

Paper laid by Hon
on 17/2/2016 (PM)

17 FEB 2016

PARLIAMENT
OF KENYA
LIBRARY

KCC NEW
KENYA
CO-OPERATIVE
CREAMERIES LTD
Life's goodness everyday!

REPORTS & FINANCIAL STATEMENTS 2013 - 2014

CP
LIB





Kila Place Kila Time

LA YOGHURT

YOGHURT WITH REAL FRUIT

STRAWBERRY · VANILLA · PINEAPPLE · COCONUT

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BACKGROUND INFORMATION

The company at cabinet level is represented by the cabinet secretary for Ministry of Industrialization and Enterprise Development, who is responsible for the general policy and strategic direction of the entity

Principal Place Of Business

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

Registered Office.

L.R. No. 209/6849
Dakar Road, Off Enterprise Road
Industrial Area
P.O.Box 30131-00100
Nairobi.

Bankers

Co-operative Bank of Kenya Limited
Industrial Area Branch
Nanyuki Road
P.O. Box 18119- 00500
Nairobi.

Kenya Commercial Bank Limited
Industrial Area Branch
P.O. Box 18031-00500
Nairobi

Standard Chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box18081-00500
Nairobi.

CFC Stanbic Bank Limited
Industrial Area Branch
P.O.Box 30550-00100
Nairobi.

Equity Bank Ltd
Enterprise Branch
P.O.Box 41895-00100
Nairobi

Solicitors

Mereka & Co. Advocates
Ukulima Co-op House 7th Floor
P.O. Box 41620-00100
Nairobi

J. M. Njenga & Co. Advocates
Teleposta Towers (GPO) 5Th Floor
P.O. Box 1297-00100
Nairobi

Secretary

Peter Kennedy Ombati
Creamery House
Dakar Road, off Enterprise Road
P.O. Box 30131-00100
Nairobi

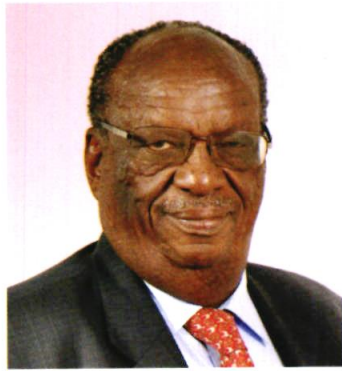
Auditors

Auditor General
Kenya National Audit Office
P.O. Box 30084-00100
Nairobi

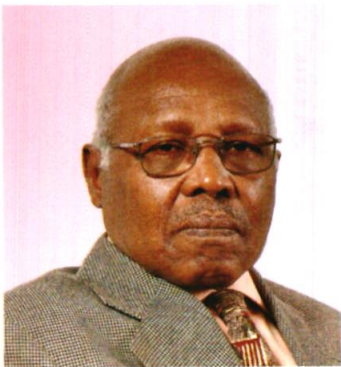
Company Secretary

Peter Kennedy Ombati

BOARD OF DIRECTORS



Hon. Matu Wamae, EBS
Chairman



Dr. Samson Muttai
Director



Dr. Kipkirui Arap Lang'at, OGW
Managing Director



Mr. David Mogere
Director



Ms. Riziki Spana
Director

BOARD OF DIRECTORS



Mr. Edward Irungu
Alternate Director
Ministry of Industrialization
& Enterprise Development



Mr. William Wahome
Director



Mr. Julius Kiptarus
Alternate Director
Ministry of Agriculture,
Livestock & Fisheries



Ms. Beatrice Gathirwa
Alternate Director
National Treasury



Ms. Mary Munene
Director

MESSAGE FROM THE CHAIRMAN

Delivering value to our dairy farmers

The Company has remained focused on delivering on its core mandate, and we are once again pleased to report that the Company remains profitable with a growing sales turnover of over Ksh 7 billion to match.

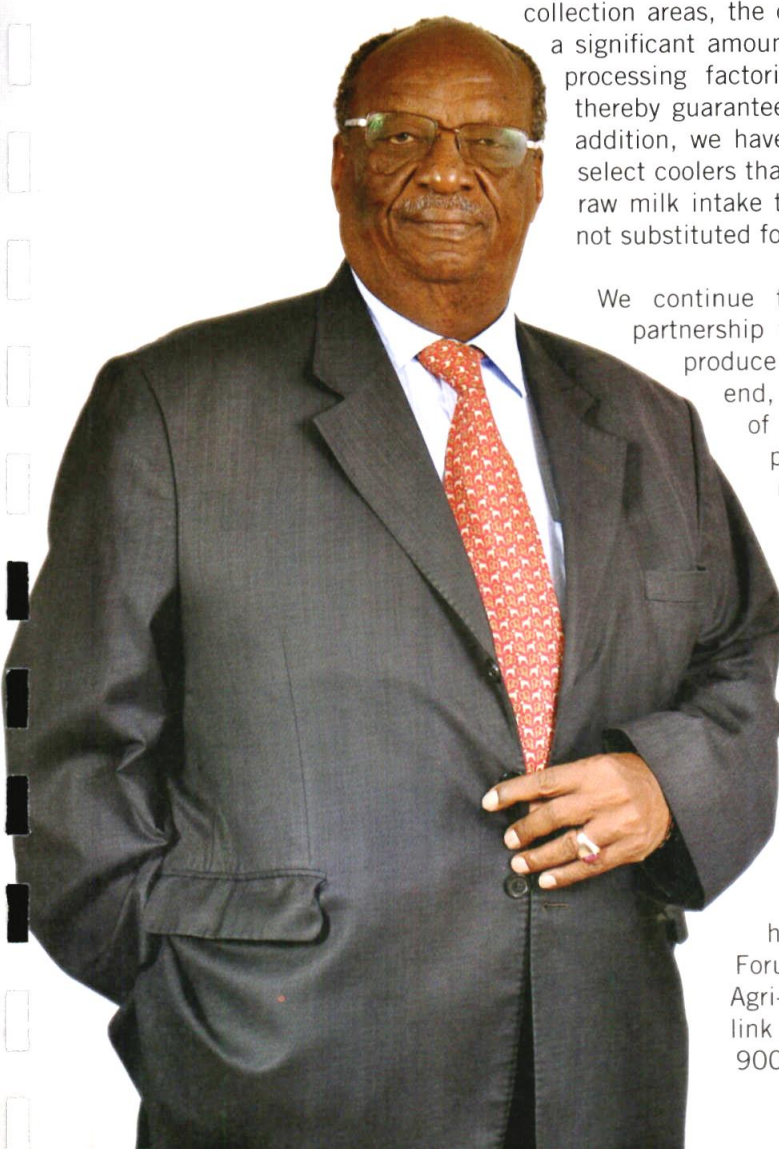
Our ability to consistently report positive results despite the challenges, underscores the Company's resilience and ability to adapt in spite of prevailing circumstances, and we expect even better results in the coming financial year as we improve management systems and strive towards becoming the premier dairy processor in the region.

Delivering Quality & Value

We have continued to make significant strides in our efforts to boost milk intake, and for the year ending June 30th 2014, New KCC processed over 97 million liters of milk and made record milk payments to farmers totaling over Ksh 3.6 billion.

With the purchase and installation of an additional 20 milk coolers across our vast milk collection areas, the company is encouraged to note that a significant amount (40%) of all milk received at our processing factories is directly from these coolers, thereby guaranteeing the quality of milk received. In addition, we have enhanced refrigeration capacity in select coolers that have recorded significant growth in raw milk intake to ensure quality of milk received is not substituted for quantity.

We continue to invest in our continued close partnership with dairy farmers, to enable them produce and market quality milk. To that end, the company organized a series of workshops and forums aimed at providing farmers with an avenue to receive training and related services on best dairy practices both locally and abroad. In September 2013, New KCC arranged for a farmer's exchange program in Harare, Zimbabwe which saw the company through its Extension Services Fund facilitate 80 of its dairy farmers drawn from the various milk producing regions visit dairy farms in the country and learn more on best practices in animal management and feeding. Locally, the Company held its premier National Stakeholders Forum that saw the Company launch its Agri-Life Business Platform that sought to link our partnering dairy farmers with over 900 essential service providers in the



MESSAGE FROM THE CHAIRMAN

areas of finance, AI, agro vet, quality payment systems among others.

As an ISO 22000:2005 Certified Company, New KCC made consistent efforts towards upgrading its existing machinery to ensure we continue to operate at optimal levels, in addition to installing new production lines in response to increasing milk intake and our commitment to giving customers a wide range of quality yet affordable products.


In keeping with the changing needs of our customers, New KCC introduced the affordable 100ml long life milk dubbed 'Kabambe' which continues to enjoy great popularity in low income urban and other hardship areas due to its affordability in price and long-life characteristics; such is the beauty of innovation and a customer centric culture.

LOOKING AHEAD

The Company's continued growth and success in the years to come, calls upon us all as stakeholders to continue working together in close partnership to write the next chapter of the New KCC success story. We patiently look forward to the reduction of electricity tariffs through enhancing of geothermal production.

On behalf of the Board of Directors and Management of New KCC, I would like to thank our farmers, customers and well wishers for their continued partnership and support.

I would also like to acknowledge the guidance and leadership we continue to receive from the relevant government ministries, and most especially the Ministry of Industrialization and Enterprise Development.



Hon. Matu Wamae, EBS
Chairman

MANAGEMENT TEAM



Mr. Nixon Sigey
Managing Director



Mr. Samuel Onyango
Head of Information &
Communication Technology



Mr. Peter Ombati
Chief Manager, Legal &
Company Secretary



Mr. Patrick Mutisya
Chief Manager, Finance



Ms. Magdalene Muthoka
Chief Manager, Human
Resource & Administration



Mr. David Malinga
Head of Logistics



Mr. Jamleck Mwangi
Head of Procurement

MANAGEMENT TEAM



Eng. Peter Kiboi
Head of Engineering



Ms. Stacy Too
Corporate Affairs Manager



Ms. Emillie Mugeni
Head of Quality Assurance



Mr. Samuel Ichura
Chief Manager, Internal Audit
& Risk Management



Ms. Damaris Chirchir
Chief Manager,
Factory Operations



Mr. Dominic Menjo
Head of Raw Milk &
Extension Services



Mr. James Gateru
Chief Manager,
Sales & Marketing

A satisfied customer is the best business strategy of all.....Michael LeBoeuf

Background

The 2013/2014 Financial Year was one that saw the Company make a concerted effort to put our customer at the centre of all our decision-making and in so doing emphasized aligning our business strategies to ensure that we remained focused on meeting our customers' demands and remaining competitive through competitive raw milk pricing, product innovation, strategic capital investments and provision of quality milk and milk products to our diverse customer base.

Staying Ahead

Coming from a rather tough and low financial year, I am pleased to announce for the year under review, the Company moved from a loss to post an after-tax profit of over **Ksh 59 Million** for the 2013/2014 Financial Year, and a sales turnover of over **Ksh 7 billion** marking a 15% growth revenue from previous year reporting.

During this period, the Company made significant capital investments towards upgrading and refurbishing its existing processing and packaging equipment, with plans already underway for the next financial year. Some of the already completed projects include the commissioning of four Pasteurizers, Powder and Cup Filler machines to ensure optimal production efficiency. In addition, the company has successfully installed aseptic pouch machines at our Nyahururu and Sotik Factories for production of our Extended Shelf Life Milk (ESL). This new product line is expected to boost our fresh milk market penetration in general trade, as the product doesn't require refrigeration and is retailing just as the pouch fresh milk category.

We continue to invest in quality products for the benefit of our customers, and as a result of the above mentioned capacity product line improvement, the Company successfully launched two new products into the market: La Yoghurt, a yoghurt variant made from real fruit pulp and Aseptic Pouch Fresh Milk with an extended shelf-life of 30 days, all of which given the positive reception this far, will boost our volumes for both yoghurt and fresh milk categories respectively.

We are also pleased to report that following our certification for ISO 22000:2005 for Food Safety Management Systems, we have been able to maintain these internationally recognized standards in all our processing factories and are due for re-certification in the coming financial year.

Further, the company has successfully commenced its journey towards ISO 9001: 2008 for Quality Management Systems in an effort to streamline our operations and enhance service delivery to all our customers across the country, wherever we are located.

The dairy farmers are our key stakeholders, and we remain focused on supporting the over 3,000 raw milk suppliers comprising individual farmers, federations and societies, whose continued support saw the Company, receive and process over **100 million kilos** of quality raw milk. Our raw milk producer prices which averaged at **Ksh 36** per liter were the highest prices on offer in the market, taking our total payout to over **Ksh 3.6 Billion** for the year ending June 30th 2014.

Our enhanced customer interaction supported by an active social media presence via Facebook, Company website and twitter handle continue to enhance customer experience, as we endeavor to deliver quality service at all times and at the right time. The Company also engaged in continuous corporate social responsibility (CSR) programs in giving back to the society in form of donations, medical camps and events sponsorship –mostly sports marketing.

MANAGING DIRECTOR'S STATEMENT

In keeping with the industry strategy, the year was also marked with New KCC's successful execution, participation and conclusion of Phase One of the Kenya Dairy Processors' Associations' generic milk campaign dubbed 'Stay Young Do Milk.' The campaign outcome among other successes was perception change and increased milk consumption. Phase Two of the campaign has already been planned for the coming financial year and will seek greater consumption of processed and packaged dairy.

Gratitude

I remain proud of the continued support from all our stakeholders, both within and without the company, whose cooperation and commitment has proved invaluable to our continued success. I am particularly grateful for the support that we continue to receive from our parent Ministry, Board of Directors, Management and Staff of New KCC whose dedication and commitment were instrumental in the Company's positive showing.

We will continue to work towards greater efficiency in all our areas of operation, including upgrading and modernization of our facilities to the delight of our esteemed customers. The New KCC journey towards our continued success requires courage and commitment, qualities of which I am confident the New KCC family has in great abundance.

Thank you.



Mr. Nixon Sigey
MANAGING DIRECTOR



CORPORATE GOVERNANCE STATEMENT

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

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 our 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 Makeup

The Board comprises nine 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 are appointed by the Minister of industrialization and Enterprise Development, which is the company's parent ministry.

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.

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 Committee
- ii) Marketing & logistics Committee
- iii) Audit Committee
- iv) Finance & General Purpose Committee
- v) Technical Committee

CORPORATE SOCIAL RESPONSIBILITY

Since its registration in 2003, and in appreciation of its reach in virtually all parts of the country, New KCC has endeavored to ensure it has integrated its business operations and guiding values, whereby the interests of all its stakeholders both internal and external are continually reflected in the company's policies and actions.

In acknowledging our responsibility to our stakeholders goes beyond the boardroom, New KCC has been an active participant in initiatives aimed at improving the livelihoods of communities in which it operates, in the areas of environment, sports, health, education and nutrition. To this end, the Company has extended both cash and in-kind support towards medical camps, sporting events, environmental clean-up exercises and food drives.

Our aim: To make life's goodness everyday' , a reality for all.



New KCC Staff take part in an environmental cleanup exercise in Mowlem Ward, which neighbors New KCC's Dandora Factory Complex



Her Excellency, Madam Rachel Ruto receives milk donation for the 'Turkana fight against drought and famine' initiative.



New KCC donated milk products for volunteers and victims following attack at West Gate Shopping Mall

The directors submit their report and the audited financial statements for the year ended 30 June 2014 which show the state of the company affairs.

New Kenya co-operative creameries Ltd is

1. Principal Activity

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

2. Operations & Incorporation

On 24 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 19 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.

3. Results

The results for the period are as set out on page 5-17

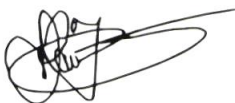
4. Dividends

The directors do recommend the payment of dividend of Kshs 3,300,000 in respect of the year ended 30 June 2014.

5. Directors

The Directors who served during the period 1st July 2013 - 30th June 2014 and to the date of this report were:-

Matu Wamae	Chairman Re-appointed 1st January 2011.Re-appointed 1st January 2014.
Nixon K. Sigey	Managing Director – Appointed on 1st January 2015
Dr. K. Arap Langat, OGW	Managing Director – Revoked on 31st December 2014
Dr. Kamau Thugge	Appointed on 28th June 2013
Mrs. Beatrice Gathirwa	(Alternate to PS –Treasury)
Wilson Songa	Appointed on 28th June 2013
E.M. Irungu	(Alternate to PS-Industrialization)
Dr. Khadijah Kassachom	Appointed on 28th June 2013. Replaced by Prof H.K Segor on 14th August 2014.
Prof H.K. Segor	Appointed on 25th June 2013.
Julius Kiptarus	(Alternate to PS-Agriculture)
David Mogere	Reappointed on 1st January 2011.Term ended 31st December 2013.
Riziki Musa Spana	Reappointed on 1st January 2011.Term Ended 31st December 2013.
Dr. Samson Mutai	Appointed on 7th September 2012
Mary .M.W. Munene	Appointed on 1st July 2011.Term ended 30th June 2014.
William W. Kabera	Appointed on 1st July 2011.Term ended 30th June 2014



By Order of the Board
Peter Kennedy Ombati
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Companies Act Chapter 486 of the Laws of Kenya requires the Directors to prepare financial statements for each period, which give true and fair view of the state of affairs of the Company as at the end of the financial period and of its operating results for that period. It also requires the Directors to ensure the Company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility of the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair state of the financial affairs of the Company and of its operating results. The Directors Further accepts responsibility for maintenance of accounting records which may be relied upon in the financial statements, as well as adequate systems of internal financial controls.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

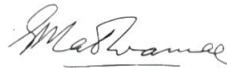
Name

Signature

Mr. Nixon Sigey



Hon. Matu Wamae, EBS





**NEW
KENYA
CO-OPERATIVE
CREAMERIES LTD**

Life's goodness every day



REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of New Kenya Cooperative Creameries Limited set out on pages 5 to 17, which comprise the statement of financial position as at June 30 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management. as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Non- Current Assets

- i) As previously reported, property, plant and equipment balance of Kshs.2,812,215,437 as at 30 June 2014, includes an amount of Kshs.1,906,927,500 representing the value of forty nine (49) properties whose title documents were not made available for audit verification.
- ii) Further and as previously reported, the property, plant and equipment balance also excludes fifteen (15) parcels of land and buildings which have never been valued.
- iii) The property, plant and equipment balance further includes sixteen (16) disputed properties with a book value of Kshs.222,500,000 and registered in the name of third parties. However, the market valuation report gives a value of Kshs.750,000,000 for the disputed properties.
- iv) Five (5) title deeds for property valued at Kshs.1, 104,882,500 are charged and held in a local commercial bank as collateral for an outstanding obligation.
- v) The company has failed to disclose in the financial statements that the Ethics and Anti Corruption Commission had cleared two disputed properties LR NO.37/371 and LR No. 37/22 situated in Upper Hill, Nairobi which had legally been transferred to third parties.

In the circumstances, and in the absence of the title deeds and related records, it has not been possible to confirm the ownership status of the respective properties and that property, plant and equipment balance of Kshs.2,812,215,437 was fairly stated as at 30 June 2014.

2. Trade Receivables and Pre-Payments

Trade receivables and pre-payments balance stood at Kshs.1,518,081,018 as at 30 June 2014. However, the following observations have been made:-

- i. Included in this balance are refer to a drawer cheques amounting to Kshs.24,438,677, some of which have been outstanding for over one year.
- ii. Further, included in the trade Receivables and Pre-Payments balance are staff debts amounting to Kshs.22,505,376, out of which an amount of Kshs.9,355,033 relates to staff who left the company although the amount has been fully provided for.
- iii. As previously reported, the balance also includes Ksh.4,948,922 owed by a firm in respect of goods supplied by the company and the firm has disputed the debt. Arbitration efforts have not yielded any results.

In the circumstances, it has not been possible to confirm the recoverability for trade receivables and prepayments balance of Kshs.1,518,081,018 and that trade receivables and pre-payments balance is fairly stated as at 30 June 2014.

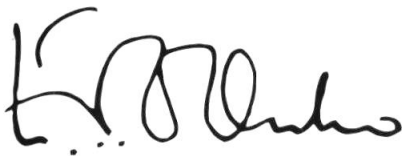
Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12May2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		JUNE 2014	JUNE 2013
	Note	Ksh	Ksh
Revenue	2	7,386,440,485	6,441,747,368
Cost of sales		(5,719,302,139)	(5,277,808,029)
Gross profit		1,667,138,346	1,163,939,339
Other Operating income	3	12,211,364	22,248,317
Selling and Distribution Costs	4	(777,004,179)	(696,895,876)
Administrative Expenses	5	(728,709,804)	(694,793,702)
Operating profit		173,635,727	(205,501,923)
Financing costs	6	(165,738,536)	(179,351,525)
Profit/(Loss) before Taxation		7,867,192	(384,853,447)
Tax credit / (expense)	9	51,170,039	150,998,402
Profit/(Loss) for the period		59,037,231	(233,855,045)
Profit/(Loss) per share	8	1.08	(4.28)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014	2013
AS AT 30 JUNE 2014			
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,812,215,437	2,930,552,894
Prepaid Leases on land	12	817,624,502	834,735,474
Investments	13	6,456,475	6,456,475
		3,636,296,413	3,771,744,843
CURRENT ASSETS			
Inventories	14	1,566,357,434	1,577,561,136
Receivables and prepayments	15	1,518,081,018	1,471,141,843
Cash and cash equivalents	16	58,947,583	45,599,951
		3,143,386,035	3,094,302,930
TOTAL ASSETS		6,779,682,448	6,866,047,773
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17	547,028,870	547,028,870
Revenue Reserves		1,806,772,656	1,747,735,424
Revaluation Reserves		2,320,158,765	2,397,979,077
		4,673,960,291	4,692,743,371
NON-CURRENT LIABILITIES			
Borrowing	18	212,320,537	202,797,245
Deferred tax	19	59,403,222	73,732,280
		271,723,759	276,529,525
CURRENT LIABILITIES			
Bank Overdraft	18	769,930,638	798,738,328
Borrowing	18	148,138,171	116,705,163
Payables and accruals	20	887,189,063	905,495,827
Gratuity Senior Staff	21	50,552,622	58,580,227
Tax payable	22	(21,812,095)	17,255,330
		1,833,998,398	1,896,774,876
TOTAL EQUITY AND LIABILITIES		6,779,682,448	6,866,047,773

The financial statements on pages 5 to 17 were approved and authorized for issue by the board of Directors on **10/09/2014** and were signed on its behalf by;

NIXON K. SIGEY
Managing Director

HON. MATU WAMAE, EBS
Chairman




STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Revaluation reserve	Revenue reserve	Total
	Ksh	Ksh	Ksh	Ksh
Year ended 30th June 2012				
At 1 July 2012	547,028,870	1,855,678,798	1,981,590,470	4,384,298,138
Revaluation reserve	-	542,300,279	-	542,300.279
Net surplus/ (deficit) for the year	-	-	(233,855,045)	(233,855,045)
At 30th June 2013	547,028,870	2,397,979,077	1,747,735,425	4,692,743,371
Year ended 30th June 2013				
At 1 July 2013	547,028,870	2,397,979,077	1,747,735,425	4,692,743,371
Revaluation reserve	-	(77,820,311)	-	(77,820,311)
Net surplus/ (deficit) for the year			59,037,231	59,037,231
At 30th June 2014	547,028,870	2,320,158,765	1,806,772,656	4,673,960,291

Notes

The non-current Assets Revaluation was done by Ms Tysons Limited completed on 15th November 2010. NKCC LTD policy requires that a regular Asset valuation of its Assets is carried out periodically. The Assets that were revalued include Land & Buildings, Plant & machinery and Furniture. The professional opinion/basis by Ms Tysons Limited is as follows:

a) Land:-

The land has been valued on the basis of Market Value for the existing use, but taking into consideration the Highest and Best use.

b) Developed land (Land and buildings housing the company operations):-

For factories, commercial and residential properties, a triangulation and comparison of three methods that is Sales Comparison Approach, Income Capitalization Approach and Cost Approach has been used to arrive at what is the reasonable market value for existing use.

c) Plant & Machinery and Furniture:-

The basis of valuation for these items is defined as the Net Current Replacement Cost. This is derived by depreciating Gross Replacement Cost to reflect the physical condition, remaining portion of total economic working life and level of obsolescence due to technological advancement. The Gross Current Replacement Cost from which the Net Current Replacement Cost is derived is the cost of replacing the asset, including the cost of installation with an asset in new condition having similar useful output or service capacity.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	Notes	ACTUAL 30TH JUNE 2014	ACTUAL 30TH JUNE 2013
		KSHS	KSHS
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	23	498,592,254	(150,263,017)
Interest paid	6	(143,923,108)	(161,474,880)
Income tax paid	22	(2,226,447)	(99,929,879)
Net cash generated from operating activities		352,442,702	(411,667,776)
CASH FLOWS TO/FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	11	(351,243,676)	(83,260,573)
Net cash flows used in investing activities		(351,243,676)	(83,260,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		40,956,299	(89,380,760)
Dividend paid		-	-
Investment		-	-
Net cash used in financing activities		40,956,299	(89,380,760)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENT		42,155,325	(584,309,110)
CASH AND CASH EQUIVALENTS AT START OF THE YEAR		(753,138,377)	(168,829,268)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	(710,983,052)	(753,138,378)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES

a). Basis of Accounting

The financial statements of New Kenya Co-operative Creameries Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprises standards and interpretations by IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by IASC that remain in effect.

Changes in accounting policy and disclosures

In preparation of the accounts and in conformity with IAS 1 (Presentation of financial statements) standards the company has incorporated relevant disclosures to the financial statements.

The financial statements are prepared on the historical cost basis of accounting.

b). Revenue Recognition

Sales are recognized upon the delivery of the products and customer acceptance, net of value added taxes. Rent and other incomes are recognized on receipt basis.

c). Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at revalued amounts. The revaluation was conducted by Tysons limited as at 30.11.2010.

The revaluation reserve is being amortized annually at a rate of Kshs.77,820,311 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

Depreciation is calculated on the straight line basis, at annual rates Estimated to write off the carrying values of the assets over their expected useful lives. The rates have been applied to values before revaluation.

The annual depreciation 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.

d). Leases of Land

Lease of land are classified as operating leases. The costs incurred to acquire the land is included in the financial statements as long term prepayments, which is amortized in the profit and loss account on straight line basis over the lease period.

e). Stocks

Stocks are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labor and production overheads whenever appropriate on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the cost of realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks.

f). Foreign Currency

Transactions during the period are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currency are translated into Kenya shilling at the rate ruling at the date. The resulting differences from conversions and translations are recognized as foreign exchange gains/losses in the profit and loss account.

g). Retirement Benefit Costs

The company operates a provident scheme for its employees. The assets of the scheme are held in a separate trustee administered fund.

The company also contributes to a statutory defined contribution pension scheme, The National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs 200 per employee per month.

The company's contributions to the above schemes are charged to a profit and loss account in the period to which they relate.

h). Employee Entitlement

Employee entitlement to gratuity and long service awards are recognized when they accrue to employees.

A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The monetary liability for employees' accrued annual leave entitlements at the balance sheet date is recognized as an expense accrual.

i). Bad and Doubtful Debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

j). Taxation

Current taxation is provided for on the basis of the results for the period as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be used

k). Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, Cash at bank and deposits held at call with bank with original maturity of three months or less.

l) Earnings per share

This is basic earnings per share obtained by dividing profitability by number issued shares. The government was allotted 10 shares of Kshs 54,702,887 after payment to KCC 2000 ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		30th June 2014	30th June 2013
2)	Revenue		
	Liquid Milk	5,601,893,014	4,954,660,468
	Other dairy products	1,849,021,856	1,565,433,334
	Less: Transport rebates and Discounts	(64,474,385)	(78,346,434)
		7,386,440,485	6,441,747,368
3)	Other Operating Income		
	Rent(from investment property)	8,462,373	10,328,470
	Other miscellaneous income	3,748,992	11,919,847
		12,211,364	22,248,317
4)	Selling and Distribution Costs		
	Distribution Costs	403,041,027	347,092,358
	Advertising and Promotion	54,651,266	51,663,814
	Selling Expenses	319,311,886	298,139,704
		777,004,179	696,895,876
5)	Administrative Expenses		
	Staff Costs	248,195,014	266,625,055
	Director Expenses	8,019,552	10,813,976
	Other Administrative Expenses	472,495,239	417,354,671
		728,709,804	694,793,702
6)	Net Financing Costs		
	Bank Charges and Commission	19,270,551	20,606,649
	Exchange Loss/(Gain)	2,574,876	(2,730,004)
	Interest on Overdraft	99,378,788	112,072,816
	Interest on Loan	44,544,321	49,402,065
		165,768,536	179,351,525

7)	Profit/(Loss) before tax is arrived at after charging /(Crediting):		
	Depreciation on Plant, Property and Equipment	408,871,796	427,008,465
	Trade Receivable-Provision for Impairment Losses	54,024,115	50,951,851
	Loss on disposal of plant, property and equipment	0	871,365
	Repairs and Maintenance	7,526,521	19,008,347
	Employee benefits expenses(note 8)	778,734,361	649,612,973
	Directors emoluments	8,019,552	10,813,976
	Auditors Remuneration	1,500,000	1,980,000
8)	Employee Benefits Expense		
	Salaries and Wages	740,325,073	641,140,128
	Pension cost- Company Contribution	26,268,491	26,379,131
	National Social Security Fund	3,725,389	3,584,959
	Leave provision	8,415,408	(21,491,245)
		778,734,361	649,612,973
9)	Income Tax Expense		
	Current tax	(36,840,981)	3,098,541
	Deferred tax	(14,329,058)	(154,096,943)
	Under/(over)provision of deferred tax prior years		
	Tax on business income	(51,170,039)	3,098,541
	Tax on rent income		
	Total tax expense	(51,170,039)	(150,998,402)
10)	Earnings per share		
	Earnings per share is calculated by dividing the profit/(loss) attributable to the owners of the company by the weighted average number of ordinary shares		
	Basic earnings per share	1.08	(4.28)

Notes to the Financial Statements cont. For the Year Ended 30TH JUNE 2014
11). PLANT, PROPERTY & EQUIPMENT

	Building Ksh	Machinery & plant Ksh	Equipment & Loose Tools Ksh	Furniture & fittings Ksh	Cans & crates Ksh	Autos & trucks Ksh	Computer & Accessories Ksh	Freehold Land	Capital w.i.p Ksh	Total Ksh
Cost	2,512,597,594	1,860,226,668	34,000,286	13,392,779	90,641,182	406,276,586.00	319,291,757	150,000,000	94,095,728	5,480,522,579
1st July 2012										
Additions	7,538,591	37,946,990	6,456,879	599,136	7,740,832	3,268,029	5,695,524		14,014,593	83,260,573
Transfers To Fixed Assets	6,614,091	59,491,506					8,794,800		(74,900,397)	0
Disposals	-					(14,895,191)				(14,895,191)
30th June 2013	2,526,750,276	1,957,665,164	40,457,165	13,991,916	98,382,014	394,649,424	333,782,081	150,000,000	33,209,924	5,548,887,962
Depreciation 1st July 2012	1,007,932,646	508,784,470	12,562,881	4,237,000	81,763,218	338,879,271	190,481,604			2,144,641,090
Charge	126,025,263	235,245,042	3,918,191	1,729,166	6,590,429	34,544,447	79,665,265			487,717,803
Disposals	-		-	-		(14,023,826)			-	(14,023,826)
Depreciation 30th June 2013	1,133,957,909	744,029,511	16,481,072	5,966,166	88,353,647	359,399,892	270,146,870		0	2,618,335,068

Notes to the Financial Statements cont. For the Year Ended 30TH JUNE 2014
11). PLANT, PROPERTY & EQUIPMENT

	Building Ksh	Machinery & plant Ksh	Equipment & Loose Tools Ksh	Furniture & fittings Ksh	Cans & crates Ksh	Autos & trucks Ksh	Computer & Accessories Ksh	Freehold Land	Capital w.l.p Ksh	Total Ksh
N.B.V 30.06.2013	1,392,792,367	1,213,635,653	23,976,093	8,025,748	10,028,367	35,249,532	63,635,211	150,000,000	33,209,924	2,930,552,895
Cost 1st July 2013	2,526,750,276	1,957,665,164	40,457,165	13,991,915	98,382,014	394,649,424	333,782,081	150,000,000	33,209,924	5,548,887,963
Additions		159,616,562	13,511,593	462,118	11,214,400	32,131,052	30,484,297		103,823,654	351,243,676
Transfers To Fixed Assets		13,129,770							(13,129,770)	-
Disposals										-
TOTAL 1st July 2013	2,526,750,276	2,130,411,496	53,968,758	14,454,033	109,596,414	426,780,476	364,266,378	150,000,000	123,903,808	5,900,131,638
Depreciation 1st July 2013	1,133,957,909	744,029,511	16,481,072	5,966,166	88,353,647	359,399,892	270,146,870			2,618,335,067
Charge	126,337,514	250,269,436	4,480,940	1,753,101	6,773,109	28,819,052	51,147,983			469,581,135
Disposals										
Depreciation	1,260,295,423	994,298,947	20,962,012	7,719,267	95,126,756	388,218,944	321,294,853			3,087,916,202
30th June 2014										
N.B.V 30.06.2014	1,266,454,853	1,136,112,548	33,006,746	6,734,766	14,469,658	38,561,532	42,971,525	150,000,000	123,903,808	2,812,215,437

Included in property, plant and equipment are 15(fifteen) properties that were acquired from Kenya Co-operative Creameries (2000) Limited whose ownership is in dispute and are in possession of third parties. The company has initiated legal process on the disputed properties. The directors are of the opinion that the company holds good title to the assets and therefore, no provision has been made in the financial statements to cater for any loss that might arise. In addition, the title documents on some properties are not in the name of the company. . Included are two residential properties the Ethics & Anti-corruption commission has cleared as legally transferred to third parties. The directors are of the opinion that the transfer of these properties to the company will be finalized soon and no loss is expected to arise

NOTES TO THE FINANCIAL STATEMENTS CONT. FOR THE YEAR ENDED 30 JUNE 2014

12)	Prepaid leases on land	30th June 2014	30th June 2013
	Cost		
	1st July 2012	911,089,220	911,089,220
	Revaluation	-	-
	Disposals		
	30th June 2012	911,089,220	911,089,220
	Depreciation		
	1st July 2012	76,353,745	59,242,772
	Charge	17,110,973	17,110,973
	Disposals		
	30th June 2013	93,464,718	76,353,745
	Net book values		
	30th June 2014	817,624,502	834,735,474
	1st July 2013	834,735,474	851,846,448
13)	Quoted investments	6,456,475	6,456,475
	Note: This represents Uchumi supermarkets ltd 767,588 shares that were purchased in May 2011 at market unit price of Kshs 8.42 .		
14)	Inventories		
	Raw Materials	24,003,418	25,050,791
	Packaging Materials	154,866,751	185,639,326
	Finished Goods	968,100,580	939,402,013
	Work in Progress	9,307,950	19,814,800
	Stores and Supplies	410,078,734	407,654,206
		1,566,357,434	1,577,561,136

15)	Receivables & Prepayments		
	Receivables	1,246,554,342	939,411,513
	Less :Provision for Bad Debts	(128,423,155)	(146,184,308)
	Prepaid debtors	(26,775,820)	
		1,091,355,368	793,227,205
	Prepayments	8,943,567	535,827
	Amounts due from related parties(Note 20)	8,513,106	8,563,386
	Other Receivables	409,268,978	668,815,426
		1,518,081,018	1,471,141,843
15) b	The prepaid debtors is made up of the following;		
		Export	4,580,846
		Staff	659,180
		Salesmen	9,545,852
		Trade	11,982,942
16)	Cash and Cash equivalents.		
	Cash and bank balances	58,947,583	45,599,951
	For the purposes of the cash flow statement , cash and cash equivalents comprise the following		
	Cash and bank balances as above	58,947,583	45,599,951
	Bank overdraft	(769,930,638)	(798,738,328)
		(710,983,055)	(753,138,378)

17)	Share capital		
	Authorized: 200,000,000 Ordinary shares of Kshs. 10 each		
	Issued and fully paid:		
	54,702,887 Shares of Ksh 10 each	547,028,870	547,028,870
	This is the amount paid by the Government of Kenya to KCC 2000 Ltd, now for allotment for 10 shares of Kshs 54,702,887 each.		
18)	Borrowings		
	Non-current		
	Bank Borrowings	212,320,537	202,797,245
	Current Portion		
	Bank Overdraft	769,930,638	798,738,328
	Bank Borrowings	148,138,171	116,705,162
		918,068,808	915,443,491
	Total Borrowings	1,130,389,345	1,118,240,737
19)	Deferred Tax		
	Balance as at 1st –July 2013	73,732,280	227,829,223
	Deferred tax movement current year	(14,329,058)	(154,096,943)
	Prior year adjustment at close of current year		
		59,403,222	73,732,280
20)	Payables and Accrued Expenses		
	Trade payables	736,856,430	783,435,563
	Prepayments	(77,938,019)	
	Amounts due to related parties(Note 24)	2,995,884	2,995,884
	Accrued expenses and other payables	225,274,768	119,064,380
		887,189,063	905,495,827

	Prepayments include : Local vendors: 48,730,290		
	Foreign Vendors: 29,207,729		
21)	Gratuity for Senior Management staff	50,552,622	58,580,227
22)	Taxation Payable		
	Taxation Payable as at 1-7-2013	17,255,330	114,086,668
	Current tax	(36,840,981)	3,098,541
	Advance Tax	(2,226,444)	
	Under/(Over)Provision of Deferred Tax Prior Year		
	Total Tax	(21,812,095)	117,185,209
	Less Prior Year Tax &Current Year Installment Paid		(99,929,879)
	Tax Payable	(21,812,095)	17,255,330
	Taxes Paid During The Year		
	Final Tax 2011/2012		57,131,605
	1st Installment of 2013/2014		42,798,274
	2nd Installment of 2013/2014		
	3rd Installment of 2013/2014		
	4th Installment of 2013/2014		-
	Total		99,929,879.00
23)	Cash Generated from Operations		
	Reconciliation of profit before income tax to cash generated from operations		
	Profit (Loss) before interest expense	151,790,300	(223,378,567)
	Adjustments for:		
	Depreciation on property, plant and equipment	408,871,796	427,008,465

	Revaluation reserve amortization		620,120,590
	Loss on disposal of property, plant and equipment		871,365
	Changes in Working Capital:		
	Inventories	11,203,702	(716,018,832)
	Receivables and prepayments	(46,939,175)	(338,782,716)
	Payables and accrued expenses	(26,334,370)	79,916,677
	Cash generated from operations	498,592,254	(150,263,017)
24)	Related Party Transactions		
	NKCC Limited is incorporated under the Companies Act with 100% Government of Kenya Shareholding. Outstanding balances arising from Sale and purchase of goods/services.		
	(i) Amount due from related parties:		
	Kenya Dairy Board	8,563,385.61	8,563,385.61
	(ii) Amount due to related parties:		
	Government of Kenya (Formerly Ministry Of Special Programs)	2,995,884.00	2,995,884 .00
25)	Contigent liabilities		
	(i) As at 30th June 2014 the company had given guarantees amounting to Kshs 27,175,720 to various Companies and individuals.		
	(ii) 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.		
26)	Capital commitments		
	Amounts Authorized and contracted for	192,551,822.00	
	This constitutes engineering projects which the company has contracted suppliers to modify, upgrade and modernize factories.		



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