,273,705	-	1,276,273,705	935,783,335	(340,490,370)	73.3%
Selling & Distribution Cost	894,486,873	-	894,486,873	925,284,621	30,797,748	103.4%
Depreciation & Amortization	519,389,000	-	519,389,000	606,328,259	86,939,259	116.7%
Finance cost	325,606,553	-	325,606,553	369,486,337	43,879,784	113.5%
Total expenditure	10,039,977,699	-	10,039,977,699	9,076,201,074	(963,776,625)	90.4%
Surplus for the period	(1,084,365,254)	-	(1,084,365,254)	(1,458,593,872)	(374,228,618)	

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

20. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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

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

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Title	Description	Effective Date
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. <i>The Company does not issue insurance contracts hence not affected by IFRS 17.</i>	Effective for annual periods beginning on or after 1 st January 2023.
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. <i>There were no amendments of estimates(entity to state the effect of amendments on their financial statements for the year ended.)</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

Title	Description	Effective Date
Amendments to IAS 12 titled 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 amendments are effective for annual periods beginning on or after January 1, 2023.

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

Notes to the Financial Statements (Continued)

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled 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 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled 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 recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled 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 amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(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).

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024-2025.

i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 242.17 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.
- iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement on receipt.
- vi) **Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Property, plant and equipment

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

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

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

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

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Leasehold land is amortized over the number of years under lease. Upon revaluation, leasehold land is amortized over the remaining lease life period.

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

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

Freehold land is not depreciated.

Depreciation charge is recognized from the date of asset purchase.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

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

e) Amortisation and impairment of intangible assets

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

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

f) Investment property

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

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

g) Right of Use Asset

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

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

j) Unquoted investments

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

k) Inventories

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

l) Trade and other receivables

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

m) Taxation

i) Current income tax

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

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

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

n) Deferred tax

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

Deferred Tax

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit

to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Borrowing costs

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

p) Cash and cash equivalents

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

q) Borrowings

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

r) Trade and other payables

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

s) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an external administrator (Liberty Pensions and Britam) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at a range of Kshs. 1,080-2160 per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2024-2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded nil additional appropriations on the 2024-2025 budget following the governing body's approval.

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

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

a) Service concession arrangements

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

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

1. Significant Judgments and Sources of Estimation Uncertainty

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

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

a) Estimates and assumptions

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2025	2024
	Kshs	Kshs
Gross sales of goods	7,503,673,568	7,758,275,879
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(150,123,292)	(154,990,726)
Total	7,353,550,276	7,603,285,153

2 COST OF SALES

	2025	2024
	Kshs	Kshs
Cost of sales on goods	6,217,815,813	7,189,388,074
Total	6,217,815,813	7,189,388,074

3 GRANTS FROM NATIONAL GOVERNMENT

	2025	2024
	Kshs	Kshs
Restricted Gov't Grant	242,167,608	241,857,047
Total	242,167,608	241,857,047

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Grants from National Government KShs	Total grant income during the year KShs	2024-2025 KShs
Ministry of Co-operatives & MSMES	-	-	-	-	-
Total	-	-	-	-	-

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

	2025	2024
	Kshs	Kshs
Gain on Disposal		-
Rent Income	15,436,518	11,071,762
Other miscellaneous receipts	6,452,800	6,845,902
Total	21,889,318	17,917,664

5 FINANCE INCOME

	2025	2024
	Kshs	Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	-	-
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total		-

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

6 (a) ADMINISTRATION COSTS

	2025	2024
	Kshs	Kshs
Staff costs (note 5(b))	408,872,180	447,148,045
Directors' emoluments	29,975,206	26,428,207
Electricity and water	4,708,594	5,165,659
Communication services and supplies	9,584,526	12,897,726
Transportation, travelling and subsistence	57,083,930	90,061,058
Advertising, printing, stationery and photocopying	22,318,274	21,360,813
Rent and Rates	695,170	668,000
Staff training expenses	14,054,968	8,043,606
Hospitality supplies and services	10,660,276	12,512,658
Insurance costs	46,837,747	41,120,613
Bank charges and commissions	38,889,028	28,978,872
Office and general supplies and services	190,700	953,185
Auditors' remuneration	1,500,000	1,700,000
Legal fees	15,686,630	32,510,010
Consultancy fees	18,596,417	12,669,736
Repairs and maintenance	5,495,028	2,144,696
Provision for bad and doubtful debts	60,000,000	209,330,545
Other operating expenses	190,634,661	127,426,350
Total	935,783,335	1,081,119,778

6 (b) STAFF COSTS

Salaries and allowances of permanent employees	266,154,434	243,987,577
Wages of temporary employees	8,672,699	22,010,463
Staff medical insurance schemes	19,489,516	69,547,605
Compulsory national social security schemes	6,218,929	3,370,600
Other pension contributions	12,708,490	11,565,727
Leave pay and gratuity provisions	51,484,594	37,360,330
Staff welfare	27,452,400	43,876,178
Housing Levy	16,691,117	15,429,565
Total	408,872,180	447,148,045
The average number of employees at the end of the year was:		
Permanent employees – Management	302	311
Permanent employees – Unionisable	672	728
Temporary and contract employees	504	571
Total	1,478	1,610

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

7 SELLING AND DISTRIBUTION COSTS

	2025	2024
	Kshs	Kshs
Salaries and wages of sales personnel	353,535,606	355,057,937
Marketing and promotional expenses	63,987,647	120,528,800
Other selling and distribution costs	507,761,368	510,456,831
Total	925,284,621	986,043,568

8 FINANCE COSTS

	2025	2024
	Kshs	Kshs
Exchange losses on cash and bank balances	1,166,438	7,433,843
Mpesa Charges	-	1,286,907
Interest expense on loans	270,831,338	97,391,397
Interest expense on bank overdrafts	97,488,562	86,169,054
Total	369,486,337	192,281,201

9 OPERATING PROFIT/(LOSS)

	2025	2024
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 6(b))	408,872,180	447,148,045
Depreciation of property, plant and equipment	572,628,807	536,554,305
Provision for bad and doubtful debts	60,000,000	209,330,545
Directors' emoluments – fees	29,975,206	26,428,207
Auditors' remuneration - current year fees	1,500,000	1,700,000
- prior year under-provision	-	-
Total	1,072,976,193	1,221,161,102

10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2025	2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year	(5,241,106)	(3,329,929)
Current tax: prior year under/(over) provision		-
Current year deferred tax charge	489,170,116	602,213,676
Prior year under-provision for deferred tax		-
Total	483,929,010	598,883,747

11 EARNINGS PER SHARE

The earnings per share of (17.42) is calculated by dividing the loss after tax of Kshs.953,162,155 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 DIVIDEND PER SHARE-in the incidence of a loss

The Dividend per share of Ksh (3.48) is calculated by dividing 20% of the loss after tax of Kshs. 953,162,155 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 A) PROPERTY, PLANT AND EQUIPMENT

PERIOD-	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
2023	5,342,351,643	7,146,465,848	735,468,001	481,926,528	83,179,626	198,604,363	181,470,139	98,769,116	14,268,235,264
In from				15,525,662	2,493,427	1,400,000	1,775,900	62,883,275	84,078,264
on	73,311,370	8,427,490						(81,738,859)	-
0, 2024	5,415,663,013	7,154,893,337	735,468,001	497,452,190	85,673,053	200,004,363	183,246,039	79,913,532	14,352,313,528
VALUATION									
2023	2,374,023,971	3,934,148,032	682,352,488	440,790,173	47,483,833	186,767,066	118,188,459	-	7,783,754,023
the year	144,298,130	348,536,377	13,278,878	13,761,029	4,678,479	3,945,766	8,055,646		536,554,305
of excess valuation	43,075,907	309,386,610							352,462,517
), 2024	2,518,322,101	4,282,684,410	695,631,366	454,551,202	52,162,312	190,712,832	126,244,105	-	8,672,770,846
0, 2024	2,897,340,912	2,872,208,928	39,836,635	42,900,988	33,510,741	9,291,531	57,001,934	79,913,532	5,679,542,683

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

2025	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
At July 1, 2024	5,415,663,014	7,154,893,337	735,468,001	497,452,190	85,673,054	200,004,363	183,246,039	79,913,532	14,352,313,530
Prior year Adjustment								(21,502,708)	(21,502,708)
Additions				13,927,500	934,429	11,380,000	24,000,348		50,242,277
Transfers In from W.I.P	12,898,492	7,755,431						(20,653,923)	-
At June 30, 2025	5,428,561,506	7,162,648,768	735,468,001	511,379,690	86,607,483	211,384,363	207,246,387	37,756,902	14,381,053,099
DEPRECIATION									
At July 1, 2024	2,561,398,009	4,592,071,020	695,631,366	454,551,202	52,162,312	190,712,832	126,244,105	-	8,672,770,847
Charge for the year	150,062,621	379,889,948	9,959,159	13,810,173	4,226,880	5,543,288	9,136,738		572,628,807
Transfer of excess Dep on Revaluation									-
At June 30, 2025	2,711,460,631	4,971,960,968	705,590,525	468,361,376	56,389,192	196,256,120	135,380,844	-	9,245,399,654
NBV									
At June 30, 2025	2,717,100,875	2,190,687,800	29,877,476	43,018,315	30,218,291	15,128,243	71,865,543	37,756,902	5,135,653,446

Note: Prior year adjustment on capital work in progress of Kshs. 21,502,708 relates to prior year invoices initially recognized as assets at the point of requisition and booked in capital work in progress.

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

	2025	2024
	Kshs	Kshs
COST		
At July 1	239,232,771	239,232,771
Additions		
Disposals		
At June 30 th	239,232,771	239,232,771
AMORTISATION		
At July 1	237,248,975	236,257,077
Charge for the year	661,265	991,898
Disposals		
Impairment loss		
At June 30 th	237,910,240	237,248,975
NET BOOK VALUE		
At June 30 th	1,322,531	1,983,796

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

	2025	2024
	Kshs	Kshs
Opening valuation	307,500,000	307,500,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note18)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	307,500,000	307,500,000
	=====	=====
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
	=====	=====
NET BOOK VALUE		
At June 30 th	307,500,000	307,500,000
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LEASEHOLD LAND

	2025	2024
	Kshs	Kshs
COST		
At July 1	3,810,925,307	3,810,925,307
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	3,810,925,307	3,810,925,307
AMORTISATION		
At July 1	(545,659,449)	(505,733,845)
Charge for the year	(33,038,187)	(4,232,031)
Excess Depreciation on Revaluation	(-)	(35,693,573)
Disposals	-	-
At June 30	(578,697,636)	(545,659,449)
NET BOOK VALUE		
At June 30	3,232,227,671	3,265,265,858

17 INVESTMENT

	2025	2024
	Kshs	Kshs
Opening valuation	6,456,475	6,456,475
Movements during the year		
Additions	-	-
Disposals	(6,456,475)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	6,456,475

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	30 th June 2025	30 th June 2024
					Shs	Shs
Uchumi Supermarket	100	0	100	8.41		6,456,475

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

	2025	2024
	Kshs	Kshs
Finished Product	1,445,265,909	749,484,312
Work in Progress	26,550,592	4,236,082
Production Materials	301,026,332	214,421,372
Engineering Stores	507,375,374	540,972,818
Furnace oil, Gases and Lubricants	14,728,356	11,499,716
Motor vehicle spare parts	15,508,034	21,356,490
Stationery and general stores	18,148,709	19,553,112
	2,328,603,307	1,561,523,902

19 (a) TRADE AND OTHER RECEIVABLES

	2025	2024
	Kshs	Kshs
Trade receivables	710,853,970	956,431,838
Deposits and prepayments	284,793,462	264,324,816
VAT recoverable	791,475,902	774,870,545
Staff receivables	3,269,864	3,873,936
Chaka Property sale	-	-
Other Receivables	-	-
Rent Customers-Commercial	-	-
Other: Provision for bad and doubtful receivable	(374,616,872)	(578,179,164)
Net trade and other receivables	1,415,776,326	1,421,321,970

19 (b) TRADE RECEIVABLES

	2025	2024
	Kshs	Kshs
Gross trade receivables	710,853,970	956,431,838
Provision for doubtful receivables	(374,616,872)	(573,858,219)
	336,237,098	382,573,619
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	83,856,978	91,206,114.53
Between 30 and 60 days	16,016,921	20,990,283.42
Between 61 and 90 days	4,943,865	3,520,615.54
Between 91 and 120 days	6,827,173	5,624,235.32
Over 120 days	224,592,161	261,232,370.19
	336,237,098	382,573,619

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

	2025	2024
	Kshs	Kshs
Gross staff debtors	3,269,864	3,873,936
Provision for impairment loss	(-)	(4,320,945)
	3,269,864	(447,009)
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20 TAX RECOVERABLE/PAYABLE

	2025	2024
	Kshs	Kshs
At beginning of the year	(5,490,450)	(2,160,521)
Income tax charge for the year	(5,241,106)	(3,329,929)
Under/(over) provision in prior year/s		-
Income tax paid during the year		-
At end of the year	(10,731,556)	(5,490,450)

21 SHORT TERM DEPOSITS

	2025	2024
	Kshs	Kshs
Cooperative Bank of Kenya	200,000,000	-
Kenya Commercial Bank	-	-
	-	-

22 BANK AND CASH BALANCES

	2025	2024
	Kshs	Kshs
Cash at bank	27,486,832	25,675,306
Mpesa Utility	-	-
Cash in hand	1,033,715	715,576
	28,520,546	26,390,881

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22(a) BANK AND CASH BALANCES (Continued)

The make – up of bank balances is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
I. Current account(Overdraft)			
Cooperative Bank		(476,607,338)	(499,640,584)
Total		(476,607,338)	(499,640,584)
II. Current Account Cash Balances			
Kenya Commercial bank		21,852,054	14,560,450
Equity Bank		4,788,660	3,884,254
Standard Chartered Bank		153,005	3,700,295
CFC Stanbic Bank		359,255	359,255
Cooperative Bank USD A/c		333,858	3,171,052
Sub- total		27,486,832	25,675,306
a) Others(specify)		-	-
cash in hand		1,033,715	715,576
M pesa		-	-
Sub- total		1,033,715	715,576
Total		28,520,546	26,390,881

23 ORDINARY SHARE CAPITAL

	2025	2024
	Kshs	Kshs
Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 REVALUATION RESERVE

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

25 FAIR VALUE ADJUSTMENT RESERVE

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

26 RETAINED EARNINGS

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

27 (a) BORROWINGS

	2025	2024
	Kshs	Kshs
Balance at beginning of the year	1,080,070,106	641,643,368
External borrowings during the year		
Domestic borrowings during the year	-	635,999,489
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year	(317,230,448)	(197,572,752)
Balance at end of the year	762,839,658	1,080,070,106
Less: Amounts due within one year (current portion)	274,622,277	388,787,243
Amounts due after one year (non-current portion)	488,217,381	691,282,862

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b) BORROWINGS (Continued)

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

	2025	2024
	Kshs	Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	484,913,075	635,999,489
Loan - Stanbic Asset finance facility		
Loan - Co-operative Bank Asset Finance	157,926,583	244,053,078
Long Term Loan (co-op Bank)-Restructured	120,000,000	200,017,539
Total balance at end of year	762,839,658	1,080,070,106

Asset Loan from Co-operative Bank financed acquisition of 28 motor vehicles provided in the loan covenant.

28 DEFERRED TAX ASSET

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

	2025	2024
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	(759,944,821)	(157,731,145)
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)	(489,170,116)	(602,213,676)
Balance at end of the year	(1,249,114,937)	(759,944,821)

29 TRADE AND OTHER PAYABLES

	2025	2024
	Kshs	Kshs
Trade payables	2,928,791,257	2,460,221,056
Accrued expenses	132,540,707	130,411,087
Other payables	914,789,783	652,491,074
	3,976,121,748	3,243,123,217
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS

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

	2025	2024
	Kshs	Kshs
Gratuity for senior management	62,547,152	49,561,276

The report from the administrator for the defined benefits scheme as at 31st Dec 2024 is as follows:

	2025	2024
	Kshs	Kshs
Valuation at the beginning of the year	916,000,914	883,504,363
Changes in valuation during the year	126,640,755	32,496,551
Valuation at end of the year	1,042,641,669	916,000,914

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently to a maximum of Kshs.2,160 per employee per month.

31 PROVISION FOR LEAVE PAY

	2025	2024
	Kshs	Kshs
Balance at beginning of the year	26,741,929	25,578,233
Decrease/Increase in provision at end of year	5,409,239	1,163,696
Leave paid out or utilized during the year		
Balance at end of the year	32,151,168	26,741,929

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

32 DIVIDENDS PAYABLE

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

	2025	2024
	Kshs	Kshs
Year 2025	-	-
Year 2024	-	-
Balance at end of the year	-	-
	=====	=====

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

	2025	2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(1,089,107,535)	(1,935,264,948)
Depreciation	572,628,807	536,549,462
Amortisation	33,699,452	5,223,929
(Gain)/loss on revaluation		
Operating profit/(loss) before working capital changes	(482,779,276)	(1,393,491,557)
(Increase)/decrease in inventories	(767,076,614)	(304,397,234)
(Increase)/decrease in trade and other receivables	5,545,645	(80,972,786)
(Increase)/decrease in tax recoverable		
Increase/(decrease) in tax payable		
Increase/(decrease) in trade and other payables	732,998,531	253,962,799
Increase/(decrease) in retirement benefit obligations	12,985,876	(9,867,539)
Increase/(decrease) in provision for staff leave pay	5,409,239	1,163,696
Increase/(decrease) in Bank Overdraft	(223,033,246)	(61,881,033)
Cash generated from/(used in) operations	(715,949,846)	(1,595,483,654)
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	1,080,070,106	641,643,368
Receipts during the year	-	635,999,489
Repayments during the year	(317,230,448)	(197,572,752)
Repayments of previous year's accrued interest		
Foreign exchange (gains)/losses		
Accrued interest		
Balance at end of the year	762,839,658	1,080,070,106
(c) Analysis of cash and cash equivalents		
Short term deposits		
Cash at bank	27,486,832	-
Cash in hand	1,022,715	25,675,306

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2025	2024
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	270,831,338	97,391,397
Interest on bank overdraft (note 10)	97,488,562	86,169,054
	368,319,899	183,560,451
Interest on loans capitalized	270,831,338	97,391,397
Balance at beginning of the year	1,080,070,106	635,999,489
Balance at end of the year (note 36(b))	762,839,658	1,080,070,106
Interest paid	270,831,338	97,391,397
		=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-
	=====	=====

34 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:

Amount Due from related parties

	2025	2024
	Kshs	Kshs
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	700,000,000	700,000,000

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2025	2024
	Kshs	Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
	=====	=====
b) Grants from the Government		
Grants from National Govt	700,000,000	700,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	700,000,000	700,000,000
	=====	=====
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
	=====	=====
d) Key management compensation		
Directors' emoluments	29,975,206	26,414,568
Compensation to the CEO	7,158,520	9,971,600
Compensation to key management	63,447,992	60,557,287
Total	100,581,718	96,943,455
	=====	=====

35 CAPITAL COMMITMENTS

	2025	2024
	Kshs	Kshs
Amounts authorized and contracted for	300,000,000	546,240,000
Less: Amounts incurred and included in work-in-progress	(37,756,902)	(79,913,532)
	262,243,098	466,326,468
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2025	2024
	Kshs	Kshs
Legal claims against the <i>entity</i>	82,680,317	82,680,317
	82,680,317	82,680,317

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

37 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables from exchange transactions	698,853,908	252,197,175	308,027,466	138,629,266
Receivables from non-exchange transactions	791,475,902	791,475,902	-	-
Bank balances	27,486,832	27,486,832	-	-
Total	1,517,816,642	1,071,159,909	308,027,466	138,629,266
At 30 June 2024				
Receivables from exchange transactions	956,431,838	345,149,974	421,557,742	189,724,122
Receivables from non-exchange transactions	774,870,545	774,870,545	-	-
Bank balances	25,675,306	25,675,306	-	-
Total	1,756,977,689	1,145,695,825	421,557,742	189,724,122

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

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

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

ii) Liquidity risk management

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

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	237,012,081	363,427,484	317,795,467	1,121,455,211
Current portion of borrowings	-	-	274,622,277	274,622,277
Provisions-leave	-	-	32,151,168	32,151,168
Deferred income	-	-	-	-
Employee benefit obligation	-	-	62,547,152	62,547,152
Total	237,012,081	363,427,484	687,116,064	1,490,775,808
At 30 June 2024				
Trade payables	467,895,362	249,260,914	510,330,979	1,227,487,255
Current portion of borrowings	-	-	388,787,243	388,787,243
Provisions-leave	-	-	26,741,929	26,741,929
Deferred income	-	-	-	-
Employee benefit obligation	-	-	49,561,276	49,561,276
Total	467,895,362	249,260,914	975,421,427	1,692,577,703

(iii) Market risk

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

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

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

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024			
Euro	10%	-	-
USD	10%	-	-
2023			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

Management of interest rate risk

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

At 30 June 2025	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-			-
Non- financial Assets				
Investment property				
Land and buildings				
At 30 June 2024				
Financial Assets				
Quoted equity investments	6,456,475	-	-	6,456,475
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2025				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
At 30 June 2024				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-

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

b) Financial instruments not measured at fair value

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	4,601,172,806	4,601,172,806
Retained earnings	(1,844,044,415)	(1,468,266,090)
Capital reserve	547,028,870	547,028,870
Grant from Government	4,573,562,883	3,146,483,491
Total funds	7,877,720,144	6,826,419,077
Total borrowings	762,839,658	1,080,070,106
Less: cash and bank balances	(448,086,792)	(473,249,703)
Net debt/(excess cash and cash equivalents)	314,752,866	606,820,403
Gearing	4.0%	8.2%

38 INCORPORATION

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

39 EVENTS AFTER THE REPORTING PERIOD

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

40 CURRENCY

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

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The statement of financial position reflects balances of KSHs. 307,500,000 and KSHs. 3,265,265,858 in respect to free hold land and leasehold land, respectively as disclosed in disclosed in Notes 15 and 16 to the financial statements. However, the ownership documents for land measuring four(4) acres donated to the Company by Igento Farmers' Cooperative Society for the establishment of a milk processing plant in Igembe Central, Meru County were not provided for audit.	These are properties whose ownership is vested to New KCC ltd through a court vesting order with the only available evidence being copies of allotment letters. Our legal team working closely with NLC to register and issue titles for these parcels.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	Further, the value of four (4) other parcels of land, was not disclosed in the financial statements while another seventeen(17) disputed parcels of land and which had not been valued were registered in the names of third parties. The legal status of the properties had not been determined. Although, Management explained that the Company had initiated legal proceedings besides engaging the National Land Commission and Ministry of Lands	These are properties, which in the vesting order are owned by New KCC Ltd but with time came to be "disputed" under third party possession. Our legal team is working closely with NLC to register and issue titles for these parcels.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing

NYA CO-OPERATIVE CREAMERIES LTD

Reports and Financial Statements

Year ended June 30, 2025

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>on the matter with a view to recovering the disputed properties, no tangible change in status of the parcels of land has been attained so far.</p>				
<p>In addition, out of 32.94 acres of the parcel on which the Miritini Milk Processing Factory is located, a five (5) acres parcel of land has been encroached by informal settlers some of whom have already built residential and other structures. As a result, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk.</p>	<p>The legal suit is still active and pending determination. However, we will be seeking National Government intervention to reclaim back the land.</p>	<p>Ms. Irene Mbiti, Company Secretary and Chief Manager Legal Services</p>	<p>Not Resolved</p>	<p>Ongoing Court Case</p>
<p>As disclosed in Note 19(a) to the financial statements, the statement of financial position reflects trade and other receivables balance of KSHs. 1,421,321,970. However, review of the trade receivables analysis and related revealed the following anomalies;</p> <p>i.) The balance includes trade customers amounting to Kshs 919,478,341 out of which</p>	<p>Debt largely relates to dormant customers who have deemed insolvent in prior years. These customers include, Tuskys, Peter Mulei, Uchumi(debentures), Mara Farming, Kalu Works, Rapat Freight Kenya Ltd & Transport & Lifting Services Ltd. For Tuskys case, its an ongoing court case Issue being followed up by Nkcc Legal office. The board approved write off</p>	<p>Mr. George waithaka, Ag. Chief Manager Sales & Marketing</p>	<p>Resolved</p>	<p>Resolved</p>

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs. 378,095,375 has been outstanding for more than 120 days.</p> <p>ii.) Further, the balance includes insurance debtors of Kshs. 190,106,675 which relates to claims which have not been settled by the Company's insurers.</p> <p>iii.) The company has made a provision of bad and doubtful debts of Kshs. 573, 858,219. However, the provision may not be adequate given the trend of retail sector which is predominantly supermarkets which are unregulated. In the circumstances, the accuracy and completeness of trade and other receivables balances of Kshs. 1,421,321,970 could not be confirmed.</p>	<p>of these insolvent customers being an amount of Kshs. 183,659,120.32. The Board also wrote off debts relating to deceased sales staff being an amount Kshs. 12,200.</p> <p>Government institutions made payments in the current financial year; DOD paid an amount of Kshs. 101,817,473 in July 2024 whereas other Dormant Accounts paid an amount of Kshs. 102,177,587.86 in the current financial year including Ministry of Defence, Mater Hospital, Administration Police, Statehouse</p> <p>Documents have been retrieved to support outstanding debts, attached with statement of accounts and reconciled ledgers.</p> <p>Customers have also been served with demand letters to that effect. This sales staff have debt will be partially recovered during settlement of final dues on clearance.</p>	<p>Mr. George Waithaka Ag. Chief Manager Sales & Marketing</p> <p>Mr. Hassan Guyo Ag. Chief Manager Finance</p>	<p>Partially Resolved</p> <p>Partially Resolved</p>	<p>On going</p> <p>On going</p>

UYA CO-OPERATIVE CREAMERIES LTD
Reports and Financial Statements
Year ended June 30, 2025


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>Agents outstanding amounts are secured by deposits that are awaiting customer feedback for liquidation.</p> <p>Export debts were settled in FY 2023/2024.</p> <p>The necessary claims for compensation for Kshs. 190,106,675 has been lodged with the insurance company. New Kcc has undertaken follow-ups for full compensation.</p> <p>The basis of the provision for bad debts is the current business realities affecting the retail sector. On annual basis we analyse the pending trade debtors per category, which informs the proportion of the debt to be provided for and subsequent approval by the board of directors.</p>			

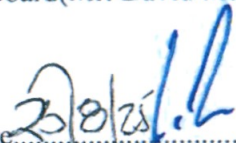
NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
for the year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Note B(i) to the financial statements indicates that the Company recorded a loss before tax of Kshs. 1,528,662,402. Further, the Company's current liabilities exceeded the current assets by Kshs. 1,200,778,018 an indication of negative working capital.</p> <p>The statement of financial position reflects trade and other payables balance of Kshs. 3,243,123,217 as disclosed in Note 29 to the financial statements. However, included in this balance is Kshs. 363,191,729 which was overdue for over 120 days. Failure to settle debts when they fall due may attract interest and may also affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.</p>	<p>Material uncertainty related to going concern disclosed under Statement of directors responsibilities-page xxxi and Note to Financial statements under statement of compliance and basis of preparation on page 7&8.</p> <p>This is largely because of cashflow constraints, due to delay in payment by government institutions. De, New KCC Management is constantly following up these debts through parent ministry and debt collectors.</p>	MD	Not Resolved	Ongoing

Ag. Managing Director(Samuel Ichura)

Chairman of the Board(Mr. David Maina Kamiru)

Date: 25/8/25 

Date: 28/8/25 

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

22. CAPITAL PROJECTS UPDATE AS AT 30TH JUNE 2025

No.	LOCATION	PROJECT	BENEFITS	TOTAL PROJECT COST (KSHS)	COMPLETION % AS AT 30 th JUNE 2025	STATUS
1	Kericho	NKCC/T/080/2019-20. Design and Construction of Sales Depot	Enhancement of finished products storage capacity	30,964,584	89.5%	<input type="checkbox"/> Nearing completion
2	Kericho	NKCC/T/052/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility	6,792,318	75%	• Equipment delivered, awaiting installation

NEW KENYA CO-OPERATIVE CREAMERIES LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

23. APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		NEW KCC LTD	
Break down of Transfers from the State Department of Co-operatives			
FY 2024/2025			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	26.07.2024	500,000,000	2025
	28.08.2024	500,000,000	2025
	30.09.2024	200,000,000	2025
	13.11.2024	500,000,000	2025
	26.03.2025	500,000,000	2025
	14.05.2025	200,000,000	2025
	Total	2,400,000,000	
		-	
	Total	2,400,000,000	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
	Total	-	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	Total	-	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry
 Finance Manager
 New Kcc Ltd

Head of Accounting Unit
 State Department of
 Cooperatives

Sign-----

Sign-----

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

Name of the Donor transferring the	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 Agriculture & Fisheries		Development	-	-	-	-	-	-	-
		Recurrent	2,400,000,000						2,400,000,000
			2,400,000,000	-	-	-	-	-	2,400,000,000