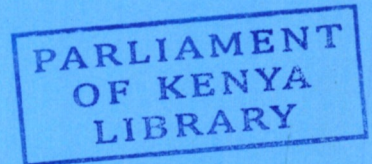


REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 NOV 2020

DAY:
Thursday

TABLED
BY:

The Majority whip
Hon. Emmanuel Wanjau

CLERK-AT
THE-TABLE:

Anna Mwangi

REPORT

**OF
THE AUDITOR-GENERAL**

ON

**NEW KENYA CO-OPERATIVE CREAMERIES
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2019**



NEW KENYA CO-OPERATIVE CREAMERIES LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(a) Principal Activities

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

(b) Entity Headquarters

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

(c) Entity Contacts

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

(d) Entity Bankers

1. Co-operative bank of Kenya limited
Industrial Area Branch.
Nanyuki road
P.O. Box 18119- 00500
Nairobi.
2. Kenya commercial bank limited
Industrial Area Branch.
P.O. Box 18031-00500
Nairobi.
3. Standard chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box 18081-00500
Nairobi.

4. CFC Stanbic bank limited
Industrial Area Branch.
P.O. Box 30550-00100
Nairobi.

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

(e) Independent Auditors

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



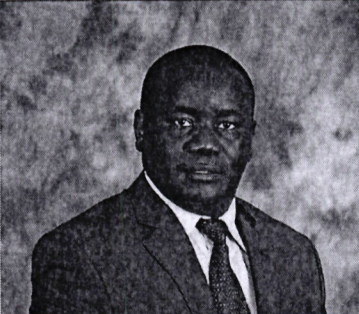
(f) Principal Legal Adviser

1. Waweru Gatonye & Co. Advocates,
Timau Plaza, 4th Floor
PO.Box 55207-00200
Nairobi.

2. Onyinkwa & Co. Advocates,
Sakong House, 1st Floor,
PO.Box
Eldoret.

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II. THE BOARD OF DIRECTORS

 <p>DR. IGNATIUS KAHU-CHAIRMAN</p>	<p>DR. IGNATIUS KAHIU was appointed as the Chairman of the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds a Bachelor's degree in Veterinary Medicine and a Masters of Science degree in Organizational Development. For over three decades, he has demonstrated sound leadership, management and technical experience, overseeing donor-and public-funded programs that improve economic and social well-being, natural resource management, livestock productivity, value chains and food security in Kenya and East Africa. In his work, he has developed strong relationships with communities, the government, and the private sector, as well as with USDA and USAID.</p>
 <p>HON. ELIUD MATU WAMAE-FORMER CHAIRMAN</p>	<p>Hon. Eliud Matu Wamae, EBS was first appointed Chairman of the Board of Directors of New Kenya Cooperative Creameries Limited on 1st January 2005, a position he held up to 2nd May 2019. Hon. Matu Wamae worked as an Auditor with the Government of Kenya from 1963 -1964, rising to become an Assistant Director of Audit in 1965 -1966. He also served as Director of Audit – East African Community and General Manager at the Central Bank of Kenya from 1968 to 1969 and as Executive Director for the Industrial and Commercial Development Corporation from 1970 to 1979. Hon. Matu Wamae holds a BA (Hons) in Economics from the University of New Delhi, India and is a successful businessman managing a group of companies.</p>
 <p>MR. NIXON SIGEY</p>	<p>Mr. Nixon Sigey born on 1st January 1970 was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-five (25) years working experience in Public Service, ten (13) of which have been in Senior Management. Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management.</p>

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**DR. JOSIAH BOB AJOSO
 ODHIAMBO OWINO**

DR. JOSIAH BOB AJOSO ODHIAMBO OWINO was appointed to the Board of New Kenya Co-operative Creameries on 20th September, 2018. He holds Bachelor's degree in Veterinary Medicine with experience in sales and marketing and is a certified trainer. He has over Thirty years' experience in undertaking projects related to community based livestock improvement, working on both Government and Private Sector Donor funded programs in addition to initiating and running several businesses in the Livestock sector



MR. EDWARD GACAU KARIUKI

MR. EDWARD GACAU KARIUKI was appointed to the Board of New Kenya Co-operative Limited on 14th December, 2018. He holds a Bachelor of Laws degree and is an Advocate of the High Court of Kenya. He has over twenty years' experience in the areas of Constitutional and Administrative Law, Conveyancing, Commercial Banking and Insurance law and Legal Advisory and consultancy Services. He offers legal guidance to the NKCC Board.



**DR. CHRISTOPHER MAKWORO
 AYIENDA**

Dr. Christopher Ayienda was appointed to New KCC Board of Directors on 17th April 2015. Dr. Ayienda holds a Doctorate in Educational Research and Evaluation and has worked as a Senior Lecturer in various Universities within the East African Region. He has a wealth of experience in the fields of Education, Project and Human Resource Management.



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 <p>MS. MARY CHERONO CHEBET</p>	<p>MARY CHERONO CHEBET was appointed to the Board of New Kenya Co-operative Creameries Limited on 20th September, 2018. She is an experienced teacher and a community leader in the dairy farming industry in Trans Nzoia District with experience in project planning and management.</p>
 <p>MR. JULIUS KIPTARUS</p>	<p>Mr. Julius Kiptarus is an alternate Director of New KCC Ltd following his appointment in 2006 by the then Principal Secretary, Ministry of Livestock and Fisheries Development. He has over thirty (30) years' experience in Livestock Development, Policy Formulation, Leadership and Management. Mr. Julius Kiptarus hold a Bachelor's Degree from University of Nairobi and Master Degree from Wageningen Agricultural University, Netherlands.</p>
 <p>MS. ALPHINA BWALEY KISORIO</p>	<p>MS. ALPHINA BWALEY KISORIO was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. She holds a Masters degree in Business Administration and is a Trained Counselling Psychologist and Certified Professional Mediator. She has over Thirty years' experience in the banking sector and currently practices as a Counselling Psychologist and Professional Mediator.</p>
 <p>MR. YASIR NOOR</p>	<p>Mr. Yasir Noor was appointed to New KCC Board of Directors on 17th April 2015. He is a Business man in the Coastal region of Kenya with an interest in Sales and Marketing. He is keen to enhance the growth and sustainability of New KCC.</p>
	<p>MR. JAVEL MURIRA was appointed to the Board of New Kenya Co-operative Limited on 11th December, 2018 as an Alternate Director representing the Ministry of Industry, Trade and Co-operatives. He holds a Masters degree in Business Administration</p>

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 <p>MR JAVEL MURIRA</p>	<p>and is a Certified Public Accountant. He has over 25 years experience as an Auditor in the Public sector and is member of the Institute of Certified Public Accountants of Kenya and Institute of Internal Auditors.</p>
 <p>MR. DAVID MAINA KAMIRU</p>	<p>MR. DAVID MAINA KAMIRU was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds Bachelor's degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years experience in sales and marketing with primary focus in fast moving consumer goods.</p>

CONSTITUTION OF BOARD COMMITTEES 2019

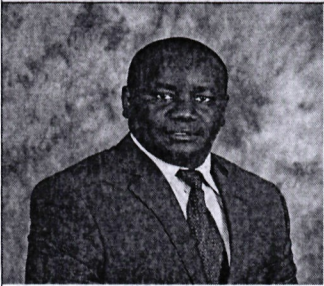


COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	DR. IGNATIUS KAHIU	DR. CHRISTOPHER AYIENDA
		ALT. PS - LIVESTOCK
		ALT. PS - COOPERATIVES
		MANAGING DIRECTOR
		MS. MARY CHERONO CHEBET
MARKETING & LOGISTICS COMMITTEE	MR. YASIR NOOR	DR. IGNATIUS KAHIU
		DR. JOSH ODHIAMBO
		MANAGING DIRECTOR
		MR. EDWARD GACAU
FINANCE & GENERAL PURPOSES COMMITTEE	DR. JOSH ODHIAMBO	ALT. PS - LIVESTOCK
		MR. EDWARD GACAU
		ALT. PS - TREASURY
		MS. MARY CHERONO CHEBET
		MANAGING DIRECTOR
AUDIT COMMITTEE	DR. CHRISTOPHER AYIENDA	ALT. PS - TREASURY
		ALT. PS - COOPERATIVES
		MR. EDWARD GACAU
		YASIR NOOR





CONSTITUTION OF BOARD COMMITTEE 2018

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	Dr. Ignatius Kahiu	Mr. Julius Kiptarus
		Dr. Josh Odhiambo Owino
		Alt. Principal Secretary Co-operatives
		Dr. Christopher Ayienda
		Mr. Nixon Sigey
MARKETING & LOGISTICS COMMITTEE	Mr. Yassir Noor	Mr. Julius Kiptarus
		Dr. Ignatius Kahiu
		Ms. Mary Cherono Chebet
		Dr. Josh Odhiambo Owino
		Mr. Nixon Sigey
HUMAN RESOURCE COMMITTEE	Ms. Mary Cherono Chebet	Mr. Yassir Noor
		Dr. Christopher Ayienda
		Mr. Julius Kiptarus
		Mrs. Jane Wambugu
		Mr. Nixon Sigey
FINANCE & GENERAL PURPOSES COMMITTEE	Dr. Josh Odhiambo Owino	Mrs. Jane Wambugu
		Alt. Principal Secretary Co-operatives
		Dr. Ignatius Kahiu
		Mr. Nixon Sigey
AUDIT COMMITTEE	Dr. Christopher Ayienda	Mrs. Jane Wambugu
		Alt. Principal Secretary Co-operatives
		Mr. Yassir Noor
		Ms. Mary Cherono Chebet





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III. MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>MR. NIXON SIGEY</p>	<p><u>CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR</u></p> <p>Mr. Nixon Sigey born on 1st January 1970 was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-two (25) years working experience in Public Service, ten (10) of which have been in Senior Management.</p> <p>Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management</p>
 <p>MR.SAMUEL ICHURA</p>	<p><u>CHIEF MANAGER FINANCE</u></p> <p>Mr. Ichura born on 6th November 1977 and holds a Master of Business Administration (Corporate Management) and a Bachelors' Degree in Business Administration (Finance Option). He is a Certified Public Accountant – CPA (K) and Certified Internal Systems Auditor (CISA).</p> <p>Mr. Ichura has over 15 years work experience in Internal Audit and Finance.</p>
 <p>MS.DAMARIS CHIRCHIR</p>	<p><u>CHIEF MANAGER FACTORY OPERATION</u></p> <p>Ms. Chirchir was born on 8th August 1962 and holds a Master of Business Management and Bachelor of Science Degree in Food Science and Technology.</p> <p>She is a Certified ISO Auditor with over 25 years' working experience in factory operations.</p>

 <p>DR. MAGDALENE MUTHOKA</p>	<p><u>CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION</u></p> <p>Dr. Muthoka born on 31st December 1973 and holds a PhD. (Human Resource Management), Master of Science (Human Resource Management), Bachelor of Commerce degree (Accounting Option) and Post Graduate Diploma in Human Resource Management and has also undertaken CPA (III-5).</p> <p>Ms. Muthoka has over twenty (20) years' experience in Human Resource Management and Finance.</p>
 <p>MR. JAMES GATERU</p>	<p><u>CHIEF MANAGER SALES AND MARKETING</u></p> <p>Mr. Gateru holds a Master of Business Administration Degree in Strategic Management and a Bachelor of Commerce Degree (Business Administration Option).</p> <p>He also holds a Practitioners Diploma in Sales & Marketing and Certified Public Accountant - CPA (I).</p> <p>James is currently pursuing a doctorate in Strategic Management.</p>
 <p>MR. SAMUEL ONYANGO</p>	<p><u>HEAD OF ICT</u></p> <p>Eng. Onyango was born on 22nd June 1977 and holds a Bachelor of Science degree in Electrical & Electronic Engineering and is currently pursuing a Master of Business Administration from London School of Business.</p> <p>Eng. Onyango is a Qualified Enterprise Resource Planning Applications expert (Sage ACCPAC, Systems Applications Product SAP), ITIL v3 (Information Technology Infrastructure Library), CCNA (Cisco Certified Network Associate) and Certified Project Manager (Prince).</p> <p>Sam has over 15 years' experience in information communication and technology.</p>
 <p>MS. STACY TOO</p>	<p><u>HEAD OF CORPORATE AFFAIRS</u></p> <p>Ms. Stacy Too was born on 15th November 1970 and holds a Bachelor's Degree in Public Administration and Social Work.</p> <p>Ms. Too also has a Practitioner's Diploma in Marketing as well as a Diploma in Personnel Management & Industrial Relations.</p>

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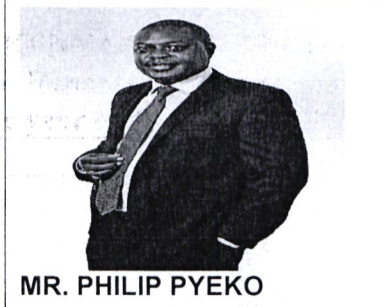
 <p>MR. ANTHONY KINOBU</p>	<p><u>HEAD OF QUALITY ASSURANCE</u> Mr. Anthony Kinogu born on 25th July 1975 was first employed by New KCC on 1st October 2004 as Quality Control Supervisor. He holds Bachelor of Food Science & Technology degree and a Master of Business Administration Degree. He has over 14 years working experience working with New KCC</p>
 <p>MR. MARUSOI BURGOH</p>	<p><u>AG. CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE</u> Mr. Marusoi Burgoth was born on 11th October 1979 and holds a Bachelor of Commerce Degree (Accounting Option). He is a Certified Public Accountant with over ten (10) years of experience in Internal Audit.</p>
 <p>ENG. PETER KIBOI</p>	<p><u>HEAD OF ENGINEERING</u> Eng. Peter Kiboi was born on 2nd August 1962 and holds a Bachelor of Science degree in Electrical Engineering as well as a Certificate in Total Maintenance Management from SIDA. Eng. Kiboi has over 30 years' experience in plant engineering and is currently pursuing a Master of Science degree in Energy Management</p>
 <p>MS. SHEILA AKALA</p>	<p><u>AG. HEAD OF PROCUREMENT</u> Ms. Sheila Akala born on 11th December 1981 and holds a Master of Science (Procurement and logistics) and a Bachelor of Commerce (Management Science). She is a Licensed Supplies Practitioner by the Kenya institute of supplies and management (KISM), Member of Kenya institute of supplies and management (KISM), and Member of the Chartered Institute of Purchasing and Supplies (MCIPS) Ms. Sheila Akala has over 15 years work experience in Public Procurement and Supply Chain Management.</p>



MS. YVONNE N. MASINDE

AG. CHIEF MANAGER LEGAL AFFAIRS & COMPANY SECRETARY

Ms. Yvonne N. Masinde was born on 30.9.1978. she was first employed by New KCC as Legal Affairs Manager on 1st February 2017. She holds a Bachelor of law degree; Post graduate diploma in Law and she is a Certified Public Secretary. Has 10 years' work experience as legal officer.



MR. PHILIP PYEKO

HEAD OF RAW MILK & EXTENSION SERVICES

Mr. Philip Pyeko born on 9th May 1977 was first employed by New KCC on 17th October 2005 as Production Supervisor. Holds Bachelor of Science degree in Food Science & Technology. He has over 12 years work experience working with New KCC in different capacities.

IV. CHAIRMAN'S STATEMENT

The 2018/2019 Financial Year registered yet another period of growth and stability for the company, marked by increased revenues and raw milk intake as well as a growing share of the consumer market. During the year under review, the company received and processed a total of 105M kilos of quality raw milk, an increase of 6% from the 99 million kilos received in the previous year despite a general drop in raw milk supply experienced in the industry during the latter part of the year.

We are pleased to report that the billion-shilling modernization programme that the company embarked on in 2017 to upgrade our processing facilities to increase capacity and improve efficiency remains on course.

The successful commissioning of the Ultra-Modern Sotik UHT Factory in the previous financial year by H.E President Uhuru Kenyatta in October 2018, brings to two, the total number of fully modernized factories, and we look forward to completing Dandora and Nyahururu factories in the coming year.

Connecting with our Stakeholders

Our continued good working relations with our farmers remain an integral part of our operations, and whose continued support has been and will continue to be vital in realizing the full impact of the modernisation program.

The ongoing billion-shilling modernization program has already seen the company more than double its processing capacity from 400,000 litres to over 800,000 litres a day, and on completion, New KCC will be able to handle up to one million litres of quality raw milk per day, thereby assuring our dairy farmers of a ready market for their milk.

Our milk pay-out to farmers has been on an upward trend with Kes 4.1Billion paid out in the 2018/19 Financial year, up from Kes 3.7B paid out in the previous year. This is clear evidence of the viability of this industry, making the modernisation program not only timely, but also important.

Apart from the direct economic benefits of prompt and competitive payment to farmers, the company through its robust extension services program has ensured farmers have access to essential services such as farm inputs, animal feeds, quality breeds and extension services, aimed at improving productivity and quality of raw milk at the farm level.

During the year under review, dairy farmers affiliated to New KCC were able to take part in both local and international forums to gain knowledge and benchmark against best dairy practices, with the company sponsoring its farmers as delegates at the ESADA conference and on an exchange program to Israel, among other local farmer-exchange programmes.

Ours is a dynamic business, and we will continue to work closely with all stakeholders along the dairy value chain to find lasting solutions to issues affecting industry such as the hawking of raw milk and entry of cheap milk imports, all of which have had the combined negative effect on overall growth and viability of an otherwise profitable industry.

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In Appreciation

Our progress thus far has been the result of a collective effort from various players, with a shared vision of a thriving company.
On behalf of the Board of Directors and Management of New KCC, I wish to acknowledge the support we continue to receive from the National Government, County Governments, and our parent Ministry of Industry, Trade & Cooperatives.
Our sincere gratitude also goes out to our farmers, customers and well-wishers for their continued partnership and support, without whom, none of this would have been possible.

Dr. Ignatius Kahiu
Board Chairman



V. REPORT OF THE MANAGING DIRECTOR

The 2018/2019 Financial Year marked the continuation of an ambitious billion-shilling modernisation program that started in 2017 and which aims to increase capacity, new technology and enhance processing efficiency across all our factories.

It was a period of steady growth, with the company's market share growing to 35% as its sales revenues also grew to Kes 9.6B during the 2018/2019 financial year, up from Kes 8.7B recorded in the previous year. This growth, no doubt spurred an increased in the reported pre-tax profits, which grew by 10%. New KCC remained true to its competitive advantage as price stabilizer in the raw milk market, offering some of the most competitive raw milk prices in the market. In the 2018/2019 financial year, the company's pay-out to farmers stood at Kes 4.1B, up from Kes 3.7B recorded in the previous financial year.

Modernizing our facilities transforming the dairy industry

The modernization programme has seen to the rehabilitation of old equipment and installation of new state of the art infrastructure, facility branding and environmental facelift in our facilities to the highest standards. As we embark on the second phase in the coming year, we are on course to complete works in our Nyahururu and Dandora Facilities, before we embark on our third phase that will cover our Kitale, Kiganjo and Miritini Factories. On completion, this will be a game changer in the dairy industry in Kenya and the region at large.

We are pleased to report that following successful audits, we were able to maintain our ISO 22000:20015 Certification for Food Safety Management Systems across all our facilities, and will in the next financial year, be initiating the process to transit to ISO 22000:2018. In addition, our use of Halal certified ingredients meant that the company was also able to maintain its Halal Certification. The organisation also successfully transitioned from the previous ISO 9001:2005 ISO Standard to 9001:2015 for Quality Management Systems.

Creating Market Value

With increased competition that is constantly growing, the company stepped up its marketing activities resulting in a 23% growth in sales performance in the 2018/2019 FY.

The company successfully launched two new products into the market; Gold Crown TBA with a screw cap and Gold Crown Value Pack to serve a niche market with a preference for our premium milk brand, and to which the market responded positively. This was boosted by a well-executed campaign both on electronic media and below the line activations in various outlets, which saw to the successful offtake of our Gold Crown Brand, with revenues growing by up to 35%. In addition, we also re-branded our popular flavoured long life milk 'Shake', giving it a more child-friendly look that will resonate with its target market.

To enhance market penetration, the company also invested in acquisition of a fleet of branded sales vehicles to boost product distribution and which have also gone a long way in enhancing brand visibility and presence in the market.

As part of our efforts to strengthen relationships with our key partners in the retail trade, we entered into Joint Business Partnerships (JBPs), that have proven effective in improving market presence and

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driving sales revenue, in addition to laying down more blue prints that will see us serve the market with greater efficiency and effectiveness.

Our Research & Development teams are working tirelessly to remain at the forefront of product innovation, and in the pipeline, is a range of products suited to various market segments that will be launched in the next financial year.

Building a sound organisation for economic prosperity

As a customer-oriented organization, we have dedicated ourselves to affording our customers and stakeholders with quality service before, during and after their requirements are met. To that end, our customer interaction is supported by active online social media presence and dedicated customer service desk, all of which serve to enhance our customers' and stakeholders' experience.

This has been enhanced by the establishment of a complaint handling procedure with supporting infrastructure, which has also seen the company at the close of each financial year, including the one under review, consistently receive a certificate of compliance with a 90+ score from the Commission on Administrative Justice on Resolution of Public Complaints and Access to Information

Internally, the company has invested in training, capacity building to enhance competences of its staff at all levels, skills and knowledge transfer covering its over 2,000 work-force to fit an ever-changing business environment.

As a state corporation, we also ensured that we complied with all the statutory and regulatory requirements, including reserving 30% our budget for procurement opportunities for youth, women and PWDs as set out in the PPAD Act 2015, and which translated to Kes 342M, far surpassing the set target of Kes 217M for the year under review.

Under the '*Buy Kenya, Build Kenya Initiative*', New KCC awarded procurement contracts valued at Kes 6.2B for various goods, works & services to local suppliers, thereby meeting the 40% threshold, while also at the same time, outpacing the set target of Kes 3.4B for the 2018/2019 FY.

Acknowledgment

I remain proud of the continued support from all our stakeholders, both within and without the company, whose cooperation and commitment has proved invaluable to our continued success. I am particularly grateful for the support that we have received from the National Government, whose support and confidence in the viability and continued growth and success of New KCC, and will prove a key factor in the realization of our strategic goals.

I also wish to acknowledge support from various county governments, our parent Ministry, Board of Directors, Management and Staff of New KCC whose dedication and commitment were instrumental in the Company's positive showing.

Delivering '*Life's goodness everyday*' remains our clarion call.


Mr. Nixon Sigey, MBS
Managing Director

VI. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

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

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

Core Values

Integrity

Loyalty

Innovativeness

Quality

PART B: Corporate Governance Statements

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

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

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

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

Board Composition

The Board comprises Thirteen members whose unique skills, knowledge and experience collectively contribute to the running of the company and corporate governance. Among them is the Chairman, who is appointed by the President and remaining directors who are appointed by the Cabinet Secretary, Ministry of Industry, Trade and Co-operatives, the Company's parent ministry.

The Board and its Role

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

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

Board Committees

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

These committees are:

Human Resource Committee

Marketing & Logistics Committee

Audit Committee

Finance & General Purposes Committee

Technical Committee

Board Committees

Human Resource

Marketing & Logistics

Audit

These committees are:

Human Resource Committee

Marketing & Logistics Committee

Audit Committee

Finance & General Purposes Committee

Technical Committee

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

1.0 BACKGROUND

We hereby present a progressive report on Financial Results and Report for the Twelve months' period up to 30th June 2019. Here below are summary highlights from the Financial Statements now being presented for Committee deliberations and directions for Management action.

2.0 TRADING RESULTS

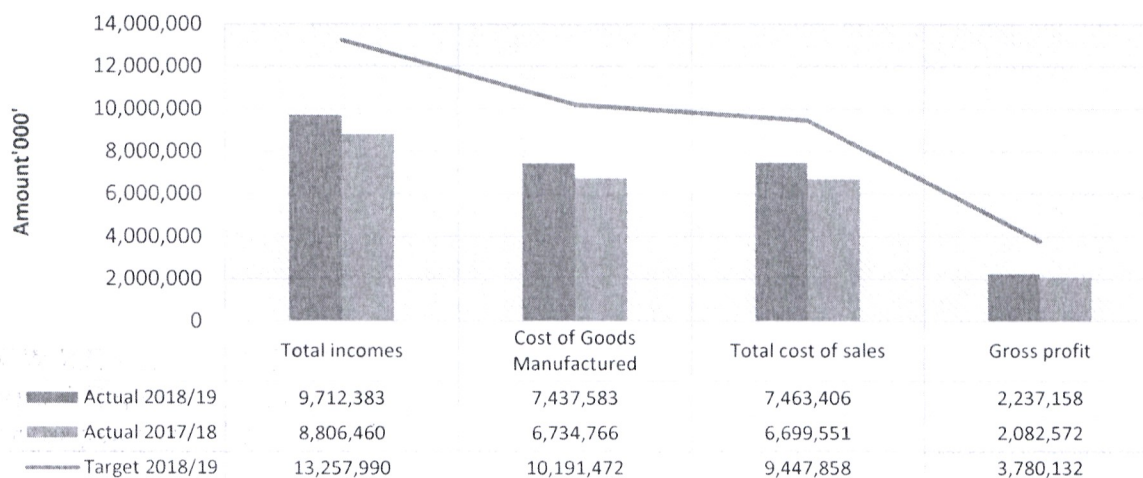
Below is a summary of the company's financial performance for the Twelve months' period ended 30th June 2019. It highlights the performance of the company in comparison with the set targets and the prior year results.

2.1 Key Highlights

The company registered Kshs. 54.5 Million pre-tax Profit for the Twelve months' period ended 30th June 2019 representing a 13% increase compared to the same period last year. There was a growth in sales of 9.6 % as compared to the prior year. The Sales Revenue was however below the target sales by Kshs 3.6 Billion which is partly explained by key customers Nakumatt and Uchumi stopping doing business due to financial difficulties in May and June 2017. This translated to decline in monthly orders of over Kshs 150 million. Other factors that contributed to this are as below:

- i. Below target sales revenue as a result of stiff competition from cheap products from Uganda.
- ii. High cost of raw milk which averaged Kshs 40.2 per litre due to scarcity of raw milk caused by cold weather experienced in the 1st quarter of the year and prolonged draught in the 3rd quarter. The average price per litre for the same period last year was Kshs 40.3. The payout for the year was Kshs 4.1 Billion compared to Kshs 3.8 Billion in FY 2017/18 hence an increase in payout of Kshs 300 Million.
- iii. Increased cost of production due to material price increase of packaging materials especially cartons and overheads. The cost of packaging materials for the period was Kshs 1.2 Billion and Kshs 866 Million for the previous year.
- iv. Price reduction of finished products as a result of market pressure from competitors which resulted in further loss of revenue. This contributed to a loss in margin of 0.5% which translates to Kshs 44.8 Million.

Key Performance Highlights



2.1.1 Total Income

From the above, it is noted that the income of the company is below target by Kshs 3.5 Billion. This is attributed to the challenging operating environment in the industry as noted above. As compared to the previous year, the revenue increased by Kshs 934 Million.

2.1.2 Other Income

Other income relates to rental income, miscellaneous income from sale of scrap, tender fees, piggery and interest income. In the period under review, other income was below target by Kshs 18.2 Million due to lower rental income collected as compared to the budget. As compared to the prior year, the other income reduced by Kshs 12.5 Million due to interest income received in the FY 2017/18 and nil in this year.

The restricted Government grant of Kshs 77.6 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 16 of the reporting standards.

2.1.3 Cost of Production

Cost of Production materials like raw milk, packaging materials and direct labour increased during the year. Raw milk cost increased by Kshs 323 Million compared to prior year while packaging materials cost increased by Kshs 295 Million and Direct and Indirect labour and other overheads increased by Kshs 112 Million. The increase in the cost of production was occasioned by increase in the volume of milk processed as compared to the prior year. Uptake by the market was proportionally lower as compared to the production levels.

Due to the drastic reduction of raw milk in the 3rd and 4th quarters of the year, the company reconstituted milk powder to meet the market demand. As a result, 3.3 Million litres of the milk delivered to the market was processed through reconstitution. The cost of 1 litre of blended milk was Kshs 52.75 as compared to the average cost of raw milk which was Kshs 40.2. This meant that the company incurred Kshs 42 Million more to produce the 3.3 Million litres processed to meet the gap in the market demand.

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2.1.4 Gross Profit

The company's gross profit margin for the period is below target by 5% due to higher cost of raw milk as compared to the target which increased the cost incurred by the company in acquisition of the milk by Kshs 300 Million in the period under review. Additionally, the shortfall in sales revenue from the target contributed to this since it reduced the company's ability to absorb the fixed costs. As compared to the prior year, the company has lost a margin of 0.5%.

3.0 ANALYSIS OF KEY EXPENDITURES

3.1 Raw Milk

This is one of the key raw materials used by the company and it is the highest cost of production for the entity. During the period ended 30th June 2019, raw milk supplied, and the amount paid was as below:

Table 2: Analysis of Raw Milk Intake Figures and Payout Summary for FY 2018/19

Period	Actual Lts 2018/19	Target Lts 2018/19	2018/19 Actual Payout	2018/19 Target Payout	Actual Average cost/Litre	Target Average Cost/Litre
July	7,391,699	13,126,319	309,984,052	485,673,814	41.9	37
Aug	8,112,309	13,966,305	341,042,683	502,786,979	42.0	36
Sept	7,953,549	13,900,820	339,107,401	521,280,737	42.6	37
Oct	9,302,385	14,078,968	398,065,268	513,882,343	42.8	37
Nov	9,550,406	14,013,859	413,222,589	504,498,926	43.3	36
Dec	11,922,772	14,650,912	504,500,491	534,758,279	42.3	36
Jan	14,043,722	13,062,184	534,032,608	476,769,709	38.0	36
Feb	10,037,855	10,387,708	348,227,251	405,120,617	34.7	39
Mar	6,312,773	10,351,051	225,681,133	403,691,004	35.8	39
Apr	4,013,511	9,926,043	154,250,716	377,189,641	38.4	38
May	5,763,417	11,181,584	226,277,158	424,900,189	39.3	38
June	8,069,208	12,078,166	325,122,194	446,892,157	40.3	37
Total	102,473,606	150,723,919	4,119,513,544	5,597,444,395	40.2	37

The raw milk supplied and the pay-out during the period was below target. This was largely attributed to the unfavourable weather conditions which reduced the production levels of raw milk in the country. The company managed to collect 102.5 Million litres of milk at an average cost of Kshs 40.2 per litre. The total payout for the period was Kshs 4.1 Billion. The average budgeted price per litre for the year was Kshs 37 including transport, chilling and extension services. The expected cost for the 102.5 Million collected was Kshs 3.8 Billion. The company therefore paid Kshs 300 Million more than the budget on account of raw milk.

SECTION B

Entity's compliance with statutory requirements

The Organization is fully compliant of all statutory obligations and there are no major compliance issues that may expose the company

SECTION C

Key projects and investment decisions the entity is planning/implementing

1.	DANDORA FACTORY
	(a) Supply, installation and commissioning of Gable top Milk Filling machine.
	(b) Supply, installation of Bottle filling machine.
	(c) Supply, installation and commissioning of yoghurt cup filling machine.
	(d) Supply, installation and commissioning of Fermented Milk processing.
	(e) Roof rehabilitation, Road design and rehabilitation
	NYAHURURU
2.	(a) Supply, installation and commissioning of Aseptic TetraBrick milk filling machine (b) Supply, installation and commissioning of a 500 KVA UPS
3.	OTHERS
	(a) Supply, Installation and Commissioning of refrigerated farm cooling tanks.

SECTION D

Major risks facing the entity

Capital Risk

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

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

Financial Risk

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

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Market risk

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

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Credit Risk

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

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

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

SECTION E

Statutory/financial obligations

Statutory/financial obligations/contingent liability:						
As At:		30 Sept	31 Dec	31 Mar	30 Jun	Prior Year
Loan Arrears:	Principal	463,363,680	480,546,624	499,215,816	479,664,296	504,885,638
	Interest	55,603,642	57,665,595	59,905,898	57,559,716	60,586,277
	Total	518,967,322	538,212,218	559,121,714	537,224,012	565,885,638
Statutory Obligations:	NSSF	817,566	822,366	793,766	754,266	799,766
	NHIF	1,898,150	1,895,300	1,835,000	1,753,550	1,847,600
	PAYE.	15,664,184	15,935,438	15,649,656	15,476,070	17,462,936
	Corporate Tax.	-	-	-	-	37,907,313
	Pension.	8,829,213	8,798,470	8,671,159	8,636,114	8,441,560

SECTION F

The entity's financial probity and serious governance issues

During the period under review, there was neither any major financial improbity reported nor was there any serious governance issues raised.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In appreciation of our reach in virtually all parts of the country, New KCC has endeavoured to ensure it has integrated its business operations and guiding values, whereby the interests of all its stakeholders both internal and external and which go beyond turning around the fortunes as reflected in the company's policies and actions.

New KCC has been an active participant in initiatives aimed at improving the livelihoods of communities wherever we operate in the areas of education, environmental preservation, health and sports setting an example in the industry front. To this end, the Company has extended its support in both cash and in-kind towards medical camps, sporting events, environmental clean-up exercises, food drives in times of national emergency and donations towards community economic initiatives.

Support to Education

Support to Education

Support to education is one of the key areas where New KCC has been active in contributing to the development of the country. The Company has been instrumental in supporting various educational institutions and initiatives across the country.

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IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2019 which show the state of the company's affairs.

Principal activities

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

Results

The results of the New Kcc Ltd for the year ended June 30, 2019 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	54,572,038
Taxation Charge	(23,993,110)
Profit after Taxation	30,578,928

Dividends

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

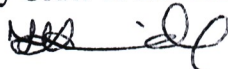
Directors

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

Auditors

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

By Order of the Board



Yvonne Masinde
Ag. Company Secretary
Nairobi
Date.....

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES


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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act chapter 486. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Company's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



Director

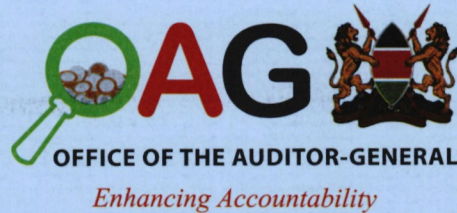


Director

Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of New Kenya Co-operative Creameries Limited set out on pages 1 to 53, which comprise the statement of financial position as at 30 June, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 effects 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 the New Kenya Co-operative Creameries Limited as at 30 June, 2019, 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 Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Land Ownership and Valuation

The statement of financial position as at 30 June, 2019 reflects land owned by the Company valued at Kshs.3,945,073,828 comprised of leasehold land and freehold land of Kshs.3,637,573,828 and Kshs.307,500,000 as disclosed in Note 14 and Note 15 to the financial statements respectively.

However, title deeds for twenty-two (22) properties with a value of Kshs.853,900,000 were not availed for audit verification. In addition, the value of four (4) parcels of land is not disclosed. Similarly not disclosed in the financial statements is the value of two (2) disputed properties; LR No.37/371 and LR No.37/22 situated in Upper Hill, Nairobi and transferred to third parties. The legal status of the properties has not been determined yet.

In addition, available records indicated that twenty-three (23) disputed and unvalued properties were registered in the names of third parties. Further, five (5) acres out

32.94 acres of parcel LR.NO.MN/VI/2860 on which Miritini Milk Processing Factory is located have been encroached by informal settlers, some of whom have already built residential and other structures on the land.

Although the Company has initiated legal proceedings with a view to recover the disputed properties, and has also engaged the National Land Commission and the Ministry of Lands on the matter, no tangible change in the status of the lands has been attained so far.

In the circumstances, ownership of the occupied lands by the Company as well as those registered in the names of third parties is at risk.

In view of the foregoing, it was not possible to confirm the valuation and ownership of land valued at Kshs.3,945,073,828 in the Company's Statement of Financial Position as at 30 June, 2019.

2. Unsupported Trade and Other Receivables

The Statement of Financial Position at 30 June, 2019 reflects trade and other receivables amounting to Kshs.2,308,191,509, as disclosed under Note 18(a) to the financial statements. The balance includes Kshs.77,619,144 owed by Uchumi Supermarkets Limited and Kshs.290,690,273 by Nakumatt Holdings Limited. Available information indicates that the former is facing receivership proceedings and the latter is in liquidation. In addition, the Trade and Other Receivables balance includes unpaid cheques totalling Ksh.17,747,784, rent arrears of Kshs.31,977,504 which in turn include Kshs.16,798,890 from tenants who have already vacated the Company's premises, and staff debtors amounting to Kshs.15,330,504. The staff debtors' balance includes amounts owed by former staff of the Company, some of whom are now deceased.

In view of these anomalies, recoverability of the trade and other receivables balance totalling Kshs.2,308,191,509 reflected in the Statement of Financial Position as at 30 June, 2019 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of New Kenya Co-operative Creameries 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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

1. Prior Year Matters- Outstanding Trade and Other Payables

The report for 2017/2018 highlighted trade and other payables balance totalling Kshs.1,790,214,805 as at 30 June, 2018 which included the sum of Kshs.25,680,870 that had been outstanding for more than three years. Further, Kshs.7,302,499 due to contracted farmers had been outstanding for three years, since 2015.

No information has been provided to show how these debts were paid during the year under review.

2. Budget Control and Performance – Unrealized Revenue Target

During the year under review, the Company set a revenue budget of Kshs.13,257,990,204 but realized Kshs.9,623,007,943 thus incurring a revenue shortfall of Kshs.3,544,093,162 or 26.7% of the budget.

No plausible explanation has been provided for the underperformance.

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 matters described in the Basis for Qualification, 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

Unsupported Write-Offs of Finished Goods

The Company's accounting records indicated that Management wrote-off Kshs.59,104,947 worth of finished goods during the year under review. However, the Company's policy on write-off of stock and reports, if any, to the National Treasury and the Auditor-General on the write-offs have not been presented for audit review. In the absence of relevant information, it is not possible to confirm that provisions of Section 148(5) of the Public Finance Management (National Government) Regulations, 2015 were observed in relation to the write-offs. Further, I am unable to confirm that the losses of public funds so incurred were regularized.

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 matters described in Basis for Qualified Opinion, Basis for and Conclusion on Lawfulness and Effectiveness in Use of Public Resources and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Delay in Clearing Trade and Other Payables

The Statement of Financial Position as at 30 June, 2019 reflects trade payables totalling Kshs.2,003,908,361, as further disclosed in Note 28 to the financial statements. The balance includes debts totaling Kshs.18,967,368, which had been outstanding for more than one (1) year, owed to trade suppliers and Kshs.24,056,791 owed to farmers by the defunct Kenya Cooperative Creameries. Although Management has indicated that the debts have remained unpaid because the creditor farmers have not presented themselves for vetting, information on the actions taken to identify the farmers has not been presented for audit review.

In the circumstance, the Company's internal control, risk management and governance on trade payables is not effective.

2 Ineffective Control on Rental Properties

As mentioned in the Basis for Qualification section of this report, as at 30 June, 2019, rental income arrears totalling Kshs.31,977,504 include Kshs.16,798,890 owed by tenants who had vacated the Company's premises without making payment. In addition, the Company's own staff owed Kshs.15,330,504 as at that date.

Further, Management have not presented the Company's rental properties management policy and tenancy agreements for audit review.

In view of these omissions, internal control on rental properties owned by the Company and collection of rental income is weak.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. the Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (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 control, 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 the Management is aware of the intention to liquidate the Company or have its operations cease.

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 financial reporting process, reviewing the effectiveness of how the Company 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 October, 2020

NEW KENYA CO-OPERATIVE CREAMERIES LTD
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XII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 Kshs	2018 Kshs
REVENUES			
Sales/Turnover	1	9,623,007,943	8,769,168,660
Grants from National Government	2	77,555,903	-
Other Income	3	12,536,616	18,328,610
TOTAL REVENUES		9,713,100,462	8,787,497,271
Cost of Sales		7,150,294,101	6,316,332,168
OPERATING EXPENSES			
Administration Costs	4(a)	877,084,786	840,010,650
Selling and Distribution Costs	5	1,057,750,088	1,034,517,557
Depreciation of property, plant and equipment	12	334,003,324	394,489,896
Amortisation of Intangible Assets	13	77,664,583	
Amortization of Leasehold land	15	5,832,363	5,832,363
TOTAL OPERATING EXPENSES		2,352,335,144	2,274,850,466
OPERATING PROFIT/(LOSS)		210,471,218	196,314,636
Finance Income	7	796,580	18,596,090
Finance Costs	8	156,695,760	167,811,199
PROFIT/(LOSS) BEFORE TAXATION		54,572,038	47,099,527
INCOME TAX EXPENSE/(CREDIT)	9	(23,993,110)	(37,907,313)
PROFIT/(LOSS) AFTER TAXATION		30,578,928	9,192,214
Earnings per share – basic and diluted	10	0.39	0.17
Dividend per share	11	0.16	0.07

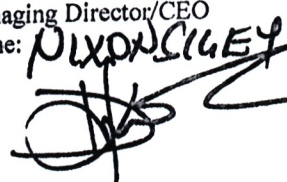
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XIII. STATEMENT OF FINANCIAL POSITION

	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	4,073,796,762	4,122,379,669
Intangible assets	13	155,817,671	-
Leasehold Land	15	3,637,573,828	3,728,434,781
Freehold land	14	307,500,000	307,500,000
Investment property	16	6,456,475	6,456,475
Total Non-Current Assets		8,181,144,736	8,164,770,925
Current Assets			
Inventories	17	1,576,500,693	1,660,442,300
Trade and other receivables	18	2,308,191,509	1,996,009,658
Tax recoverable		-	-
Short-term deposits	20	6,461,170	6,461,170
Bank and cash balances	21	616,535,009	391,947,315
Total Current Assets		4,507,688,381	4,054,860,443
Total Assets		12,688,833,117	12,219,631,368
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	547,028,870	547,028,870
Revaluation reserve		5,485,235,210	5,653,885,384
Retained earnings		1,936,194,617	1,919,741,505
GOK Grant		1,079,944,097	957,500,000
Capital and Reserves		9,048,402,794	9,078,155,760
Non-Current Liabilities			
Borrowings	26	303,058,797	311,058,833
Deferred tax liability	27	(143,728,676)	(153,601,111)
Total Non-Current Liabilities		159,330,121	157,457,722
Current Liabilities			
Borrowings	26	176,605,499	193,826,805
Trade and other payables	28	2,003,908,361	1,790,215,544
Related Party Balances	33	702,995,884	702,995,884
Tax Payable	19	2,477,321	29,350,058
Bank Overdraft	21	504,463,898	201,076,491
Retirement benefit obligations	29	63,323,674	38,765,400
Provision for leave pay	30	27,325,566	27,787,704
Total Current Liabilities		3,481,100,203	2,984,017,886
TOTAL EQUITY AND LIABILITIES		12,688,833,117	12,219,631,368

The financial statements were approved by the Board on 6/12 2019 and signed on its behalf by:

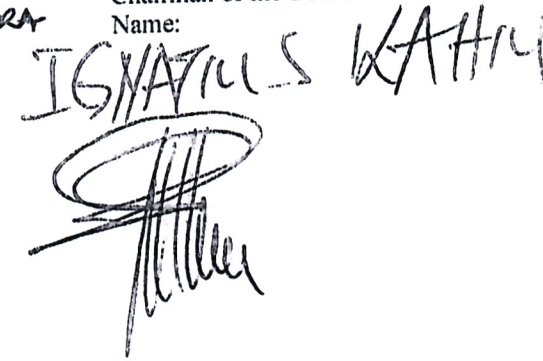
Managing Director/CEO
 Name: OLYMPIQUEY



Head of Finance
 Name: SAMUEL ICHURA
 ICPAK M/NO: 4239



Chairman of the Board
 Name: IGNATIUS KATHU



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XIV. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2017	547,028,870	2,033,910,449	-	1,914,154,923	-	770,000,000	5,265,094,242
Revaluation gain	-	3,697,795,246	-	-	-	-	3,697,795,246
Transfer of excess depreciation on revaluation	-	(77,820,311)	-	-	-	-	(77,820,311)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	(305,632)	-	-	(305,632)
Total comprehensive income	-	-	-	9,192,214	-	-	9,192,214
Capital/Development grants received during the year	-	-	-	-	-	187,500,000	187,500,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2017	-	-	-	(3,300,000)	(-)	(-)	(3,300,000)
Interim dividends paid – 2018	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2018	547,028,870	5,653,885,384	-	1,919,741,505	-	957,500,000	9,078,155,760
At July 1, 2018	547,028,870	5,653,885,384	-	1,919,741,505	-	957,500,000	9,078,155,760
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	30,578,928	-	-	30,578,928
Capital/Development grants received during the year	-	-	-	-	-	200,000,000	200,000,000

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	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2018	-	-	-	(12,607,883)	(-)	(-)	(12,607,883)
Depreciation Write back on Gov't Grant	-	-	-	-	(77,555,903)	(77,555,903)	(77,555,903)
Interim dividends paid – 2019	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2019	547,028,870	5,485,235,210	-	1,936,194,617	-	1,079,944,097	9,048,402,794

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XV. STATEMENT OF CASH FLOWS

	Note	2019 Kshs	2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	32 (a)	543,235,225	59,024,380
Interest received	7	796,580	18,596,090
Interest paid	8	(156,695,760)	(167,811,199)
Dividends paid	32 (e)	(12,607,883)	(3,300,000)
Taxation paid	9	(26,872,737)	(1,605,473)
Net cash generated from/(used in) operating activities		347,855,425	(95,096,202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(601,433,796)	(419,772,796)
Net cash generated from/(used in) investing activities		(601,433,796)	(419,772,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital		-	-
Proceeds (Repayment) of borrowings	32 (b)	(25,221,342)	(139,164,088)
GOK Grant	2	200,000,000	187,500,000
Net cash generated from/(used in) financing activities		174,778,658	48,335,912
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(78,799,713)	(466,533,086)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32 (c)	197,331,994	663,865,080
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32 (c)	118,532,281	197,331,994

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019

	Original budget 2018-2019	Adjustments 2018-2019	Final budget 2018-2019	Actual on comparable basis 2018-2019	Performance difference 2018-2019	Explanations/Remarks
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Sale of goods	13,227,990,204	-	13,227,990,204	9,623,007,943	(3,604,982,261)	Lower sales volume and Lower Prices than budget due to increase in competition
Sale of services	-	-	-	-	-	
Transfers from the Government	-	-	-	-	-	
Donations in kind	-	-	-	-	-	
Finance Income	-	-	-	796,580	796,580	Exchange gain difference recognized as income
Other income	30,000,000	-	30,000,000	90,092,519	60,092,519	Increase due to Gov't Grant dep write back
Total income	13,257,990,204	-	13,257,990,204	9,713,897,042	(3,544,093,162)	Due to low sales Revenue
Expenses						
Compensation of employees	797,396,579	-	797,396,579	735,291,122	62,105,457	Within Budget
Use of goods and services	9,610,789,996	-	9,610,789,996	7,150,294,101	2,460,495,895	Lower Intake of Raw milk
Finance cost	270,000,000	-	270,000,000	156,695,760	113,304,240	Within Budget
Rent paid	-	-	-	-	-	
Taxation paid	-	-	-	-	-	
Other payments	2,163,760,202	-	2,163,760,202	1,617,044,023	546,716,180	Within Budget
Grants and subsidies paid	-	-	-	-	-	
Total expenditure	12,841,946,777	-	12,841,946,777	9,659,325,005	3,182,621,772	Within Budget
Surplus for the period	416,043,427	-	416,043,427	54,572,038	(361,471,390)	

XVII. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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

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

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

ii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 77.6 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 16 of the reporting standards.
- iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement on receipt.
- vi) **Other income** is recognized as it accrues.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Property, plant and equipment

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

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

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

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

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

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

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

Freehold land is not depreciated.

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount. The revaluation reserve is being amortized annually at a rate of Kshs. 168,650,174 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

d) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years. Included in the figure computers & software is an amount relating to investment in Software/Intangible Asset. With effect from 1st July 2018, the company recognized all the related amounts under the Intangible Assets.

e) Amortisation and impairment of intangible assets

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

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

f) Investment property

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

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

g) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

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

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

j) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

k) Inventories

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

l) Trade and other receivables

Trade and other receivables are recognised 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.

m) Taxation

Current income tax

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

to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Cash and cash equivalents

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

o) Borrowings

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

p) Trade and other payables

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

q) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an external administrator(Liberty Pensions and Britam) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

r) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) 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/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

t) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV1 of these financial statements.

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

State all judgements, estimates and assumptions made:

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 6b.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2019	2018
	Kshs	Kshs
Gross sales of goods	9,719,414,903	8,802,918,077
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(96,406,960)	(33,749,416)
Total	9,623,007,943	8,769,168,660

2 GRANTS FROM NATIONAL GOVERNMENT

	2019	2018
	Kshs	Kshs
Restricted Gov't Grant	77,555,903	-
Total	77,555,903	-

Note: The restricted Government grant of Kshs 77.6 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 16 of the reporting standards.

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2017-2018 KShs
Ministry of Trade, Industry & Co-operatives	-	-	200,000,000	200,000,000	187,500,000
Total	-	-	200,000,000	200,000,000	187,500,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 OTHER INCOME

	2019	2018
	Kshs	Kshs
Sale of tender documents	16,000	2,586
Rent Income	11,544,828	13,071,468
Other miscellaneous receipts	975,788	5,254,556
Total	12,536,616	18,328,610

4 (a) ADMINISTRATION COSTS

	2019	2018
	Kshs	Kshs
Staff costs (note 4(b))	375,788,950	366,973,837
Directors' emoluments	15,816,526	12,041,218
Electricity and water	4,999,479	4,496,897
Communication services and supplies	11,920,903	12,224,253
Transportation, travelling and subsistence	105,593,968	105,286,431
Advertising, printing, stationery and photocopying	12,704,599	28,001,276
Rent expenses	4,012,362	5,205,280
Staff training expenses	12,111,252	10,350,079
Hospitality supplies and services	11,559,837	8,005,831
Insurance costs	46,934,060	35,403,713
Bank charges and commissions	18,574,431	20,885,262
Office and general supplies and services	2,271,965	1,892,164
Auditors' remuneration	1,800,000	1,800,000
Legal fees	23,094,096	25,432,601
Consultancy fees	- 1,388,897	3,931,500
Repairs and maintenance	5,032,791	3,441,258
Provision for bad and doubtful debts	96,527,719	88,390,993
Other operating expenses	129,730,743	106,248,056
Total	877,084,786	840,010,650

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 (b) STAFF COSTS

Salaries and allowances of permanent employees	235,589,600	216,700,532
Wages of temporary employees	13,362,518	14,170,297
Compulsory national health insurance schemes	67,519,760	58,966,639
Compulsory national social security schemes	442,600	747,127
Other pension contributions	10,113,020	8,470,188
Leave pay and gratuity provisions	26,269,923	32,480,842
Staff welfare	22,491,529	35,438,212
Total	375,788,950	366,973,837
The average number of employees at the end of the year was:		
Permanent employees – Management	264	264
Permanent employees – Unionisable	714	744
Temporary and contract employees	787	904
Total	1,765	1,912

5 SELLING AND DISTRIBUTION COSTS

	2019 Kshs	2018 Kshs
Salaries and wages of sales personnel	359,502,172	327,790,211
Marketing and promotional expenses	108,506,008	124,947,245
Sales commissions	-	-
Sales discounts and rebates	-	-
Other selling and distribution costs	589,741,908	581,780,102
Total	1,057,750,088	1,034,517,558

6 OPERATING PROFIT/(LOSS)

	2019 Kshs	2018 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4(b))	375,788,950	366,973,837
Depreciation of property, plant and equipment	417,500,270	400,322,259
Provision for bad and doubtful debts	96,527,719	75,799,239
Directors' emoluments – fees	15,816,526	12,041,218
Auditors' remuneration - current year fees	1,800,000	1,800,000
- prior year under-provision	-	-
Net foreign exchange loss	-	-
Total	(-)	(-)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 FINANCE INCOME

	2019	2018
	Kshs	Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	796,580	11,692,460
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	6,903,630
Total	796,580	18,596,090

8 FINANCE COSTS

	2019	2018
	Kshs	Kshs
Mpesa Charges	40,855,264	48,205,877
Interest expense on loans	66,995,070	76,444,963
Interest expense on bank overdrafts	48,845,425	43,160,359
Total	156,695,760	167,811,199

9 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2019	2018
	Kshs	Kshs
Current taxation based on the adjusted profit for the year	(3,463,449)	(30,377,973)
Current tax: prior year under/(over) provision	(10,657,226)	10,312,627
Current year deferred tax charge	(9,872,435)	(17,841,967)
Prior year under-provision for deferred tax	-	-
Total	(23,993,110)	(37,907,313)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. 30,578,928 (2018: Kshs.9,192,214) by the average number of ordinary shares in issue during the year of 54,702,887 (2017:54,702,887). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

11 DIVIDEND PER SHARE

The Dividend per share of Ksh 0.16 is calculated by dividing 40% of the profit after tax of Kshs. 30,578,928 (2018: Kshs. 9,192,214) by the average number of ordinary shares in issue during the year of 54,702,887 (2017:54,702,887). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

NOTES

The board of Directors do not recommend dividends for the year ended 30/06/2019.

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The earnings per share is calculated by dividing the profit after tax of Kshs. 30,578,928 (2018: Kshs.9,192,214) by the average number of ordinary shares in issue during the year of 54,702,887 (2017:54,702,887). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

COST OR VALUATION 2019	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Furniture & fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
At July 1, 2018	4,594,997,290	2,920,067,116	564,579,872	393,134,844	37,588,854	169,080,598	95,112,155	142,855,030	8,917,415,760
<i>Additions</i>	64,931,402	146,513,792	95,677,591	10,608,132	13,400,343	5,898,765	13,929,070	244,612,632	595,571,727
Transfers	-	246,417,635	-	-	-	-	-	(246,417,635)	-
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
At June 30, 2019	4,659,928,691	3,312,998,543	660,257,463	403,742,976	50,989,196	174,979,363	109,041,225	141,050,028	9,512,987,487
DEPRECIATION									
At July 1, 2018	1,766,859,383	2,116,936,592	543,826,320	386,637,857	17,999,481	143,699,541	45,606,643	-	5,021,565,816
Charge for the year	106,869,941	155,335,642	31,666,565	2,371,252	4,185,761	14,032,684	19,541,478	-	334,003,324
Transfer of excess Dep on Revaluation	43,075,907	40,545,677	-	-	-	-	-	-	83,621,584
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2019	1,916,805,231	2,312,817,911	575,492,885	389,009,109	22,185,242	157,732,224	65,148,121	-	5,439,190,725
NBV									
At June 30, 2019	2,743,123,460	1,000,180,632	84,764,578	14,733,867	28,803,954	17,247,139	43,893,104	141,050,028	4,073,796,762

NOTES TO THE FINANCIAL STATEMENTS (Continued)
12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
COST OR VALUATION									
At July 1, 2017	2,538,107,979	2,741,633,902	560,891,333	384,614,041	29,223,899	158,223,864	80,630,579	192,576,200	6,685,901,797
Additions	19,093,360	25,408,367	1,753,138	8,520,803	8,364,955	10,856,734	14,851,576	330,923,863	419,772,796
Transfers	-	153,024,847		227,620,185	-	-	-	(380,645,032)	
Revaluation	2,037,795,951	-	-	-	-	-	-	-	2,037,795,951
At June 30, 2018	4,594,997,290	2,920,067,116	564,579,872	393,134,844	37,588,854	169,080,598	95,112,155	142,855,030	9,143,470,544
DEPRECIATION									
At July 1, 2016	1,639,766,110	1,845,128,454	509,153,373	383,392,375	14,374,501	128,224,005	40,502,682	-	4,560,541,500
Charge for the year	127,093,273	271,808,138	34,672,947	3,245,482	3,624,980	15,475,536	4,629,016	-	460,549,372
Impairment loss	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2018	1,766,859,383	2,116,936,592	543,826,320	386,637,857	17,999,481	143,699,541	45,131,698	-	5,021,090,872
NBV									
At June 30, 2018	2,828,137,907	803,130,525	18,818,151	234,117,172	19,589,373	25,381,057	50,350,457	142,855,030	4,122,379,673

1) Included in property, plant and equipment are 23 (Twenty-three) properties that were acquired from Kenya Co-operative Creameries (2000) Limited whose ownership is in dispute and are in possession of third parties. The company has initiated legal process on the disputed properties. The directors are of the opinion that the company holds good title to the assets and therefore, no provision has been made in the financial statements to cater for any loss that might arise.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INTANGIBLE ASSETS

	2019	2018
	Kshs	Kshs
COST		
At July 1	227,620,185	-
Additions	5,862,069	-
Disposals	(-)	(-)
At June 30 th 2019	233,482,254	-
AMORTISATION		
At July 1	-	-
Charge for the year	77,664,583	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30 th	77,664,583	-
NET BOOK VALUE		
At June 30 th	155,817,671	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 FREEHOLD LAND

	2019 Kshs	2018 Kshs
Opening valuation	307,500,000	150,000,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note 18)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	157,500,000
Closing valuation	307,500,000	307,500,000
	=====	=====
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
NET BOOK VALUE		
At June 30 th	307,500,000	307,500,000
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 LEASEHOLD LAND

	2019	2018
	Kshs	Kshs
COST		
At July 1	3,883,175,220	911,089,220
Additions	-	-
Fair value gains/(losses)	-	2,972,086,000
Disposals	(-)	(-)
At June 30	3,883,175,220	3,883,175,220
AMORTISATION		
At July 1	(154,740,885)	(137,912,449)
Charge for the year	(5,832,363)	(5,832,363)
Excess Depreciation on Revaluation to Revaluation Reserve	(85,028,590)	(10,996,073)
Disposals	(-)	(-)
At June 30	(245,601,392)	(154,740,885)
NET BOOK VALUE		
At June 30	3,637,573,828	3,728,434,781

16 INVESTMENT PROPERTY

	2019	2018
	Kshs	Kshs
Opening valuation	6,456,475	6,456,475
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	6,456,475	6,456,475

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares Current year	Fair value of shares Prior year
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Shs	Shs
Uchumi Supermarket	100	0	100	8.41	6,456,475	6,456,475
	100	0	100	8.41	6,456,475	6,456,475

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVENTORIES

	2019	2018
	Kshs	Kshs
Finished Product	667,031,225	688,847,507
Work in Progress	3,951,086.76	1,426,838
Production Materials	343,616,424	422,209,393
Engineering Stores	510,074,978	497,129,561
Fuel, Oil and Lubricants	14,929,752	20,154,517
Motor vehicle spare parts	19,345,519	17,666,038
Goods in transit	-	-
Stationery and general stores	17,551,708	13,008,445
	1,576,500,693	1,660,442,300

18 (a) TRADE AND OTHER RECEIVABLES

	2019	2018
	Kshs	Kshs
Trade receivables	1,557,037,263	1,628,317,392
Deposits and prepayments	107,988,631	61,893,279
VAT recoverable	878,249,029	567,046,207
Staff receivables	15,330,504	23,224,315
Bounced cheques Account	17,747,784	34,752,369
Rent Customers-Commercial	31,977,504	-
Other: Provision for bad and doubtful receivable	(300,139,104)	(319,223,904)
Net trade and other receivables	2,308,191,509	1,996,009,658

18 (b) TRADE RECEIVABLES

	2019	2018
	Kshs	Kshs
Gross trade receivables	1,557,037,263	1,628,317,392
Provision for doubtful receivables	(300,139,104)	(319,223,904)
	1,256,898,058	1,309,093,488
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	227,013,506	293,857,197
Between 30 and 60 days	111,276,346	119,834,777
Between 61 and 90 days	47,819,908	43,356,752
Between 91 and 120 days	49,228,352	37,625,070
Over 120 days	821,559,947	814,419,693
	1,256,898,058	1,309,093,488

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 (c) STAFF RECEIVABLES

	2019	2018
	Kshs	Kshs
Gross staff loans and advances	15,330,504	23,224,315
Provision for impairment loss	(12,248,433)	(17,819,769)
	3,082,071	5,404,546
Less: Amounts due within one year	(3,082,071)	(5,404,546)
Amounts due after one year	-	-

19 TAX RECOVERABLE

	2019	2018
	Kshs	Kshs
At beginning of the year	(29,350,058)	(10,890,095)
Income tax charge for the year	(3,463,449)	(30,377,973)
Under/(over) provision in prior year/s	(10,657,226)	10,312,627
Income tax paid during the year	40,993,412	1,605,383
At end of the year	(2,477,321)	(29,350,058)

20 SHORT TERM DEPOSITS

	2019	2018
	Kshs	Kshs
Cooperative Bank of Kenya	6,461,170	6,461,170
Kenya Commercial Bank	-	-
	6,461,170	6,461,170

Example: The average effective interest rate on the short term deposits as at June 30, 2019 was Nil (2018: 7.5%).

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21 BANK AND CASH BALANCES

	2019	2018
	Kshs	Kshs
Cash at bank	587,558,336	368,056,161
Mpesa Utility	25,553,465	21,084,667
Cash in hand	3,423,207	2,806,487
	616,535,009	391,947,315

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019	2017-2018
		Kshs	Kshs
I. Current account (Overdraft)			
Cooperative Bank		(504,463,898)	(201,076,491)
Total		(504,463,898)	(201,076,491)
II. a) Current Account Cash Balances			
Kenya Commercial bank		583,540,198	358,384,502
Equity Bank		2,892,179	8,771,635
Standard Chartered Bank		78,098	84,714
Stanbic Bank		1,047,861	813,392
Cooperative Bank USD A/c		-	1,918
Sub- total		587,558,336	368,056,161
b) Others(specify)			
		-	-
cash in hand		3,423,207	2,806,487
M pesa		25,553,465	21,084,667
Sub- total		28,976,672	23,891,154
Grand total		616,535,009	391,947,315

22 ORDINARY SHARE CAPITAL

	2019	2018
	Kshs	Kshs
Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 REVALUATION RESERVE

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

24 FAIR VALUE ADJUSTMENT RESERVE

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

25 RETAINED EARNINGS

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

26 (a) BORROWINGS

	2019	2018
	Kshs	Kshs
Balance at beginning of the year	504,885,638	644,049,726
External borrowings during the year	-	-
Domestic borrowings during the year	141,649,536	-
Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	(166,870,878)	(139,164,088)
Balance at end of the year	479,664,295	504,885,638
Less: Amounts due with one year (current portion)	176,605,499	193,826,805
Amounts due after one year (non-current portion)	303,058,797	311,058,833

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 (b) BORROWINGS (Continued)

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

	2019	2018
	Kshs	Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	54,180,000	85,140,000
Loan - Stanbic Asset finance facility	-	7,382,748
Loan - Co-operative Bank Asset Finance	270,484,296	197,362,890
Long Term Loan (co-op Bank)-Restructured	155,000,000	215,000,000
	479,664,295	504,885,638
Total balance at end of year	479,664,295	504,885,638

27 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 DEFERRED TAX LIABILITY (Continued)

	2019	2018
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	(153,601,111)	(171,443,078)
Credit to revaluation reserve		
Under provision in prior year	-	-
Income statement charge/(credit)	9,872,435	17,841,967
Balance at end of the year	(143,728,676)	(153,601,111)

28 TRADE AND OTHER PAYABLES

	2019	2018
	Kshs	Kshs
Trade payables	1,693,864,099	1,411,958,801
Accrued expenses	134,454,975	161,838,450
Other payables	175,589,287	216,418,293
	2,003,908,361	1,790,215,544
	=====	=====

29 RETIREMENT BENEFIT OBLIGATIONS

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

	2019	2018
	Kshs	Kshs
Gratuity for senior management	63,323,674	38,765,400

The report from the administrator for the defined benefits scheme as at 31st Dec 2018 is as follows:

	2019	2018
	Kshs	Kshs
Valuation at the beginning of the year	573,195,003	515,442,605
Changes in valuation during the year	(52,274,575)	57,751,398
Valuation at end of the year	520,920,428	573,195,003

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

Apart from the gratuity liability for senior management, the company has remitted the total contribution to the statutory pension schemes for all the employees.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 PROVISION FOR LEAVE PAY

	2019	2018
	Kshs	Kshs
Balance at beginning of the year	27,787,704	15,416,810
Additional provision at end of year	407,195	19,265,835
Leave paid out or utilized during the year	(869,333)	(6,894,941)
Balance at end of the year	27,325,566	27,787,704

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

31 DIVIDENDS PAYABLE

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

	2019	2018
	Kshs	Kshs
Year 2017	-	-
Year 2016	-	-
Year 2015	-	-
Year 2014	-	-
Balance at end of the year	-	-
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 NOTES TO THE STATEMENT OF CASH FLOWS

	2019	2018
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	210,471,218	196,314,636
Depreciation	417,500,270	400,322,259
Amortisation	-	-
(Gain)/loss on revaluation	-	(1,469,586,926)
Operating profit/(loss) before working capital changes	627,971,488	(872,956,323)
(Increase)/decrease in inventories	83,941,607	(247,660,929)
(Increase)/decrease in trade and other receivables	(312,181,852)	(233,809,348)
Increase/(decrease) in trade and other payables	168,524,396	1,413,239,191
Increase/(decrease) in retirement benefit obligations	24,558,275	(12,165,398)
Increase/(decrease) in provision for staff leave pay	(462,138)	12,370,894
Cash generated from/(used in) operations	543,235,225	59,024,380
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	504,885,638	644,049,726
Receipts during the year	141,649,536	-
Repayments during the year	(166,870,878)	(139,164,088)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	479,664,296	504,885,638
(c) Analysis of cash and cash equivalents		
Short term deposits	6,461,170	6,461,170
Cash at bank	613,111,801	389,140,828
Cash in hand	3,423,207	2,806,488
Bank Overdraft	(504,463,898)	(201,076,491)
Balance at end of the year	118,532,280	197,331,994

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2019	2018
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	61,767,194	75,529,807
Interest on bank overdraft (note 10)	48,845,425	43,160,359
	110,612,619	118,690,166
Interest on loans capitalised	61,767,194	75,529,807
Balance at beginning of the year	504,885,638	644,049,726
Balance at end of the year (note 36(b))	479,664,296	504,885,638
Interest paid	61,767,194	75,529,807
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	12,607,883	3,300,000
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	12,607,883	3,300,000
	=====	=====

33 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:

Amount Due from related parties

	2019	2018
	Kshs	Kshs
GOK (Formerly Ministry of special programs)	2,995,884	2,995,884
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	702,995,884	702,995,884

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2019	2018
	Kshs	Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	200,000,000	187,500,000
Grants from County Government	-	-
Donations in kind	-	-
Total	200,000,000	187,500,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	15,816,526	12,041,218
Compensation to the CEO	9,552,000	9,345,520
Compensation to key management	70,633,582	65,288,211
Total	96,002,108	86,674,949

34 CAPITAL COMMITMENTS

	2019	2018
	Kshs	Kshs
Amounts authorized and contracted for	742,175,495	460,398,638
Less: Amounts incurred and included in work-in-progress	(141,050,027)	(142,855,030)
	601,125,468	317,543,608

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 CONTINGENT LIABILITIES

	2019 Kshs	2018 Kshs
Bank guarantees	19,900,000	16,400,000
Legal claims against the <i>entity</i>	153,900,434	97,351,980
	173,800,434	113,751,980

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

36 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	1,330,247,652	501,154,240	41,132,517	787,960,895
Receivables from non-exchange transactions	977,943,857	977,943,857	-	-
Bank balances	616,535,009	616,535,009	-	-
Total	2,924,726,518	2,095,633,106	41,132,517	787,960,895
At 30 June 2018				
Receivables from exchange transactions	1,298,279,957	610,197,026	31,332,616	656,750,315
Receivables from non-exchange transactions	698,666,068	698,666,068	-	-
Bank balances	391,941,022	391,941,022	-	-
Total	2,388,887,047	1,700,804,116	31,332,616	656,750,315

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

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

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

ii) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	379,040,711	462,116,525	137,575,557	979,932,576
Current portion of borrowings	-	-	984,128,194	984,128,194
Provisions	-	-	96,527,719	96,527,719
Deferred income	-	-	-	-
Employee benefit obligation	-	-	63,323,674	63,323,674
Total	379,040,711	462,116,525	1,281,555,144	2,123,912,163
At 30 June 2018				
Trade payables	359,817,999	441,594,431	72,876,436	874,288,866
Current portion of borrowings	-	-	706,002,129	706,002,129
Provisions	-	-	88,390,993	88,390,993
Deferred income	-	-	-	-
Employee benefit obligation	-	-	38,765,400	38,765,400
Total	359,817,999	441,594,431	906,034,958	1,707,447,388

(iii) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2019			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

At 30 June 2019				
	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	6,456,475			6,456,475
Non- financial Assets				
Investment property				
Land and buildings				
	=====	=====	=====	=====
At 30 June 2018				
Financial Assets				
Quoted equity investments	6,456,475	-	-	6,456,475
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	6,456,475	-	-	6,456,475
	=====	=====	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2019				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	-----	-----	-----	-----
At 30 June 2018				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-----	-----	-----	-----

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

b) Financial instruments not measured at fair value

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	5,485,235,210	5,653,885,384
Retained earnings	1,936,194,617	1,930,885,360
Capital reserve	547,028,870	547,028,870
Capital Grant	1,079,944,097	957,500,000
Total funds	9,048,402,794	9,089,294,815
Total borrowings	984,128,194	705,962,129
Less: cash and bank balances	(622,996,179)	(398,405,478)
Net debt/(excess cash and cash equivalents)	361,132,015	307,556,651
Gearing	3.98%	3.4%

38 INCORPORATION

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

39 EVENTS AFTER THE REPORTING PERIOD

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

40 CURRENCY

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

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G. XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1(i)	Title documents for twenty-two (22) properties with a value of KShs. 853,900,000 whose title documents were not availed for audit verification.	The 22 properties relate to the properties that were vested to New Kenya Co-operative Creameries Limited when the Government purchased the same from the previous owners. The said properties had no titles when the same were vested. Some of said properties were only evidenced by letters of allotment or correspondence. NKCC has engaged lawyers to follow on the properties to obtain titles for them. The lawyers have engaged the National Land Commission on this exercise.	Company Secretary	In progress	On going
1(ii)	The property, plant and equipment balance of KShs.4,122,379,669 excludes four (4) parcels of land and buildings which have not been valued.	The four (4) parcels are listed as disputed properties on account of the properties being transferred to third parties under unclear circumstances. The properties are not in the physical possession of NKCC but are being pursued through the legal process.	Company Secretary	In Progress	On going
1(iii)	Twenty-three (23) disputed unvalued properties were registered in the name of third parties. The Company has failed to disclose in the financial statements that the Ethics and Anti-Corruption Commission had cleared two disputed properties; LR No.37/371 and LR No.37/22 situated in Upper Hill, Nairobi which had legally been transferred to third parties.	The properties could not be valued as the properties were in occupation by third parties and/or the titles in the name of third parties. However, NKCC is pursuing the issues through their Advocates, with the National Land Commission and various County Land Registrars to ascertain their ownership. NKCC had referred to the EACC to investigate and report back on how the transfer of all the disputed properties was done. EACC only responded in respect to the transfer of the above two properties and stated the same was valid. However as the	Company Secretary	In Progress	On going

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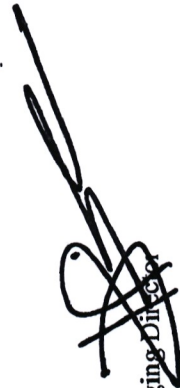
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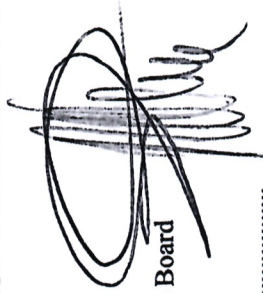
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		<p>ownership was done through a Court process then removing the assets from NKCC register could only be conclusively done through the same process. Consequently, NKCC instructed Advocates to file cases in respect of all the disputed properties for the Court to look at the evidence and determine if the transfer was legitimate. The company is also compiling documents to submit to the Hon. Attorney General to advice on the strength of the evidence before the same are filed.</p>		
<p>1(iv)</p>	<p>Five (5) acres out of 32.94 acres (13.33ha) LR No.MN/VI/2860 on which Miritini Factory is located have already put up permanent structures thereby exposing the Company o likely loss of vital property. Although New Kenya Co-operative Creameries Limited (NKCC) has filed a case in Mombasa ELC case no. 183 of 2015(New Kenya Co-operative Creameries Limited (NKCC) vs Hasan Ali Mboga and Others) seeking the remove of squatters, and stoppage of any other developments on the land, the case is yet to be determined.</p>	<p>NKCC filed a suit, Mombasa ELC. No. 183 of 2015, seeking the eviction of the squatters from the land. The squatters subsequently filed Mombasa ELC. No. 329 of 2015 seeking ownership by way of adverse possession. The squatters have encroached on approximately 4.7 acres of the land out of the total acreage of 32.94 acres. NKCC has filed an application seeking to enjoin the National Land Commission to give advice on the status of the land. The case is to be listed for hearing and once judgement is given will determine the issues.</p>	<p>Company Secretary</p> <p>In Progress</p>	<p>On going</p>
<p>2.0</p>	<p>Included in trade and other receivables balance of KShs. 1,996,009,658 as at 30th June 2018 is an amount of KShs. 1,628,317,392 reflected in note 18 (a) for trade receivables which in turn includes KShs. 379,914,225 relating to receivables from Nakumatt Holding Ltd of KShs. 290,839,391 and Uchumi Supermarkets Limited of Kshs. 89,074,834. Information</p>	<p>Nakumatt Holdings have a balance of Kshs 290,839,391. In this case, the court appointed an administrator who called for a creditor's meeting on 14th March, 2018 for purposes of voting for or against a work around proposal to revive Nakumatt Holdings Ltd. The voting did not take place after creditors felt their interests were not taken care of by the administrator.</p> <p>Uchumi Supermarket have a balance of Ksh 89,074,834. Demand letters were done, and through discussions around settlement of</p>	<p>Company secretary</p> <p>In Progress</p>	<p>On going</p>

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	<p>available indicates that the companies are either in receivership or liquidation.</p> <p>Although management has made provisions for these receivables, the value from these companies is therefore doubtful and may not be recovered.</p>	<p>the amount owed, the Uchumi management indicated their intention to settle the amount once they sell their land at Kasarani area however NKCC have also filed the case in court.</p> <p>Both of these balances are being pursued actively through a court process as the Companies are either in receivership or liquidation</p>			
<p>3.0</p> <p>The trade and other payables balance of KShs. 1,790,214,805 as at 30th June 2019 includes an amount of KShs. 25,680,870 which has been outstanding for more than three years. Further, an amount of KShs. 7,302,499 for Contracted Farmers Transport and bank refunds worth KShs. 7,165,926 has been outstanding since 2015. This casts doubt on the validity of the above transactions and the Company's ability to pay its suppliers as and when they fall due.</p>	<p>The bulk of these cases relate to supplier balances with pending and ongoing court cases. The rest are balances owed to suppliers who failed to provide proper invoices (Non ETR Invoices) and other with partially supplied LPOS. Nkcc has an internal control measure in payables where payments are only processed –only where supplies attain a threshold of 90% of the local Purchase Order. Such payments have since been settled after all the required documents and the order fully supplied.</p>	<p>Chief Manager Finance</p>	<p>Resolved</p>	<p>30th June 2018</p>	


Managing Director


Chairman of the Board

Date.....

Date.....

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X1X. APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY

S/No	Project	Total Project Cost	Completion %	Remarks
1	NKCC/035/2017-18 Supply, installation and commissioning of a 500 KVA UPS - Nyahururu Factory	KES 38,548,600	92%	<ul style="list-style-type: none"> • Goods received in the Country • Awaiting clearance • Expected Commissioning date July 2019
2	Design, supply, installation and commissioning of Cold Store Refrigeration System – Nairobi Cheese Factory NKCC/039/2017-18	KES. 2,284,500	90%	<ul style="list-style-type: none"> • Goods delivered to site • Installation work started • Expected Commissioning date July 2019
3	Supply, installation and commissioning of Cheese Packaging Equipment - Nairobi Cheese Factory NKCC/042/2017-18	KES 2,178,710	100%	<ul style="list-style-type: none"> • Equipment commissioned and put on Commercial Production
4	NKCC/052/2017-18 Supply, Installation and Commissioning of Automatic CIP System for Kiganjo	Euro 221,040	100%	<ul style="list-style-type: none"> • System fully commissioned
5	NKCC/054/2017 – 18. Supply, installation and commissioning of Milk Chillers for Dandora Factory	USD 129,322	85%	<ul style="list-style-type: none"> • Delays caused by securing LC. • Goods partially delivered to site (Pumps and Air Eliminator) • Expected Commissioning date August 2019
6	NKCC 055/2017-18 Design, Supply, Installation and commissioning of Milk Chilling System at Miritini	USD. 550,000	70%	<ul style="list-style-type: none"> • Delays caused by securing LC. • Fabrication work ongoing • Expected Commissioning date October 2019

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7	NKCC/057/2017-18 Supply, Installation and Commissioning of Automatic CIP System for Kitale	USD 383,118	100%	<ul style="list-style-type: none"> • System fully commissioned
8	NKCC/058/2017-18 Supply, Installation and Commissioning of Milk Processing line for Kiganjo	Euro 523,680	90%	<ul style="list-style-type: none"> • Goods received and cleared by supplier • Awaiting delivery to site • Expected Commissioning date August 2019
9	NKCC/059/2017-18 Supply, Installation and Commissioning of Mini Butter Tub Packing Machine for Kitale	KES 59,660,656.	70%	<ul style="list-style-type: none"> • Delays caused by securing LC. • Fabrication ongoing • Several design drawings approved • Expected Commissioning date December 2019
10	NKCC/060/2017-18 Supply, Installation and commissioning of a rotary screw compressor with dryer for Sotik factory	KES 3,706,200.	100%	<ul style="list-style-type: none"> • Equipment fully commissioned
11	NKCC/062/2017 – 18 Supply, installation and commissioning of one Aseptic Dosing machine for Eldoret	Euro 190,067.70	95%	<ul style="list-style-type: none"> • Delays caused by high milk carry forward • Equipment commissioned • Awaiting validation
12	NKCC/053/2017-18 Supply, Installation and Commissioning of Refrigeration Compressor for Kitale	KES 10,460,720.60	70%	<ul style="list-style-type: none"> • Delays caused by securing LC. • Fabrication ongoing • Expected Commissioning date October 2019
13	NKCC /086/2017-18 supply, installation and commissioning of crate washer for Dandora	KES 10,580,713	50%	<ul style="list-style-type: none"> • Supplier not willing to commit • Proposed for termination
14	NKCC/T/022/2018-19. Supply, installation and commissioning of 650 KVA Generator set for Sotik	KES. 10,100,616	30%	<ul style="list-style-type: none"> • Tender awarded • Awaiting Contract
15	NKCC/T/023/2018-19. Design, supply, installation and commissioning of Fermented Milk CIP system for Dandora	USD. 526,111	55%	<ul style="list-style-type: none"> • Tender awarded and Contract signed • Awaiting LC

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16	NKCC/T/024/2018-19. Design, supply, installation and commissioning of Mala Production Line for Eldoret	KES. 44,687,213.60	55%	<ul style="list-style-type: none"> • Tender awarded and Contract signed • Awaiting LC
17	NKCC/T/025/2018-19. Rehabilitation of Steam Boiler at Miritini	N/A	N/A	<ul style="list-style-type: none"> • Tender evaluated • Pending award.
18	NKCC/T/026/2018-19. Supply, installation and commissioning of Refrigeration Compressor for Sotik	USD. 151,109	30%	<ul style="list-style-type: none"> • Tender awarded • Awaiting Contract
19	NKCC/T/027/2018-19. Supply, installation and commissioning of Rotary Screw Air Compressor and Dryer for Nyahururu	KES. 5,495,593	30%	<ul style="list-style-type: none"> • Tender awarded • Awaiting Contract
20	NKCC/T/028/2018-19. Supply, installation and commissioning of Gable Top Milk Filling machine for Eldoret	Euro. 492,325	55%	<ul style="list-style-type: none"> • Tender awarded and Contract signed • Awaiting LC
21	NKCC/T/029/2018-19. Supply, installation and commissioning of complete 500 mls Aseptic Milk Filling line for Nyahururu	Euro. 656,359	55%	<ul style="list-style-type: none"> • Tender awarded and Contract signed • Awaiting LC

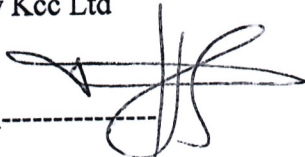
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XX. APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME: NEW KCC LTD			
Break down of Transfers from the State Department of Co-operatives			
FY 2018/2019			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	Total	-	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	19/12/2018	100,000,000	2019
	04/03/2019	50,000,000	2019
	17/05/2019	50,000,000	2019
	Total	200,000,000	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	Total	-	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	Total	-	

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

Head of Accounting Unit
 Ministry of Industrialization &
 Cooperative Development

Sign-----


Sign-----

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XXI. APPENDIX III: 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	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Trade, Industry & Cooperatives	19/12/2018	Development	100,000,000	-	100,000,000	-	-	-	-	100,000,000
Ministry of Trade, Industry & Cooperatives	04/03/2019	Development	50,000,000	-	50,000,000	-	-	-	-	50,000,000
Ministry of Trade, Industry & Cooperatives	04/03/2019	Development	50,000,000	-	50,000,000	-	-	-	-	50,000,000
Total			200,000,000	-	200,000,000	-	-	-	-	200,000,000