

REPUBLIC OF KENYA



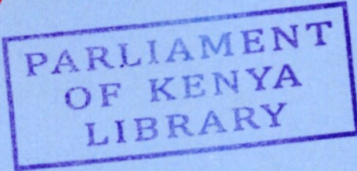
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF




THE AUDITOR-GENERAL

ON

RIVATEX EAST AFRICA LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2026	DAY: Wed
TABLED BY:	Hon. Samuel Chepkwony
CLERK-AT THE-TABLE:	Modro Alabo

RIVATEX EAST AFRICA LIMITED



OFFICE OF THE AUDITOR GENERAL
ELDORET REGIONAL OFFICE
04 NOV 2025
RECEIVED
P. O. Box 2774 - 30100, ELDORET



**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)**

Table of Contents

1.	ACRONYMS AND GLOSSARY OF TERMS	iii
2.	KEY ENTITY INFORMATION	iv
3.	THE BOARD OF DIRECTORS	ix
4.	KEY MANAGEMENT TEAM.....	xv
5.	FIDUCIARY MANAGEMENT	xix
6.	FIDUCIARY OVERSIGHT ARRANGEMENTS	xix
7.	CHAIRMAN'S STATEMENT	xxi
8.	REPORT OF THE MANAGING DIRECTOR	xxiv
9.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025.....	xxvii
10.	CORPORATE GOVERNANCE STATEMENT	xxxii
12.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xlii
13.	REPORT OF THE DIRECTORS	xlix
14.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	1
15.	REPORT OF THE INDEPENDENT AUDITORS ON RIVATEX EAST AFRICA LIMITED	li
16.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 TH JUNE 2025.....	1
17.	STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2025.....	2
18.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE 2025.....	3
19.	STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 TH JUNE 2025	4
20.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 TH JUNE 2025.....	5
21.	NOTES TO THE FINANCIAL STATEMENTS.....	7
20.	APPENDICES.....	33

I. ACRONYMS AND GLOSSARY OF TERMS

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



Uniforms

2. KEY ENTITY INFORMATION

a) Background information

Rivatex East Africa Limited (REAL) is a state corporation domiciled in the Ministry of Investments, Trade and Industry as per Executive Order No.1 of 2023 Organization of the Government of Kenya. At Cabinet level, Rivatex East Africa Limited (REAL) is represented by the Cabinet Secretary for of Investments, Trade and Industry, who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya and has outlets in Eldoret, Nakuru, Kisumu & Nairobi.

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

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



Cotton plantation



Yarn



Weaving machines

CORE BUSINESS OF RIVATEX EAST AFRICA LIMITED

b) PRINCIPAL ACTIVITIES

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

include; textile manufacturing, training, research and extension

VISION

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

MISSION

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

CORE VALUES

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

c) DIRECTORS.

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

	NAME	DESIGNATION	DATE OF APPOINTMENT	DATE OF EXIT
1.	Dr. Cleophas Lagat	Board Chairman	February 2023	Still the Chairman
2.	Prof. Isaac Kosgei	Vice Chancellor – Moi University.	February 2019	January 2025
3.	Prof Kiplagat Kotut	Acting Vice Chancellor – Moi University	January 2025	Still a Director
4.	Mr. Nobby Macharia	Alternate to the PS - Ministry of Investments, Trade and Industry.	October 2021	February 2025
5.	Mr. Nicholas Gakiha	Alternate to the PS - Ministry of Investments, Trade and Industry	February 2025	Still a Director
6.	CPA Gilbert K. Kangogo	Alternate to the PS - The National Treasury & Planning.	November 2023	Still a Director
7.	Prof. Eng. Henry Kirimi Kiriamiti	Alt. Director to Vice Chancellor – Moi University.	November 2023	January 2025
8.	Ms. Pamela Mutembe	Independent Member	January 2024	Still a Director
9.	Mr. Stephen Barno	Independent Member	November 2023	Still a Director
10.	Mr. Nehemiah K. Maina	Independent Member	November 2023	Still a Director
11.	Mr. Protus Lumonje Barasa	Independent Member	November 2023	Still a Director
12.	Prof. Thomas Kipkurgat	Managing Director & Secretary to the Board.	July 2017	January 2025
13.	CPA Stanley Bett	Acting Managing Director	January 2025	Still a Director

INSTITUTIONAL DETAILS

d) CORPORATION SECRETARY

Tecla Tum (Mrs), (CPS), LLB,
Kipkaren road, off Eldoret- Kisumu Road
✉ 4744-30100,
Eldoret. Kenya.

f) CORPORATE HEADQUARTERS

Rivatex East Africa Limited factory,
Kipkaren road, off Eldoret- Kisumu Rd.
✉ 4744 – 30100
Eldoret, Kenya.

h) CORPORATE BANKERS

Central Bank of Kenya

✉ 60000- 00200, Eldoret
✉ +254-20-2860000
🖨 +254-286-0000
🐦 info@centarbank.co.ke
🌐 www.centralbank.go.ke

Cooperative Bank of Kenya Ltd

✉ 2948 – 30100, Eldoret
☎ +254-053-2062717
🖨 +254-053-2063663
✉ eldoretbr@co-opbank.co.ke
🌐 www.co-opbank.co.ke

Equity Bank of Kenya Ltd

✉ 2210- 30100, Eldoret
☎ +254-053-2060907
🖨 +254-053-2031777
🐦 info@equitybank.co.ke
🌐 www.equitybank.co.ke

Kenya Commercial Bank Ltd

✉ 560 – 30100, Eldoret
☎ +254-053-2062241/2
🖨 +254-053-2061259
🐦 xretailmngreld@kcb.co.ke
🌐 www.kcbbankgroup.com

e) REGISTERED OFFICE

Rivatex East Africa Limited factory,
Kipkaren road, off Eldoret- Kisumu Rd.
✉ 4744 – 30100,
Eldoret. Kenya.

g) CORPORATE CONTACTS

☎ (254) 53 2030901.
✉ info@rivatex.co.ke
🐦 @rivatex ltd
f Rivatex textile
🌐 www.rivatex.co.ke

I) INDEPENDENT AUDITORS

Auditor-General,

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

✉ 30084 – 00100,

Nairobi, Kenya.

j) PRINCIPAL LEGAL ADVISERS

1. The Attorney General

State Law Office & Department of
Justice,

Harambee Avenue

✉ 40112, City Square 00200

2. Rioba Omboto and Company advocates

Muya House, 2nd floor, Kenyatta Street

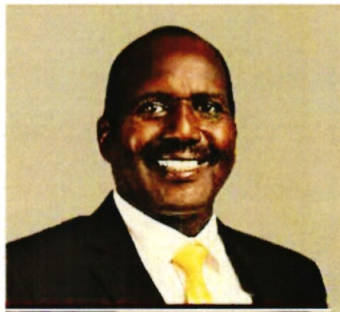
✉ 4837-30100

Eldoret, Kenya



Display of products

3. THE BOARD OF DIRECTORS



Dr. Cleophas Lagat, EGH

CHAIRMAN

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

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

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

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

DIRECTOR.



Mr. Nicholas Gakiha

Mr. Nicholas Gakiha is the Director of Industries in the Ministry of Investments, Trade and Industry where he heads the Agro Industries Directorate in the State for Industry. He represents the PS, Industry, as the Alternate Director in the Rivatex Board. His public service career includes working for both the National and County Governments in various capacities that includes serving at Kenya Institute of Business Training (State Department for Trade), Productivity Centre of Kenya (State Department for Labour), Chief Officer for Trade (County Government of Meru) and past Board Member of the Industrial & Commercial Corporation (ICDC) and the Micro and Small Enterprises Authority (MSEA).

Mr Gakiha holds a Master of Science Degree in Entrepreneurship and a Bachelor of Commerce Degree with a specialization in Business Administration. He has also undertaken several skills upgrading courses in the areas of Strategic Leadership, Community Capacity & Rural Development, Policy formulation, Project Management, Industrial development and SMES Development among others.

DIRECTOR



Prof. Kiplagat Kotut

Prof. Kiplagat Kotut is the Acting Vice-Chancellor of Moi University, with a rich academic background and leadership experience. He holds a Ph.D. in Phytoplankton Ecology (1998) and an MSc in Plant Ecology (1989), both from Kenyatta University. Prof. Kotut also completed a B.Ed. in Botany, Zoology, and Education (1987) from Kenyatta University. His career includes serving as the Deputy Vice-Chancellor for Academic, Research, and Extension (ARE) at the University of Embu, where he led key academic and research initiatives. With his expertise in ecology and education, Prof. Kotut has contributed significantly to the academic and research development of higher education institutions, fostering growth in both academic and research excellence. His leadership continues to guide Moi University toward achieving greater academic goals.



Ms. Pamela Mutembei

DIRECTOR

Ms. Pamela Mutembei is a widely acknowledged business leader, corporate executive, and international entrepreneur Strategy, SGD's champion, whose wide-ranging experience spans over 20 years. She is considered a thought leader in global policy, SME capacity building, development issues, as well as an investor and a philanthropist.

She is a Director at The Walker Group Ltd, an Entrepreneur-focused Trade finance and Insurance and advisory firm, with significant financial and technical expertise; and a track record of exemplary governance and delivering best-in-class transaction execution across Sub-Saharan Africa and the globe. She also the Investment director at HEVA Fund an organisation that provides grants and investments for the creative and cultural sector in Africa to address challenges faced by the unbanked, under-served population for financial empowerment and economic development.

Mrs. Pam Mutembei is also Founder at This Girl Boss Hustle (TGBH), a community-based organisation. Since inception, has impacted more than 500 women. TGBH continues to become a recourse hub for women in business. A place to share ideas, build a network and seek solutions to problems facing women in business.

She has been nominated for 2015's Rising Star Award which is an award for industry leaders where she was a semi-finalist. She enjoys being part of the process and watching clients bring an idea to light. She was also awarded Champion of Change the Workplace at the 2019 Women in Business Awards Gala.

She has various credentials; among them; Bachelor of Commerce Degree, Strategic Management in a Global Economy from London School of Economics and various professional certificates in leadership & Business Management including a Harvard Business School workshop on Value Innovation. In addition, she completed a Swedish Institute of management program working on a project with a bias towards SGD 5 Gender Equality & SDG 8 Decent Work and Economic Growth & a Certificate in Entrepreneurship from Babson College, Massachusetts.



Mr. Stephen Barno

DIRECTOR

Mr. Stephen Barno holds a Diploma in Public Relations from the University Of Nairobi, Diploma in Community Development and Social Work from East African Institute of Information Science, Certificate in Human Resource Management from University Nairobi. Mr. Barno also has a Bachelor degree of Arts-Finalist from University of Nairobi.

Mr. Barno has previously worked at the County Government of Trans-Nzoia (2013-2022) and at the Electoral Commission of Kenya (1997, 2002, 2007).



Mr. Nehemiah Maina

DIRECTOR

Mr. Nehemiah Maina holds a Bachelor of Arts, Theology from University of Eastern Africa, Baraton Adventist (1996-1999) and Bachelor of Arts, Theology Hong Kong College (1992-1996). Mr. Maina has worked in various institutions namely, Director Kenya Film Classification Board (2018-2021), Director. The Manger Networks, Eldoret, Kenya (2001-Date), Pastor, Kapenguria District, SDA Church (1999-2001).



Mr. Protus Barasa Lumonje

DIRECTOR

Mr. Protus Barasa Lumonje is a professional teacher with Bachelor of Education Arts degree from University of Nairobi (U.O.N) in the year 2016 – 2021, Diploma in education Management Kenya Education Management Institute (KEMI), Certificate in primary Teacher Education Kaimosi Teachers training College, Certificate in Community Based work with children and youth University of Kwazulu – Natal South Africa, Certificate in counselling studies Kenya association of professional counsellors, Certificate in psychosocial support to children Tangaza university college (Catholic university) and Certificate in Basic KENYA Sign Language National council for persons with

disability. Mr. Lumonje has worked in Public Service Commission as a teacher from the year 1999-2022. Mr. Lumonje is currently a Member of Board Management of NGWELO Secondary school.



CPA. Gilbert
Kipkoech Kangogo

DIRECTOR

CPA Gilbert Kipkoech Kangogo is a professional Accountant and a Member of ICPAK. CPA. Kangogo has a Bachelor's degree in Business Management and Masters in Business Administration-Finalist from Moi University.

CPA Kangogo represents the Principal Secretary, National Treasury currently working at the National Treasury as Assistant Accountant General in charge of Exchequer Section.



CPA. Stanley Bett

ACTING MANAGING DIRECTOR

CPA Stanley Bett is the Acting Managing Director and Acting Chief Executive Officer of Rivatex East Africa Limited.

He holds a Bachelor of Business Management (Accounting option) and Masters in Business Management -Finalist (Accounting Option) from Moi University. He is a member of ICPAK & IIA with professional experience of over 20 years. He has held various senior management positions.



Curtain designs

COMPANY SECRETARY & MANAGER LEGAL SERVICES



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

Tecla Tum holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 10 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate. She is an active member of the Law Society of Kenya

and an associate member of the Institute of Certified Secretaries.



Khangas



Bed sheet

4. KEY MANAGEMENT TEAM

ACTING MANAGING DIRECTOR



CPA. Stanley Bett

CPA Stanley Bett is the Acting Managing Director and Acting Chief Executive Officer of Rivatex East Africa Limited.

He holds a Bachelor of Business Management (Accounting option) and Masters in Business Management -Finalist (Accounting Option) from Moi University. He is a member of ICPAK & IIA with professional experience of over 20 years. He has held various senior management positions.

ACTING GENERAL MANAGER-CORPORATE SERVICES



CPA. Allan Biwott

CPA Allan Biwott is the Acting General Manager-Corporate Services of Rivatex East Africa Limited.

He holds a Master's Degree in Strategic Management from Moi University. He is a member of ICPAK & IIA with professional experience of over 20 years. He has held various senior management positions.

GENERAL MANAGER PRODUCTION DEPARTMENT



Eng. Suresh Babu Rao

Eng. Suresh Rao Babu is the General Manager Production department. He holds a Diploma in Textile Technology from RVS Polytechnic, Dindigul, Tamil Nadu and has over 29 years work experience in Textile Engineering.

Mr. Babu has worked in various Textile companies e.g (2012-2017) at Southern Range Nyanza, Uganda, (2018-2019) at Thika Cloth Mills limited, (2021-2022) at Sunflag Limited, Nigeria as the Processing Manager.

HEAD OF FINANCE & ACCOUNTS



CPA Andrew Collins
Machanga

CPA Andrew Collins Machanga is the Head of Finance & Accounts and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), with over six years of professional experience in finance and accounting. He holds a Bachelor of Commerce (Finance and Banking) from University of Eldoret.

CPA Collins is responsible for the Finance Division.

HEAD OF PROCUREMENT



Mr. Hillary Too

CPSP Hillary Too holds Bachelor in Business Management (Purchasing & Supplies) from Moi University. He has a professional experience of over 15 years and a member of KISM & CPSP-K.

Mr. Too is responsible for Procurement Unit.

FASHION & APPARELS MANAGER



Eng. Hosea Kipsang

Eng. Hosea Kipsang holds a Bachelor of Science in Textile Engineering and Master's degree in Project Management. He joined Rivatex East Africa Limited, has held various senior management positions and has professional experience of more than 17 years.

He is responsible for the Fashion & Apparels division.

ENGINEERING MANAGER



Eng. Caroline Mureithi

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

She is responsible for the Engineering division.



Mr. Joseph Keter

HUMAN RESOURCES AND DEVELOPMENT MANAGER

Mr. Joseph Keter holds a Bachelor's degree in Human Resource Management and is a member of IHRM with over 10 years work experience.

He is responsible for the Human resources & development division.



Eng. Charles Kipchoge

SPINNING MANAGER

Eng. Charles Kipchoge holds a Bachelor of Science degree in Textile Engineering. He previously held senior management positions in Altex EPZ Company and has professional experience of more than 20 years. He has held various senior management positions in Rivatex East Africa Limited which includes Quality Assurance Manager and Factory Manager.

He is responsible for the Spinning division.



Eng. Josphat Cheruiyot

PROCESSING MANAGER

Eng. Josphat Cheruiyot holds a Bachelor of Science degree in Textile Engineering. He has over 20 years work experience in Textile Engineering. He is responsible for the Processing division



Eng. Christopher Maingi

QUALITY ASSURANCE MANAGER

Eng. Christopher Maingi holds a Bachelor of Science degree in Chemistry. He has previously held senior management positions in Thika Cloth Mills Company with over 34 years' experience in textiles in various senior management positions including Deputy Mill Manager.

He is responsible for the Quality assurance division.



Ms. Lydia Mutai

AG. SALES & MARKETING MANAGER

Ms. Lydia Mutai holds a Bachelors degree of Business Management (Finance & Banking Option) from Moi University. Ms. Lydia has an experience in sales & marketing for over 12 years. She is responsible for Sales & Marketing Division.



Eng. Sheila Muliko

WEAVING/PREPARATION MANAGER

Ms. Sheila Muliko holds a Bachelor's degree in Textile Engineering (Manufacturing & Industrial option) from Moi University with over 9 years of experience in textile industry. She has held various senior management position and currently responsible for Weaving/Preparation Division.



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

COMPANY SECRETARY

Tecla Tum, LL.B, Dip (Law), CPS (K) holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 11 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate. She is an active member of the Law Society of Kenya, and Associate member of the Institute of Certified Public Secretaries.

5. FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	CPA. Stanley Bett
2.	Head of Corporate Services	CPA. Allan Biwott
3.	Head of Finance	CPA. Andrew Collins Machanga
4.	Head of Procurement	CPSP. Hillary Too

6. FIDUCIARY OVERSIGHT ARRANGEMENTS

7.

- *Audit and Risk Committee*

The Committee monitors the integrity of the financial statements and review of significant financial reporting judgments and advice the board on whether the financial reports are fair, balanced and understandable. The Committee provides system of internal financial control and compliance review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit. The Committee reviews the system of internal financial control, compliance with various laws & regulations and monitors the activities and review the effectiveness of the Internal Audit functions. The Committee also monitors the Company's risk management system, review of the principal risks and the management of those risks.

- *Finance Committee*

The committee is responsible for the strategic direction of the company as well as supply chain management matters, sales & marketing performance, financial policies, goals, and budgets that support the mission, values, and strategic goals of the organization. The committee also reviews the organization's financial performance against its goals and proposes major transactions and programs to the board.

- *Public Finance Management Standing Committee*

The committee is responsible for ensuring that there is prioritization on resources allocated to Rivatex for the smooth implementation of Rivatex mission, strategy, goals, risk policy plans and objectives; Regularly reviewing, monitoring budget implementation and advice on the Rivatex accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis; Identifying risks and implementation of appropriate measures to manage

such risks or anticipated changes impacting on Rivatex; Reviewing on a regular basis the adequacy and integrity of Rivatex internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines; Establishing and implementing a system that provides necessary information to the stakeholders including stakeholder communication policy for Rivatex in line with Article 35 of the Constitution; Monitoring the effectiveness of the corporate governance practices under which Rivatex operates and propose revisions as may be required, from time to time; Monitoring timely resolution of audit issues; and Any other matter referred to it from time to time by the responsible Cabinet Secretary.

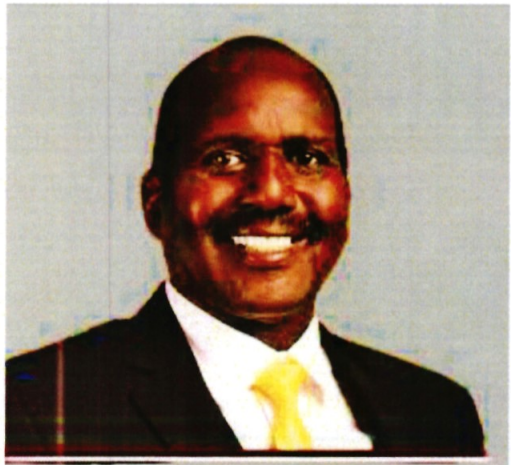
- ***Other oversight arrangements***
- ***Human Resource & Administration Committee Members***

The objective of the Committee is to assist the Board in discharging its duty to oversee the establishment of appropriate Human Resources, administrative, ICT & Legal; policies, frameworks and strategies that provide the Company with the capability to achieve its short-term and long-term business objectives. It also oversees the safety & security policies & frameworks of the factory as well as the corporate image & growth of the Rivatex brand.



Our products

8. CHAIRMAN'S STATEMENT



Dear Shareholders

It is my pleasure to present the annual financial statements for the year ended 30th June, 2025.

The past financial year was defined by a tough global and local environment: rising energy costs, supply chain disruptions, and intense competition within the textile industry. Yet, these circumstances have not diminished our determination. Instead, they reinforced our commitment to innovation, modernization, and sustainability—pillars that continue to transform Rivatex East Africa Limited into a stronger and more resilient enterprise.

Over the past year, we made significant strides in enhancing our production capacity through state-of-the-art machinery and expanded product lines. These investments have enabled us to better serve bulk customers, position ourselves for export markets, and develop fabrics and yarns that meet the changing demands of consumers. The diversity of our product portfolio—from Kikoi and Maasai Shuka to dyed yarns and high-quality shirting fabrics—illustrates our agility and responsiveness to customer needs.

The Government of Kenya's steadfast support has been the cornerstone of our transformative, multi-phase modernization strategy. This prudent investment in state-of-the-art machinery, which began in 2014/2015 and culminated in the inauguration of our ultra-modern factory in 2019, has fundamentally reshaped our operational capabilities.

The complete installation and commissioning of our new plant—including the thermostenter, carding machine, draw frames, digital design studio, and washing range—has provided us with a world-class foundation. This year, we have focused on **consolidating the efficiency gains from this modernization**. Through this transformation, we are now able to produce cost-effectively, significantly boost productivity, and enhance product quality, making us highly competitive for both domestic and international markets.

Financial and Business Performance

This year, Rivatex East Africa Limited has once again demonstrated that resilience and innovation are the true drivers of growth. Despite a difficult operating environment characterized by rising raw material costs, inflationary pressures, and high energy prices, we sustained positive momentum and built a stronger foundation for future expansion.

Our financial performance reflected this determination. We grew turnover by 1% while reducing manufacturing expenses by 2%, thanks to tighter cost controls and more efficient processes emanating from our modernized operations. This builds upon our historical track record of dramatic revenue growth following key investment phases.

Furthermore, we expanded our product portfolio from 18 to 22 offerings, gaining significant traction in both yarns and woven fabrics. This strategic diversification, developed through our Research and Development initiatives, has made us more competitive and successfully opened up new customer segments.

Corporate Strategy: Looking Ahead to 2025 and Beyond

The priorities for the coming year and beyond include:

- **Expanding into International Markets:** Leveraging our niche products and enhanced quality to capture export opportunities.
- **Leveraging Special Economic Zone (SEZ) Status:** Utilizing this advantage to benefit from cheaper power and tax incentives, directly countering operational cost pressures.
- **Strengthening our Sustainability Agenda:** Aligning our operations with global textile standards to meet the demands of international brands and conscious consumers.
- **Organizational & Staff Development:** Continuing to invest in our people through local and international training programs to strengthen our technical expertise and leadership pipeline. We remain committed to a lean management structure for agile decision-making.

Business Environment & Outlook

The textile and apparel sector remains a key priority for the Kenyan Government and is entering a period of renewed opportunity, driven by state support, regional integration (AfCFTA), and burgeoning youthful consumer demand. With the expected shift of global textile brands to East Africa, Rivatex is perfectly positioned to capture these opportunities.

As a Moi University facility and a World Bank-designated Center of Excellence in Textile, we will continue to leverage our unique position in training, research, and extension to drive innovation and industry growth.

Appreciation

On behalf of the Board of Directors, I extend my gratitude to the Government of Kenya for its steadfast support, to our farmers for their commitment, to our customers for their loyalty, and to our staff for their resilience and creativity. To you, our shareholders, I reaffirm that Rivatex is firmly on a growth trajectory. The challenges of yesterday are shaping the opportunities of tomorrow—and with your continued trust, the future is bright.

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



*Ag. Managing Director CPA Stanley Bett (right)
Hon. Ghislain maguessa ebome, the minister for vocational and technical Education, Republic of congo (Brazzaville) (Center) and Chairman Board Rivatex Dr. Cleophas Lagat(left)*



Cabinet Secretary Ministry of Investment, Trade and Industry Hon. Lee Kinyanjui (Second left), Uasin Gishu Governor, H.E Jonathan Bii (right), Chairman EPZA Mr. Richard Cheruiyot (Second right), Acting Managing Director CPA Stanley Bett (Left) during to Eldoret EPZA Plant.

9. REPORT OF THE MANAGING DIRECTOR

Allow me to present the financial statements for the year ended 30th June 2025.



This year, Rivatex East Africa Limited has once again demonstrated that resilience and innovation are the true drivers of growth. Despite a difficult operating environment characterized by rising raw material costs, inflationary pressures, and high energy prices, we sustained positive momentum and built a stronger foundation for future expansion.

Financial and Business Performance for the Year Ended 30th June 2025

The financial year ending 30 June 2025 was a period of strategic consolidation and transition, building upon the foundation of our completed modernization project. While the bottom line reflects the significant depreciation and financing costs associated with our new state-of-the-art asset base, a deeper analysis reveals substantial improvements in operational efficiency, even as we navigated significant external challenges.

The company recorded a turnover of Kshs. 298,527,493 for the 2024/2025 financial year, compared to Kshs. 332,156,586 in the prior year, representing a 10% unfavorable variance of Kshs. 33,629,093/-. This decrease was primarily attributed to key external factors including a critical shortage of working capital, mainly due to the absence of recurrent financial support from The National Treasury. This severely limited our ability to consistently procure essential raw materials such as cotton, polyester, chemicals, and dyes, thereby constraining production volumes and our ability to fulfill market demand. Furthermore, the company contended with volatile market conditions, including seasonal trends and a pronounced decline in orders for specific products. A notable example was Brother Knit Wear, a significant buyer of yarn, which drastically reduced its purchasing volume, creating a substantial gap in our order book.

Consequently, the company registered a net loss. However, the most significant indicator of progress is the 2% year-on-year improvement in this figure. This demonstrates that our core operational improvements are effectively counterbalancing the substantial financial charges of our new capital base and the difficult market conditions.

Despite these headwinds, the period showcased the resounding success of our modernization investment in enhancing cost-effectiveness. Our cost of sales (manufacturing expenses) reduced by seventy-two million, one hundred and nine thousand, one hundred and thirty-four shillings (Kshs. 72,109,134 /-) which is twelve per centum (12%), an improvement that demonstrates greater operational efficiency even with reduced output. This efficiency gain directly contributed to a 14% improvement in our gross loss position.

A cornerstone of our strategy was the implementation of rigorous cost management across the organization. We achieved a 28% reduction in total expenditure. This was driven by a 52%

decrease in administration expenses following aggressive system process reengineering, a 7% reduction in personnel costs through organizational optimization, and lower spending across board, sales, and marketing functions.

These operational gains were partially offset by a decrease in other Operating Income and a planned increase in Finance Costs due to the drawdown of capital for the modernization project.

The marked improvement in cost control and operational efficiency confirms that our modernization strategy is sound. Having strengthened our internal processes, our focus now shifts to securing stable working capital and adapting to market demands. We are strategically positioned to leverage our enhanced production capacity and SEZ status to drive superior revenue growth and achieve sustainable profitability in the coming financial years.

Production Capacity Enhancement & Modernization

The Government of Kenya's steadfast support through funding has enabled Rivatex East Africa Limited to undertake a transformative modernization initiative. We have prudently utilized these funds to acquire state-of-the-art machinery, 95% of which has been successfully installed and commissioned under the Exim Bank of India facility.

This milestone was officially inaugurated by H.E. President Uhuru Kenyatta on June 21, 2019, marking the launch of our ultra-modern factory. This modernization was designed to significantly enhance our cost-effectiveness, productivity, and product quality. The upgrades position us competitively to attract major orders from apparel manufacturers and global brands expected to shift operations to Kenya's Special Economic Zones (SEZs), while continuing to serve our existing clientele.

Strategic Business Environment & SEZ Status

The textile and apparel sector is a key priority for the Kenyan Government to accelerate economic growth. Aligning with positive global and regional trends, Rivatex is fast-tracking its modernization to capitalize on the expected shift of production by leading textile brands to the region.

Critically, the company was granted an SEZ license for both operator and developer in the financial year. We expect to leverage the significant benefits that accrue with this license, including enhanced fiscal incentives, to drive sustainable growth and profitability.

The company will continue to scan the environment for opportunities, innovate new products, and maximize shareholder value through efficient use of plant resources and working capital, underpinned by our core values of teamwork, quality, and innovation.

Outlook:

The financial statements as of 30th June 2025 reflect a company that has successfully built its new production capacity and is now focused on optimizing it. The combination of our modernized facility, leaner operational structure, coveted SEZ license, and ongoing support from the Government of Kenya provides undeniable confidence. Management is focused on leveraging these advantages to aggressively pursue large-scale orders from global brands, drive top-line revenue growth, and achieve sustainable profitability in the 2025/26 financial year and beyond.

Appreciation

The progress we have made in the 2024/2025 financial year, navigating significant challenges and laying the groundwork for a profitable future, would not have been possible without the unwavering dedication and remarkable expertise of our employees. To them, I extend my deepest and most sincere gratitude. Their resilience and commitment to excellence during a period of transition have been the cornerstone of our operational improvements.

I also extend my profound thanks to the Board of Directors for their steadfast leadership and wise counsel provided to my management team and me throughout the year. Their strategic guidance was invaluable as we implemented cost-saving measures and steered the company through a difficult trading environment.

On behalf of the Management and the entire company, I would like to thank the Government of Kenya for its foundational support. We are particularly grateful for the past support through the Investment Ministry of Education, Science & Technology, the National Treasury, and the Ministry of, Trade & Industry. It is our sincere hope that as we demonstrate the success of our modernization and our path to profitability, this vital partnership and support will continue to strengthen.

As we look ahead, the foundation is firmly in place. With our modernized plant, leaner operations, and SEZ status, we are poised for growth. It is with great optimism that we anticipate the 2025/2026 financial year will usher in the sustainable growth and profitability that we have been diligently working towards.

Thank you.


CPA Stanley Bett
Acting Managing Director.

10. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025

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

Strategies	Activities	Actor	Output
Strategic Objective I: Improve the productivity and competitiveness of the factory			
Modernization and refurbishment of the processing sequence and machinery	Repairs and maintenance of machines	Spinning Manager	Routine maintenance of all machines in Spinning carried out; emphasis put on Open-End and Auto corner (X5) machines.
	Acquire new machines and technologies for processing department	Processing Manager	<p style="text-align: center;">Modern equipment acquired and installed and processes re-engineered.</p> <ul style="list-style-type: none"> i) Three (3) electronic weighing balance /scale ii) Operationalization of the HP Design jet to develop films for Screen printing. iii) Installation and operationalization of the Caustic recovery unit.
	Cost reduction and optimization in the weaving department	Weaving Manager	<ul style="list-style-type: none"> • Comprehensive training of the trainee weavers • Shift management • Increasing the running machines per shift to maximise the labour and cut costs
Implement QMS to continuously improve quality and to minimize cost of production	Implement a mechanism for effective production process and documentation	General Manager	<p>Operationalize the MIS function to help in the following:</p> <ul style="list-style-type: none"> i. Monitor inputs utilization and output ii. order tracking mechanism iii. monthly stock levels monitoring iv. Monitor levels of machines utilization.
	Acquire certification	General Manager	<ul style="list-style-type: none"> • Upcycling certificate acquired • Steam and thermos boiler inspection certificates acquired • Compressor inspection certificate acquired

Strategies	Activities	Actor	Output
	Conduct energy audit	Chief engineer	<ul style="list-style-type: none"> Energy audit done –areas of cost saving identified and implementation the recommendations initiated.
Strategic Objective 2: Build human resource capacity for efficient and effective delivery of the company's mandate			
Human resource development	Development of appropriate training programmes as per the skill Gap Analysis.	Human Resource & Development Manager	<ul style="list-style-type: none"> Training needs assessment done and training programmes developed & implemented. Various of training programmes developed and undertaken – <ol style="list-style-type: none"> <i>i. Weaving mechanisms- for weavers and knotters</i> <i>ii. Designers and seamstresses upskilling on sustainable production by (EKA- Estonia Academy of Arts)</i> <i>iii. Health screening was carried out in collaboration with Med Prime in conjunction with and Gynocare Hospital. This exercise is essential to our Staff and in the spirit of building a health work environment and early screening of underlying ailments</i>
Provision of conducive work environment	Review of Occupational Safety and Health policy	Human Resource & Development Manager	<ul style="list-style-type: none"> Environmental Policy and Action Plan Fire Safety and Action Plan Staff guidance and counselling (psycho-social) program implemented.
	Training and capacity building for staff on occupational safety	Human Resource & Development Manager	<ul style="list-style-type: none"> Sales and marketing executives trained to be better improve customer service. Occupational health & safety committee operationalised.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Strategies	Activities	Actor	Output
	Enhance the display of work safety procedures and provide safety gear	Safety & security Manager	<ul style="list-style-type: none"> • Safety gears provided e.g. <i>Overalls, Gloves, Safety boots, Ear plugs, Goggles, etc.</i> • Work safety procedures implemented & displayed in appropriate locations. • Safety procedures implemented.
Strategic objective 3: Develop and expand the market for products and service			
Marketing and sales strategy	Develop marketing and sales strategy	Sales & Marketing Manager	New market strategies developed and implemented.
	Implement feedback mechanism	Sales & Marketing Manager	Feedback mechanism operationalised
	Enhance promotion and publicity for the product brand	Sales & Marketing Manager	Product promotion and publicity trade fairs carried out in the following towns: <ol style="list-style-type: none"> i. Mombasa ii. Nairobi iii. Eldoret
	Introducing new products and establish market entry strategies for the products.	Sales & Marketing Manager	<ul style="list-style-type: none"> • New products developed & sold e.g. <ol style="list-style-type: none"> i. Kikoi ii. Maasai shuka iii. Flag 100% polyester • Increased market share resulting in increased sales turn over
Strengthen sales and distribution networks	Establishing new distribution outlets and expand existing networks for products	Sales & Marketing Manager	<ul style="list-style-type: none"> • New bulk customers on boarded & orders being serviced. • Marketing Strategy developed.

Strategies	Activities	Actor	Output
	Development of a marketing Strategy		
Strategic objective 4: Establish strong research, extension and consultancy			
Strengthening research	Establishing research centre in collaboration with the department of manufacturing industrial and textile engineering	Strategy & planning manager	<ul style="list-style-type: none"> Research areas identified, training program carried out in among other things Textile Engineering, and Chemical Engineering etc. with various research projects undertaken e.g. <i>Development of upcycled products (in collaboration with the Estonia Academy of Arts in Estonia)</i>
Monitoring performance	Developing a performance contract	Strategy & planning manager	<ul style="list-style-type: none"> Identification of SMART performance indicator targets set.
National Cotton Textile and Apparels policy.	Provide technical support on the development of the National, Cotton, Textile and Apparels Policy.	Strategy & planning manager	<ul style="list-style-type: none"> Policy developed
Extension	Establish collaboration arrangement with other institutions and agencies	Quality Assurance Manager	<p>New collaborations established e.g.</p> <ol style="list-style-type: none"> i. <i>Energy audit training in collaboration with the Kenya Association of Manufacturers by Merculex</i> ii. <i>Competitiveness, Innovation and Growth to enable the company to capture the market for international textile brands. By Gatsby East Africa.</i>

Strategies	Activities	Actor	Output
			iii. Collaborations prerequisites for supplying world major textile brands by PVH (Philips-Van Heusen) iv. Provision of premises, utilities and security services to Digital Literacy Program v. Provision of premises, utilities and security services to school of Aerospace and IODL vi. Provision of premises, utilities and security services to Confucius Institute
Strategic Objective 5: Product diversification			
Increase the number & range of products.	Develop new products	General Manager	New products developed. i. Kikoi –from acrylic filament yarn. ii. Maasai shuka –100% cotton and New products developed & sold e.g. Upcycled products: Jackets etc.



II. CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors of Rivatex East Africa Limited has embraced best corporate governance practices. Rivatex East Africa Limited has complied with the Mwongozo Code of governance for state corporations. The Board has undergone training on this Code & evaluates all Board members annually under the guidance of the State Corporations Advisory Committee. Rivatex East Africa Limited is committed to the highest standards of Corporate Governance and business ethics. The company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and has complied with the State Corporations Act.

Board of Directors

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

The Board comprises of eight (8), non-executive Directors of whom four (4) are independent non-executive directors. The Board defines Rivatex East Africa Limited's strategies, objectives and values and ensures that policies & processes are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring their diverse experience and qualifications into the Board's deliberations.

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

The Company Secretary

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

Role of the Company Secretary

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

Board Charter

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

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

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

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

Declaration of Conflict of Interest

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

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

Board Remuneration

The Board establishes and approves formal and transparent remuneration policies in line with the Salaries & Remuneration Commission guidelines & existing government regulations, to attract and retain the Board members. These policies clearly stipulate remuneration elements such as **directors' fees, taxable sitting allowances for meetings** attended, travel and accommodation allowance while on Company duty as well as the monthly honorarium.

Board Induction and Training

Board members undergo regular training and education to enable them to fulfil their responsibilities. All Board members receive an induction upon joining. This provides an overview of the Company, new developments in the environment in which the Company operates, accounting and financial reporting developments, as well as any regulatory changes. As part of the induction training, detailed presentations by Management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions. The Board receives **regular briefings** on legal and regulatory developments at the Board meetings, with particular emphasis on regulations that directly impact the operations of the Company.

Board evaluation

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

Code of Ethics and Conduct

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

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

Board Meetings

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

During the year under review, the Board of Directors held four (2) special meetings and (2) Adhoc Meetings as follows:

	NAME	2024/2025
1	Dr. Cleophas Lagat	4
2	Prof. Isaac Kosgei	2
	Prof. Kiplagat Kotut	2
3	Mr. Nobby Macharia	2
	Mr. Nicholas Gakiha (Repl. Mr. Nobby Macharia)	2

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

	NAME	2024/2025
4	CPA Gilbert Kangogo	4
5	Prof. Henry Kiriamiti	2
6.	Mr. Stephen Barno	2
7.	Mr. Nehemiah K. Maina	4
8.	Ms. Pamela Mutembei	4
9.	Mr. Protus Lumonge Barasa	4
10.	Prof. Thomas Kipkurgat	1
	CPA Stanley Bett (Repl. Prof. Thomas Kipkurgat)	3

COMMITTEES OF THE BOARD

The Board has set up the following four (4) principal committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities. They are: -

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

PRODUCTION, OPERATIONS AND TECHNICAL COMMITTEE

1. Mr. Nobby Macharia
2. Mr. Nehemiah Maina
3. Mr. Stephen Barno
4. Prof. Henry Kiriamiti
5. Prof. Thomas Kipkurgat
6. CPA Stanley Bett

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

Attendance

The Committee did not held any meeting.

FINANCE AND STRATEGY COMMITTEE MEMBERS

1. Mr. Stephen Barno
2. Mr. Gilbert Kangongo
3. Mr. Nehemiah Maina
4. Prof. Thomas Kipkurgat
5. CPA Stanley Bett

The committee is responsible for the strategic direction of the company as well as supply chain management matters, sales & marketing performance, financial policies, goals, and budgets that support the mission, values, and strategic goals of the organization. The committee also reviews the organization’s financial performance against its goals and proposes major transactions and programs to the board.

Attendance

The Committee held one (1) Special meeting which was attended as follows:

DIRECTOR		2024/2025
1	Mr. Stephen Barno	I
2	CPA Gilbert Kangongo	I
3.	Mr. Nehemiah Maina	I
4.	Prof. Thomas Kipkurgat	I

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

1. Ms. Pamela Mutembei
2. Mr. Nobby Macharia
3. Mr. Protus Lumonje

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

The Committee also monitors the Company's risk management system, review of the principal risks and the management of those risks.

Attendance

The Committee held one (1) special meeting which was attended as follows:

	NAME	2024/2025
1	Ms. Pamela Mutembei	I
2	Mr. Nobby Macharia	I
3	Mr. Protus Lumonje	I

HUMAN RESOURCE & ADMINISTRATION COMMITTEE MEMBERS

1. Mr. Protus Lumonje
2. CPA. Gilbert Kangogo
3. Prof. Henry Kiriamiti
4. Ms. Pamela Mutembei
5. Prof. Thomas Kipkurgat

The objective of the Committee is to assist the Board in discharging its duty to oversee the establishment of appropriate Human Resources, administrative, ICT & Legal; policies, frameworks and strategies that provide the Company with the capability to achieve its short- and long-term business objectives. It also oversees the safety & security policies & frameworks of the factory as well as the corporate image & growth of the Rivatex brand.

Attendance

The Committee **didn't** held any meeting

12. MANAGEMENT DISCUSSION AND ANALYSIS

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through acquisition of state-of-the-art machinery. We have successfully installed and commissioned 99% of the machinery acquired as part of the modernization.

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

Performance highlights

The company registered a ten per centum (10%) decrease in turnover of Thirty-three million, six hundred and twenty-nine thousand, and Ninety-three shillings (Kshs. 33,629,093/-). The cost of sales (manufacturing expenses) reduced by seventy-two million, one hundred and nine thousand, one hundred and thirty-four shillings (Kshs. 72,109,134 /-) which is twelve per centum (12%).

During this period, our product portfolio consisted of 22 products and we expanded our market footprint in the yarns sector by re-engineering our production processes and fulfilling bulk orders for large yarn consumers. We continue to leverage on our state-of-the-art machinery to expand our market niche having perfected our school uniform production process following the commissioning of the Yarn dyeing machine & rapid drier. **The company is banking on the 'Bottom-up Economic Transformation Agenda** initiative and its renowned brand to successfully penetrate this market niche.

The textile and apparel sector has been identified by the Kenyan Government as one of the sectors that will accelerate the country's economic growth. As a result, we focused our marketing activities on identifying new market segments and profiled the international market based on product segments. As a result, we will begin exporting our products to the international market in the upcoming 2024/2025 financial year as part of the journey of fulfilling our potential.

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

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

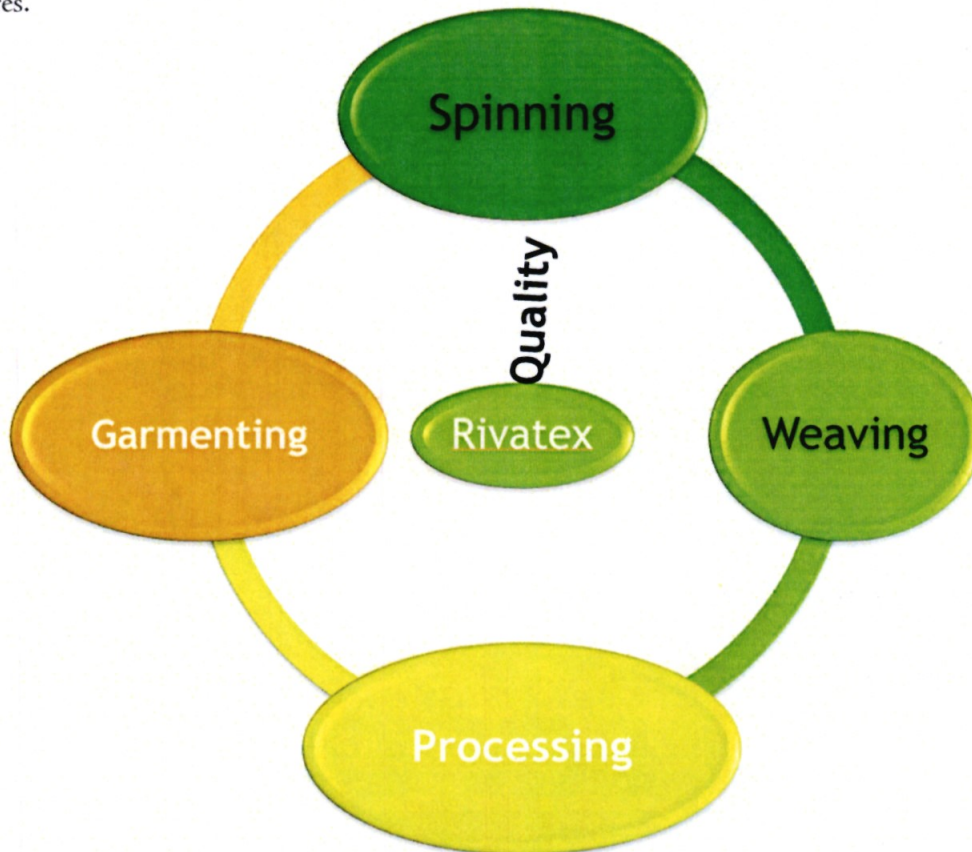
- 1) The continued modernization works on the production floor, affecting the workflow process as well as the production turnaround period.
- 2) Cotton fibre accounts for approximately 46% of per unit cost of production in the textile industry. Scarcity of global cotton fibre leading to surges in price by 40% from US \$1.83 in July 2019 to US \$2.02 per kilogram from January 2025 due to floods & dry weather that has shrunk the crop internationally. Additionally, the supply has been adversely affected by the Uyghur Forced Labor Prevention Act (UFLPA) affecting Chinese cotton, given approximately **20% of the world's cotton comes from China.**
- 3) The increase in prices of Polyester fibre by 47% from US \$1.52 in July 2019 to US \$3.61 Per kilogram in July 2024 due to increase in world crude oil prices leading to increase in prices of the crude oil-linked raw materials required to make polyester such as purified Terephthalic acid (PTA) and Monoethylene glycol (MEG). Rising demand for the artificial fibre due to global cotton shortage are also driving unusual price increases in polyester.
- 4) Increase in the cost of electricity per unit for the factory from an average cost of 25.25 per kWh in January 2023 to Kshs 38.21 per kWh from February 2025.
- 5) The factory utilizes approximately 41.736M³ of water annually to operate. Increase in the cost of water and sewerage charges per cubic meter by the only provider - Eldoret Water & Sanitation Company has a large impact on the operations of the factory given a textile mill cannot operate without water.
- 6) The factory requires steam to process its fabrics which is produced by wood fuel boilers that use fuel wood. Increase in cost of fuel wood due to supply shortage as domestic supply has been under pressure due to the moratorium on logging in public forests still in force given majority of commercially viable fuel wood was sourced from public forests as well as the scarcity of alternatives to fuel wood from private farms/suppliers.
- 7) The factory utilizes a variety of dyes & chemicals majority of which are not available locally & are sourced directly from manufacturers overseas. The supply shortage and rising costs of chemicals from major manufacturers in China has led to an increase in the cost of reactive dyes (color chemicals) which has gone up by 38%- 84% depending on the type of dyes given the cost of dyes & chemicals account for approximately 4% - 10% of the per unit cost in the textile industry.
- 8) The factory uses heavy furnace oil (HFO) to fire its thermos-boilers which in turn run its machines. Increase in global crude oil prices led to increase in the cost of heavy furnace oil by 64% from an average cost of Kshs 60.30 per liter in July 2019 to Kshs 128.73 per liter in December 2024.
- 9) The factory relies on Liquefied Petroleum Gas (LPG) for operating some of its machines. Liquefied Petroleum Gases are byproducts of oil and gas. That means any disruption in the supply equation of the latter will take its toll on the former. Consequently, an increase in global

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

crude oil prices resulted in higher LPG prices which increased in July 2019 by 56% to May 2023 and 81% increase in February 2025.

I0) The factory has a fashion & apparels division that adds value to fabrics by converting them into garments. The factory utilizes various garmenting accessories in the process. The garmenting accessories prices increased by 20% - 25% depending on the individual accessory due to rising production costs incurred to manufacture them as well as disruption of local & international supply chains.

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



13. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

i. Onboarding of a Non-Equity Strategic Partner

The Government, through a Cabinet Memo issued on 21st January, 2025, directed the revival and commercialization of the Company to ensure its sustainability, competitiveness, and contribution to the national economy. In line with this directive, it has been deemed necessary to bring on board a non-equity strategic partner to provide technical and operational support.

Strategic Objectives

The engagement of the non-equity partner is expected to achieve the following objectives: are; expand market access both locally and internationally, build internal capacity through training and skills transfer and enhance quality standards to align with global benchmarks

Expected Benefits

- Improved operational efficiency and productivity.
- Sustainable revenue growth and financial stability.
- Increased job creation and employee capacity development.
- Enhanced competitiveness of the Company's products in regional and international markets.
- Contribution to the Government's broader industrialization agenda.

ii) Sustainability strategy

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

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

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

In our quest to increase shareholder value and remain competitive in the market the company has sort to increase its array of products in order to sustain both growth and profitability in the long run. We have also introduced textile related services to bolster our portfolio as well as expand our market footprint. The Buy Kenya Build Kenya initiative championed by former President Uhuru Kenyatta disciplined forces and corporate institutions which are large continuous contracts that will contribute too its sustainability in the long run. We have also ventured into the local uniforms market which will form a large part of our product portfolio going forward.

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

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

We are proud to have achieved the following major milestones.

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

iii) Environmental performance

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

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

iv) Employee welfare

Being a Center of Excellence in Textile Engineering, the company has a training wing to train operatives and also works in conjunction with the Directorate of Industrial Training and Ministry of Labour. Other staff have been trained at Kenya Textile Training Institute. Development of senior employees' skills capacity has been ongoing through collaborations locally with Kenya Institute of Management, Kenya Association of Manufacturers and through international courses with the assistance of the Indian High Commission to Kenya.

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

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

v) Market place practices, responsible marketing & advertisement

The company produces wide variety of products to target different market segments. The products are also competitively priced to attract sizeable market share. Our marketing strategy is based mainly on making the right information available to the right target customer. To enhance and implement the direct sales initiatives the company has opened various factory outlets across the country in Nairobi, Nakuru, Kisumu, Moi University, Eldoret town, Rift Valley Technical Training Institute (RVTTI) and Moi Teaching and Referral Hospital to penetrate new markets. The Company is committed to leverage on digital marketing to drive growth, enhance customer engagement and expand our market reach. By harnessing the power of data driven insights, targeted content and innovative digital platforms, we aim to deliver personalized experiences that resonate with our audience, foster brand loyalty and strengthen our competitive edge.

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

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

Product stewardship

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

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

Responsible Supply chain & Supplier relations

Where applicable, we source our supplies from local suppliers with preference given to the youth, women, persons living with disabilities, Small & medium enterprises as well as local cotton producers. We try to ensure that for all local procurements the Kenyan local content meets or exceeds the 40% threshold.

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

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

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

vi) Corporate Social Responsibility / Community Engagements

The company have contributed back to society by offering support to the society by empowering them. As part of its engagement with the community, the company provides free weekly educational tours to school children to enable them appreciate science, technology and mathematics. In addition to the community empowerment, the company offered support to the nearby health care facilities by donating items like , Bed sheets, Flannels, Scrubs and Lab Coats among others.

The company offered support to cotton farmers spread across the country in a bid to boost the production of much-needed raw materials. As a textile facility, cotton farmers have constantly been guaranteed the market for their produce. This was demonstrated by purchasing cotton lint from Luanda ginnery (owned by the Luanda farmers' cooperative union) based in Busia County as well as Sungin ginnery based in Tharaka Nithi County. In the same process, more sensitization and training were offered to the cotton farmers through the assistance of the chemical suppliers who ensured that the groups benefitted from immense knowledge transfer on chemical usage and best disposal methods. The company partnered with Co-operative bank to create an online platform where farmers are paid directly to their Mpesa or bank accounts hence encouraging prompt payment and trust.



Participation at Zion mall Eldoret MSMEs exhibition.

Tree planting exercise done at Kimalel Primary



The Textile and Apparel Participants during the National CTA Policy Development roundtable meeting at the Radisson Blu Hotel –Upper Hill, Nairobi



The Team led by the Ps, Dr. Mukhwana –Posing for a group photo during a meeting



The collection of the cotton lint in Luanda Ginnery

I4. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2025 which show the state of Rivatex East Africa Limited's affairs.

i) Principal activities

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

ii) Results

The results of Rivatex East Africa Limited for the year ended June 30, 2025, are set out on page 1 to 6.

iii) Dividends

The Directors have not recommended payment of dividends.

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of Rivatex East Africa Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Rivatex East Africa Limited for the year/period ended June 30th, 2025.

By Order of the Board

Name

Teda Tum

Signature

Date

01/11/2025

Corporation Secretary/Secretary to the Board

15. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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


The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Rivatex East Africa Limited as at 30th June 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act No. 17 of 2015.

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

Approval of the financial statements

Rivatex East Africa Limited's financial statements were approved by the Board on 29th August 2025 and signed on its behalf by:

Signature: 
Name: DR CLEOPHAS LALAT
Chairperson of the Board

Signature: 
Name: BETH STANGET
Accounting officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE, 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 Rivatex East Africa Limited set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income,

Report of the Auditor-General on Rivatex East Africa Limited for the year ended 30 June, 2025

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 present fairly, in all material respects, the financial position of Rivatex East Africa 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 and comply with the Kenyan Companies Act, 2015.

Basis for Qualified Opinion

1. Inaccuracy in Revenue

The statement of profit or loss and other comprehensive income reflects revenue of Kshs.298,527,493 as disclosed in Note 8 to the financial statements. During the financial year under review, Rivatex Ltd had four (4) sales outlet shops in different parts of the Country which uses PESA FLOW System. However, examination of the PESA FLOW system and the documents revealed that the sales schedule could not be confirmed from the system neither was it supported by any system data from a centralized point for all the shops.

Further, the system in place could not generate centralized stock levels within a given period of time or commodity per shop being a very high-risk gap which may be leading to revenue leakages.

In the circumstances, the accuracy and completeness of sales of Kshs.298,527,493 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.65,686,830 as disclosed in Note 19 to the financial statements. However, review of the debtors ageing analysis revealed that out of the total balance of Kshs.65,686,830, Kshs.31,623,722 were for more than one year old. This implies that the Company is unable to collect its debts as and when they fall due. In addition, it was noted that trade receivables of Kshs.2,327,417 were non performing debts. Further, the balance of receivables of Kshs.65,686,830 included Kshs.16,863,598 which relates to receivables from Moi University for the supply of goods out of which Kshs.10,899,056 was for the deductions which had not been remitted to Rivatex East Africa Limited.

In the circumstances, the validity and recover-ability of the long outstanding trade receivables balance of Kshs.65,686,830 could be not confirmed.

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

Material Uncertainty Related to Going Concern

1. Material Uncertainty on Going Concern

We draw attention to Note 23 in the financial statements, which indicates that the Company has continued to record significant losses. The Company's accumulated losses increased from Kshs.3,408,535,666 in 2024 to Kshs.3,767,092,363 in 2025. During the year ended 30 June 2025, the Company also incurred a gross loss of Kshs.240,096,718 (2024: Kshs.278,576,759).

As disclosed by Management, the sustained poor performance has been attributed to persistent shortages and high costs of raw materials, fuel, spares, and consumables, as well as escalating repair and maintenance expenses. These conditions have continued to exert pressure on the Company's liquidity and operational capacity.

These events or conditions, along with other matters set forth in Note 23, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Emerging Issues – Incorporation of a Strategic Partner

Review of the minutes of the Special Full Board Meeting of Directors held on 14 February, 2025 indicated that the Board deliberated on the Cabinet Approval and Management's request to initiate the procurement process for the onboarding of a non-equity strategic partner to revitalize Rivatex East Africa Ltd. The Board noted that Cabinet had approved the engagement of a suitable strategic non-equity partner with the overall objective of reducing the Company's dependence on Government funding, enhancing utilization of existing facilities, attracting capital investments and private sector expertise, modernizing the plant and securing adequate working capital. The envisaged partner was expected to progressively establish a textile ecosystem around Rivatex through backward integration with Kenya's cotton production, creation of a farm-to-ginning value chain, and the design, development, and operationalization of an industrial park within the adjacent Special Economic Zone (SEZ) as approved by Cabinet. At the

time of our review, the legal and regulatory processes necessary to complete this engagement were still in progress, thereby introducing legal uncertainties with potential implications on the Company's going concern.

As a result, emerging information indicates that the financially distressed Rivatex East Africa Ltd has been leased to Arise Integrated Industrial Platforms (Arise IIP), an operator of industrial facilities in several African countries for a 21-year term, with the new operator committing to inject Kshs.2.6 billion (US\$20 million) to support the Company's revitalization. The handover, confirmed on 28 October, 2025 by the Ministry of Investment, Trade and Industry, represents a significant transition from State management to private operational control. This development follows substantial Government investments exceeding Kshs.7.5 billion in machinery and modernization, notwithstanding the Company's continued operation at less than 10% capacity, accumulated losses of Kshs.3.04 billion, and debts above Kshs.140.92 million as at 30 June, 2025. Under the new arrangement, Arise IIP is expected to assume all operational costs and remit a fixed lease fee to the National Treasury. However, no detailed documentation was provided to corroborate or clarify the full terms, obligations, and implications of these emerging developments, thereby creating uncertainties that may materially affect the assessment of the Company's operational continuity and future financial reporting.

Further, Moi University as a major shareholder, was not involved in the procurement of a strategic partner and the ensuing transactions.

In the circumstances, the Company's continued existence as a going concern under the new arrangements could not be ascertained.

My opinion is not modified in respect of these matters.

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 amounts of Kshs.480,000,000 and Kshs.312,654,493 respectively resulting to an under-funding of Kshs.167,345,507 or 35% of the budget. Similarly, the Company spent Kshs.671,211,190 against an actual receipt of Kshs.312,654,493 resulting to an unapproved over-expenditure of Kshs.358,556,697 or 115% of actual receipts.

The underfunding and over expenditure affected the planned activities and liquidity of the Company 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.218,803,066 as disclosed in Note 25 to the financial statements. Included in the

balance is Kshs.108,553,959, Kshs.11,567,021, Kshs.90,406,078 and Kshs.8,276,008 in respect of trade payables, retention/contract monies, Moi University Pension Scheme staff deductions, and Rivatex East Africa Limited Savings and Credit Co-operative Organization (SACCO) deductions respectively. However, the trade and other payable ageing analysis provided for review revealed that payables for goods and services rendered, and works done amounting to Kshs.13,532,029 had been outstanding for more than one (1) year. No plausible explanation was provided for non-payment.

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

3. Performance and Profitability Trends

Rivatex East Africa Ltd. reported a net loss of Kshs.358,556,697 for the year, resulting into an accumulated loss of Kshs.3,767,092,363. During the year, the Company realized gross revenue amount of Kshs.298,527,493 against cost of sales (net of depreciation charge) amount of Kshs.538,624,211 as reflected in the statement of profit or loss and other comprehensive income and Note 8 and 9 to the financial statements. Review of the operations of the Company revealed the following trends contributing to the loss;

2.1 Revenue

The Company's principal activity and main income stream remains textile manufacturing which includes printed fabrics, dyed fabrics, cloth (greige), bleached fabrics, garments, grade B, yarn and waste. Year on year comparison revealed that contribution to revenue from four (4) of the main revenue streams declined compared to the previous year as shown in the table below:

Product	2024-2025	2023 – 2024	Decline
	Kshs	Kshs	Kshs
Bleached Material	18,376,328	20,352,689	-1,976,361
Yarn	3,461,310	37,609,662	-34,148,352
Printed Fabrics	40,372,638	53,151,025	-12,778,387
Dyed	121,658,689	149,602,833	-27,944,144

In addition, it was observed that revenue from the main income streams fluctuated significantly from year to year as shown in the table below, making it difficult to determine performance of each revenue stream and its contribution to the overall performance of the Company.

Product/Period	2025-2024	2023 – 2024	2022 – 2023	2021 - 2022
	(Kshs)	(Kshs.)	(Kshs.)	(Kshs.)
Printed Fabrics	40,372,638	53,151,025	52,676,227	71,323,467
Dyed	121,658,689	149,602,833	33,124,631	80,717,969
Clothe (Greige)	16,833,067	19,626,084	11,697,896	17,251,216

Report of the Auditor-General on Rivatex East Africa Limited for the year ended 30 June, 2025

Product/Period	2025-2024	2023 – 2024	2022 – 2023	2021 - 2022
	(Kshs)	(Kshs.)	(Kshs.)	(Kshs.)
Bleached Material	18,376,328	20,352,689	37,512,000	81,980,449
Garments	91,288,777	49,654,618	111,581,531	58,640,000
Grade B	5,458,020	958,541	926,667	2,356,415
Yarn	3,461,310	37,609,662	82,208,562	57,408,110

In the circumstances, volatile of fluctuations in revenue may impact negatively on the profitability of the Company.

2.2 Cost of Sales and Operating Expenses

The statement of profit or loss and other comprehensive income reflects net loss amount of Kshs.358,556,697 which was a marginal decrease from the previous year net loss amount of Kshs.367,063,834. During the year, the gross loss reduced marginally to Kshs.240,096,718 from Kshs.278,576,759 in the previous year. However, the total operating expenses decreased to Kshs.132,586,979 from Kshs.185,426,569 in the previous year, with the main contributors to the increase shown in the table below:

Description/Period	2024-2025	2023 – 2024
	(Kshs)	(Kshs)
Direct Labour	114,790,404	115,955,290
Factory Electricity	44,470,286	56,623,961
Factory Water	6,822,915	7,180,584
Fuel wood expenses	10,359,025	19,701,749
Lubricants and Oils	5,891,878	11,544,088
Spares and Consumables	5,314,000	11,881,680
Repairs and Maintenance	13,268,845	20,896,996
Salaries and Wages	43,737,900	47,443,980
Staff Uniforms and Consumables	1,065,120	1,587,600
Tailoring Consumables	10,418,926	17,016,351

In the circumstances, the loss-making trend will continue as operating expenses have escalated and Management has not engaged in cost cutting measures.

3. Financial Assistance from Moi University

Rivatex East Africa Ltd. is a wholly owned subsidiary of the Moi University. However, the University reported a deficit of Kshs.597,496,000 during the year, bringing the accumulated deficit to Kshs.3,884,646,000. In addition, Moi University owes the Company an amount of Kshs.16,863,598 from sale of goods to the University.

In the circumstances, the University is not in a position to offer financial assistance to Rivatex East Africa Ltd and put it back in the path to profitability.

My opinion is not modified in respect to 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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, two (2) issues were raised under the Report on Financial Statements, six (6) issues were raised under Emphasis of Matter, three (3) issues under the Report on Lawfulness and Effectiveness in Use of Public Resources, and three (3) issues under the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issue have remained unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding. See **Appendix I**

Other Information

The Board of Directors is responsible for the Other Information set out on page iv to 1 which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, Statement of Performance against predetermined Objectives, Corporate Governance Statement, Environmental and Sustainability Reporting, Report of the Directors, and 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 Rivatex East Africa Limited 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 of the Auditor-General on Rivatex East Africa Limited for the year ended 30 June, 2025

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 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. Non-Compliance with Ethnicity on Staff Composition

The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs.115,054,627 as disclosed in Note 13 to the financial statements. Included in the amount is staff costs of Kshs.4,252,517. However, review of the payroll and human resource records revealed that the Company employed a total of six hundred and twenty-four (624) employees on contract and permanent basis out of which six hundred and ten (610) representing approximately 79% of the total number of members of staff were from the dominant community. In addition, the Company recruited twenty-three (23) employees during the year and all were from the same local dominant community an indication that Management was not making enough effort to bridge the existing ethnicity gap. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community

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

2. Delay in Completion of Proposed Godown at Nyando

The statement of financial position reflects property, plant and equipment balance of Kshs. 5,813,163,591 which includes buildings (work in progress) additions during the year of Kshs.53,295,262 as disclosed in Note 16 to the financial statements. Review of documents revealed that Management awarded the contract for the construction of a Godown at Nyando to a construction Company at a contract sum of Kshs.49,419,685 for a duration of twenty-four (24) weeks. The contract was signed on 02 February, 2022 and site handover was done on 28 February, 2022. The contract completion was delayed and an addendum was signed on 03 August, 2022 extending the contract period by a further one year to 3 August, 2023 to enable the contractor complete the construction works.

As at the time of the audit in October, 2025, the Company had paid the contractor a total sum of Kshs.44,567,262 leaving unpaid balance of Kshs.8,728,000. However, the payment was for the previous year and the Company had not made any payment during

the year under review due to ongoing budgeting constraints arising from the government budget cuts. Physical verification in September, 2025 revealed that the contract was yet to be completed twenty (20) months after the lapse of additional contract period and the Company.

In addition, Management failed to prepare and submit monthly progress reports to the Accounting Officer contrary to Section 152 of the Public Procurement and Assets Disposal Act, 2015. Further, Management did not submit quarterly reports on variation or amendment of procurement contracts to the Public Procurement Regulatory Company.

In the circumstances, value for money on the expenditure of Kshs.44,567,262 on the project could not be confirmed.

3. Failure to Remit Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.218,803,066 which includes Moi University Pension Scheme staff deductions balance of Kshs.90,406,078 and Rivatex East Africa Limited (SACCO) deductions balance of Kshs.8,276,008 all totaling to Kshs.90,682,086 as disclosed in Note 25 to the financial statements. The two balances relate to pension and SACCO dues deducted from employees' salaries but had not been remitted. Failure to remit SACCO deductions was contrary to Section 35 of the Co-operative Societies Act, 2012 which states that where an employer has made a deduction from the employee's emoluments but fails to remit the deductions, he shall be liable to pay the sum deducted together with compound interest and legal proceedings may be instituted for recovery of the sums. In addition, Management also contravened Part VII, Section 53A(1) of the Retirement Benefits Act, 2012 which states that, where an employer has made a deduction from the employee's emoluments and fails to remit the deduction, the scheme may institute proceedings for the recovery of the deductions.

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

4. Anomalies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs. 5,813,163,591 as disclosed in Note. 16 to the financial statements. Included in the balance is Kshs.650,724,697, Kshs.53,295,262, Kshs.5,073,263,024, Kshs.31,977,936, Kshs.255,730, Kshs.440,676, Kshs.756,861 and Kshs.2,449,404 in respect of buildings, Buildings (work in progress) plant and equipment, plant and equipment (work in progress) furniture and fittings, computer and accessories and motor vehicle respectively However, examination of available documents and records revealed the following anomalies;

4.1 Failure to Revalue Property, Plant and Equipment

The Company assets have not been revalued for several years. This was contrary to Paragraph 44 of International Public Sector Accounting Standards (IPSAS 17) on property, plant and equipment which provides that the frequency of revaluations shall be

made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. No records were provided in support of major assets valuation since inception in the year 2007 and no indication of asset tagging

In addition, Management did not provide evidence that the major assets were revalued since inception of the Rivatex in the year 2007. In Addition, Management did not provide records for assets count and verification carried at regular intervals to confirm existence and condition of the recorded assets. It was noted that most of the assets were not tagged despite some of the assets being distributed in various departments within the Company and asset movement registers were not properly maintained.

Audit inspection and verification revealed that the fixed assets were not coded or assigned distinct identification tags as required. The correctness of the fixed assets register could not be confirmed.

4.2 Failure to Revalue Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.5,813,163,591 as disclosed in Note 16 to the financial statements. However, the Company had depreciated motor vehicles whose original cost amounted to Kshs.62,392,192 to Nil value. These assets were still in use but had not been revalued to reflect current market value. Further, it was also noted that office equipment and furniture and fitting and some assets were fully depreciated before the eighth year ended.

4.3 Failure to Establish a Sinking Fund

The Company had not established a sinking Fund to help in the replacement of its assets as required by Section 16(1) of the State Corporations Act, (Revised 2012) which requires that every state corporation shall make provision for the renewal of depreciating assets by the establishment of sinking Funds and for contributions to such reserve and stabilization funds as may be required.

4.4 Revaluation Reserve Balances

As previously reported, revaluation reserve balance of Kshs.73,652,680 has remained constant since the assets were last valued in 2007. The anomaly contravenes International Accounting Standard No.16 which requires that the transfers be made to the revenue reserves on an annual basis as the assets are depreciated. Further, the standard requires that fixed assets be revalued periodically. However, the revaluation for Rivatex assets had not been done since inception.

4.5 Failure to Insure the Fixed Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.5,813,163,591 as disclosed in Note 16 to the financial. However, there was no

evidence of the insurance policy against any unforeseen disaster to the properties and core critical assets owned by the Company. This was contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continued utilization of supplies. The Company's assets are at risk in case of a calamity or damage affecting the fixed assets.

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

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Inventory Management Policy

The statement of financial position reflects inventories balance of Kshs.477,675,645 as disclosed in Note 18 to the financial statements. However, the Company did not have in place an approved Inventory Management Policy to guide inventory handling. In addition, it had no Robust Inventory Management System, recording, movement and access, valuation and only relied on excel spreadsheets with no backup to manage its inventories which is prone to manipulations. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 requiring that the Accounting Officer shall ensure that the National Government entity develops;(a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In the circumstances, control over inventory management could not be confirmed.

2. Weaknesses in ICT Internal Controls

As previously reported, the ICT internal control environment of the Company has critical deficiencies. The Company does not have in place an approved ICT Policy, IT Strategic

Committee, IT Security Policy, IT Strategic Plan and a Steering Committee to guide IT-related decision-making processes, with IT task prioritized and implemented based on this plan as a framework. Further, Management has no IT Business Continuity Plan which makes it difficult for the Company to recover critical information resources in case of a disaster, potentially adversely impacting the operations of the Company. In addition, the Company does not have in place back up and retention strategy including secondary sites in offsite locations.

Whereas the server room has Closed Circuit Television (CCTV) system for surveillance of the server room, the access to this Facility is not effectively controlled since the Entity lacks biometric access to its server room. Supplementing CCTV cameras with biometric access control is critical for enhancing security measures by introducing a multi-layered approach to access management. While CCTV cameras provide visual surveillance, biometric access control adds an extra layer of authentication. This dual-layered system significantly reduces the risk of unauthorized access, enhancing overall security in the server room. Biometric access control ensures that only authorized personnel with verified credentials can physically enter the server room, thus mitigating the potential for security breaches, data theft, and unauthorized tampering with critical infrastructure. The combination of video surveillance and biometric authentication not only deters unauthorized access but also facilitates rapid response and forensic analysis in the event of a security incident.

In addition, it was noted that the Company has fire extinguishers located in strategic locations, however, none has been installed at the server room. The Entity also has in place Uninterruptible Power Supply (UPS) and back-up generator. However, the UPS are not effective as they can only back up power for less than five minutes while the standby generator is not operational, defeating the purpose for which it was installed. The operations of the Company literally come to a standstill whenever there is power black-out or electricity outages.

Inspection of the ICT servers of the Company also revealed existence of Enterprise Resource Planning software (SERA ERP) which was procured in April, 2016 at a cost of Kenya shillings Four million, four hundred and forty-nine thousand, three hundred thirty-four. (Kshs.4,449,334). However, the system is not in use hence the Company did not get value for money.

In the circumstances, the operations of the Company may be negatively affected as the Company is not prepared to any eventualities.

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.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management is aware of the intention to 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 of 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,

Report of the Auditor-General on Rivatex East Africa Limited for the year ended 30 June, 2025

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

04 December, 2025

Appendix I: Unresolved Prior Year Audit Matters: 2023-2024

No.	Issue
	Report on Financial Statements
1.	Inaccuracy in Revenue
2.	Long outstanding trade and other receivables
	Emphasis of Matter
3.	Budgetary Control and Performance
4.	Material Uncertainty on Going Concern
5.	Long outstanding Trade and Other Payables
6.	Performance and profitability trends
7.	Revenue
8.	Cost of Sales and Operating Expenses
9.	Financial Assistance from Moi University
	Report on Lawfulness and Effectiveness in use of Public Resources
10.	Failure to Observe Ethnic Balance on Staff Composition
11.	Delay in Completion of Proposed Godown at Nyando
12.	Failure to Remit Statutory Deductions
	Report on Effectiveness of Internal Controls, Risk Management and Governance
13.	Lack of an Approved Inventory Management
14.	Anomalies in Inventory Management
15.	Weakness in ICT Internal Controls

**I7. STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH
JUNE 2025**

	Note	2024-2025 Kshs	2023-2024 Kshs
REVENUES			
Revenue	8	298,527,493	332,156,586
Cost of sales	9	<u>538,624,211</u>	<u>610,733,346</u>
Gross Loss		(240,096,718)	(278,576,759)
Grants from the National Government	10	-	96,890,000
Other Income	11	14,127,000	-
Other gains/(losses)	12	-	<u>49,494</u>
TOTAL REVENUES		(225,969,718)	(181,637,266)
OPERATING EXPENSES			
Administration Costs	13	115,054,627	172,545,367
Selling and Distribution Costs	14	10,674,733	11,819,107
Finance Costs	15	<u>6,857,619</u>	<u>1,062,095</u>
TOTAL OPERATING EXPENSES		132,586,979	185,426,569
LOSS BEFORE TAXATION		(358,556,697)	(367,063,834)
INCOME TAX EXPENSE/(CREDIT)		-	-
LOSS AFTER TAXATION		<u>(358,556,697)</u>	<u>(367,063,834)</u>
Earnings per share		-	-
Dividends per share		-	-
OTHER COMPREHENSIVE INCOME			
Loss After Taxation		-	-
Surplus or deficit on revaluation of PPE		-	-
Re-Measurement of net defined benefit liability		-	-
Fair value gain/(loss) in investments in equity instrument designated as at FVTOCI		=	=
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(358,556,697)</u>	<u>(367,063,834)</u>

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

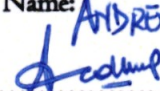
18. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	2024-2025	2023-2024
ASSETS		Kshs	Kshs
Non-Current Assets			
Property, plant and equipment	16	5,813,163,591	5,986,633,193
Right-of-use asset	17	<u>36,802,828</u>	<u>37,553,906</u>
Total Non-Current Assets		5,849,966,419	6,024,187,099
Current Assets			
Inventories	18	477,675,645	516,631,106
Trade and other receivables	19	65,686,830	99,770,180
Bank and cash balances	20	<u>5,943,973</u>	<u>9,793,573</u>
Total Current Assets		549,306,449	626,194,859
TOTAL ASSETS		<u>6,399,272,867</u>	<u>6,650,381,958</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	1,000,000	1,000,000
Revaluation reserve	22	73,652,680	73,652,680
Retained earnings	23	(3,767,092,363)	(3,408,535,666)
Proposed dividends		-	-
Capital and Reserves		(3,692,439,683)	(3,333,882,986)
Non-Current Liabilities			
Grants	24	<u>9,836,917,066</u>	<u>9,836,917,066</u>
Total Non-Current Liabilities		9,836,917,066	9,836,917,066
Current Liabilities			
Trade and other payables	25	218,803,066	147,347,878
Borrowings (Bank Overdraft)		35,992,418	-
Total Current Liabilities		<u>254,795,484</u>	<u>147,347,878</u>
TOTAL EQUITY AND LIABILITIES		<u>6,399,272,867</u>	<u>6,650,381,958</u>

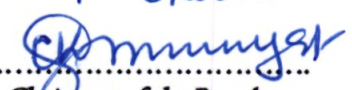
The financial statements were approved by the Board on 29th August 2025 and signed on its behalf by:

Name: BETT S. AGET


 Managing Director

Name: ANDREW COLLINS


 Head of Finance
 ICPAK M/NO 33881

Name: DR CLEOPHAS LAKAT


 Chairman of the Board

19. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

	SHARE CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	CAPITAL RESERVES	TOTAL
At 1st July 2023	1,000,000	(3,041,471,831)	73,652,680	9,567,757,066	6,600,937,915
Net Profit/Loss for the Year		(367,063,834)			(367,063,834)
Transfers to Capital reserves		-			-
-Foreign Loan-LMW				-	-
-GoK Grants				269,160,000	269,160,000
At 30th June 2024	1,000,000	(3,408,535,666)	73,652,680	9,836,917,066	6,503,034,080
At 1 st July 2024	1,000,000	(3,408,535,666)	73,652,680	9,836,917,066	6,503,034,080
Net Profit/Loss for the Year		(358,556,697)			(358,556,697)
Transfers to Capital reserves		-			-
-Foreign Loan-LMW				-	-
-GoK Grants				-	-
At 30 th June 2025	1,000,000	(3,767,092,363)	73,652,680	9,836,917,066	6,144,477,383

**20. STATEMENT OF CASHFLOWS FOR THE YEAR
ENDED 30TH JUNE 2025**

	Note	2024-2025 Kshs.	2023-2024 Kshs.
Cash flows from operating activities			
Cash generated from/(used in) operations	27	<u>(39,719,217)</u>	<u>(209,318,230)</u>
Net cash generated from/(used in) operations		(39,719,217)	(209,318,230)
Cash flows from investing activities			
Purchase of Property, Plant & Equipment-Grants	16	<u>(122,800)</u>	<u>(85,929,492)</u>
Net cash generated from/(used in) investing activities		(122,800)	(85,929,492)
Cash flows from financing activities			
Government grants	10	=	<u>269,160,000</u>
Proceeds from borrowings		53,390,611	-
Repayment of borrowing		<u>(17,398,193)</u>	=
Net cash generated from/(used in) financing activities		35,992,418	269,160,000
Net increase/(decrease) in cash & cash equivalents		(3,849,600)	(26,087,722)
Cash & cash equivalents at the beginning of the year		9,793,573	35,881,295
Effects of foreign exchanges rate fluctuations		-	-
Cash & cash equivalents at the end of the year	20	<u>5,943,973</u>	<u>9,793,573</u>

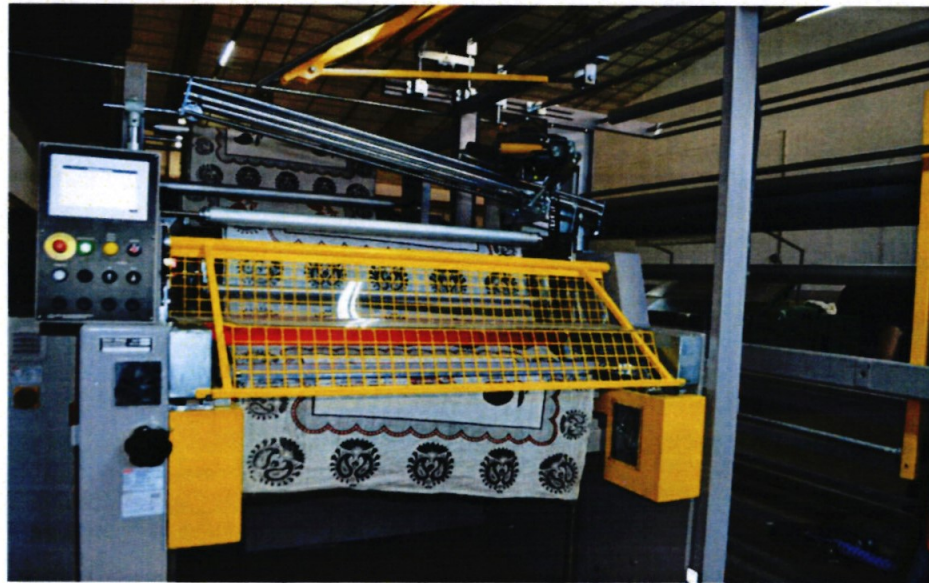


**21. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD
ENDED 30TH JUNE 2025**

Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2024-2025 Kshs	2024-2025 Kshs	2024-2025 Kshs	
Sale of goods	480,000,000	298,527,493	(181,472,507)	The 10% adverse variance was mainly attributed to; - Insufficient Working Capital: During the financial year 2024/2025, the company faced a shortage of working capital. This was mainly due to no recurrent support from The National Treasury, which limited the company's ability to procure raw materials like cotton, polyester, chemicals & dyes. - Demand Fluctuations: Seasonal trends and a decline in consumer demand for specific products have contributed to reduced sales. For instance, Brother Knit Wear a significant buyer of yarn, has drastically reduced its purchasing volume, impacting overall demand.
Transfers from the Government	-	-	-	There was no budget allocation for the 2024/2025 financial year
Finance Income	-	-	-	
Other Income	-	14,127,000	14,127,000	The other income was from the sale of scrap metal.
Total income	480,000,000	312,654,493	(167,345,507)	
EXPENDITURE				
Administration	115,940,813	115,054,627	886,186	-
Cost Of sale	544,789,957	538,624,211	6,165,746	-

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Selling and Distribution Costs	11,236,373	10,674,733	561,640	-
Finance cost	7,376,338	6,857,619	518,719	-
CAPEX	-	-	-	There was no budget allocation for the 2024/2025 financial year
Total expenditure	679,343,481	671,211,190	8,132,291	



Processing machine

22. NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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

1. General Information

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

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

2. Statement of Compliance And Basis of Preparation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025

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

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

IFRS 16: Lease Liability in a Sale and Leaseback (issued in September 2022)

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

IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

- i. When a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.
- ii. How to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and
- iii. New or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.

Effective Date 1 January 2026.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

IFRS 18: Presentation and Disclosure in Financial statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

IFRS 19 Subsidiaries without Public Accountability

Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19. An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. 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).

ii. Early adoption of standards

Rivatex East Africa Limited did not early-adopt any new or amended standards in the financial year 2024-2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met. Revenue from the sale of goods and services is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried as the valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Where measurement at revalued amounts is desired, all items in an asset category are revalued through periodic valuations carried out by independent external valuers. Increases in the carrying amounts of assets arising from revaluation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings, other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the -valued amount to its residual value over its estimated useful life. The annual rates in use are:

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

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

e) Amortization and impairment of Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (free hold or held under a finance lease) and land (free hold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the company, are classified as investment property under non-current assets. Investment property is carried at fair value, representing open market value determined periodically by independent external valuers. Changes in fair values are included in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the company operates and generates taxable income. Current income tax relating to items is recognized directly in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

j) Cash and cash equivalents

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

k) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Provision for staff leave pay

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

m) Exchange rate differences

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

n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. During the financial year a general provision of Kshs. 4,746,067/- being 5% of the total trade debtors was provided as required under IAS39.

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

i. Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

period for each customer. The utilization of the credit limits and the credit period is monitored by management on a monthly basis.

ii. Market risk

a) Foreign exchange risk

The Company closely monitors foreign exchange rates. Currency exposure/currency fluctuations arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in dollars or foreign currency letters of credit/facilities denominated in foreign currencies is managed primarily through the holding of bank balances in dollars or foreign currency letters of credit/facilities.

b) Cash flow and fair value interest rate risk

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Critical accounting estimates and assumptions

Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 4(d) above.

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

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

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

6. REVALUATION RESERVES

There was no revaluation made during this financial year hence the revaluation reserve value of seventy-three million six hundred and fifty-two thousand six hundred and eighty shillings (Kshs.73, 652,680/-) remained the same.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. UTILITIES DEPOSITS

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

Utilities deposits

Utilities deposits	2024-2025 Kshs	2023-2024 Kshs
Rent & power connection deposits	380,140	380,140
Total	380,140	380,140

8. REVENUE

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

<u>Products</u>	2024-2025 Kshs	2023-2024 Kshs
Printed fabrics	40,372,638	53,151,025
Dyed	121,658,689	149,602,833
Cloth (Greige)	16,833,067	19,626,084
Bleached	18,376,328	20,352,689
Garments	91,288,777	49,654,618
Grade B	5,458,020	958,541
yarn	3,461,310	37,609,662
Waste	1,078,665	1,267,410
Others	-	-
Sub-total	298,527,493	332,222,861
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Fabrics	0	66,275
Sub-total	0	66,275
<u>Total Sales</u>	298,527,493	332,156,586

9. COST OF SALE STATEMENT

	2024-2025 Kshs	2023-2024 Kshs
DIRECT COST		
Opening Stock	59,256,386	28,264,573
Add: Purchases	39,643,212	154,785,706
Less: Closing stock	(16,284,907)	(59,256,386)
Cost of Raw materials	82,614,691	123,793,893
Direct labour	114,790,404	115,955,290
Factory Electricity	44,470,286	56,623,961
Factory Water	6,822,915	7,180,584
Sub-Total	166,083,605	179,759,834
INDIRECT COST		
Fuel wood expenses	10,359,025	19,701,749
Salaries & Wages	43,737,900	47,443,980
Packaging & Labelling	1,451,796	2,337,945
Lubricants & Oils	5,891,878	11,544,088
Spares & Consumables	5,314,000	11,881,680
Repair and Maintenance	13,268,845	20,896,996
Staff uniforms & Consumables	1,065,120	1,587,600
Tailoring Consumables	10,418,926	17,016,351
Depreciation	171,968,791	171,968,791
Sub-Total	263,476,281	304,379,180
TOTAL COST	512,174,577	607,932,907
Add: Opening Work-In-Progress	107,956,199	122,882,654
Less: Closing Work-In-Progress	(88,420,422)	(107,956,199)
COST OF GOODS MANUFACTURED	531,710,354	622,859,362
Add: Opening Finished goods	152,950,451	140,824,434
Less: Closing Finished goods	(146,036,593)	(152,950,451)
COST OF SALES	538,624,211	610,733,346

10. GOVERNMENT GRANTS

Government grants (subventions) are assistance by government in the form of transfers of resources in return for past or future compliance with certain conditions relating to the operating activities of Rivatex East Africa Limited . They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of Rivatex East Africa Limited. Government

NOTES TO THE FINANCIAL STATEMENTS (Continued)

grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. During the financial year the Company received grants of Kshs. 366,050,000/- (three hundred sixty-six million and fifty thousand shillings only).

Grant		2024-2025	2023-2024
		Kshs	Kshs
Recurrent grants received		0	96,890,000
Capital grants realized (see note above)		0	269,160,000
Total		0	366,050,000
Name of Rivatex East Africa Limited sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount recognized in capital fund	Total grant income during the year
	Kshs	Kshs	Kshs
Ministry of Industrialization, Trade and Enterprise Development.	0	0	0
Ministry of Education	-	-	-
Total	0	0	0

II. OTHER INCOME

There was other income during the period from the sale of scrap metal amounting to Kshs. 14,127,000.

12. OTHER GAINS AND LOSSES

There were gains from foreign currency fluctuations of Kshs 49,494/-

Other gains and losses

Other gains and losses

Total

2024-2025	2023-2024
Kshs	Kshs
0	49,494
0	49,494

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.(a) Administration Expenses

	2024-2025	2023-2024
	Kshs.	Kshs.
General administration expenses	13,353,869	15,564,058
Stationery and Printing	1,854,331	5,025,143
Telephone and internet expenses	2,196,355	4,430,443
Travelling, Courier and subsistence allowances	14,016,630	22,940,378
Courier, transport	2,096,126	5,781,972
Depreciation Property, plant and equipment(PPE)	2,374,690	3,010,595
Legal fees	200,050	2,845,088
Repairs and Maintenance	1,722,930	1,877,935
Cotton development	1,212,367	17,307,682
Water	359,101	377,925
Electricity	1,140,264	1,451,896
Fuel and Oil	4,050,951	8,156,180
Staff costs	4,252,517	8,143,511
Insurance	567,706	1,507,498
General provisions for bad debts	<u>(1,793,861)</u>	<u>542,139</u>
Sub-total	<u>47,604,025</u>	<u>98,962,444</u>

(b) Personnel Emoluments

	2024-2025	2023-2024
	Kshs.	Kshs.
Salaries	43,299,702	47,414,871
NSSF Employer Contribution	10,630,300	9,359,114
Employer's Pension Contribution	9,977,100	10,240,875
Gratuity	<u>0</u>	<u>1,734,117</u>
Sub-total	<u>63,907,101</u>	<u>68,748,978</u>

(c) Board Expenses

	2024-2025	2023-2024
	Kshs	Kshs
Board Expenses	2,647,700	3,938,145
Sub-total	2,647,700	3,938,145

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

(d) Honoraria	2024-2025	2023-2024
	Kshs	Kshs
Honoraria	895,800	895,800
Sub-Total	895,800	895,800

(e) Audit Fees	2024-2025	2023-2024
	Kshs	Kshs
Audit Fees	0	0
Sub-Total	0	0

Total Administration Cost (Note I3a-I3e)	2024-2025	2023-2024
	<u>115,054,627</u>	<u>172,545,367</u>

14. SELLING & DISTRIBUTION COSTS

	2024-2025	2023-2024
	Kshs.	Kshs.
Selling & Distribution expenses	2,893,705	3,823,565
Outlets expenses	296,376	584,089
Rent outlets	7,484,652	7,411,453
Total Sales & Marketing Expenses	10,674,733	11,819,107

15. FINANCE COSTS

a. Ledger Fees	2024-2025	2023-2024
	Kshs.	Kshs.
Ledger Fees	851,905	633,706
Interest expense on Bank overdrafts	6,005,714	0
Total	6,857,619	633,706

b. Letter of Credit fees	2024-2025	2023-2024
	Kshs.	Kshs.
Letter of Credit fees	0	428,389
Total	0	428,389
Grand Total	6,857,619	1,062,095



NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Buildings (Kshs)	Buildings (Work-In- Progress) (Kshs)	Plant & Equipment (Kshs)	Plant & Equipment (Work-In- Progress) (Kshs)	Furniture & Fittings (Kshs)	Computers & Accessories (Kshs)	Office Equipment (Kshs)	Motor Vehicles (Kshs)	Total (Kshs)
Cost/Valuation									
As at 1st July 2024	772,938,415	53,295,262	6,117,658,671	31,977,936	4,515,166	8,609,671	3,392,118	62,392,192	7,054,779,431
Transfers	-	-	-	-	-	-	-	-	-
Additions 2024/2025	-	-	-	-	122,800	-	-	-	122,800
Disposals/Obsolete Assets	-	-	-	-	-	-	-	-	-
As At 30th June 2025	772,938,415	53,295,262	6,117,658,671	31,977,936	4,637,966	8,609,671	3,392,118	62,392,192	7,054,902,231
Depreciation									
As at 1st July 2024	102,890,257	-	891,454,180	-	4,125,264	7,818,478	2,583,138	59,274,920	1,068,146,238
Disposals/Obsolete	-	-	-	-	-	-	-	-	-
Charge for the quarter	19,323,460	-	152,941,467	-	256,971	350,517	52,119	667,868	173,592,402
As At 30th March 2025	122,213,718	-	1,044,395,647	-	4,382,236	8,168,995	2,635,257	59,942,788	1,241,738,640
Net Book Value									
As At 30th June 2025	650,724,697	53,295,262	5,073,263,024	31,977,936	255,730	440,676	756,861	2,449,404	5,813,163,591
As at 30th June 2024	670,048,158	53,295,262	5,226,204,491	31,977,936	389,902	791,193	808,980	3,117,272	5,986,633,193

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

17. RIGHT-OF-USE ASSET

	2024-2025	2023-2024
	Kshs	Kshs
COST		
At July I	50,322,233	50,322,233
At June 30	50,322,233	50,322,233
AMORTIZATION		
At July I	12,768,326	12,017,249
Charge for the year	751,078	751,078
At June 30	13,519,404	12,768,326
NET BOOK VALUE at June 30	36,802,828	37,553,906

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



Ladies Attire

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INVENTORY

	2024-2025 Kshs	2023-2024 Kshs
Raw materials	16,284,907	59,256,386
Finished goods	146,036,593	152,950,451
Work-In-Progress	88,420,422	107,956,199
Sub-Total	250,741,923	320,163,036
Consumables, spares & accessories	225,717,726	195,482,684
Fuelwood	145,996	259,386
Furnace oil	1,070,000	726,000
Sub-Total	226,933,722	196,468,070
Total	477,675,645	516,631,106

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

19. TRADE & OTHER RECEIVABLES

	2024-2025 Kshs	2023-2024 Kshs
Trade receivables	47,299,255	80,532,494
Prepayments (Note 26(a))	-	-
Other receivables from related parties (Note 26 (b))	21,464,637	24,108,609
Utilities deposits (Note 7)	380,140	380,140
Provisions for bad & doubtful debts	(3,457,202)	(5,251,062)
Total	65,686,830	99,770,180

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. BANK AND CASH BALANCES

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

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	5,911,974	9,657,777
Cash in hand	31,999	135,796
Total	5,943,973	9,793,573

All the cash at bank was held at Equity Bank of Kenya, Kenya Commercial Bank & Cooperative bank of Kenya.

The make-up of bank balances is as follows:

	<u>2024-2025</u>	<u>2023-2024</u>
	<u>Kshs</u>	<u>Kshs</u>
Cash at Hand	<u>31,999</u>	<u>135,796</u>
Bank Balance:		
<u>Equity Bank</u>		
Main Account (0300291345310)	2,016	6,634
Sales Account (0300292559317)	4,738,288	888,827
Nairobi Account (0300297531263)	378,307	69,996
Moi University Account (0300294911893)	26,236	24,893
Canteen Account (0300294868414)	36,905	7,423
Narok Account (0300297531280)	35,800	46,715
Dollar Account (0300295572845)	47,142	277,452
<u>Kenya Commercial Bank</u>		
KCB Main Account (1182314430)	13,581	94,633
MUPEN Account (1120920809)	286,677	115,911
Nakuru Account (1178072886)	135,597	45,059
Kisumu Account (1121365930)	138,888	131,585
Showroom Account (1136152989)	72,537	4,627
<u>Co-Operative Bank</u>		
Co-operative Main Account(01136647198200)	-	7,944,021
Sub-total	<u>5,911,974</u>	<u>9,657,777</u>
Total	<u>5,943,973</u>	<u>9,793,573</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. SHARE CAPITAL

	2024/2025 Kshs	2023/2024 Kshs
AUTHORISED 50,000 Ordinary shares of @ Kshs.20	1,000,000	1,000,000
ISSUED & FULLY PAID 50,000 Ordinary shares of @ Kshs.20	1,000,000	1,000,000

22. REVALUATION RESERVES

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

	2024/2025 Kshs	2023/2024 Kshs
Revaluation reserves b/f	73,652,680	73,652,680
Total	73,652,680	73,652,680

23. RETAINED EARNINGS

This is made up of:-

	2024/2025 Kshs	2023/2024 Kshs
Retained earnings b/f	(3,408,535,665)	(3,041,471,831)
Net Loss for the year	(358,556,697)	(367,063,834)
Total	(3,767,092,362)	(3,408,535,665)

24. CAPITAL RESERVES

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

	2024-2025 Kshs	2023-2024 Kshs
Capital Reserves	9,836,917,066	9,567,757,066
Grants for the year-Government subventions	0	269,160,000
Total	9,836,917,066	9,836,917,066

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. TRADE AND OTHE PAYABLES

This is made up of: -

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	108,553,959	52,088,953
Accrued expenses	-	-
Retention/ contract monies	11,567,021	5,318,342
EMPLOYEES OBLIGATIONS:		
Moi University Pension Scheme staff deductions;	90,406,078	82,660,566
Rivatex East Africa Limited SACCO deductions;	8,276,008	7,280,017
Total	218,803,066	147,347,878

26. (a). PREPAYMENTS

The prepayments for various goods and services as follows:-

	2024-2025	2023-2024
	Kshs	Kshs
Other Receivables	-	-
	-	-

(b). RELATED PARTY TRANSACTIONS

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

	2024-2025	2023-2024
	Kshs	Kshs
Trade debts	21,464,637	24,108,609
Total	21,464,637	24,108,609

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Transactions with related parties

TRANSACTION	2024-2025 Kshs.	2023-2024 Kshs.
a) Sales to related parties		
Sales of goods to Moi University	16,863,598	18,458,294
Sales of services	-	-
Total	16,863,598	18,458,294
b) Grants from the Government		
Grants from National Govt	0	366,050,000
Grants from County Government	0	0
Donations in kind	0	0
Total	0	366,050,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	=====	=====
a) Key management compensation		
Directors' emoluments	2,647,700	3,938,145
Compensation to the CEO	0	1,387,413
Compensation to key management	32,331,767	36,682,346
Total	34,979,467	42,007,904

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations	2024-2025	2023-2024
	Kshs	Kshs
Operating profit/(loss)	(358,556,697)	(367,063,834)
Depreciation	173,592,402	174,228,308
Amortisation	751,078	751,078
Operating profit/(loss) before working capital changes	(184,213,216)	(192,084,448)
Decrease in inventories	38,955,461	(35,243,105)
Decrease in trade and other receivables	34,083,350	11,585,646
Decrease in trade and other payables	71,455,188	6,423,678
Cash generated from/(used in) operations	(39,719,217)	(209,318,230)

28. (a) PROFIT BEFORE TAX

Net loss before tax is arrived after charging:

	2024-2025	2023-2024
	Kshs	Kshs
Depreciation (Note 16)	173,592,402	174,228,308
Employee benefits expense (Note 28 (b))	222,435,405	232,148,247
Directors' fees & emoluments	2,647,700	3,938,145
Auditors remuneration	0	0
Total	398,675,508	410,314,700

(b) Employee benefit expenses

Salary and wages	201,828,006	210,814,141
Retirement benefits costs:		
- Defined contribution scheme	10,630,300	9,359,114
- National Social Security Fund	9,977,100	10,240,875
- Gratuity	0	1,734,117
Sub-Total	222,435,405	232,148,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. STATEMENT OF TAXATION

	2024-2025 Kshs	2023-2024 Kshs
Operating results before tax	(358,556,697)	(367,063,834)
<u>Add back: Disallowed items:</u>		
Depreciation	173,592,402	174,228,308
Amortization	751,078	751,078
	(184,213,216)	(192,084,448)
<u>Less allowed items:</u>		
Wear & tear allowance	-	(437,248)
Industrial Buildings	-	-
Deductions	-	-
Investment deductions	-	-
NET PROFIT/LOSS	(184,213,216)	(192,521,696)
Less Brought Forward losses	(3,805,462,571)	(3,612,940,875)
	(3,989,675,787)	(3,805,462,571)
Corporation tax	Nil	nil
Add: brought forward	Nil	nil
Less: paid during the year	Nil	nil
Balance carried forward	Nil	nil

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

CAPITAL COMMITMENT

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

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

	2024/2025	2023/2024
	Kshs	Kshs
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in Progress	-	-
Total	-	-

30. CONTINGENT LIABILITIES

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

- b) During the commissioning of the modernized factory on 21st June 2019, His Excellency the President issued a presidential directive waiving 50% electricity costs incurred by the company during operations. The management is still following upon the implementation of the waiver with the Energy and Petroleum Regulatory Authority (EPRA). Consequently, 50% of the

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

electricity cost has been recognized on manufacturing cost. The remainder of the fifty percent (50%) as per the Kenya Power electricity bills has been recognized as a contingent liability awaiting implementation of the directive.

- c) Letter of credit issued during the Financial Year signify commitment by the company to make payments to third parties for contracts entered.

	2024-2025	2023-2024
	Kshs	Kshs
Probable Legal costs	15,900,000	15,900,000
Electricity cost	160,868,618	160,868,618
Audit Fees	290,000	290,000
Total	177,058,618	177,058,618

31. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

Rivatex East Africa Limited has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. STAFF COST

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

33. INCORPORATION

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

34. EVENTS AFTER THE REPORTING PERIOD

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

35. CURRENCY

The financial statements are presented in Kenya Shillings.



23. APPENDICES

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.

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Overstatement of inventory FY 2018/2019	Included in the raw materials is chemicals figure of Kshs. 15,484,685 which are classified as 'not moving'. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were specifically to be used by some of the old obsolete wet processing machinery that were dismantled. However, after modernization these chemicals are no longer in use and therefore the management through the board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA)	Eng. Josphat Cheruiyot (Processing Manager)	Not Resolved	December 2025
2	Fair Statement of Expired Chemicals Inventories FY 2019/2020	Included in the inventory amount (raw materials) is chemicals figure amounting to Kshs. 15,484,685 which are classified in the stores ledger as not moving. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were to be used by some of the obsolete wet processing machines that have since been replaced. However, after modernization these chemicals are no longer in use and therefore the management through the Board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA).	Eng. Josphat Cheruiyot (Processing Manager)	Not Resolved	December 2025

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Material Uncertainty Related to Going Concern.	The statement of profit or loss and other comprehensive income reflects gross loss of Kshs.278,576,759 and Kshs.293,074,506 for year ended 30 June, 2024 and 30 June, 2023 respectively and the statement of financial position reflects accumulated loss balance of Kshs.3,408,535,666 (2023 Kshs.3,041,471,831). The Management attributes the poor performance to constant lack of raw materials such as cotton, high cost of inputs such as labour, electricity and water, fuel, spares and consumables, repairs and maintenance that had hindered the Company's ability to produce and supply its products on time. In the circumstances, the Company's continued existence as a going concern may depend on the goodwill and support from the Government, bankers and creditors.	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2025
4	Budgetary Control and Performance	The statement of comparison of budget and actual amounts for the year ended 30 June 2024 reflects final receipts budget and actual on comparable basis amounts of Kshs.816,050,000 and Kshs.698,256,080 respectively resulting to an under-funding of Kshs.117,793,920 or 14% of the budget. Similarly, the Company incurred an expenditure of Kshs.1,065,319,914 against an actual receipt of Kshs.698,256,080 resulting to an unapproved over-expenditure of Kshs.367,063,834 or 56% of actual receipts. The underfunding affected the planned activities of the Company and may have impacted negatively on service delivery to the public.	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2025
5	Long Outstanding Trade and Other Payables;	The statement of financial position reflects trade and other payables balance of Kshs.147,347,878 as disclosed in Note 25 to the financial statements. The balance is comprised of trade payables balance of Kshs.52,088,953, retention monies balance of Kshs.5,318,342, Moi University Pension Scheme staff deductions balance of Kshs.82,660,566 and Rivatex East Africa Limited Savings and Credit Co-operative Organization (SACCO) deductions balance of Kshs.7,280,017. However, the trade and other payables aging analysis provided for audit review revealed that payables for goods, services rendered and works done amounting to Kshs.5,170,156 have been outstanding for more than one (1) year. No plausible explanation was provided for non-payment. In the circumstances, the ability of the Company to settle its obligations as and when they become due is in doubt.	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2025

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	Failure to Observe Ethnic Balance on Staff Composition.	The statement of profit or loss and other comprehensive income reflects administration costs of Kshs.172,545,367 which includes staff costs of Kshs.8,143,511. However, review of the payroll and human resource records revealed that the Company employed a total of seven hundred and seventy (770) employees on contract and permanent basis out of which six hundred and Ten (610) representing approximately 79% of the total number of members of staff were from the same community. This is contrary to Section 7(1) & (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one-third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law.	Joseph Keter (Manager Human Resource & development)	Not Resolved	December 2025
7	Long Outstanding Trade and Other Receivables Observation(s):	The statement of financial position reflects trade and other receivables balance of Kshs.99,770,180 as disclosed in Note 19 to the financial statements. Review of the debtors ageing analysis revealed that out of the total debtors' balance of Kshs.99,770,180, Kshs.29,194,409 were for more than one year old. This implies that the Company is unable to collect its debts as and when they fall due. Further, it was noted that trade receivables of Kshs.2,327,417 were non-performing debts. In addition, the amount for receivable of Kshs.99,770,180 included Kshs.18,458,294 which relates to receivables from Moi University for supply of goods out of which Kshs.10,899,056 was for staff deductions which had not been remitted to Rivatex East Africa Limited. In the circumstances, the recoverability of the long outstanding trade receivables balance of Kshs.99,770,180 could not be confirmed.	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2025
8	Failure to Remit Statutory Deductions	The statement of financial position reflects trade and other payables balance of Kshs.147,347,878 which includes Moi University Pension Scheme staff deductions balance of Kshs.82,660,566 and Rivatex East Africa Limited (SACCO) deductions balance of Kshs.7,280,017 all totaling to Kshs.89,940,583 as disclosed in Note 25 to the financial statements. The two balances relate to pension and SACCO dues deducted from employees' salaries but had not been remitted. Failure to remit SACCO deductions was contrary to Section 35 of the Co-operative Societies Act, 2012 which states that	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2025

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		where an employer has made a deduction from the employee's emoluments but fails to remit the deductions, he shall be liable to pay the sum deducted together with compound interest and legal proceedings may be instituted for recovery of the sums. In addition, Management also contravened Part VII, Section 53A(I) of the Retirement Benefits Act, 2012 which states that, where an employer has made a deduction from the employee's emoluments and fails to remit the deduction, the scheme may institute proceedings for the recovery of the deduction. In the circumstances, Management was in breach of the law.			

Managing Director:

Date: 01/11/2025

Chairman of the Board:

Date: 01/11/2025

APPENDIX II: PROJECTS IMPLEMENTED BY RIVATEX EAST AFRICA LIMITED

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	

APPENDIX III: INTER-ENTITY TRANSFERS

RIVATEX EAST AFRICA LIMITED			
Breakdown of Transfers from the State Department of Trade, Industry and Enterprise Development and State Department of Education.			
FY 2023/2024			
a.	Recurrent Grant	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
		N/A	N/A
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
		N/A	N/A

There was no Recurrent and Development grants allocation during the 2024-2025 financial year.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total			N/A	N/A	N/A	N/A	N/A	N/A	N/A

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

