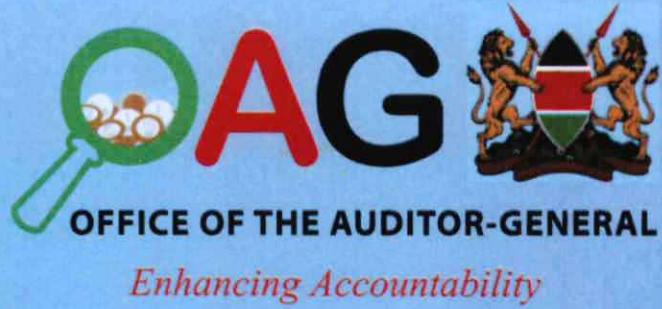
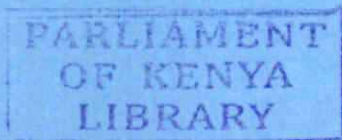


REPUBLIC OF KENYA



# REPORT




OF

**THE AUDITOR-GENERAL**

ON

**RIVATEX EAST AFRICA LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	06 MAR 2025 <span style="float: right;">DAY Thursday</span>
TABLED BY:	Hon. Naomi Waco, MP Deputy Majority Party Whip
CLERK-AT-THE-TABLE:	A. Jibuko

# RIVATEX EAST AFRICA LIMITED



OFFICE OF THE AUDITOR GENERAL  
ELDORET REGIONAL OFFICE  
23 NOV 2024  
RECEIVED  
P. O. Box 2974 - 30100, ELDORET



**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED JUNE 30, 2024**

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



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## **I. ACRONYMS AND GLOSSARY OF TERMS**

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

## II. KEY ENTITY INFORMATION

### a) Background information

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

Rivatex East Africa Limited (REAL) is incorporated as a limited liability company under the Companies Act No. 17 of 2015 on 16<sup>th</sup> 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

**RIVATEX EAST AFRICA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024**

**c) DIRECTORS.**

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

	<b>NAME</b>	<b>DESIGNATION</b>	<b>DATE OF APPOINTMENT</b>	<b>DATE OF EXIT</b>
I.	Dr. Cleophas Lagat	Board Chairman	February 2023	Still the Chairman
2.	Prof. Isaac Kosgei	Vice Chancellor – Moi University.	February 2019	Still a Director
3.	Mr. Nobby Macharia	Alternate to the PS - Ministry of Investments, Trade and Industry.	October 2021	Still a Director
4.	CPA Gilbert K. Kangogo	Alternate to the PS - The National Treasury & Planning.	November 2023	Still a Director
5.	Prof. Eng. Henry Kirimi Kiriamiti	Alt. Director to Vice Chancellor – Moi University.	November 2023	Still a Director
6.	Ms. Dorcas Achapa	Independent Member	August 2022	November 2023
7.	Mr. David Chepkwony	Independent Member	August 2022	November 2023
8.	Mr. Dipesh Ganatra	Independent Member	August 2022	November 2023
9.	Mr. Isaac Memusi	Alternate to the PS - The National Treasury & Planning.	May 2021	November 2023
10.	Ms. Pamela Mutembei	Independent Member	January 2024	Still a Director
11.	Mr. Stephen Barno	Independent Member	November 2023	Still a Director
12.	Mr. Nehemiah K. Maina	Independent Member	November 2023	Still a Director
13.	Mr. Protus Lumonje Barasa	Independent Member	November 2023	Still a Director
14.	Prof. Thomas Kipkurgat	Managing Director & Secretary to the Board.	July 2017	Still a Director

## INSTITUTIONAL DETAILS

### d) CORPORATION SECRETARY

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

### e) REGISTERED OFFICE

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

### f) CORPORATE HEADQUARTERS

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

### g) CORPORATE CONTACTS

☎ (254) 53 2030901.  
✉ [info@rivatex.co.ke](mailto:info@rivatex.co.ke)  
🐦 @rivatex ltd  
📘 Rivatex textile  
🌐 [www.rivatex.co.ke](http://www.rivatex.co.ke)

### h) CORPORATE BANKERS

#### Central Bank of Kenya

✉ 60000- 00200, Eldoret  
✉ +254-20-2860000  
🖨 +254-286-0000  
🐦 [info@centralbank.co.ke](mailto:info@centralbank.co.ke)  
🌐 [www.centralbank.go.ke](http://www.centralbank.go.ke)

#### Equity Bank of Kenya Ltd

✉ 2210- 30100, Eldoret  
☎ +254-053-2060907  
🖨 +254-053-2031777  
🐦 [info@equitybank.co.ke](mailto:info@equitybank.co.ke)  
🌐 [www.equitybank.co.ke](http://www.equitybank.co.ke)

#### Kenya Commercial Bank Ltd

✉ 560 – 30100, Eldoret  
☎ +254-053-2062241/2  
🖨 +254-053-2061259  
🐦 [xretailmngreld@kcb.co.ke](mailto:xretailmngreld@kcb.co.ke)  
🌐 [www.kcbbankgroup.com](http://www.kcbbankgroup.com)

#### Cooperative Bank of Kenya Ltd

✉ 2948 – 30100, Eldoret  
☎ +254-053-2062717  
🖨 +254-053-2063663  
✉ [eldoretbr@co-opbank.co.ke](mailto:eldoretbr@co-opbank.co.ke)  
🌐 [www.co-opbank.co.ke](http://www.co-opbank.co.ke)

**I) INDEPENDENT AUDITORS**

**Auditor-General,**

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

✉ 30084 – 00100,

Nairobi, Kenya.

**j) PRINCIPAL LEGAL ADVISERS**

**1. The Attorney General**

State Law Office & Department of  
Justice,

Harambee Avenue

✉ 40112, City Square 00200

**2. Rioba Omboto and Company advocates**

Muya House, 2<sup>nd</sup> floor, Kenyatta Street

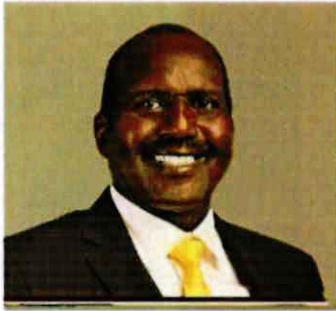
✉ 4837-30100

Eldoret, Kenya



Discipline forces uniform

### III. THE BOARD OF DIRECTORS



**Dr. Cleophas Lagat, EGH**

#### CHAIRMAN

Dr. Cleophas Lagat is a Kenyan politician and the first Governor of Nandi County, who served from 2013 to 2017. He joined politics after resigning as a Principal of Eldoret Polytechnic in 2012. He had previously held other positions in Kenyan tertiary colleges. He is a seasoned scholar, administrator and politician rolled into one. He is

a classic example of a progressive, proactive and pro-people leader with keen interest in education, youth and women empowerment. In his teaching career spanning close to three decades he has stayed the course focusing to leave his places of work better than he found it. While at Eldoret Polytechnic, he was recognized as a 'Friend of Europe' owing to his exemplary and commendable way of managing donor funds particularly resources from European Union.

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

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

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



**Mr. Nobby Chiera Macharia**

**DIRECTOR.**

Mr. Nobby represents the Principal Secretary, Ministry of Investments, Trade and Industry. He holds Masters in Business Administration (Entrepreneurship) from Kenya Methodist University and Bachelors of Science in Agriculture from University of Nairobi. Mr. Macharia has a wide experience from the Ministry of Industrialization where he has held several positions from being Industrial Development Officer, to PA to the Assistant Minister, Acting Head-Field services MSEA, to Acting CEO-MSEA, to Project Coordinator-Kenya Youth Employment and Opportunities Project (KYEOP) at MSEA and Acting Secretary Industrialization.

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

**DIRECTOR**



**Prof. Isaac S. Kosgey**

Prof. Isaac Kosgey is a Professor of Animal Sciences (Animal Breeding and Genetics). He is currently the Vice-Chancellor of Moi University. Before his appointment as the Vice-Chancellor, he was the Deputy Vice-Chancellor (Administration, Finance and Development) at Laikipia University (Laikipia, Kenya).

Prof. Kosgey holds a Doctor of Philosophy degree in Animal Sciences and a Master of Science degree in Animal Sciences with Distinction from Wageningen University (Wageningen, The Netherlands), a First Class Honours Bachelor of Science degree in Animal Production and a Diploma in Animal Husbandry with Distinction, both from Egerton University (Njoro, Kenya), a Diploma in Law with Distinction from Mt. Kenya University (Thika, Kenya) and a Master of Business Administration(strategic management)from Kenyatta University (Nairobi, Kenya).Prof. Kosgey has wide experience in public and university administration and management having served as the Chairman of the Department of Animal Sciences (October 24, 2005-September 10, 2006) and Dean of the Faculty of Agriculture (September 11, 2006-September 10, 2010) at Egerton University, Deputy Principal (Administration, Planning and Development) at Laikipia University College of Egerton University (October 3, 2011-February 20, 2013), Acting Deputy

Vice-Chancellor (Administration, Finance and Development) (February 21, 2013-June 17, 2013) and Acting Dean, Institute of Arid Lands Management (May 9, 2012 - October 23, 2014) both at Laikipia University, and an Associate Professor of Animal Sciences, specializing in animal breeding and genetics at Egerton University (May 1, 2010 - October 22, 2014).

#### DIRECTOR



Prof. Eng. Kirimi Henry Kiriamiti, is Professor in Chemical and Process Engineering specializing in Environmental Engineering. He holds a combined Bachelors's and MSc degrees in Chemical Engineering from the Technical University of Wroclaw, Poland, and a Ph.D. in Process and Environmental Engineering from ENSIACET in Toulouse, France.

**Prof. Eng. Henry Kiriamiti** He was also involved in consultancy involving the development of the Pan-African University curriculum in Engineering, curriculum of Mining and Metallurgical Engineering at Namibian University of Science and Technology and the establishment of Rivatex East Africa. Prof. Kiriamiti has worked with Kenya Pipeline Company (KPC) in the training and development of curriculum at Morindant Institute of oil and gas. Prof Kiriamiti is the President of the Institute of Chemical Engineers in Kenya. He is member of the Kenya Institution of Engineering Technologists and Technicians, Chemical society of Kenya and Registered by the Engineers Board of Kenya and licensed to practice by Kenya Engineering Technologists Registration Board as Professional Engineering Technologist in Chemical and Process Engineering. Prof. Kiriamiti has worked as Dean, Deputy Principal, Deputy Vice-Chancellor, Vice Chancellor of various Universities in Kenya and currently leading for funded projects at Moi University of Incubation Centre and Mobility of Innovative Renewable Energy Technologies (MIRET). He is the Project leader of MU Technologies factory situated in Rivatex.

#### DIRECTOR



**Ms. Pamela Mutembei**

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.

### MANAGING DIRECTOR



Prof. Thomas Kipkurgat, EBS

Professor Thomas Kipkurgat is the Managing Director and Chief Executive Officer at Rivatex East Africa Limited. He holds a Doctor of Philosophy degree in Agribusiness Management from Texas Tech University (USA). He has a Master's degree in Business Administration from Abilene Christian University (USA). Before joining Rivatex East Africa Limited, he worked with Moi University as the Director of International Linkages. He also worked as the Director of International and Multicultural Linkages at Oklahoma State University (USA) for more than 10 years. He has also attended and presented in numerous seminars, conferences and workshops both locally and internationally, presenting on various areas such as in transformative leadership, management, micro-enterprise development, among others.

### COMPANY SECRETARY & MANAGER LEGAL SERVICES



Tecla Tum, LLB,  
Dip (Law), CPS (K),

Tecla Tum was born in the year 1987. She holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 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.



*Our products*

#### IV. KEY MANAGEMENT TEAM

##### MANAGING DIRECTOR



Prof. Thomas Kipkurgat,

Professor Thomas Kipkurgat is the Managing Director and Chief Executive Officer at Rivatex East Africa Limited.

He holds a Doctor of Philosophy degree in Agribusiness Management from Texas Tech University (USA). He has a **Master's** degree in Business Administration from Abilene Christian University (USA).

Before joining Rivatex East Africa Limited, he worked with Moi University as the Director of International Linkages. He also worked as the Director of International and Multi-cultural Linkages at Oklahoma State University (USA) for more than 10 years. He has also attended and presented in numerous seminars, conferences and workshops both locally and internationally, presenting on various areas such as in transformative leadership, management, micro-enterprise development, among others.



CPA. Stanley Bett

##### GENERAL MANAGER CORPORATE SERVICES

CPA Stanley Bett is the General Manager-Corporate Services and the member of ICPAK & IIA with professional experience of 17 years. He holds a Bachelor of Business Management (Accounting option) and Masters in Business Management -Finalist (Accounting Option) from Moi University. He has held various senior

management positions.



Eng. Peter Mugo

##### GENERAL MANAGER PRODUCTION DEPARTMENT

Eng. Peter Mugo holds a Bachelor of Science degree in Textile Engineering. He has over 18 years work experience in Textile Engineering having held various senior management positions.

He is responsible for the Production Department.

### HEAD OF FINANCE & ACCOUNTS



CPA Magdaline Jepchumba

CPA Magdaline Jepchumba is the Head of Finance & Accounts and the member of ICPAK with professional experience of over 7 years. She holds a Bachelor of Business Management (Finance & Banking) from University of Eldoret and ongoing Masters in Business Administration (Forensic Audit & Accounting Option) from Moi University.

### HEAD OF PROCUREMENT



Mr. Hillary Too

Mr. 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. Charles Too

Eng. Charles Too holds a Bachelor of Technology in Textile Technology. He has professional experience of 20 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.



### 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 8 years work experience.

He is responsible for the Human resources & development division.



Eng. Nehemiah Rotich

### SPINNING MANAGER

Eng. Nehemiah Rotich holds a Bachelor of Engineering in Industrial and Textile Engineering. He has professional experience of more than 7 years. He is responsible for the Spinning division.



Eng. Suresh Babu

### PROCESSING MANAGER

Eng. Suresh Rao Babu holds a Diploma in Textile Technology from RVS Polytechnic, Dindigul, Tamil Nadu .He 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.

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 10 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 8 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 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 Public Secretaries.

## **V. FIDUCIARY MANAGEMENT**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Professor. Thomas Kipkurgat, EBS
2.	Head of Corporate Services	CPA. Stanley Bett
3.	Head of Finance	CPA. Magdaline Jepchumba
4.	Head of Procurement	Mr. Hillary Too

## **VI. FIDUCIARY OVERSIGHT ARRANGEMENTS**

### **• 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*

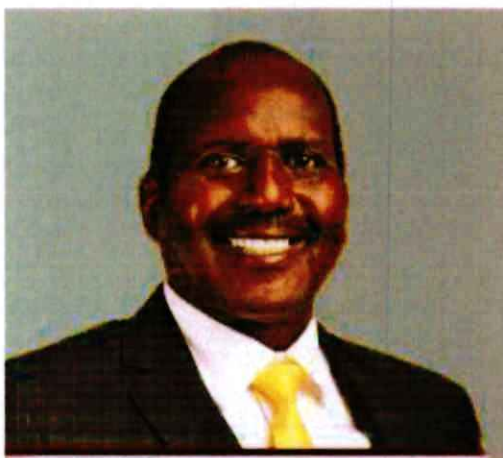
The objective of the Committee is to assist the Board in discharging its duty to oversee the establishment of appropriate Human Resources, administrative, ICT & Legal; policies, frameworks and strategies that provide the Company with the capability to achieve its short-term and long-term business objectives.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



Our products

## VII. CHAIRMAN'S STATEMENT

Dear Shareholders



I am very pleased to share with you the annual financial statements for the year ended 30<sup>th</sup> June 2024.

The 2023/2024 financial year was characterized by shortage of raw materials, high interest rates, fluctuations in exchange rates, social and climate disruptions, intense competition in textiles markets and rising of taxes which hampered our financial performance and growth ambitions. Despite the headwinds, we focused on completing modernization strategies which continues to play a key role in the revitalization of the cotton, textile and apparel sector in Kenya and to support the sector to anchor high-value investments from the upstream of cotton growing and ginning to the downstream of garment making.

Despite the extraordinary social and economic challenges, we leveraged on the new machinery to produce innovative products and enhanced our iconic brands to keep up with changing customer demands. Among these were the focus on supplying bulk customers whose demand has been large and continuous and enabled the company to enjoy the economies of scale. We consistently improved our ability to service our existing domestic customers and focused on exploiting the opportunity of entering into export market.

To enhance efficiency and optimize the use of various production facilities amid fierce competition and rising production costs, the company initiated a project to improve its production processes. It also implemented strict cost controls and effective resource management. The management team was proactive in seeking to expand their customer base and explore untapped markets.

The company introduced innovative products and intensified its promotion of sustainable textiles by diversifying its offerings. New product lines were developed, including double-twisted yarns, dyed yarns, Maasai Shuka, checked fabrics, and Kikoi, among others. As a consumer-focused textile mill, we prioritize understanding fashion trends and consumer preferences to meet their needs effectively.

As a key player in the local textile value chain, the company has demonstrated its commitment by participating in the Cotton Development and Subsidy Program across 24 counties. We have collaborated with county governments, ginners, farmers, and stakeholders in cotton-producing areas, providing certified seeds, pesticides, advisory services, and market guarantees for cotton. Moving forward, the company will continue to support local farmers and ginneries to ensure that cotton farming is profitable and generates income and employment.

We have also strategically prioritized environmental compliance by ensuring our industrial operations meet globally recognized standards for zero discharge of hazardous materials. We adhere to national

environmental regulations, and we are now working towards meeting international standards to access foreign markets and partner with companies in Export Processing Zones (EPZs) to source textiles locally.

As we look to the future, our commitment to growing the Rivatex brand sustainably remains strong. The nearly complete modernization of our operations has been supported by the National Government, and we will strive to contribute positively to the new administration's textile objectives. Our factory is now well-positioned to influence the direction of Kenya's textile industry and play a significant role in export markets, including those under the African Growth and Opportunity Act (AGOA).

Entering the international market will create opportunities throughout the textile value chain for our farmers, ginneries, agronomists, suppliers, and manufacturers of garments, accessories, chemicals, and agrochemicals. This will lead to positive foreign exchange inflows, foster innovation, and create income-generating and employment opportunities for Kenyans. We are excited about the future given the potential of the local cotton sector, the demand for quality fabrics produced with an African touch like our beloved Kitenges, and the extraordinary character and talent of our staff.

On behalf of the Board of Directors, I would like to recognize and celebrate the Government for the support, the farmers for their Continued endeavors in growing and ensuring a reliable supply of cotton, our customers for preferring our brands, our staff for walking the journey with us and stakeholders for their positive inputs. Likewise, I would like to thank my fellow Board members for their counsel and leadership as we steward the Company to greater heights.



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



*The cotton revitalization team at the Boma in Hotel during the meeting*



*Cotton Seed distribution program*

## VIII. REPORT OF THE MANAGING DIRECTOR



Allow me to present the financial statements for the year ended 30<sup>th</sup> June 2024.

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

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

Through modernization, we shall be able to produce cost effectively, increase productivity and quality of our products, and thus be competitive to attract huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve our existing clientele.

### Financial and Business Performance

During the year under review, the company faced a scarcity of raw materials, particularly cotton, resulting in considerable price increases, as well as headline inflation, high cost of energy/gasoline and electricity prices, all of which had a negative influence on our commercial performance. Global conflicts in Eastern Europe had an influence on the prices of imported raw materials and supply chain logistics, causing inflation to rise throughout the year. Global commodities price shocks and the prolonged drought slowed economic recovery.

Nevertheless, our strong foundation established over the years empowered us to confront these adversities with resilience and determination. Through our journey, we have evolved into a dynamic and agile enterprise that responds adeptly to changing market conditions, a testament to our strategic initiatives and forward-thinking approach. Our unwavering focus on developing value-added products and widening our product basket with newer variants helped us navigate these trying times. This approach protected us from severe financial erosion and highlighted our product strategy's effectiveness.

In response to these challenges, we are undertaking a comprehensive review of our operations. We are committed to implementing cost-control measures, optimizing our supply chain, and exploring new market opportunities. Our focus on innovation and sustainability remains strong, as we believe these elements are crucial for long-term resilience. We are also investing in staff training and development to ensure our team is equipped to navigate future challenges and capitalize on new opportunities.

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

During the period under review, the company registered a one per centum (1%) increase in turnover of Two million, four hundred and ninety-six thousand, three hundred and seventy shillings (Kshs. 2,496,370/-). The cost of sales (manufacturing expenses) reduced by twelve million, one thousand, three hundred and seventy-seven shillings (Kshs 12,001,377 /-) which is two per centum (2 %).

During the period, we increased our product portfolio from eighteen (18) to twenty-two (22) products as well as growing our market footprint in the yarns market by re-engineering our production process and servicing bulk orders from large yarn consumers. We have continuously expanded our range of products to cater to the customized requirements of our customers. Our product range includes Ring Spun combed yarn, TFO ring spun yarn, Open End yarn, TFO open end yarn and woven fabric such as yarn dyed shirting and bottom weight fabric. Our yarn dyed shirting includes cotton range and blended products.

### **Modernization**

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

We are in the final stages of installing a new Continuous Dyeing Machine, often known as a Hot Flue machine. We are certain that this new technology will improve our ability to process materials, as well as the quality and quantity of fabrics we can dye. A new Caustic Recovery Plant installation is also underway. By guaranteeing the recovery (recycling) of caustic soda used in the production process, minimizing costs associated with effluent treatment, and reducing the amount of caustic soda that is discharged from the factory as environmentally friendly effluent, this will ensure lower operating costs.

With a lot of momentum going into the 2024–2025 financial year, we we're in a good place to grow Rivatex East Africa Limited's sales and realize profitability in the future year. As we expand our capabilities to meet demand and continue to engage in information systems and contemporary technology development to spur innovation, we anticipate increasing our business's investments even further.

### **Corporate Strategy**

We are aggressively implementing strategies to exploit the enormous opportunity in product and design innovations to address the changing preferences of young vibrant Kenyan's. We are formulating a five-year Strategic Plan to replace the current one which has run its course to cover the period 2024/2025 to 2029/2030. The main purpose for the Strategic Plan is to fast track the achievements of specific milestones supporting the sustainable production and long-term profitability of the company.

Kenya's textile industry is expanding quickly as a result of the government's "Buy Kenya, Build Kenya" program and rising affluence among Kenyan customers who are placing an increasing demand on locally produced textiles. The year-over-year success of the corporation was bolstered by a growing population, rising income levels, a rise in the demand for completed goods, and the expansion of end-use industries such as healthcare, hospitality, and disciplined forces. The company's goods have gained greater traction in the market thanks to our growing efforts in quality improvement, product range diversification, innovations through Research and Development initiatives, and other preferred value-added characteristics.

We are focused in completing the modernization of the factory equipment at Processing Department the Effluent Treatment Plant which will significantly upgrade our capability and flexibility to widen our basket of value added and niche products. We will also enhance our efforts in new product development specifically for international markets.

During the year, we continued to experience enormous challenges with the high cost of production arising from electricity cost which contributes more than 40% of the overall cost of production that hindered the company from exploitation of the potential opportunities that exist in both the local and regional markets. We have been licensed by Special Economic Zones Authority to develop, manage and operate a functional Single Sector Special Economic Zone (specializing in the Industrial Park sector) and as a Special Economic Zone, Rivatex will benefit from cheaper power as well as other tax incentives.

### **Our Outlook**

While this past year has been difficult, I am optimistic about our path forward. We are developing a strategic plan to reposition Rivatex East Africa Limited for recovery and growth. By focusing on operational efficiency and product differentiation, we aim to regain our competitive edge in the market.

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

Although the challenges are high, we are committed to dedicating all our efforts possible to add value to our stakeholders in order to meet the long-term goals of the Company. For improving quality of

our products and get premium returns on selling prices we will continue to upgrade plant and machinery with the prime objective of reducing imbalance and inefficiencies.

### Appreciation

I want to thank our dedicated employees for their unwavering commitment during these trying times. I also appreciate the support of our shareholders and stakeholders as we work through these challenges together. Your trust and confidence are invaluable as we navigate this journey.

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

Thank you.



Prof. Thomas Kipkurgat, EBS  
Managing Director



## IX. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

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

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

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Strategies	Activities	Actor	Output
to minimize cost of production	Acquire certification	General Manager	<ul style="list-style-type: none"> <li>• Boiler inspection certificate</li> <li>• LPG tank inspection certificate</li> </ul>
	maximise machine utilization	Chief engineer	Utilization of single boiler at a time. This help in minimising boiler down times during maintenance.
<b>Strategic Objective 2: Build human resource capacity for efficient and effective delivery of the company's mandate</b>			
Human resource development	Development of appropriate training programmes	Human Resource & Development Manager	<ul style="list-style-type: none"> <li>• Training needs assessment and training programmes developed &amp; implemented.</li> <li>• Various of training programmes developed and undertaken –               <ul style="list-style-type: none"> <li><i>i. Machine Lubrications- Both Grease and Oils by Kluber</i></li> <li><i>ii. Fabric processing operations, dyes/chemical and Effluent Treatment plant by (SITA-Supporting Indian Trade for Africa)</i></li> <li><i>iii. Health screening was carried out in collaboration with Cedar 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></li> </ul> </li> </ul>
Provision of conducive work environment	Development of Occupational Safety and Health policy	Human Resource & Development Manager	<ul style="list-style-type: none"> <li>• Environmental Policy and Action Plan</li> <li>• Fire Safety and Action Plan</li> <li>• Staff guidance and counselling (psycho-social) program developed &amp; implemented.</li> </ul>

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Strategies	Activities	Actor	Output
	Training and capacity building for staff on occupational safety	Human Resource & Development Manager	<ul style="list-style-type: none"> <li>• Sales and marketing executives were trained on customer service ethics on how handle clients and enhance marketing skills.</li> <li>• Occupational health &amp; safety committee established &amp; operationalised.</li> </ul>
	Develop and display work safety procedures and provide safety gear	Safety & security Manager	<ul style="list-style-type: none"> <li>• Various safety gears provided e.g. <i>Overalls, Gloves, Safety boots, Ear plugs, Goggles, etc.</i></li> <li>• Work safety procedures implemented &amp; displayed in appropriate locations.</li> <li>• Twelve (12) safety procedures implemented.</li> </ul>
<b>Strategic objective 3: Develop and expand the market for products and service</b>			
Marketing and sales strategy	Develop marketing and sales strategy	Sales & Marketing Manager	New market strategies developed and implemented.
	Development and implement feedback mechanism	Sales & Marketing Manager	Feedback mechanism developed, put in place & operationalised
	Enhance promotion and publicity for the product brand	Sales & Marketing Manager	Product promotion and publicity trade fairs carried out in the following towns: <ol style="list-style-type: none"> <li>i. Homabay</li> <li>ii. Bungoma</li> <li>iii. Nairobi</li> <li>iv. Eldoret</li> <li>v. Kakagema</li> </ol>

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Strategies	Activities	Actor	Output
	Introducing new products and establish market entry strategies for the products.	Sales & Marketing Manager	<ul style="list-style-type: none"> <li>• New products developed &amp; sold e.g.                             <ol style="list-style-type: none"> <li>i. Kikoi</li> <li>ii. Maasai shuka</li> <li>iii. Flag 100% polyester</li> <li>iv. Damask bedsheets</li> <li>v. Bedsheet ( blend of polyester &amp; Cotton)</li> </ol> </li> <li>• Increased market share resulting in increased sales turn over</li> </ul>
Strengthen sales and distribution networks	Establishing new distribution outlets and expand existing networks for products	Sales & Marketing Manager	<ul style="list-style-type: none"> <li>• New bulk customers on boarded &amp; orders being serviced.</li> <li>• On boarding of distributors &amp; bulk selling.</li> </ul>
<b>Strategic objective 4: Establish strong research, extension and consultancy</b>			
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"> <li>• Research areas identified, training program carried out in <i>inter alia</i> Analytical chemistry, Textile Engineering and Chemical Engineering etc. with various research projects undertaken e.g.                             <ol style="list-style-type: none"> <li>i. <i>Development of Reusable sanitary pads (in collaboration with the University of Borås in Sweden)</i></li> <li>ii. <i>Development of Biodegradable desizing enzymes (in collaboration with KIRDI, The University of Nairobi)</i></li> <li>iii. <i>Development of Natural dyes (In collaboration with Prof. Mibey et-al)</i></li> </ol> </li> <li>New collaborations established e.g.                             <ol style="list-style-type: none"> <li>i. <i>Competitiveness, Innovation and Growth to enable the company to capture the market for international textile brands. By Gatsby East Africa.</i></li> <li>ii. <i>Collaborations prerequisites for supplying world major textile brands by PVH (Philips- Van Heusen)</i></li> <li>iii. <i>Provision of premises, utilities and security services to Digital Literacy Program</i></li> </ol> </li> </ul>
Extension	Establish collaboration arrangement with other institutions and agencies	Quality Assurance Manager	

Strategies	Activities	Actor	Output
			iv. Provision of premises, utilities and security services to school of Aerospace and IODL v. Provision of premises, utilities and security services to Confucius Institute
<b>Strategic Objective 5: Product diversification</b>			
Increase the number & range of products.	Develop new products	General Manager	New products developed. i. Kikoi ii. Maasai shuka iii. Flag 100% polyester iv. Damask bedsheet v. Bedsheet ( blend of polyester & Cotton) New products developed & sold e.g. Kimono, Laptop bag, Kaunda Suit, Multi-Pocket Waistcoat



Maasai Shuka



Graduation gown



Waist Coat

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*MD Rivatex interacting with his Excellency the President during the Annual 10<sup>th</sup> devolution conference held at Uasin-Gishu County*



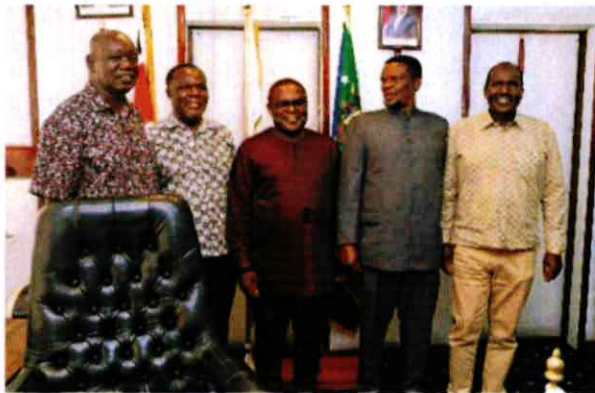
*Prof Thomas Kipkurgat, the Managing Director of Rivatex East Africa Limited (left), during the ongoing Kenya Industrialization Conference held at the University of Nairobi*



*RIVATEX signing of the MOU with Busia Cotton Cooperatives.*



*The consultative meeting at boma-Inn hotel Eldoret which was attended by Governors from cotton growing counties.*



*Board Chairman, Hon. Waluke, Governor Lusaka, Ps. Mukhwana and Hon. Okuu Kaunya for a courtesy call at the Bungoma Governor's office during the Seed distribution in the County*

## **X. 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.

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**Board evaluation**

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

**Code of Ethics and Conduct**

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

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

**Board Meetings**

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

During the year under review, the Board of Directors held four (4) meetings as follows:

NAME		2023/2024
1	Dr. Cleophas Lagat	4
2	Prof. Isaac Kosgei	3
3	Dorcas Achapa ,MBS	2
4	CPA David Chepkwony	2
5	Mr. Nobby Macharia	4
6	Mr. Isaac Memusi	1
	CPA Gilbert Kangogo (Repl. Mr. Isaac Memusi)	1
7	Mr. Dipesh Ganatra	2

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	NAME	2023/2024
8	Prof. Daniel Tarus	2
	Prof. Henry Kiriamiti (Repl. Prof. Daniel Tarus)	1
9.	Mr. Stephen Barno	2
10	Mr. Nehemiah K. Maina	2
11.	Ms. Pamela Mutembei	2
12.	Mr. Protus Lumonge Barasa	2
13.	Prof. Thomas Kipkurgat	4

### COMMITTEES OF THE BOARD

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

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

### PRODUCTION, OPERATIONS AND TECHNICAL COMMITTEE

1. CPA David Chepkwony
2. Mr. Nobby Macharia
3. Mr. Isaac Memusi
4. Mr. Nehemiah Maina
5. Mr. Stephen Barno
6. Prof. Henry Kiriamiti
7. Prof. Thomas Kipkurgat

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

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**Attendance**

The Committee held three (3) meetings which were attended as follows:

NAME		2023/2024
1	CPA David Chepkwony	1
	Nehemiah Maina (Repl : CPA David Chepkwony)	2
2	Mr. Nobby Macharia	3
3	Mr. Isaac Memusi	1
	Stephen Barno (Repl : Mr. Isaac Memusi)	2
4	Prof. Henry Kiriamiti	1
5	Prof. Thomas Kipkurgat	3

**FINANCE AND STRATEGY COMMITTEE MEMBERS**

1. Prof. Daniel Tarus
2. Mr. Nobby Macharia
3. Mr. Isaac Memusi
4. Mr. Gilbert Kangongo
5. Mr. Nehemiah Maina
6. Mr. Stephen Barno
7. Prof. Thomas Kipkurgat

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

**Attendance**

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

DIRECTOR		2023/2024
1	Prof. Daniel Tarus	2
	Mr. Stephen Barno (Repl. Prof. Daniel Tarus)	2
2	Mr. Isaac Memusi	1
	CPA Gilbert Kangogo( Repl. Mr. Isaac Memusi)	2
3	Mr. Nobby Macharia	3
4	Ms. Dorcas Achapa	2
	Mr. Nehemiah Maina ( Repl. Ms. Dorcas Achapa)	1
5	Prof. Thomas Kipkurgat	4

**AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS**

1. CPA David Chepkwony
2. Mr. Nobby Macharia
3. Dorcas Achapa MBS
4. Mr. Protus Lumonje
5. Ms. Pamela Mutembei

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 four (4) meetings which were attended as follows:

NAME		2023/2024
1	CPA David Chepkwony	2
	Mr. Protus Lumonje (Repl. CPA David Chepkwony)	2
2	Mr. Nobby Macharia	4
3	Dorcas Achapa ,MBS	2
	Ms. Pamela Mutembei ( Repl. Ms.Dorcas Achapa)	2

**HUMAN RESOURCE & ADMINISTRATION COMMITTEE MEMBERS**

1. Dorcas Achapa ,MBS
2. Prof. Daniel Tarus
3. Mr. Dipesh Ganatra
4. Mr. Protus Lumonje
5. CPA. Gilbert Kangogo
6. Prof. Henry Kiriamiti
7. Ms. Pamela Mutembei
8. Prof. Thomas Kipkurgat

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

**Attendance**

The Committee held Three (3) meetings which were attended as follows:

	NAME	2023/2024
1	Dorcas Achapa, MBS	1
	Mr. Protus Lumonje (Repl. Ms. Dorcas Achapa)	2
2	Prof. Daniel Tarus (Alt. to Prof. Isaac Kosgei)	1
	Prof. Henry Kiriamiti ( Repl. Prof. Daniel Tarus)	1
3	Mr. Dipesh Ganatra	1
	Mr. Gilbert Kangogo	2
4	Ms. Pamela Mutembei	2
5	Prof. Thomas Kipkurgat	3



*Board of Directors*

## **XI. 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 98% 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 one per centum (1%) increase in turnover of Two million, four hundred & ninety six thousand , three hundred and seventy shillings.(Kshs. 2,496,370/-)

The cost of sales (manufacturing expenses) reduced by twelve million, one thousand, three hundred and seventy-seven shillings (Kshs 12,001,377 /-) which is two per centum (2 %).

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

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

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

- 1) The continued modernization works on the production floor affecting the workflow process as well as the production turnaround period.
- 2) Cotton fibre accounts for approximately 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 \$2.56 per kilogram from November 2024 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 \$2.24 Per kilogram in March 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 39.09 per kWh from February 2024.
- 5) The factory utilizes approximately 41.736M<sup>3</sup> 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 133.40 per liter in September 2023.

- 9) The factory relies on Liquefied Petroleum Gas (LPG) for operating some of its machines. Liquefied Petroleum Gases are byproducts of oil and gas. That means any disruption in the supply equation of the latter will take its toll on the former. Consequently, an increase in global crude oil prices resulted in higher LPG prices which increased in July 2019 by 56% to May 2023 and 92% increase in November 2023.
- 10) The factory has a fashion & apparels division that adds value to fabrics by converting them into garments. The factory utilizes various garmenting accessories in the process. The garmenting accessories prices increased by 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.

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.



*School uniforms*



## XII. 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) 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

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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 prepositions.
- Ensuring our factory operations are in line with internationally accredited environmental standards for Zero discharge of Hazardous chemicals & materials.
- Continuously innovating to unlock new opportunities and deliver new offerings that meet fast changing consumer trends.
- Sourcing locally produced cotton.
- Investing in the local community.
- Supporting the development of STEM in Kenya through research, academic & industrial collaborations, innovation & being an enabler of the Moi University international center of excellence in Phyto textiles.

We are proud to have achieved the following major milestones.

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

**ii) Environmental performance**

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

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

**iii) Employee welfare**

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

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

- a.** In place an affirmative action policy that is adhered to for recruitments, promotions, career development, resource allocation and covers gender, marginalized communities, persons living with disability and the youth.
- b.** Continued to support the Staff benevolent scheme both financially & non-financially,
- c.** We have in place medical facility for minor medical emergencies with arrangements in place for major medical requirements with major hospitals.
- d.** Facilitate the Staff cooperative society.

- e.* Complied with Occupational Safety & Health requirements (OSHA) in terms of ergonomic workstations/spaces, Personal Protective Equipment's (PPE), operational processes & emergency procedures.
- f.* In place career development policies that are applied based on semi-annual performance appraisals to reward excellent performance and assist improve fair performance.

**iv) Market place practices, responsible marketing & advertisement**

The company produces wide variety of products to target different market segments. The products are also competitively priced to attract sizeable market share. Our marketing strategy is based mainly on making the right information available to the right target customer. To enhance and implement the direct sales initiatives the company has opened various factory outlets across the country in Nairobi, Nakuru, Kisumu, Moi University, Eldoret town, Rift Valley Technical Training Institute (RVTTI) and Moi Teaching and Referral Hospital to penetrate new markets. 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 the enlighten the customer on italics fiber content, country of origin and manufacturer identity, care instructions, raw material composition & cleaning instructions. We operate a return policy for products which do not meet the customer requirements

at no additional cost to the customer. Our packaging adheres to environmental regulations in terms of recycling & disposal. Our customer policy & service charter spells out the rights of customers and delivery timelines as well as how to launch complaints.

**Responsible Supply chain & Supplier relations**

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

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

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

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

**v) Corporate Social Responsibility / Community Engagements**

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

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

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*The Chairman of Eldoret City Marathon Mr. Moses Tamui and the Principal of Eldoret special school receiving 2 rolls of Curtains*

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

We have contributed back to society by catering for the educational expenses of children who are less fortunate in order to empower them and give them an opportunity to succeed in future. As part of its engagement with the community, the company provides free weekly educational tours to school children to enable them appreciate science, technology and mathematics.

As part of Corporate Social Responsibility we were able to donate bed sheets, curtains, flannels, suiting material, stitched items and Khangas and number of tree seedlings to various institution and various forest stations,



*Rivatex participating during the Eldoret City Marathon exercise*



*Donation of tree & fruit seedlings to Chesikaki Primary school, Bungoma County*



*Rivatex staff engaging in Cleaning of Eldoret City*

*Donation of flannels, bedsheets and dustcoats to Mama Rachael Ruto Maternity Hospital*



### **XIII. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2024 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, 2024, are set out on page I to 6.

**iii) Dividends**

The Directors have not recommended payment of dividends.

**iv) Directors**


The members of the Board of Directors who served during the year are shown on page 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 30<sup>th</sup>, 2024.

By Order of the Board

Name *Techa Tum*

Signature 

Date *25/11/2024*

Corporation Secretary/Secretary to the Board

#### **XIV. 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 30<sup>th</sup> June 2024 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 25<sup>th</sup> November 2024 and signed on its behalf by:

Signature:   
Name: Cleophas K Lager  
Chairperson of the Board

Signature:   
Name: Prof. Thomas Kapungu  
Accounting officer

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON RIVATEX EAST AFRICA LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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### **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.
- 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 34, which comprise of the statement of financial position as at

30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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, 2024, 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 from sales of Kshs.332,156,586 as disclosed in Note 8 to the financial statements. During the financial year under review, Rivatex Ltd had eight (8) sales outlet shops in different parts of the Country which uses PESA FLOW System. However, examination of the PESA FLOW system and the documents provided for audit revealed that the sales schedule provided for audit 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 since the revenue officers cannot monitor the unit sales per commodity which may lead to stockout. This has led to manual data compilation from each shop being send through emails from each outlet and then compiled manually.

In the circumstances, the accuracy and completeness of sales of Kshs.332,156,586 could not be confirmed.

#### **2. Long Outstanding Trade and Other Receivables**

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 and 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.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.

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

## **Emphasis of Matter**

### **1. 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.

### **2. Material Uncertainty on 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.

### **3. 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.

#### 4. Performance and Profitability Trends

Rivatex East Africa Ltd. reported a net loss of Kshs.367,063,834 for the year under review, resulting into an accumulated loss of Kshs.3,408,535,666. During the year under review, the Company realised gross revenue amount of Kshs.332,156,586 against costs of sales (net of depreciation charge) amount of Kshs.438,764,555 as reflected in the statement of profit or loss and other comprehensive income and Notes 8 and 9 to the financial statements. Review of the operations of the Company revealed the following trends contributing to the loss:

##### 4.1 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 three (3) of the main revenue streams declined compared to the previous year as shown in the table below:

Product	2023 – 2024	2022 - 2023
	Kshs.	Kshs.
Bleached Material	20,352,689	37,512,000
Garments	49,654,618	111,581,531
Yarn	37,609,662	82,208,562

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	2023 – 2024	2022 - 2023	2021 - 2022
	(Kshs.)	(Kshs.)	(Kshs.)
Printed Fabrics	53,151,025	52,676,227	71,323,467
Dyed	149,602,833	33,124,631	80,717,969
Cloth (Greige)	19,626,084	11,697,896	17,251,216
Bleached Material	20,352,689	37,512,000	81,980,449
Garments	49,654,618	111,581,531	58,640,000
Grade B	958,541	926,667	2,356,415
Yarn	37,609,662	82,208,562	57,408,110

In the circumstances, volatility of the fluctuation in revenue may impact negatively on the profitability of the Company.

#### 4.2 Cost of Sales and Operating Expenses

The statement of profit or loss and other comprehensive income reflects net loss amount of Kshs.367,063,834 which was a marginal increase from the previous year net loss amount of Kshs.347,592,549. During the year under review, the gross loss reduced marginally to Kshs.278,576,759 from Kshs.293,074,506 in the previous year. However, the total operating expenses increased to Kshs.185,426,569 from Kshs.156,741,562 in the previous year, with the main contributors to the increase shown in the table below:

Description/Period	2023 – 2024 (Kshs).	2022 - 2023 (Kshs).
Direct Labour	115,955,290	98,686,390
Lubricants and Oils	11,544,088	4,845,795
Spares and Consumables	11,881,680	9,748,056
Repairs and Maintenance	20,896,996	16,053,777
General Administration Expenses	15,564,058	11,527,871
Stationery and Printing	5,025,143	2,966,479
Telephone and Internet Expenses	4,430,443	2,814,892
Travelling, Courier and Subsistence Allowances	22,940,378	19,065,406
Courier, transport	5,781,972	5,274,864
Cotton Development	17,307,682	5,370,643

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

#### 4.3 Financial Assistance from Moi University

Rivatex East Africa Ltd. is a wholly owned subsidiary of the Moi University. However, the Moi University reported a deficit of Kshs.837,775,000 during the year under review, bringing the accumulated deficit to Kshs.3,287,150,000. In addition, Moi University owes the Company an amount of Kshs.18,458,294 from sale of goods to the University.

In the circumstances, the Moi 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 matters described in the Basis for Qualified Opinion 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, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, no report or recommendations from the Management of the Rivatex East Africa Limited and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding.

### **Other Information**

The Board of Directors is responsible for the other information set out on page IV to lii which comprise of Key Information and Management, 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, Management Discussion and Analysis, 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 ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect 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. Administrative Costs-**

#### **1.1 Staff Costs**

##### **1.1.1 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.

### **2. Delay in Completion of Proposed Godown at Nyando**

The statement of financial position reflects property, plant and equipment balance of Kshs.5,986,663,193 which includes buildings (work in progress) additions during the year amount of Kshs.53,295,262 as disclosed in Note 16 to the financial statements. Review of documents provided for audit revealed that Management awarded the contract for the construction of a Godown at Nyando to a construction company at a contract sum of Kshs.49,419,685 for a duration of twenty-four (24) weeks. The contract was signed on 2 February, 2022 and site handover was done on 28 February, 2022. The contract completion was delayed and an addendum was signed on 3 August, 2022 extending the contract period by a further one year to 3 August, 2023 to enable the contractor complete the construction works.

As at the time of the audit in December, 2023, the Company had paid the contractor a total sum of Kshs.34,569,766. During the year under review, the contractor was paid Kshs.9,970,496 leading to total payments of Kshs.44,540,262. However, Management did not provide site hand over report after expiry of the contract extension. Physical verification in September, 2024 revealed that the contract is yet to be completed fifteen (15) months after the lapse of additional contract period and the Company is yet to sanction the contractor or recover damages for non-performance.

Further, the Project Implementation Committee did not maintain a risk register to monitor all identified contract risks and their mitigation plan and a status report that include executive summary. Similarly, summary report on performance of activities and budget;

and any other issues relevant to the contract such as environmental and general observation on the performance rating were not provided.

The project inspection minutes on monitoring of the project progress to ensure that the project was in accordance with the contract terms were not provided for audit verification.

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 Authority

In the circumstances, value for money on the expenditure of Kshs.44,540,262 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.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 where an employer has made a deduction from the employee's emoluments but fails to remit the deductions, he shall be liable to pay the sum deducted together with compound interest and legal proceedings may be instituted for recovery of the sums. In addition, Management also contravened Part VII, Section 53A(1) of the Retirement Benefits Act, 2012 which states that, where an employer has made a deduction from the employee's emoluments and fails to remit the deduction, the scheme may institute proceedings for the recovery of the deduction.

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

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 current assets balance of Kshs.626,194,859 which includes inventory balance of Kshs.516,631,106 as disclosed in Note 18 to the financial statements. However, the Company did not have in place inventory management policy to guide inventory handling, recording, movement and access and valuation. This is contrary to Regulation 165(1) of The Public Finance Management (National Government) Regulations, 2015 which states 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, Management was in breach of the law.

### **2. Anomalies in Inventory Management**

The statement of financial position reflects current assets balance of Kshs.626,194,859 which includes inventories balance of Kshs.516,631,106 as disclosed in Note 18 to the financial statements. However, review of the records provided for audit revealed that the Company does not have in place a robust inventory management system and relies on excel spreadsheets to manage its stocks from purchase to issuance and the use of excel may lead to losses as it susceptible to manipulations Further, review of controls at the finished goods store revealed that Management does not maintain bin cards for stock movement control.

In the circumstances, there may be risk of stockouts, leading to production delays and missed deadlines, affecting customer satisfaction and potentially causing revenue loss

### **3. 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, the Management has no IT business continuity plan which makes it difficult for the Entity to recover critical information resources in case of a disaster, potentially adversely impacting the operations of the Organisation. In addition, the Entity 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 aren't effective as they can only back up power for less than five minutes while the standby generator isn't operational, defeating the purpose for which it was installed. In the circumstances, operations of the Company literally comes 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 Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intentions to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 December, 2024

RIVATEX EAST AFRICA LIMITED  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

**XVI. STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2024**

	Note	2023-2024 Kshs	2022-2023 Kshs
<b>REVENUES</b>			
Revenue	8	332,156,586	329,660,216
Cost of sales	9	<u>610,733,346</u>	<u>622,734,723</u>
Gross Loss		<u>(278,576,759)</u>	<u>(293,074,506)</u>
Grants from the National Government	10	96,890,000	102,222,500
Other Income	11	-	-
Other gains/(losses)	12	<u>49,494</u>	<u>1,019</u>
<b>TOTAL REVENUES</b>		<u>(181,637,266)</u>	<u>(190,850,987)</u>
<b>OPERATING EXPENSES</b>			
Administration Costs	13	172,545,367	145,863,938
Selling and Distribution Costs	14	11,819,107	9,628,993
Finance Costs	15	<u>1,062,095</u>	<u>1,248,632</u>
<b>TOTAL OPERATING EXPENSES</b>		<b>185,426,569</b>	<b>156,741,562</b>
<b>LOSS BEFORE TAXATION</b>		<b>(367,063,834)</b>	<b>(347,592,549)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		-	-
<b>LOSS AFTER TAXATION</b>		<u>(367,063,834)</u>	<u>(347,592,549)</u>
Earnings per share		-	-
Dividends per share		-	-
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Loss After Taxation</b>		-	-
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		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(367,063,834)</u>	<u>(347,592,549)</u>

RIVATEX EAST AFRICA LIMITED  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

**XVII. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE**

**2024**

	Note	2023-2024 Kshs	2022-2023 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	16	5,986,633,193	6,074,932,009
Right-of-use asset	17	<u>37,553,906</u>	<u>38,304,984</u>
<b>Total Non-Current Assets</b>		<b>6,024,187,099</b>	<b>6,113,236,993</b>
<b>Current Assets</b>			
Inventories	18	516,631,106	481,388,000
Trade and other receivables	19	99,770,180	111,355,826
Bank and cash balances	20	<u>9,793,573</u>	<u>35,881,295</u>
<b>Total Current Assets</b>		<b>626,194,859</b>	<b>628,625,121</b>
<b>TOTAL ASSETS</b>		<b><u>6,650,381,958</u></b>	<b><u>6,741,862,114</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	21	1,000,000	1,000,000
Revaluation reserve	22	73,652,680	73,652,680
Retained earnings	23	(3,408,535,666)	(3,041,471,831)
Proposed dividends		-	-
<b>Capital and Reserves</b>		<b>(3,333,882,986)</b>	<b>(2,966,819,151)</b>
<b>Non-Current Liabilities</b>			
Grants	24	<u>9,836,917,066</u>	<u>9,567,757,066</u>
<b>Total Non-Current Liabilities</b>		<b>9,836,917,066</b>	<b>9,567,757,066</b>
<b>Current Liabilities</b>			
Trade and other payables	25	147,347,878	140,924,200
Borrowings (Bank Overdraft)		-	-
<b>Total Current Liabilities</b>		<b><u>147,347,878</u></b>	<b><u>140,924,200</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>6,650,381,958</u></b>	<b><u>6,741,862,114</u></b>

The financial statements were approved by the Board on 25<sup>th</sup> November 2024 and signed on its behalf by:

Name: *Prof. Thomas ICPAKM*  
.....

**Managing Director**

Name: *CPA MAGDALENE JEPCHUMA*  
.....

**Head of Finance**

ICPAKM/NO 29905

Name: *Cleophas Kagut*  
.....

**Chairman of the Board**

**XVIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE  
2024**

	SHARE CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	CAPITAL RESERVES	TOTAL
At 1st July 2022	1,000,000	(2,693,879,282)	73,652,680	9,323,618,126	6,704,391,524
Net Profit/Loss for the Year		(347,592,549)			(347,592,549)
Transfers to Capital reserves		-			-
-Foreign Loan-LMW				-	-
-GoK Grants				244,138,940	244,138,940
<b>At 30th June 2023</b>	<b>1,000,000</b>	<b>(3,041,471,831)</b>	<b>73,652,680</b>	<b>9,567,757,066</b>	<b>6,600,937,915</b>
At 1 <sup>st</sup> 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
<b>At 30<sup>th</sup> June 2024</b>	<b>1,000,000</b>	<b>(3,408,535,666)</b>	<b>73,652,680</b>	<b>9,836,917,066</b>	<b>6,503,034,080</b>

**XIX. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2024**

	Note	2023-2024 Kshs.	2022-2023 Kshs.
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	27	(209,318,230)	(137,837,649)
<b>Net cash generated from/(used in) operations</b>		<b>(209,318,230)</b>	<b>(137,837,649)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant & Equipment-Grants	16	(85,929,492)	(71,681,916)
<b>Net cash generated from/(used in) investing activities</b>		<b>(85,929,492)</b>	<b>(71,681,916)</b>
<b>Cash flows from financing activities</b>			
Government grants	10	269,160,000	244,138,940
Proceeds from borrowings		-	-
Repayment of borrowing		-	(16,786,915)
<b>Net cash generated from/(used in) financing activities</b>		<b>269,160,000</b>	<b>227,352,025</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(26,087,722)</b>	<b>17,832,460</b>
Cash & cash equivalents at the beginning of the year		35,881,295	18,048,835
Effects of foreign exchanges rate fluctuations		-	-
<b>Cash &amp; cash equivalents at the end of the year</b>	20	<b><u>9,793,573</u></b>	<b><u>35,881,295</u></b>

**XX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2024**

Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2023-2024 Kshs	2023-2024 Kshs	2023-2024 Kshs	
Sale of goods	450,000,000	332,156,586	(117,843,414)	The adverse variance can be attributed to scarcity in supply of raw materials especially cotton that saw the prices significantly increase coupled with headline inflation, high fuel and power prices which significantly impacted negatively our business performance during the year
Transfers from the Government	366,050,000	366,050,000	-	-
Finance Income		49,494	49,494	
<b>Total income</b>	<b>816,050,000</b>	<b>698,256,080</b>	<b>(117,793,920)</b>	
<b>EXPENDITURE</b>				
Administration	156,897,562	172,545,367	(15,647,805)	The variance was attributed due to rise in fuel prices that increased the transport costs, repairs & maintenance of motor vehicles, increase in electricity and water cost due to revised charges per unit.
Use of goods and services	376,440,054	610,733,346	(234,293,292)	The variance was due increase in the global market prices for cotton due to scarcity, increased prices of polyester, dyes & chemicals, increase in global crude oil prices that led to increase in the cost of heavy furnace oil & Liquefied Petroleum Gas (LPG), increase in cost of fuel wood due to supply shortage following the moratorium on forests imposed by the government all of which combined have resulted in increased cost of production.

**RIVATEX EAST AFRICA LIMITED**  
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<b>Selling and Distribution Costs</b>	4,986,523	4,737,871	248,652	
<b>Finance cost</b>	1,256,894	1,062,095	194,799	The variance is attributable to reduction in bank transactions.
<b>Rent Paid</b>	7,258,967	7,081,236	177,731	The variance is due to decrease in legal fee associated with the renewal of lease agreement for the outlets shops.
<b>CAPEX</b>	269,160,000	269,160,000	-	-
<b>Total expenditure</b>	<b>816,000,000</b>	<b>1,065,319,914</b>	<b>(249,319,914)</b>	



Spinning machine



Weaving machine



Processing machine



Tailoring unit

## **XXI. 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 2024.*

#### **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 1<sup>st</sup> 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 1<sup>st</sup> 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.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

*(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).*

### i. Early adoption of standards

Rivatex East Africa Limited did not early – adopt any new or amended standards in the financial year 2023-2024.



*Men Attire*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Revenue recognition

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

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

#### b) In-kind contributions

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

#### c) Property, plant and equipment

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### d) Depreciation and impairment of property, plant and equipment

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

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

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

### e) Amortization and impairment of Intangible assets

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

### f) Investment property

Buildings, or part of a building(freeholdorheldunderafinancelease)andland(freeholdorheldunder 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.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### a) Critical accounting estimates and assumptions

#### *Property, plant and equipment*

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

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

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

- 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

	2023-2024 Kshs	2022-2023 Kshs
Rent & power connection deposits	380,140	380,140
<b>Total</b>	<b>380,140</b>	<b>380,140</b>

### 8. REVENUE

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

	2023-2024 Kshs	2022-2023 Kshs
<b><u>Products</u></b>		
Printed fabrics	53,151,025	52,676,227
Dyed	149,602,833	33,124,631
Cloth (Greige)	19,626,084	11,697,896
Bleached	20,352,689	37,512,000
Garments	49,654,618	111,581,531
Grade B	958,541	926,667
yarn	37,609,662	82,208,562
Waste	1,267,410	1,367,370
Others	-	-
<b>Sub-total</b>	<b>332,222,861</b>	<b>331,094,884</b>
<b><u>Less</u></b>		
Discounts	-	-
<b><u>Return Inwards</u></b>		
Fabrics	66,275	1,434,668
<b>Sub-total</b>	<b>66,275</b>	<b>1,434,668</b>
<b><u>Total Sales</u></b>	<b>332,156,586</b>	<b>329,660,216</b>

**RIVATEX EAST AFRICA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024**

**9. COST OF SALE STATEMENT**

	2023-2024 Kshs	2022-2023 Kshs
<b>DIRECT COST</b>		
Opening Stock	28,264,573	28,001,411
Add: Purchases	154,785,706	100,247,823
Less: Closing stock	(59,256,386)	(28,264,573)
<b>Cost of Raw materials</b>	<b>123,793,893</b>	<b>99,984,662</b>
Direct labour	115,955,290	98,686,390
Factory Electricity	56,623,961	30,512,048
Factory Water	7,180,584	7,815,726
<b>Sub-Total</b>	<b>179,759,834</b>	<b>137,014,164</b>
<b>INDIRECT COST</b>		
Fuel wood expenses	19,701,749	18,216,033
Salaries & Wages	47,443,980	48,136,080
Packaging & Labelling	2,337,945	953,733
Lubricants & Oils	11,544,088	4,845,795
Spares & Consumables	11,881,680	9,748,056
Repair and Maintenance	20,896,996	16,053,777
Staff uniforms & Consumables	1,587,600	469,400
Tailoring Consumables	17,016,351	13,201,401
Depreciation	171,968,791	170,105,644
<b>Sub-Total</b>	<b>304,379,180</b>	<b>281,729,919</b>
<b>TOTAL COST</b>	<b>607,932,907</b>	<b>518,728,745</b>
Add: Opening Work-In-Progress	122,882,654	217,557,679
Less: Closing Work-In-Progress	(107,956,199)	(122,882,654)
<b>COST OF GOODS MANUFACTURED</b>	<b>622,859,362</b>	<b>613,403,770</b>
Add: Opening Finished goods	140,824,434	150,155,387
Less: Closing Finished goods	(152,950,451)	(140,824,434)
<b>COST OF SALES</b>	<b>610,733,346</b>	<b>622,734,723</b>

**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		2023-2024	2022-2023
		Kshs	Kshs
Recurrent grants received		96,890,000	102,222,500
Capital grants realized (see note above)		269,160,000	244,138,940
<b>Total</b>		<b>366,050,000</b>	<b>346,361,440</b>
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 Investment, Trade and Industry.	96,890,000	269,160,000	366,050,000
Ministry of Education	-	-	-
<b>Total</b>	96,890,000	269,160,000	366,050,000

**II. OTHER INCOME**

There was no other income

**12. OTHER GAINS AND LOSSES**

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

Other gains and losses	2023-2024	2022-2023
	Kshs	Kshs
Other gains and losses	49,494	1,019
<b>Total</b>	<b>49,494</b>	<b>1,019</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13.(a) Administration Expenses

	2023-2024	2022-2023
	Kshs.	Kshs.
General administration expenses	15,564,058	11,527,871
Stationery and Printing	5,025,143	2,966,479
Telephone and internet expenses	4,430,443	2,814,892
Travelling, Courier and subsistence allowances	22,940,378	19,065,406
Courier, transport	5,781,972	5,274,864
Depreciation Property, plant and equipment(PPE)	3,010,595	5,317,700
Legal fees	2,845,088	1,112,671
Repairs and Maintenance	1,877,935	2,545,933
Cotton development	17,307,682	5,730,643
Water	377,925	411,354
Electricity	1,451,896	782,360
Fuel and Oil	8,156,180	7,666,600
Staff costs	8,143,511	6,419,804
Insurance	1,507,498	2,176,052
General provisions for bad debts	<u>542,139</u>	<u>(37,144)</u>
<b>Sub-total</b>	<b><u>98,962,444</u></b>	<b><u>73,775,485</u></b>

### (b) Personnel Emoluments

	2023-2024	2022-2023
	Kshs.	Kshs.
Salaries	47,414,871	50,519,508
NSSF Employer Contribution	9,359,114	3,950,540
Employer's Pension Contribution	10,240,875	10,644,196
Gratuity	<u>1,734,117</u>	<u>2,321,740</u>
<b>Sub-total</b>	<b><u>68,748,978</u></b>	<b><u>67,435,984</u></b>

### (c) Board Expenses

	2023-2024	2022-2023
	Kshs	Kshs
Board Expenses	3,938,145	3,466,669
<b>Sub-total</b>	<b><u>3,938,145</u></b>	<b><u>3,466,669</u></b>

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Honoraria	2023-2024 Kshs	2022-2023 Kshs
Honoraria	895,800	895,800
<b>Sub-Total</b>	<b>895,800</b>	<b>895,800</b>

(e) Audit Fees	2023-2024 Kshs	2022-2023 Kshs
Audit Fees	0	290,000
<b>Sub-Total</b>	<b>0</b>	<b>290,000</b>

	2023-2024	2022-2023
<b>Total Administration Cost (Note I3a-I3e)</b>	<b><u>172,545,367</u></b>	<b><u>145,863,938</u></b>

#### 14. SALES & MARKETING EXPENSES

	2023-2024 Kshs.	2022-2023 Kshs.
Selling & Distribution expenses	3,823,565	2,000,231
Outlets expenses	584,089	656,590
Rent outlets	7,411,453	6,972,172
<b>Total Sales &amp; Marketing Expenses</b>	<b>11,819,107</b>	<b>9,628,993</b>

#### 15. FINANCE COSTS

a. Ledger Fees	2023-2024 Kshs.	2022-2023 Kshs.
<b>Ledger Fees</b>	<b>633,706</b>	<b>1,007,724</b>
Total	633,706	1,007,724

b. LC fees	2023-2024 Kshs.	2022-2023 Kshs.
LC fees	428,389	240,908
<b>Total</b>	<b>428,389</b>	<b>240,908</b>
<b>Grand Total</b>	<b><u>1,062,095</u></b>	<b><u>1,248,632</u></b>

**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)
<b>Cost/Valuation</b>									
As at 1st July 2023	698,471,037	43,324,766	6,117,600,171	31,977,936	4,515,166	7,176,553	3,392,118	62,392,192	6,968,849,939
Transfers	-	-	-	-	-	-	-	-	-
Additions 2023/2024	74,467,378	9,970,496	58,500	-	-	1,433,118	-	-	85,929,492
Disposals/Obsolete Assets	-	-	-	-	-	-	-	-	-
<b>As At 30th June 2024</b>	<b>772,938,415</b>	<b>53,295,262</b>	<b>6,117,658,671</b>	<b>31,977,936</b>	<b>4,515,166</b>	<b>8,609,671</b>	<b>3,392,118</b>	<b>62,392,192</b>	<b>7,054,779,431</b>
<b>Depreciation</b>									
As at 1st July 2023	83,566,797	-	738,512,713	-	3,758,162	6,942,186	2,531,020	58,607,052	893,917,930
Disposals/Obsolete	-	-	-	-	-	-	-	-	-
Charge for the year	19,323,460	-	152,941,467	-	367,102	876,292	52,119	667,868	174,228,308
<b>As At 30th June 2024</b>	<b>102,890,257</b>	<b>-</b>	<b>891,454,180</b>	<b>-</b>	<b>4,125,264</b>	<b>7,818,478</b>	<b>2,583,138</b>	<b>59,274,920</b>	<b>1,068,146,238</b>
<b>Net Book Value</b>									
<b>As At 30th June 2024</b>	<b>670,048,158</b>	<b>53,295,262</b>	<b>5,226,204,491</b>	<b>31,977,936</b>	<b>389,902</b>	<b>791,193</b>	<b>808,980</b>	<b>3,117,272</b>	<b>5,986,633,193</b>
<b>As at 30th June 2023</b>	<b>614,904,240</b>	<b>43,324,766</b>	<b>5,379,087,458</b>	<b>31,977,936</b>	<b>757,004</b>	<b>234,367</b>	<b>861,098</b>	<b>3,785,140</b>	<b>6,074,932,009</b>

### 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	113,961	14,245
Computers and related equipment	171,500	42,875
Office equipment, furniture and fittings	296,420	37,052
<b>Total</b>	<b>581,881</b>	<b>94,173</b>

#### 17. RIGHT-OF-USE ASSET

	2023-2024	2022-2023
	Kshs	Kshs
<b>COST</b>		
At July I	50,322,233	50,322,233
At June 30	<b>50,322,233</b>	<b>50,322,233</b>
<b>AMORTIZATION</b>		
At July I	<b>12,017,249</b>	<b>11,266,170</b>
Charge for the year	751,078	751,078
At June 30	<b>12,768,326</b>	<b>12,017,249</b>
<b>NET BOOK VALUE at June 30</b>	<b>37,553,906</b>	<b>38,304,984</b>

**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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 18. INVENTORY

	2023-2024 Kshs	2022-2023 Kshs
Raw materials	59,256,386	28,264,573
Finished goods	152,950,451	140,824,434
Work-In-Progress	107,956,199	122,882,654
<b>Sub-Total</b>	<b>320,163,036</b>	<b>291,971,661</b>
Consumables, spares & accessories	195,482,684	185,031,396
Fuelwood	259,386	382,944
Furnace oil	726,000	4,002,000
<b>Sub-Total</b>	<b>196,468,070</b>	<b>189,416,340</b>
<b>Total</b>	<b>516,631,106</b>	<b>481,388,000</b>

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

	2023-2024 Kshs	2022-2023 Kshs
Trade receivables	80,532,494	94,178,462
Prepayments (Note 26(a))	-	-
Other receivables from related parties (Note 26 (b))	24,108,609	21,506,147
Utilities deposits (Note 7)	380,140	380,140
Provisions for bad & doubtful debts	(5,251,062)	(4,708,923)
<b>Total</b>	<b>99,770,180</b>	<b>111,355,826</b>

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:

	2023-2024 Kshs	2022-2023 Kshs
Cash at bank	9,657,777	35,845,153
Cash in hand	135,796	36,142
<b>Total</b>	<b>9,793,573</b>	<b>35,881,295</b>

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>2023-2024</u> <u>Kshs</u>	<u>2022-2023</u> <u>Kshs</u>
<b>Cash at Hand</b>	<u>135,796</u>	<u>36,142</u>
<b>Bank Balance:</b>		
<b><u>Equity Bank</u></b>		
Main Account (0300291345310)	6,634	3,846,308
Sales Account (0300292559317)	888,827	2,200,993
Nairobi Account (0300297531263)	69,996	308,835
Moi University Account (0300294911893)	24,893	17,903
Canteen Account (0300294868414)	7,423	7,423
Narok Account (0300297531280)	46,715	150,899
Dollar Account (0300295572845)	277,452	8,660
<b><u>Kenya Commercial Bank</u></b>		
KCB Main Account (1182314430)	94,633	16,181,721
MUPEN Account (1120920809)	115,911	202,199
Nakuru Account (1178072886)	45,059	353,331
Kisumu Account (1121365930)	131,585	478,631
Showroom Account (1136152989)	4,627	731,118
<b><u>Co-operative Bank</u></b>		
Co-operative Main Account(01136647198200)	7,944,021	11,357,132
<b>Sub-total</b>	<b><u>9,657,777</u></b>	<b><u>35,845,153</u></b>
<b>Total</b>	<b><u>9,793,573</u></b>	<b><u>35,881,295</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 21. SHARE CAPITAL

	2023/2024 Kshs	2022/2023 Kshs
<b>AUTHORISED</b> 50,000 Ordinary shares of @ Kshs.20	1,000,000	1,000,000
<b>ISSUED &amp; FULLY PAID</b> 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.

	2023/2024 Kshs	2022/2023 Kshs
Revaluation reserves b/f	73,652,680	73,652,680
<b>Total</b>	<b>73,652,680</b>	<b>73,652,680</b>

### 23. RETAINED EARNINGS

This is made up of:-

	2023/2024 Kshs	2022/2023 Kshs
Retained earnings b/f	(3,041,471,831)	(2,693,879,282)
Net Loss for the year	(367,063,834)	(347,592,549)
<b>Total</b>	<b>(3,408,535,666)</b>	<b>(3,041,471,831)</b>

### 24. CAPITAL RESERVES

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

	2023-2024 Kshs	2022-2023 Kshs
Grants for the year-Government subventions	9,567,757,066	9,323,618,126
<b>Total Grants</b>	<b>9,836,917,066</b>	<b>9,567,757,066</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. TRADE AND OTHE PAYABLES

This is made up of: -

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	52,088,953	56,883,568
Accrued expenses	-	2,136,704
Retention/ contract monies	5,318,342	4,332,473
<b>EMPLOYEES OBLIGATIONS:</b>		
Moi University Pension Scheme staff deductions;	82,660,566	67,299,253
Rivatex East Africa Limited SACCO deductions;	7,280,017	10,272,202
<b>Total</b>	<b>147,347,878</b>	<b>140,924,200</b>

### 26. (a). PREPAYMENTS

The prepayments for various goods and services as follows:-

	2023/2024	2022/2023
	Kshs	Kshs
Other Receivables	0	0
	0	0

### (b). RELATED PARTY TRANSACTIONS

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

	2023-2024	2022-2023
	Kshs	Kshs
Trade debts	24,108,609	21,506,147
<b>Total</b>	<b>24,108,609</b>	<b>21,506,147</b>

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	2023-2024	2022-2023
	Kshs.	Kshs.
<b>a) Sales to related parties</b>		
Sales of goods to Moi University	18,458,294	17,949,046
Sales of services	0	0
<b>Total</b>	<b>18,458,294</b>	<b>17,949,046</b>
<b>b) Grants from the Government</b>		

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Grants from National Govt	366,050,000	346,361,440
Grants from County Government	0	0
Donations in kind	0	0
<b>Total</b>	<b>366,050,000</b>	<b>346,361,440</b>
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	=====	=====
a) Key management compensation		
Directors' emoluments	3,938,145	3,741,669
Compensation to the CEO	1,387,413	2,321,740
Compensation to key management	36,682,346	35,763,027
	<b>42,007,904</b>	<b>41,826,436</b>

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

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations	2023-2024 Kshs	2022-2023 Kshs
Operating profit/(loss)	(367,063,834)	(347,592,549)
Depreciation	174,228,308	174,672,266
Amortisation	751,078	751,078
<b>Operating profit/(loss) before working capital changes</b>	<b>(192,084,448)</b>	<b>(172,169,205)</b>
Decrease in inventories	(35,243,105)	64,322,392
Decrease in trade and other receivables	11,585,646	(1,439,461)
Decrease in trade and other payables	6,423,678	(28,551,375)
<b>Cash generated from/(used in) operations</b>	<b>(209,318,230)</b>	<b>(137,837,649)</b>

**28. (a) PROFIT BEFORE TAX**

Net loss before tax is arrived after charging:

	2023-2024 Kshs	2022-2023 Kshs
Depreciation (Note I6)	174,228,308	174,672,266
Employee benefits expense (Note 28 (b))	232,148,247	214,258,454
Directors' fees & emoluments	3,938,145	3,466,669
Auditors remuneration	0	290,000
<b>Total</b>	<b>410,314,700</b>	<b>392,687,389</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (b) Employee benefit expenses

Salary and wages	210,814,141	197,341,978
<b>Retirement benefits costs:</b>		
- Defined contribution scheme	9,359,114	10,644,196
- National Social Security Fund	10,240,875	3,950,540
- Gratuity	1,734,117	2,321,740
<b>Sub-Total</b>	<b>232,148,247</b>	<b>214,258,454</b>

### 29. STATEMENT OF TAXATION

	2023-2024 Kshs	2022-2023 Kshs
Operating results before tax	(367,063,834)	(347,592,549)
<b>Add back: Disallowed items:</b>		
Depreciation	174,228,308	174,672,266
Amortization	751,078	751,078
	<b>(192,084,448)</b>	<b>(172,169,205)</b>
<b>Less allowed items:</b>		
Wear & tear allowance	(437,248)	(407,714)
Industrial Buildings	-	-
Deductions		
Investment deductions	-	(1,033,650)
<b>NET PROFIT/LOSS</b>	<b>(192,521,696)</b>	<b>(173,610,570)</b>
Less Brought Forward losses	(3,612,940,875)	(3,439,330,305)
	<b>(3,805,462,571)</b>	<b>(3,612,940,875)</b>
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:

	2023/2024	2022/2023
	Kshs	Kshs
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in Progress	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 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 21<sup>st</sup> 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024 Kshs	2022/2023 Kshs
Probable Legal costs	15,900,000	15,900,000
Electricity cost	160,868,618	161,109,545
Audit fees	290,000	0
<b>Total</b>	<b>177,058,618</b>	<b>177,009,545</b>

### 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.

## XXII. 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 (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
I  Overstatement of inventory FY 2018/2019	Included in the raw materials is chemicals figure of Kshs. 15,484,685 which are classified as 'not moving'. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were specifically to be used by some of the old obsolete wet processing machinery that were dismantled. However, after modernization these chemicals are no longer in use and therefore the management through the board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA)	Eng. Peter Mugo ( General Manager Production)	Not Resolved	December 2024
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. Peter Mugo (General Manager Production)	Not Resolved	December 2024

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Material Uncertainty Related to Going Concern.	<p>The company with the support of the Government has acquired and installed new machines in ensuring that the modernization strategy is completed successfully with a goal to ensure the company operates profitably in its future operations. In the financial year 2016/2017, the National Government through The National Treasury obtained a Line of Credit of US\$ 29,950,000 (Dollars Twenty-Nine Million and Nine Hundred Fifty Thousand only) from the Government of India through Exim Bank for the purpose of fully upgrading the company.</p> <p>The new machinery shall enable the company sustainably to increase turnover and competitiveness through increase in production capacity, improvement of quality, increase in efficiency, reduction of unit production costs, reduction of delivery time for fabrics to the market among other numerous benefits that are expected to accrue to the company as a result of the modernization. The machines acquired have different critical and complementary functions they perform in the entire process of textile production from yarn production to fabric finishing.</p> <p>After modernization the company will expand its market by diversifying the products range and tap into new markets including exporting the fabrics to international markets as envisaged in the company's Strategic plan (2015-2020). The company has been undertaking continuous and rigorous marketing research and analysis to fully exploitation of all the potential markets in order to realize profitability and reverse the loss trend. The company has been producing fabrics and garments for sale to the domestic market but the management is putting modalities that to export fabrics through EPZA and will compete effectively with the global market.</p> <p>The Government has been vigorously promoting cotton production in the country through policy framework, institutional reforms, and provision of incentives. The Buy Kenya Build Kenya Policy and the requirement that a</p>	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2024

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>minimum of 40% of all public procurement budget be dedicated to locally produced goods and services, means that one of the products of prioritization in textile. This initiative will give the company better advantage to produce diverse products sustainably for both the local market and also for international market. The company has been working closely with other stakeholders and government agencies in the promotion of cotton growing in the country by conducting field days, farm and factory visits and other forms of technical assistance in order to get sustainable supply of raw materials. The company has been working with various county governments for example Busia, Siaya, Baringo, Elgeyo Marakwet and Makueni County government on cotton farming.</p>			
4	Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts for the year ended 30 June 2023 reflects final receipts budget and actual on comparable basis amounts of Kshs.707,500,000 and Kshs.676,022,675 respectively resulting to an under-funding of Kshs.31,477,325 or 4.4% of the budget. Similarly, the Company incurred an expenditure of Kshs.1,023,615,225 against an approved expenditure budget of Kshs.707,499,566 resulting to an unapproved over-expenditure of Kshs.316,115,659. In the circumstances, the underfunding affected the planned activities of the Company and may have impacted negatively on service delivery to the public.</p>	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2024
5	Long Outstanding Trade and Other Payables;	<p>The statement of financial position reflects and Note 25 to the financial statements trade and other payables balance of Kshs.140,924,200. The balance is comprised of trade payables balance of Kshs.56,883,568, accrued expenses balance of Kshs.2,136,704, retention monies balance of Kshs.4,332,473, Moi University Pension Scheme staff deductions balance of Kshs.67,299,253 and Rivatex East Africa Limited Savings and Credit Co-operative Organization (SACCO) deductions balance of Kshs.10,272,202. However, the trade and other payables aging analysis provided for audit review revealed that payables</p>	CPA. Magdaline Jepchumba (Head of Finance & Accounts)	Not Resolved	December 2024

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Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	for goods, services rendered and works done amounting to Kshs.10,851,170 have been outstanding for more than eighteen (18) months. No plausible explanation was provided for non-payment. In the circumstances, the ability of the Company to settle its obligations as and when they become due is in doubt.			
6 Non-Compliance with Law on Ethnic Diversity	Review of the payroll and human resource records revealed that the Company had a total of seven hundred and thirty-eight (738) employees out of which five hundred and eighty (580) or approximately 79% of the Company's staff are from the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community. In the circumstances, Management was in breach of the law.	Joseph Keter (Manager Human resource & development)	Not Resolved	December 2024

Managing Director:

*Prof. Thomas Kipkugat*

Date.....25/11/24

Chairman of the Board:

*Cleophas Kagai*

Date.....25/11/2024

**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			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a. Recurrent Grant	14/08/2023	3,916,667	2023/2024
	30/08/2023	3,916,667	2023/2024
	30/08/2023	3,916,666	2023/2024
	07/11/2023	3,916,667	2023/2024
	22/11/2023	34,945,000	2023/2024
	07/12/2023	3,916,667	2023/2024
	04/01/2024	3,916,667	2023/2024
	19/02/2024	11,750,000	2023/2024
	29/02/2024	14,945,000	2023/2024
	09/05/2024	11,750,000	2023/2024
		<b>TOTALS</b>	<b>96,890,000</b>

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	b. Development Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		29/02/2024	12,500,000	2023/2024
		29/02/2024	12,500,000	2023/2024
		29/02/2024	9,470,000	2023/2024
		29/02/2024	12,610,000	2023/2024
		01/03/2024	9,470,000	2023/2024
		05/03/2024	212,610,000	2023/2024
		<b>Total</b>	<b>269,160,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry.

**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	14/08/2023	Recurrent	3,916,667	3,916,667					3,916,667
Ministry of Industrialization and Enterprise Development	30/08/2023	Recurrent	3,916,667	3,916,667					3,916,667
Ministry of Industrialization and Enterprise Development	30/08/2023	Recurrent	3,916,666	3,916,666					3,916,666
Ministry of Industrialization and Enterprise Development	07/11/2023	Recurrent	3,916,667	3,916,667					3,916,667

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	22/11/2023	Recurrent	34,945,000	34,945,000					34,945,000
Ministry of Industrialization and Enterprise Development	07/12/2023	Recurrent	3,916,667	3,916,667					3,916,667
Ministry of Industrialization and Enterprise Development	04/01/2024	Recurrent	3,916,666	3,916,666					3,916,666
Ministry of Industrialization and Enterprise Development	19/02/2024	Recurrent	11,750,000	11,750,000					11,750,000
Ministry of Industrialization and Enterprise Development	29/02/2024	Recurrent	14,945,000	14,945,000					14,945,000
Ministry of Industrialization and Enterprise Development	29/02/2024	Development	12,500,000		12,500,000				12,500,000
Ministry of Industrialization and Enterprise Development	29/02/2024	Development	12,500,000		12,500,000				12,500,000
Ministry of Industrialization and Enterprise Development	29/02/2024	Development	9,470,000		9,470,000				9,470,000

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/ recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	29/02/2024	Development	12,610,000		12,610,000				12,610,000
Ministry of Industrialization and Enterprise Development	01/03/2024	Development	9,470,000		9,470,000				9,470,000
Ministry of Industrialization and Enterprise Development	05/03/2024	Development	212,610,000		212,610,000				212,610,000
Ministry of Industrialization and Enterprise Development	09/05/2024	Recurrent	11,750,000	11,750,000					11,750,000
<b>Total</b>			<b>366,050,000</b>	<b>96,890,000</b>	<b>269,160,000</b>				<b>366,050,000</b>



### RIVATEX OUTLETS

**1 FACTORY OUTLET**  
 Off Kisumu Road  
 Along Kipkaren Road  
 Mobile No: 0740 594 268  
 0202030902

**2 NAIROBI OUTLET**  
 Moi Avenue,  
 Biashara Street  
 Bazaar Building  
 Mobile No: 0759677869  
 0202030903

**3 NAKURU OUTLET**  
 Moi Road, Utalii Arcade  
 Building, opposite Tower  
 One Building.  
 Mobile No: 0797150438  
 0202030905

**4 KISUMU OUTLET**  
 Paul Mboya Road,  
 Rehembulla Bunja Building.  
 Mobile No: 0759949622  
 0202030904

**5 MOI UNIVERSITY  
 OUTLET**  
 Main Campus  
 Administration Block  
 Mobile No: 0768037359  
 0202030908

**6 ELDORET OUTLET**  
 Ronald Ngala Street  
 Mupen Building  
 Mobile No: 0796812094  
 0202030907

**7 RVTTI OUTLET**  
 RVTTI College  
 Off Kaptagal Road, Eldoret  
 Mobile No: 0796821993  
 0202030908

**8 M.T.R.H - ELDORET**  
 Memorial Wing Entrance  
 Mobile No: 0795563870  
 0202030901

● ADDRESS:  
 P.O BOX 4744-30100,  
 ELDORET - KENYA.

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 ● FAX: 053 2030904  
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