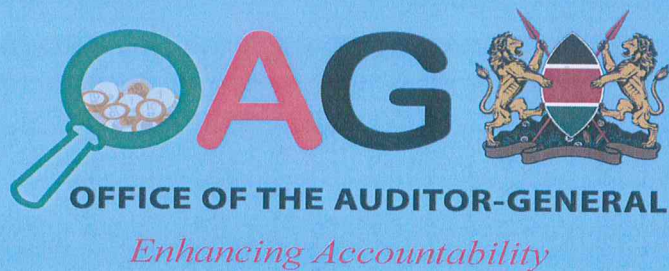


REPUBLIC OF KENYA



REPORT

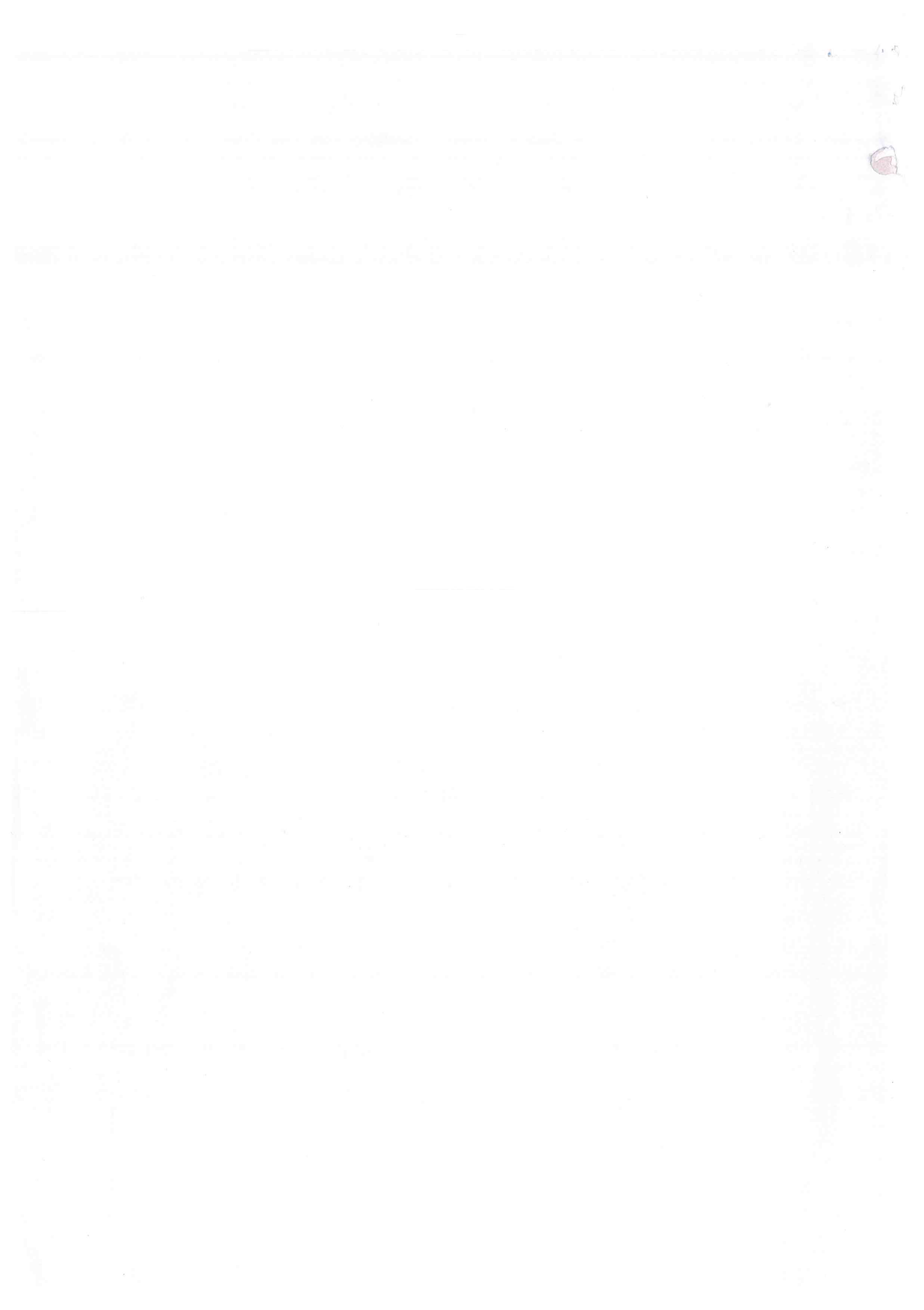
OF

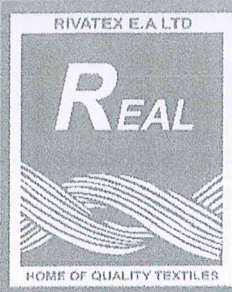
THE AUDITOR-GENERAL

ON

RIVATEX EAST AFRICA LIMITED

FOR THE YEAR ENDED
30 JUNE, 2022





RIVATEX EAST AFRICA LIMITED

OFFICE OF THE AUDITOR -GENERAL
CENTRAL RIFT REGIONAL OFFICE

10 MAR 2023

RECEIVED

P.O. Box 2774-30100, ELDORET

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING JUNE 30, 2022

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

Table of Contents

I. KEY ENTITY INFORMATION	iv
II. THE BOARD OF DIRECTORS	ix
III. MANAGEMENT TEAM.....	xiv
IV. CHAIRMAN'S STATEMENT	xviii
V. MANAGING DIRECTOR'S STATEMENT	xxi
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022.....	xxv
VII. CORPORATE GOVERNANCE STATEMENT	xxix
VIII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxvii
IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xl
X. REPORT OF THE DIRECTORS	xlvi
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xlvi
XII. REPORT OF THE INDEPENDENT AUDITORS ON RIVATEX EAST AFRICA LIMITED	xlvi
XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 TH JUNE 2022.....	I
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2022	2
XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE 2022....	3
XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 TH JUNE 2022	4
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 TH JUNE 2022	5
XVIII. NOTES TO THE FINANCIAL STATEMENTS	7
XIX. APPENDICES.....	33

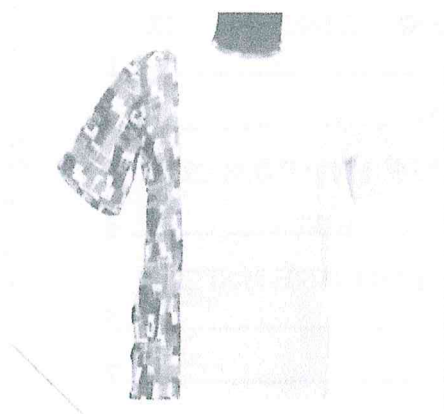
I. KEY ENTITY INFORMATION

a) Background information

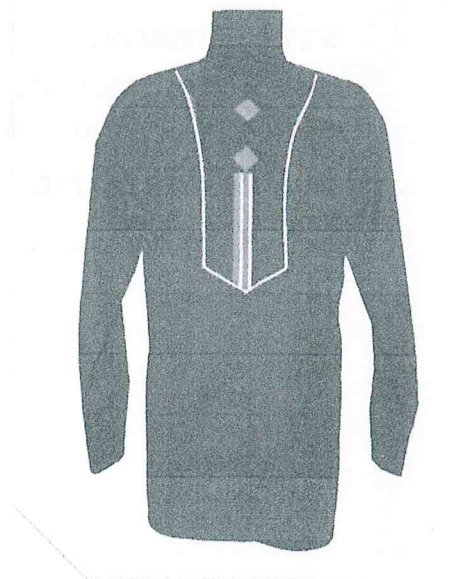
Rivatex East Africa Limited (REAL) is a state corporation domiciled in the Ministry of Investments, Trade and Industry as per Executive Order No. I of 2023 Organization of the Government of Kenya. At Cabinet level, Rivatex East Africa Limited (REAL) is represented by the Cabinet Secretary for of Investments,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

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

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



Rivatex Shirts



CORE BUSINESS OF RIVATEX EAST AFRICA LIMITED

b) PRINCIPAL ACTIVITIES

The company's major objects as set out in the company's Memorandum and Articles of Association include; textile manufacturing, training, research and extension

VISION

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

MISSION

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

CORE VALUES

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


c) DIRECTORS.

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

	NAME	DESIGNATION	DATE OF APPOINTMENT	DATE OF EXIT
1.	Dr. Dr. Humphrey K. Njuguna	Board Chairman & Moi University Council Chairman.	November 2020	July 2022
2.	Prof. Isaac Kosgei	Vice Chancellor – Moi University.	February 2019	Still a Director
3.	Ms. Lucy Gitundu	Independent Member.	December 2018	December 2021
4.	Dr. Eric Oyondi	Dean of the School of Engineering - Moi University.	December 2018	February 2022
5.	Prof. Charles Nzila	School of Engineering – Moi University	March 2022	Still a Director
6.	Eng. Hezekiah Okeyo	Alternate to the PS - Ministry of Investments, Trade and Industry	August 2018	September 2021
7.	Mr. Nobby Macharia	Alternate to the PS - Ministry of Investments, Trade and Industry.	October 2021	Still a Director
8.	Mr. Isaac Memusi	Alternate to the CS - The National Treasury & Planning.	May 2021	Still a Director
9.	Mr. Dan Mesis	Alternate to the PS - Ministry of Education.	July 2020	August 2022
10.	Prof. Thomas Kipkurgat	Managing Director & Secretary to the Board.	July 2017	Still a Director

INSTITUTIONAL DETAILS

d) CORPORATION SECRETARY

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


e) REGISTERED OFFICE

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

f) CORPORATE HEADQUARTERS

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

g) CORPORATE CONTACTS

 (254) 53 2030901.

 info@rivatex.co.ke

 @rivatex ltd

 Rivatex textile

 www.rivatex.co.ke

h) CORPORATE BANKERS

Equity Bank of Kenya Ltd

 2210- 30100, Eldoret


 +254-053-2060907


 +254-053-2031777


 info@equitybank.co.ke

 www.equitybank.co.ke

Kenya Commercial Bank Ltd

 560 – 30100, Eldoret

 +254-053-2062241/2

 +254-053-2061259

 xretailmngreld@kcb.co.ke

 www.kcbbankgroup.com

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

i) INDEPENDENT AUDITORS

Auditor-General,

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

✉ 30084 – 00100,

Nairobi, Kenya.

j) PRINCIPAL LEGAL ADVISERS

The Attorney General

State Law Office & Department of Justice,
Harambee Avenue

✉ 40112, City Square 00200

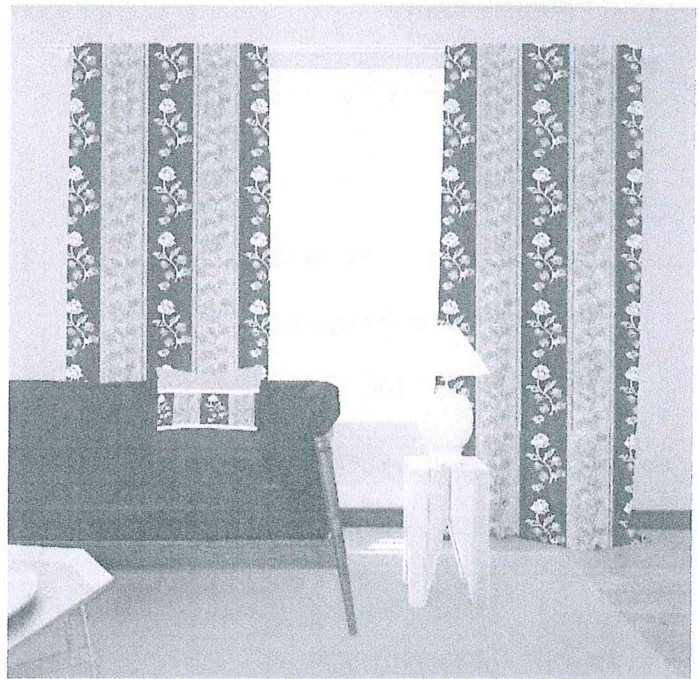
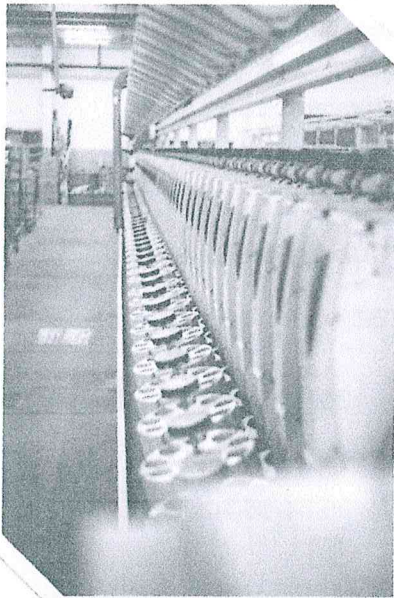
Nairobi, Kenya

Rioba Omboto and Company advocates

Muya House, 2nd floor, Kenyatta Street

✉ 4837-30100

Eldoret, Kenya



II. THE BOARD OF DIRECTORS



Dr. Dr. Humphrey K. Njuguna

CHAIRMAN

Dr. Dr. Humphrey K. Njuguna was born in the year 1961. He is a former member of the National Assembly of Kenya, representing Gatanga Constituency (2013-2017). He served as the Chairman of the Institution of Surveyors of Kenya and Mangu High school. He was a Board member of Public Procurement Oversight Authority (2012-2013).

Currently, he serves as the Chairman of Moi University Council and Chairman Former Parliamentarians Association (FOPA); that brings all former Members of Parliament together since independence. He is also a Board Member of Moi Teaching and Referral Hospital (MTRH).

Professionally, Dr. Dr. Njuguna is a Licensed and Registered Valuer, an Advocate of High Court of Kenya, Arbitrator (MCI Arb.), Lead Expert E.I.A and E.A., Court Annexed Mediator and Adjunct Lecturer School of Law, University of Nairobi.

Dr. Dr. Humphrey K. Njuguna holds a Doctor of Philosophy in Law from University of Nairobi, PhD in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology, Executive Master of Business Administration (EMBA) from JKUAT and Masters in Law LLM from the University of Nairobi. He also holds a L.L.B. Hons, University of Nairobi. He also has Honors in Law LLM from University of Nairobi in International Trade and Investment Law, a Diploma from the Kenya School of Law, a Diploma from the Institution of Surveyors of Kenya as well as a B.A. in Land Economics from the University of Nairobi. Dr. Dr. Njuguna also has a Certificate of Environmental Impact Assessment and Environmental Audit from Jomo Kenyatta University of Agriculture and Technology.

He also worked at the International Monetary Fund (IMF) in various capacities for over 22 years, both in policy making Departments and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief. He served as Head of the Fiscal and Monetary Affairs Department, Treasury from 2004 to 2005 and the Economic Secretary and Head of Economic Affairs Department, Treasury from 2005 to 2008.



DIRECTOR

Mr. Meses is a Deputy Director in the State Department for University Education and Research, Ministry of Education. With a career spanning over 25 years' experience having served as the Deputy Secretary of Environment and Mineral Resources.



Mr. Hezekiah Okeyo

DIRECTOR

Mr. Hezekiah B. Okeyo was born in the year 1957. He holds a Master of Business Administration (MBA) in Strategic Management from the Eastern and Southern African Management Institute (ESAMI), Tanzania; Master of Science (MSc) in Environmental Science and Technology from the UNESCO Institute for Environment and Water, Delft, The Netherlands; and Bachelor of Science (BSc) in Industrial Chemistry from the University of Nairobi.

He has over 29 years' experience in private sector development and industrial policy/strategy research and analysis. He has represented the Ministry to the Board of Directors of several State Corporations for a period spanning over 29 years.



Prof. Isaac S. Kosgey

DIRECTOR

Prof. Kosgey was born in the year 1961. He is a Professor of Animal Sciences (Animal Breeding and Genetics). He is currently the Vice-Chancellor of Moi University. Before his appointment as the Vice-Chancellor, he was the Deputy Vice-Chancellor (Administration, Finance and Development) at Laikipia University (Laikipia, Kenya).

Prof. Kosgey holds a Doctor of Philosophy degree in Animal Sciences and a Master of Science degree in Animal Sciences with Distinction from Wageningen University (Wageningen, The Netherlands), a First Class Honours Bachelor of Science degree in Animal Production and a Diploma in Animal Husbandry with Distinction, both from Egerton University (Njoro, Kenya), a Diploma in Law with Distinction from Mt. Kenya University (Thika, Kenya) and a Master of Business Administration (strategic management) from Kenyatta University (Nairobi, Kenya). Prof. Kosgey has wide experience in public and university administration and management having served as the Chairman of the Department of Animal Sciences (October 24, 2005-September 10, 2006) and Dean of the Faculty of Agriculture (September 11, 2006-September 10, 2010) at Egerton University, Deputy Principal (Administration, Planning and Development) at Laikipia University College of Egerton University (October 3, 2011-February 20, 2013), Acting Deputy Vice-Chancellor (Administration, Finance and Development) (February 21, 2013-June 17, 2013) and Acting Dean, Institute of Arid Lands Management (May 9, 2012 - October 23, 2014) both at Laikipia University, and an Associate Professor of Animal Sciences, specializing in animal breeding and genetics at Egerton University (May 1, 2010 - October 22, 2014).

DIRECTOR



Dr. Eric Oyondi

Dr. Eric Oyondi Nganyi was born in the year 1954. He is the head of the Department of Manufacturing, Industrial and Textile Engineering at Moi University.

He holds a Bachelor's degree, a Master's degree and PhD degree in Textile Engineering. He is a member of the Textile Institute, Manchester. He is also a member of Kenya Institute of Management.

DIRECTOR



Ms. Lucy W. Gitundu

Mrs. Lucy Wanjiru Gitundu was born in the year 1954. She is an accountant by profession having shown exemplary service in various departments in the civil service. She has over 40 years of work experience in the same field. Her areas of expertise include corporate

governance, auditing, strategic planning, budget making among others.

She has worked in several government ministries including Ministry of Defense, Ministry of Finance-Customs Department, Ministry of Home Affairs and National Heritage, Ministry of Transport and Communication and then back to the Ministry of Finance- Department of Government Investments and Public Enterprise (DGIPE). She has had the opportunity to serve as the Alternate Director to the Principal Secretary – The National Treasury and has sat on various boards including Rivatex East Africa Limited, Agricultural Finance Corporation, and Council Member in the Board of Directors governing Council of Moi University among others. She has over 22 years' experience as a lecturer, with 18 years hands on experience acquired working in the textile industry in Kenya. She is the Chairlady of the Audit & Risk Management Committee.



Prof. Thomas Kipkurgat, EBS

MANAGING DIRECTOR

Professor Thomas Kipkurgat was born in the year 1972. He is the Managing Director and Chief Executive Officer at Rivatex East Africa Limited.

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

COMPANY SECRETARY& MANAGER LEGAL SERVICES



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

Tecla Tum was born in the year 1987. She holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 9 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate. She is an active member of the Law Society of Kenya and an associate member of the Institute of Certified Secretaries.



III. MANAGEMENT TEAM

MANAGING DIRECTOR



Prof. Thomas Kipkurgat, EBS

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

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

Before joining Rivatex East Africa Limited, he worked with Moi University as the Director of International Linkages. He also worked as the Director of International and Multi-cultural Linkages at Oklahoma State University (USA) for more than 10 years. He

has also attended and presented in numerous seminars, conferences and workshops both locally and internationally, presenting on various areas such as in transformative leadership, management, micro-enterprise development, among others.

GENERAL MANGER PRODUCTION DEPARTMENT



Mr. Selvaraj Viswanathan

Mr. Selvaraj is the General Manager Production Department with professional experience of 30 years in spearheading Manufacturing & Plant Operations, Maintenance and Quality Management in Spinning Mills and Vertically Integrated Composite Textile Mills. He excelled at managing technically advanced, cost-efficient products. He is a Textile expert with qualifications from Tamil Nadu State Board of Technical Education in Textile Technology from Nachimuthu Polytechnic, Pollachi.

He reports to the Managing Director and is responsible for the Production Department

GENERAL MANAGER CORPORATE SERVICES



CPA Patrick Nyaga

CPA Patrick Nyaga is the General Manager-Corporate Services with professional experience of 23 years. He holds a Master's degree in Strategic management, Bachelor of Commerce, & Diploma in financial services as well as being an accredited Trustee. Prior to his role in Rivatex East Africa Limited, he held senior management positions both in the private & public sector.

He is responsible for the Corporate Services Department.



Mr. Willy Sang

SALES & MARKETING MANAGER

Mr. Willy Sang holds a Master's degree in Business Administration and Sales and Marketing from Egerton University with professional experience of 16 years. He held senior management position at New KCC as Brand Manager.

He is responsible for sales and marketing division.



Eng. Hosea Kipsang

FASHION & APPARELS MANAGER

Eng. Hosea Kipsang holds a Bachelor of Science in Textile Engineering and Master's degree in Project Management. He joined Rivatex East Africa Limited, has held various senior management positions and has professional experience of more than 16 years.

He is responsible for the Fashion & Apparels division.



Eng. Caroline Mureithi

ENGINEERING MANAGER

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

She is responsible for the Engineering division.

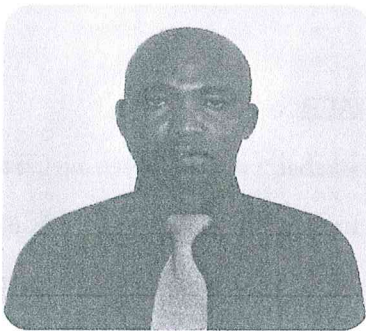


Mr. Joseph Kurgat

HUMAN RESOURCES AND DEVELOPMENT MANAGER

Mr. Joseph Kurgat holds a Bachelor's degree in Human Resource Management and is a member of IHRM with over 6 years work experience.

He is responsible for the Human resources & development division.



Eng. Charles Kipchoge

SPINNING MANAGER

Eng. Charles Kipchoge holds a Bachelor of Science degree in Textile Engineering. He previously held senior management positions in Altex EPZ Company and has professional experience of more than 17 years. He has held various senior management positions in Rivatex East Africa Limited which includes Quality Assurance Manager and Factory Manager.

He is responsible for the Spinning division.



Eng. Peter Mugo

PROCESSING MANAGER

Eng. Peter Mugo holds a Bachelor of Science degree in Textile Engineering. He has over 17 years work experience in Textile Engineering having held various senior management positions.

He is responsible for the Weaving division.



Eng. Christopher Maingi

QUALITY ASSURANCE MANAGER

Eng. Christopher Maingi holds a Bachelor of Science degree in Chemistry. He has previously held senior management positions in Thika Cloth Mills Company with over 33 years' experience in textiles in various senior management positions including Deputy Mill Manager.

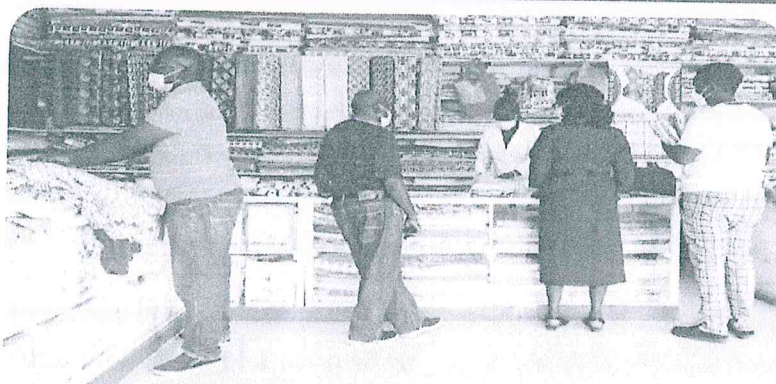
He is responsible for the Quality assurance division.



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

COMPANY SECRETARY

Tecla Tum, LL.B, Dip (Law), CPS (K), holds a Bachelor of Laws (LLB) from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law, and also a Certified Secretary CPS (K). She is an Advocate of the High Court of Kenya with over 9 years post admission experience and also a Commissioner for Oaths. Ms. Tum joined Rivatex East Africa Limited having previously worked at Birech, Ruto and Company Advocates as a Managing Associate. She is an active member of the Law Society of Kenya, and an associate member of the Institute of Certified Public Secretaries.



Clients shopping at the showroom outlet at the main factory.

IV. CHAIRMAN'S STATEMENT



Dear Shareholders

I am very pleased to share with you the annual financial statements for the year ended 30th June 2022.

As you know, our two previous financial years were deeply impacted by the vagaries of the Covid-19 pandemic, and our focus then was to shield our staff and the business. Despite the pandemic, we are proud to have played a leading role in the production of Personal Protective Equipment's utilized in the fight against the pandemic. This financial year has been a much better year. Not only

has the economy begun to open up but the textile sector is slowly getting back to its feet.

Despite the challenges, the focus of our staff and loyalty of our customers have provided us with the basis with which to continue operating and even develop new product lines for double twisted yarns/fabrics, dyed Yarns, Maasai Shuka, checked fabrics & Kikoi to name but a few. As a consumer-oriented textile mill, we take time to understand fashion trends, consumer desires as well as how best to fulfil their needs

The operating environment was challenging to say the least due to the unprecedented rise in world cotton prices in the last 20 -23 months following scarcity by the world's two largest producers of cotton due to floods in India and the adverse impact of the Uyghur Forced Labor Prevention Act (UFLPA) affecting Chinese cotton. Cotton fibre accounts for approximately 50% of the per unit cost of production in the textile industry.

The high world cotton prices & surge for demand for alternatives mainly polyester as well as the attendant increase in prices of the crude oil-linked raw materials required to make polyester such as purified Terephthalic acid (PTA) and Monoethylene glycol (MEG) adversely affected the demand for polyester. Polyester is used as a substitute to cotton or on its own or as blend. The price increase reduced the factory's ability to mitigate against the effects of rising raw material costs.

On the bright side, the company was able to complete the installation & commissioning of the Two for One (TFO), fusion twister as well as Yarn dyeing & drier machines. This enabled it to successfully produce double twisted yarns for high end fabrics, and Maasai shukas as well as chequered fabrics respectively.

This is a major achievement as it will enable the company produce school uniforms which is a major market segment while supplementing Government efforts to lower school uniform costs & save on foreign exchange loss due to imports of the same.

The Company is a major player in the local textile value chain and has continued to prove this through its participation in the Cotton development & subsidy program in twenty-two (22) counties. It has been engaging with county governments, ginners, farmers & stakeholders in cotton growing areas. The Company provided certified seeds, pesticides, advisory services, and guaranteed the market for the cotton. Going forward the Company will continue to support local farmers & ginneries to ensure cotton farming is a profitable, income generating & employment creation enterprise.

The company is currently in the process of expanding its Fashion & Apparels division by setting up apparel value addition centers in Karichen, Kieni – Nyeri county & Nyando – Kisumu County to serve the central & eastern regions of the country as well as the Nyanza, Western regions respectively. The Nyando apparels value addition center will also serve as the gateway to the East African international market. In addition, the company has diversified into providing services e.g., quality assurance, dyeing, weaving, spinning, garmenting etc. to customers who do not have the equipment's or may wish to only carry out partial value addition to their fabrics/raw materials. This will diversify our revenue streams and ensure optimal utilization of our production capacity.

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

We have taken a strategic direction on our environmental, agenda by ensuring our factory operations are in line with internationally accredited environmental standards for Zero discharge of Hazardous chemicals & materials. We continue to adhere to national environmental standards in terms of our factory operations. We are currently working towards meeting international standards which will enable us access international markets as well as partner with Export Processing Zones (EPZ) firms to ensure fabrics are sourced locally.

As we step into the future, our commitment remains to grow the Rivatex brand in a consistent and sustainable way. The overall investment that has been put into the modernization - which is nearly complete - has been made possible by the strong support of the National Government and we will apply all our efforts to positively contribute towards the realization of the incoming Administration's textile goals. As it stands, the factory is now in a position to move to the next level to influence the direction of the textile industry in Kenya as well as being a major player in the export & African Growth & Opportunity Act (AGOA) based markets.

Our entry into the international market will create opportunities along the textile value chain for our farmers, ginneries, agronomists, suppliers, garments accessory, chemical & agrochemical manufacturers. It will also result in positive foreign exchange inflows, increase innovations, create income generating opportunities & employment for Kenyans.

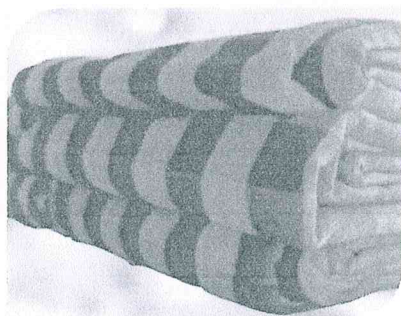
We are excited about the future given the potential of the local cotton sector, the demand for quality fabrics produced with an African touch like our beloved Kitenges, and the extraordinary character and talent of our staff.

On behalf of the Board of Directors, I would like to recognise and celebrate the Government for the support, the farmers for their Continued endeavors in growing & ensuring a reliable supply of cotton, our customers for preferring our brands, our staff for walking the journey with us and stakeholders for their positive inputs.

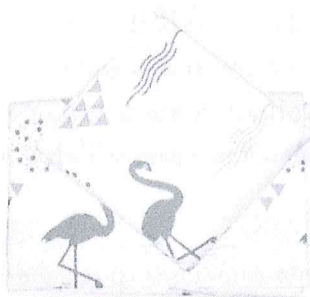
Likewise, I would like to thank my fellow Board members for their counsel and leadership as we steward the Company to greater heights.



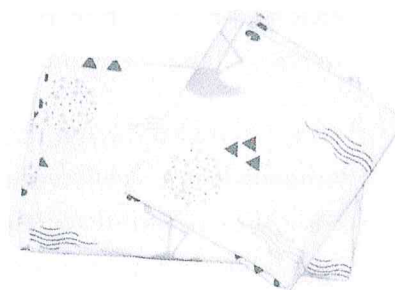
Dr. Dr. Humphrey K. Njuguna (PhD. Entrepreneurship, PhD, Law),
Chairman, Rivatex East Africa Limited Board of Directors.



Maasai Shuka



Bedsheets



V. MANAGING DIRECTOR'S STATEMENT



Allow me to present the financial statements for the year ended 30th June 2022.

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

Despite the disruptions in global supply chains, the recovering national economy due to the adverse effects of the Covid-19 pandemic, high international prices of textile raw materials and energy, which affected the performance of the factory, the management was able to forge ahead with modernization of the factory, carry out expansion plans for the fashion & apparels division as well as the implementation of cotton development and subsidy programmes, with the support of the Board of Directors.

The Government of Kenya has continued to steadfastly support Rivatex East Africa Limited through provision of state-of-the-art machinery textile machinery in line with the modernization plan. Through modernization, we shall be able to produce cost effectively, increase productivity and quality of our products, and thus be competitive to attract huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve our existing clientele.

Financial and Business Performance

During the year under review, the company experienced scarcity in supply of raw materials especially cotton that saw the prices triple. While the industry continues to be affected by abnormally high international raw material prices, it is also facing major challenges in the form of hikes in fuel prices, increasing wages and utility costs.

Despite the challenges occasioned by the Covid 19 pandemic, we managed uninterrupted business operations and we were able to add value to shareholders through sustainable growth while maintaining the best standards of health and safety for our employees. The Management continued to focus on profitable avenues, maximizing efficiency in production activities and cost rationalization through various cost cutting measures.

During the period under review, the company registered a twenty-two per centum (22%) increase in turnover of sixty-seven million, seven hundred and eighty-four thousand, one hundred forty seven

shillings (Kshs 67,784,147/-) underpinned by changes in marketing strategy, introduction of new product lines, increased sales, diversification of products & expansion into new markets.

The cost of sales (manufacturing expenses) reduced by Sixty -eight million, seven hundred forty-three thousand, two hundred & twenty five (Kshs 68,743,225/-) being a 10% improvement underpinned by changes in the production process resulting in savings from: utilities, effective human capital deployment, efficient machine & materials utilization.

During the period, we increased our product portfolio from eighteen (18) to twenty-two (22) products as well as growing our market footprint in the yarns market by re-engineering our production process & servicing bulk orders from large yarn consumers.

Modernization

We have steadfastly focused on completing the modernization strategy with the end goal of enhancing production efficiency, improving & maintaining the quality of our products. During the year, we commissioned a new two-for-one twister machine in the Spinning division which has ensured that we diversify our product range especially the supply of twisted yarn. Our Processing division was further enhanced with the commissioning of yarn dyeing machine, a new technology which attracted significant number of new customers for checked fabrics and onboarding of diversified clientele along the way. This giant leap forward is validating our long-held belief that we are home of quality textiles products that has a significant growth.

We are also installing Continuous Dyeing Machine (Hot flue machine) as well as the new Continuous Bleaching Range. We believe this new technology will further enhance our processing capacity and enhance further our quality of finished fabrics and production capacity. We are also in the process of installing a new Caustic Recovery Plant. This will ensure reduced operating costs by ensuring recovery (recycling) of caustic soda that is used in the production process, minimal effluent treatment expenses, reduction of the amount of caustic soda that forms part of the factories effluent discharge resulting in environmentally friendly effluent.

We are moving into 2022/2023 financial year with significant momentum and we believe that we are well positioned to further expand the sales and profitability of Rivatex East Africa Limited in the upcoming year. We expect to further increase investments in our business as we build capacities to meet demand and further invest in modern technology development and information systems to drive innovation.

Corporate Strategy

We are aggressively implementing strategies to exploit the enormous opportunity in product and design innovations to address the changing preferences of young vibrant Kenyan's. We are formulating a five-year Strategic Plan to replace the current one which has run its course to cover the period 2022/2023 to 2027/2028. The main purpose for the Strategic Plan is to fast track the achievements of specific milestones supporting the sustainable production and long-term profitability of the company.

The textiles market in Kenya is growing fast due to government policy of 'Buy Kenya, Build Kenya' coupled with the growing affluence levels of Kenyan consumers who are becoming more and more demanding for locally made fabrics. The company's performance during the year was supported by the increasing population, rising income levels, increase in demand for finished products, and growth of end-use sectors like, disciplined forces, hospitality and healthcare. Our increasing efforts in quality improvement, diversification of our product range, innovations through Research & Development programs, and other preferential value-added features have helped the company's products become more popular in the market.

Consumers are already back to shopping with a renewed positivity after the reduction of Covid 19 cases. We are looking at the new fiscal year with positivity around markets and consumer predilections. The demand for categories like uniforms for disciplined forces, school uniforms, bedsheets, khanga, Kitenge and products for the export market will continue to see the good growth in the coming year.

Our Outlook

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

The current global trends portend an uncertain future and highlight the need to be flexible and adaptable to emerging challenges and opportunities. We remain optimistic in the measures that have been put in place and being undertaken by the Government to spur economic growth which will in turn increase demand for textiles products.

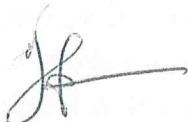
Although the challenges are high, we are committed to dedicating all our efforts possible to add value to our stakeholders in order to meet the long-term goals of the Company. For improving quality of our products and get premium returns on selling prices we will continue to upgrade plant and machinery with the prime objective of reducing imbalance and inefficiencies.

Appreciation

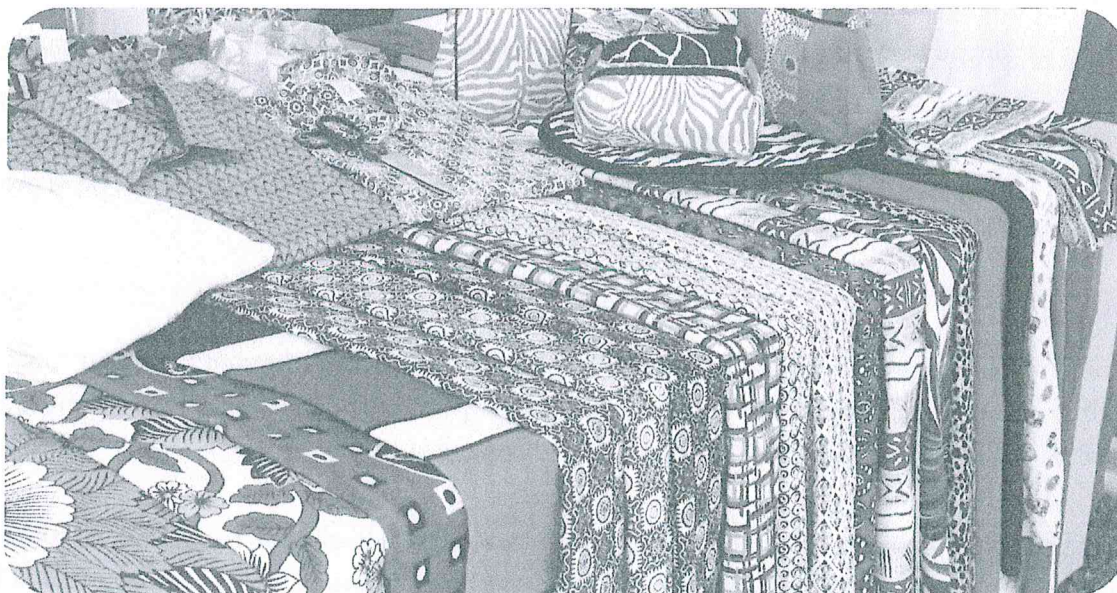
The progress that we have been able to make in 2021/2022 financial year would not have been possible without the dedication and expertise of our employees, to whom I extend my sincere appreciation.

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

Thank you.



Prof. Thomas Kipkurgat, EBS
Managing Director.



VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

Strategies	Activities	Actor	Output
Strategic Objective I: Improve the productivity and competitiveness of the factory			
Modernization and refurbishment of the processing sequence and machinery	Refurbishment of machines in the spinning division	Spinning Manager	Baling machine refurbished.
	Repairs and maintenance of machines	Spinning Manager	All machines in spinning department undergo routine maintenance; Carding machine, Baling machine, Breaker draw frame, Finisher draw frame & Open-End machines.
	Acquire new machines and technologies for processing department	Processing Manager	<ul style="list-style-type: none"> Modern equipment acquired and installed. <ul style="list-style-type: none"> i. electronic crock meter ii. electric precision weighing machine iii. bleaching range installed at 90% completion
	Cost reduction in the weaving department	Weaving Manager	<ul style="list-style-type: none"> Shift management Increasing the running machines per shift to maximise the labour and cut costs
Implement QMS to continuously improve quality and to minimize cost of production	Develop a mechanism for effective production process and documentation	General Manager	Established MIS function to help in the following: <ul style="list-style-type: none"> i. order tracking mechanism ii. monthly stock levels monitoring iii. Monitor levels of machines utilization.
	Acquire certification	General Manager	<ul style="list-style-type: none"> Boiler inspection certificate LPG tank inspection certificate

Strategies	Activities	Actor	Output
	maximise machine utilization	Chief engineer	Utilization of single boiler at a time. This help in minimising boiler down times during maintenance.
Strategic Objective 2: Build human resource capacity for efficient and effective delivery of the company's mandate			
Human resource development	Development of appropriate training programmes	Human Resource & Development Manager	<ul style="list-style-type: none"> • Training needs assessment and training programmes developed & implemented. • Various of training programmes developed and undertaken – <ul style="list-style-type: none"> i. <i>Machine Lubrications- Both Grease and Oils by Kluber</i> ii. <i>Fabric processing operations, dyes/chemical and Effluent Treatment plant by (SITA-Supporting Indian Trade for Africa)</i> iii. <i>Covid -19 prevention measures by Moi Teaching and Referral Hospital</i>
	Development of Occupational Safety and Health policy	Human Resource & Development Manager	<ul style="list-style-type: none"> • Health care policy developed & awaiting approval. • Staff guidance and counselling (psycho-social) program developed & implemented.
	Training and capacity building for staff on occupational safety	Human Resource & Development Manager	<ul style="list-style-type: none"> • Occupational health & safety committee established & operationalised. • Employees training already scheduled
Provision of conducive work environment	Develop and display work safety procedures and provide safety gear	Safety & security Manager	<ul style="list-style-type: none"> • Various safety gears provided e.g. <i>Overalls, Gloves, Face masks, Safety boots, Ear plugs, Goggles, etc</i> • Work safety procedures implemented & displayed in appropriate locations. • Twelve (12) safety procedures implemented.
Strategic objective 3: Develop and expand the market for products and service			

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Strategies	Activities	Actor	Output
Marketing and sales strategy	Develop marketing and sales strategy	Sales & Marketing Manager	New market strategies developed and implemented.
	Development and implement feedback mechanism	Sales & Marketing Manager	Feedback mechanism developed, put in place & operationalised
	Enhance promotion and publicity for the product brand	Sales & Marketing Manager	Product promotion and publicity trade fairs carried out in the following towns: i. Kericho ii. Lodwar iii. Nakuru iv. Nairobi v. Eldoret
	Introducing new products and establish market entry strategies for the products.	Sales & Marketing Manager	<ul style="list-style-type: none"> New products developed & sold e.g. i. Maasai shuka ii. kikoi iii. Chequered fabrics. Increased market share resulting in increased sales turn over
	Establishing new distribution outlets and expand existing networks for products	Sales & Marketing Manager	<ul style="list-style-type: none"> New bulk customers on boarded & orders being serviced. On boarding of distributors & bulk selling.
Strategic objective 4: Establish strong research, extension and consultancy			
Strengthening research	Establishing research centre in collaboration with the department of manufacturing	Strategy & planning manager	<ul style="list-style-type: none"> Research areas identified, training program carried out in <i>inter alia</i> Analytical chemistry, Textile Engineering and Chemical Engineering etc. with various research projects undertaken e.g. i. <i>Development of Reusable sanitary pads (in collaboration with the University of Boras in Sweden)</i>

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Strategies	Activities	Actor	Output
	industrial and textile engineering		<ul style="list-style-type: none"> ii. <i>Development of Biodegradable desizing enzymes (in collaboration with KIRDL, The University of Nairobi)</i> iii. <i>Development of Natural dyes (In collaboration with Prof. Mibey et-al)</i>
Extension	Establish collaboration arrangement with other institutions and agencies	Quality Assurance Manager	<ul style="list-style-type: none"> New collaborations established e.g. <ul style="list-style-type: none"> i. <i>Competitiveness, Innovation and Growth to enable the company to capture the market for international textile brands. By Gatsby East Africa.</i> ii. <i>Collaborations prerequisites for supplying world major textile brands by PVH (Philips-Van Heusen)</i> iii. <i>Provision of premises, utilities and security services to Digital Literacy Program</i> iv. <i>Provision of premises, utilities and security services to school of Aerospace and IODL</i> v. <i>Provision of premises, utilities and security services to Confucius Institute</i>
Strategic Objective 5: Product diversification			
Increase the number & range of products.	Develop new products	General Manager	<ul style="list-style-type: none"> New products developed. <ul style="list-style-type: none"> i. Maasai Shuka ii. Kiloi iii. Chequered fabrics. New products developed & sold e.g. pouch bags, bathroom robes, ponchos, mittens,

VII. CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors

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

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

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

The Company Secretary

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

Role of the Company Secretary

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

Board Charter

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

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

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

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

Declaration of Conflict of Interest

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

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

Board Remuneration

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

Board Induction and Training

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

Board evaluation

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

Code of Ethics and Conduct

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

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

Board Meetings

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

During the year under review, the Board of Directors held six (6) meetings as follows:

	NAME	2020/2021	2021/2022
1	Dr. Dr. Humphrey K. Njuguna	4	3
2	Prof. Isaac Kosgei	8	2
3	Ms. Lucy Gitundu	8	5
4	Dr. Eric Oyondi	8	6
	Prof. Charles Nzila (Repl. Dr. Eric Oyondi)	0	1
	Eng. Hezekiah Okeyo	8	3
5	Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)	0	4
6	Mr. Isaac Memusi (Repl. Ms. Eunice Kigen)	0	5

	NAME	2020/2021	2021/2022
7	Mr. Dan Mesis	8	6
8	Prof. Thomas Kipkurgat	8	6

COMMITTEES OF THE BOARD

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

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

PRODUCTION, OPERATIONS AND TECHNICAL COMMITTEE

1. Dr. Eric Oyondi
2. Eng. Hezekiah Okeyo
3. Ms. Lucy Gitundu
4. Prof. Charles Nzila (Repl. Dr. Eric Oyondi)
5. Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)
6. Prof. Thomas Kipkurgat

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

Attendance

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

	NAME	2020/2021	21/22
1	Dr. Eric Oyondi	4	3
	Prof. Charles Nzila (Repl. Dr. Eric Oyondi)	0	1
2	Eng. Hezekiah Okeyo	4	2
	Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)	0	3

4	Ms. Lucy Gitundu	4	3
5	Prof. Thomas Kipkurgat	4	3

FINANCE AND STRATEGY COMMITTEE MEMBERS

1. Mr. Isaac Memusi
2. Mr. Dan Mesis
3. Dr. Eric Oyondi
4. Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)
5. Prof. Thomas Kipkurgat

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

Attendance

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

	DIRECTOR	2020/2021	2021/2022
1	Mr. Isaac Memusi	0	3
2	Mr. Dan Mesis	5	4
3	Dr. Eric Oyondi	5	4
4	Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)	0	2
5	Prof. Thomas Kipkurgat	5	4

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

1. Ms. Lucy W. Gitundu
2. Eng. Hezekiah Okeyo
3. Dr. Eric Oyondi
4. Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)
5. Prof. Charles Nzila (Repl. Dr. Eric Oyondi)

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

Attendance

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

NAME		2020/2021	2021/2022
I	Ms. Lucy W. Gitundu	5	2
2	Mr. Hezekiah Okeyo	5	1
	Mr. Nobby Macharia (Repl. Eng. Hezekiah Okeyo)	0	3
3	Dr. Eric Oyondi	5	3
	Prof. Charles Nzila (Repl. Dr. Eric Oyondi)	0	1

HUMAN RESOURCE & ADMINISTRATION COMMITTEE MEMBERS

1. Mr. Dan Mesis
2. Prof. Daniel Tarus
3. Mr. Isaac Memusi
4. Dr. Eric Oyondi
5. Prof. Charles Nzila
6. Eng. Hezekiah Okeyo
7. Prof. Thomas Kipkurgat

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

Attendance

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

	NAME	2020/21	2021/2022
1	Mr. Dan Mesis	5	4
2	Mr. Isaac Memusi	0	1
3	Dr. Eric Oyondi	5	3
	Prof. Charles Nzila (Repl. Dr. Eric Oyondi)	0	1
4	Prof. Daniel Tarus (Alt. to Prof. Isaac Kosgei)	5	4
5	Ms. Lucy W. Gitundu	0	1
6	Eng. Hezekiah Okeyo	0	1
7	Prof. Thomas Kipkurgat	5	2



Curtains



RIVATEX staff at the Eldoret Town clean-up day

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through acquisition of state-of-the-art machinery. We have successfully installed and commissioned 92% of the machinery acquired as part of the modernization.

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

Performance highlights

The company registered a twenty-two per centum (22%) increase in turnover of sixty-seven million, seven hundred and eighty-four thousand, one hundred forty seven shillings (Kshs 67,784,147/-) underpinned by changes in marketing strategy, introduction of new product lines, increased sales, diversification of products & expansion into new markets.

The cost of sales (manufacturing expenses) reduced by sixty-eight million, seven hundred forty-three thousand, two hundred & twenty five shillings (Kshs 68,743,225/-) being a 10% improvement underpinned by changes in the production process resulting in savings from: utilities, effective human capital deployment, efficient machine & materials utilisation.

During the period, we increased our product portfolio from eighteen (18) to twenty-two (22) as well as growing our market footprint in the yarns market by re-engineering our production process & servicing bulk orders from large yarn consumers. We continue to leverage on our state-of-the-art machinery to expand our market niche having perfected our school uniform production process following the commissioning of the Yarn dyeing machine & rapid drier. We are venturing into the lucrative school uniforms market in the upcoming 2022/2023 financial year. The company is banking on the '*Buy Kenya Build Kenya*' initiative and its renowned brand to successfully penetrate this market niche.

The textile and apparel sector has been identified by the Kenyan Government as one of the sectors that will accelerate the country's economic growth. As a result, we focused our marketing activities on identifying new market segments and profiled the international market based on product segments. As a result, we will begin exporting our products to the international market in the upcoming 2022/2023 financial year as part of the journey of fulfilling our potential.

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

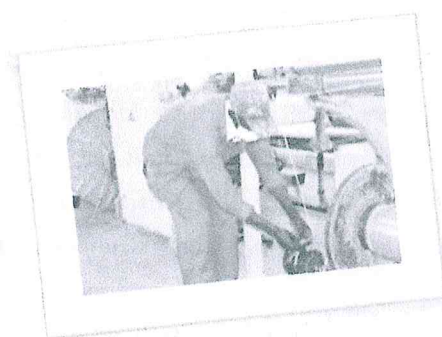
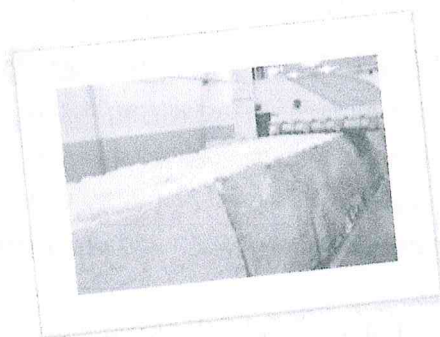
Despite the above achievements, the performance could have been much better had it not been for the adverse effects on the company's operations due to the following:

- 1) The continued modernization works on the production floor affecting the workflow process as well as the production turnaround period.
- 2) Cotton fibre accounts for approximately 50% of the per unit cost of production in the textile industry. Scarcity of global cotton fibre leading to surges in price by 102% from US \$1.83 in July 2019 to US \$3.7 per kilogram in March 2022 due to floods & dry weather that has shrunk the crop internationally. Additionally, the supply has been adversely affected by the Uyghur Forced Labor Prevention Act (UFLPA) affecting Chinese cotton, given approximately 20% of the world's cotton comes from China.
- 3) The increase in prices of Polyester fibre by 54% from US \$1.52 in July 2019 to US \$2. Per kilogram in March 2022 due to increase in world crude oil prices leading to increase in prices of the crude oil-linked raw materials required to make polyester such as purified Terephthalic acid (PTA) and Monoethylene glycol (MEG). Rising demand for the artificial fibre due to global cotton shortage are also driving unusual price increases in polyester.
- 4) Increase in the cost of electricity per unit from an average electricity cost of 16.27 per kWh in July 2019 to Kshs 18.29 per kWh from Jan 2022 for the factory (Kshs 7.50 per kWh in July 2019 to 10.50 per kWh in January 2022 for the energy charge only).
- 5) The factory utilizes approximately 56,562 M³ of water annually to operate. Increase in the cost of water and sewerage charges per cubic meter by the only provider - Eldoret Water & Sanitation Company. This increase has a large impact on the operations of the factory given a textile mill cannot operate without water.
- 6) The factory requires steam to process its fabrics which is produced by wood fuel boilers that use fuel wood. Increase in cost of fuel wood due to supply shortage as domestic supply has been under pressure due to the moratorium on logging in public forests still in force given majority of commercially viable fuel wood was sourced from public forests as well as the scarcity of alternatives to fuel wood from private farms/suppliers.
- 7) The factory utilizes a variety of dyes & chemicals majority of which are not available locally & are sourced directly from manufacturers overseas. The supply shortage and rising costs of chemicals from major manufacturers in China has led to an increase in the cost of reactive dyes (color chemicals) which has gone up by 35%- 80% depending on the type of dyes given the

cost of dyes & chemicals account for approximately 4% - 10% of the per unit cost in the textile industry.

- 8) The factory uses heavy furnace oil (HFO) to fire its thermos-boilers which in turn run its machines. Increase in global crude oil prices led to increase in the cost of heavy furnace oil by 64% from an average cost of Kshs 60.30 per liter in July 2019 to Kshs 98.60 per liter.
- 9) The factory relies on Liquified Petroleum Gas (LPG) for operating some of its machines. Liquified Petroleum Gases are byproducts of oil and gas. That means any disruption in the supply equation of the latter will take its toll on the former. Consequently, an increase in global crude oil prices resulted in higher LPG prices which increased in July 2019 by 48% to January 2022.
- 10) The factory has a fashion & apparels division that adds value to fabrics by converting them into garments. The factory utilizes various garmenting accessories in the process. The garmenting accessories prices increased by 10% - 20% depending on the individual accessory due to rising production costs incurred to manufacture them as well as disruption of local & international supply chains.

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



IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

i) Sustainability strategy

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

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

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

In our quest to increase shareholder value and remain competitive in the market the company has sort to increase its array of products in order to sustain both growth and profitability in the long run. We have also introduced textile related services to bolster our portfolio as well as expand our market footprint. The Buy Kenya Build Kenya initiative championed by President Uhuru Kenyatta

disciplined services and corporate institutions which are large continuous contracts that will contribute too its sustainability in the long run. We have also ventured into the local uniforms market which will form a large part of our product portfolio going forward.

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

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

We are proud to have achieved the following major milestones.

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

ii) Environmental performance

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

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

iii) Employee welfare

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

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

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

- f.* In place career development policies that are applied based on semi-annual performance appraisals to reward excellent performance and assist improve fair performance.

iv) Market place practices, responsible marketing & advertisement

The company produces wide variety of products to target different market segments. The products are also competitively priced to attract sizeable market share. Our marketing strategy is based mainly on making the right information available to the right target customer. To enhance and implement the direct sales initiatives the company has opened various factory outlets across the country in Nairobi, Nakuru, Kisumu, Moi University, Eldoret town, Rift Valley Technical Training Institute (RVTTI) and Moi Teaching and Referral Hospital to penetrate new markets.

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

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

Product stewardship

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

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

Responsible Supply chain & Supplier relations

Where applicable, we source our supplies from local suppliers with preference given to the youth, women, persons living with disabilities, Small & medium enterprises as well as local cotton producers.

We try to ensure that for all local procurements the Kenyan local content meets or exceeds the 40% threshold.

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

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

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

Corporate Social Responsibility / Community Engagements

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

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

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

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of Rivatex East Africa Limited's affairs.

i) Principal activities

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

ii) Results

The results of Rivatex East Africa Limited for the year ended June 30, 2022, are set out on page I to 6.

iii) Dividends

The Directors have not recommended payment of dividends.

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of Rivatex East Africa Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Rivatex East Africa Limited for the year/period ended June 30th, 2022.

By Order of the Board

Name

Signature

Date

TECLA Tum

Corporate Secretary/Secretary to the Board

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Rivatex East Africa Limited as at 30th June 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act No. 17 of 2015.

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

Approval of the financial statements

Rivatex East Africa Limited's financial statements were approved by the Board on 27th September 2022 and signed on its behalf by:

Signature: 

Name:

Chairperson of the Board

Signature: 

Name:

Accounting officer

XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022


	Note	2021-2022 Kshs	2020-2021 Kshs
REVENUES			
Revenue	8	369,677,625	301,893,478
Cost of sales	9	<u>614,082,467</u>	<u>682,825,692</u>
Gross Loss		(244,404,842)	(380,932,214)
Grants from the National Government	10	-	29,574,458
Other Income	11	-	-
Other gains/(losses)	12	<u>31,885</u>	<u>2,025</u>
TOTAL REVENUES		(244,372,957)	(351,355,731)
OPERATING EXPENSES			
Administration Costs	13	136,515,050	125,130,296
Selling and Distribution Costs	14	9,719,473	8,959,438
Finance Costs	15	<u>1,731,415</u>	<u>5,484,676</u>
TOTAL OPERATING EXPENSES		147,965,939	139,574,410
LOSS BEFORE TAXATION		(392,338,895)	(490,930,141)
INCOME TAX EXPENSE/(CREDIT)		-	-
LOSS AFTER TAXATION		(392,338,895)	(490,930,141)
Earnings per share		-	-
Dividends per share		-	-
OTHER COMPREHENSIVE INCOME			
Loss After Taxation		-	-
Surplus or deficit on revaluation of PPE		-	-
Re-Measurement of net defined benefit liability		-	-
Fair value gain/(loss) in investments in equity instrument designated as at FVTOCI		=	=
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(392,338,895)	(490,930,141)

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	6,177,922,358	6,329,592,781
Right-of-use asset	17	<u>39,056,062</u>	<u>39,807,140</u>
Total Non-Current Assets		6,216,978,420	6,369,399,921
Current Assets			
Inventories	18	545,710,393	617,909,084
Trade and other receivables	19	109,916,365	71,015,769
Bank and cash balances	20	<u>18,048,835</u>	<u>11,020,242</u>
Total Current Assets		673,675,593	699,945,095
TOTAL ASSETS		<u>6,890,654,013</u>	<u>7,069,345,016</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	1,000,000	1,000,000
Revaluation reserve	22	73,652,680	73,652,680
Retained earnings	23	(2,693,879,282)	(2,301,540,387)
Proposed dividends		-	-
Capital and Reserves		(2,619,226,602)	(2,226,887,707)
Non-Current Liabilities			
Grants	24	<u>9,323,618,126</u>	<u>9,128,452,126</u>
Total Non-Current Liabilities		9,323,618,126	9,128,452,126
Current Liabilities			
Trade and other payables	25	169,475,574	147,522,820
Borrowings (Bank Overdraft)		16,786,915	20,257,777
Total Current Liabilities		<u>186,262,489</u>	<u>167,780,597</u>
TOTAL EQUITY AND LIABILITIES		<u>6,890,654,013</u>	<u>7,069,345,016</u>

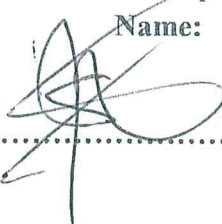
The financial statements were approved by the Board on 27th September 2022 and signed on its behalf by:

Name:


.....

Managing Director

Name:


.....

Head of Finance

ICPAK M/NO

12780

Name:


.....

Chairman of the Board

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022

	SHARE CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	CAPITAL RESERVES	TOTAL
At 1 st July 2020	1,000,000	(1,810,610,245)	73,652,680	8,982,098,976	7,246,141,411
Net Profit/Loss for the Year		(490,930,142)			(490,930,142)
Transfers to Capital reserves					-
-Foreign Loan-LMW				-	-
-GoK Grants				146,353,150	146,353,150
At 30 th June 2021	1,000,000	(2,301,540,387)	73,652,680	9,128,452,126	6,901,564,419
At 1 st July 2021	1,000,000	(2,301,540,387)	73,652,680	9,128,452,126	6,901,564,419
Net Profit/Loss for the Year		(392,338,895)			(392,338,895)
Transfers to Capital reserves					-
-Foreign Loan-LMW				-	-
-GoK Grants				195,166,000	195,166,000
At 30 th June 2022	1,000,000	(2,693,879,282)	73,652,680	9,323,618,126	6,704,391,524

XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021/2022 Kshs.	Restated 2020/2021 Kshs.	2020/2021 Kshs
Cash flows from operating activities				
Cash generated from/(used in) operations	27	<u>(156,657,625)</u>	<u>(107,225,776)</u>	<u>(107,225,776)</u>
Net cash generated from/(used in) operations		<u>(156,657,625)</u>	<u>(107,225,776)</u>	<u>(107,225,776)</u>
Cash flows from investing activities				
Purchase of Property, Plant & Equipment-Grants	16	<u>(28,008,919)</u>	<u>(119,842,455)</u>	<u>(119,842,455)</u>
Net cash generated from/(used in) investing activities		<u>(28,008,919)</u>	<u>(119,842,455)</u>	<u>(119,842,455)</u>
Cash flows from financing activities				
Government grants	10	<u>195,166,000</u>	<u>146,353,150</u>	<u>146,353,150</u>
Proceeds from borrowings		-	20,257,777	-
Repayment of borrowing		<u>(3,470,862)</u>	<u>-</u>	<u>-</u>
Net cash generated from/(used in) financing activities		<u>191,695,138</u>	<u>166,610,927</u>	<u>146,353,150</u>
Net increase/(decrease) in cash & cash equivalents		7,028,593	(60,457,303)	(80,715,081)
Cash & cash equivalents at the beginning of the year		11,020,242	71,477,545	71,477,545
Effects of foreign exchanges rate fluctuations		-	-	-
Cash & cash equivalents at the end of the year	20	<u>18,048,835</u>	<u>11,020,242</u>	<u>(9,237,536)</u>



Ladies Attire

RIVATEX EAST AFRICA LIMITED

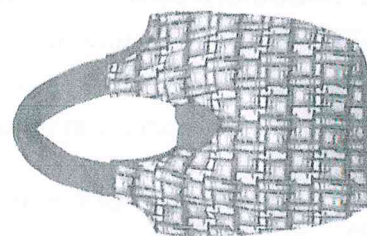
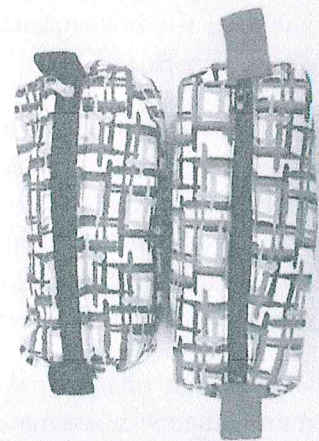
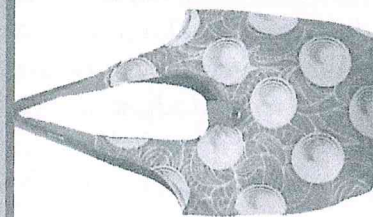
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022

Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	
Sale of goods	459,400,000	369,677,625	(89,722,375)	The adverse variance can be attributed to the increased turnaround time between the order & delivery of the fabrics due to delays arising from shortages of dyes & chemicals following disruptions in the supply chain, scarcity of cotton fibres, reduced customer purchasing power as a result of the Covid-19 pandemic as well as the effect of modernization on the production workflow process.
Transfers from the Government	335,166,000	195,166,000	(140,000,000)	The variance is due to budget revision of Kshs 1,868,561/- for modernization & development program & grants of Kshs 138,131,440/- which was received on 6/7/2022 after the close of the financial year but was for the 2021/2022 financial year.
Finance Income	-	31,885	31,885	
Total income	794,566,000	564,875,510	(229,690,490)	
EXPENDITURE				
Administration	116,881,374	136,515,050	(19,633,676)	The variance was attributed due to rise in fuel prices that increased the transport costs, repairs & maintenance of motor vehicles, increase in electricity and water cost due to revised charges per unit.
Use of goods and services	330,652,011	614,082,467	(283,430,456)	The variance was due increase in the global market prices for cotton due to scarcity, increased prices of polyester, dyes & chemicals, increase in global crude oil prices that led to increase in the cost of heavy furnace oil & Liquefied Petroleum Gas (LPG), increase in cost of fuel wood due to supply shortage following the moratorium on forests imposed by the government aal of which combined have resulted in increased cost of production.

RJVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Description	Original budget	Actual on comparable basis	Performance difference	Explanation
	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	
Selling and Distribution Costs	3,231,838	3,258,001	(26,163)	Variance is as a result of increase in fuel costs.
Finance cost	1,493,788	1,731,415	(237,627)	The variance is attributable to increased bank transactions.
Rent Paid	7,140,989	6,461,472	679,517	The variance is due to unpaid rent as at the end of the financial that was settled after the close of the year.
CAPEX	335,166,000	195,166,000	140,000,000	The variance is due to budget revision for grants for the Cotton subsidy & development program.
Total expenditure	794,566,000	957,214,405	(162,648,405)	



Bags & Pouches

XVIII. NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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

1. General Information

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

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

2. Statement of Compliance And Basis of Preparation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1st January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1st January 2022.

IFRS 1: Subsidiary as a First-time Adopter

The amendment, applicable to annual periods beginning on or after 1st January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

IFRS 9: Fees in the '10 per cent' Test for De-recognition of Financial Liabilities

The amendment, applicable to annual periods beginning on or after 1st January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

IAS 41: Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1st January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

IFRS 17: Insurance Contracts (issued in May 2017)

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

IAS 1: Classification of Liabilities as Current or Non-current (issued in January 2020)

The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

IAS 1: Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

IAS 12: Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IAS 8: Accounting Policies, Errors and Estimates

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

iii. Early adoption of standards

Rivatex East Africa Limited did not early-adopt any new or amended standards in year 2021-2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

Revenue from the sale of goods and services is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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

b) In-kind contributions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Amortization and impairment of Intangible assets

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

f) Investment property

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

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Cash and cash equivalents

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

Cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Trade and other payables

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

l) Provision for staff leave pay

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

m) Exchange rate differences

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

n) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

i. Credit risk

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

ii. Market risk

a) Foreign exchange risk

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

b) Cash flow and fair value interest rate risk

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Critical accounting estimates and assumptions

Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

6. REVALUATION RESERVES

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

7. UTILITIES DEPOSITS

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

Utilities deposits

	2021-2022 Kshs	2020/2021 Kshs
Rent & power connection deposits	380,140	380,140
Total	380,140	380,140

8. REVENUE

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

<u>Products</u>	2021/2022 Kshs	2020/2021 Kshs
Printed fabrics	71,323,467	116,873,950
Dyed	80,717,969	57,402,218
Cloth (Grey)	17,251,216	6,273,750
Bleached	81,980,449	14,709,630
Garments	58,640,000	106,157,200
Grade B	2,356,415	-
yarn	57,408,110	-

<u>Products</u>	2021/2022 Kshs	2020/2021 Kshs
Waste	-	483,739
Others	-	607,735
Sub-total	369,677,625	302,508,222
<u>Less</u>		
Discounts	-	-
<u>Return Inwards</u>		
Dyed fabrics	-	(614,744)
Sub-total	-	(614,744)
Total Sales	369,677,625	301,893,478

9. COST OF SALE STATEMENT

	2021/2022 Kshs	2020/2021 Kshs
DIRECT COST		
Opening Stock	130,443,587	307,511,842
Add: Purchases	67,623,615	47,062,840
Less: Closing stock	(28,001,411)	(130,443,587)
Cost of Raw materials	170,065,790	224,131,095
Direct labour	106,064,006	108,911,291
Factory Electricity	35,466,961	48,848,748
Factory Water	8,736,223	12,462,385
Sub-Total	150,267,189	394,353,518
INDIRECT COST		
Fuel wood expenses	14,317,754	22,103,410
Salaries & Wages	52,281,744	52,671,228
Packaging & Labelling	603,645	582,318
Designs & Screens	-	543,942
Lubricants & Oils	9,980,784	11,422,206
Spares & Consumables	6,769,239	1,975,580
Repair and Maintenance	12,710,016	-
Staff uniforms & Consumables	23,450	3,336,500
Tailoring Consumables	7,879,617	5,794,826
Depreciation	168,178,813	168,653,946
Sub-Total	272,745,062	267,083,956
TOTAL COST	593,078,041	661,437,474
Add: Opening Work-In-Progress	309,620,822	324,285,643

Less: Closing Work-In-Progress	(217,557,679)	(309,620,822)
COST OF GOODS MANUFACTURED	685,141,184	676,102,295
Add Opening Finished goods	79,096,670	85,820,067
Less Closing Finished goods	(150,155,387)	(79,096,670)
COST OF SALES	614,082,467	682,825,692

10. GOVERNMENT GRANTS

Government grants (subventions) are assistance by government in the form of transfers of resources in return for past or future compliance with certain conditions relating to the operating activities of Rivatex East Africa Limited. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of Rivatex East Africa Limited. Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. During the financial year the Company received grants of Kshs.195,166,000/- (one hundred ninety-five million, one hundred sixty-six thousand shillings) for capital expenditure.

Grant		2021/2022	2020/2021
		Kshs	Kshs
Recurrent grants received		-	29,574,458
Capital grants realized (see note above)		195,166,000	146,353,150
Total		195,166,000	175,927,608
Name of Rivatex East Africa Limited sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount recognized in capital fund. Kshs	Total grant income during the year Kshs
Ministry of Industrialization, Trade and Enterprise Development.	-	195,166,000	195,166,000
Ministry of Education	-	-	-
Total	-	195,166,000	195,166,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. OTHER INCOME

There was no other income

12. OTHER GAINS AND LOSSES

There were gains from foreign currency fluctuations of Kshs 31,885/-

	2021-2022 Kshs	2020/2021 Kshs
Other gains and losses	31,885	2,025
Total	31,885	2,025

13. (a) Administration Expenses

	2021/2022 Kshs.	2020/2021 Kshs.
General administration expenses	5,922,376	2,957,138
Stationery and Printing	1,771,138	1,196,255
Telephone and internet expenses	2,112,069	2,798,451
Travelling, Courier and subsistence allowances	17,808,287	12,196,450
Depreciation Property, plant and equipment (PPE)	12,251,606	9,349,694
Legal fees	1,145,200	520,000
Repairs and Maintenance	2,524,157	1,977,278
Cotton development	3,005,336	8,916,795
Water	489,618	655,915
Electricity	910,424	1,252,532
Fuel and Oil	4,842,238	5,641,980
Staff costs	6,618,046	7,203,921
Insurance	1,700,000	766,734
General provisions for bad debts	<u>792,322</u>	<u>2,480,334</u>
Sub-total	<u>61,892,817</u>	<u>57,913,477</u>
	2021/2022 Kshs.	2020/2021 Kshs.
Salaries	54,139,036	46,844,063
NSSF Employer Contribution	1,927,700	1,906,800
Employer's Pension Contribution	11,235,307	11,644,013
Gratuity	<u>2,179,972</u>	<u>1,410,383</u>
Sub-total	<u>69,482,014</u>	<u>61,805,259</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. (c) Board Expenses

Board Expenses
Sub-total

2021/2022 Kshs.	2020/2021 Kshs.
3,954,419	4,599,010
3,954,419	4,599,010

13.(d) Honoraria

Honoraria
Sub-Total

2021/2022 Kshs.	2020/2021 Kshs.
895,800	522,550
895,800	522,550

13.(e) Audit Fees

Sub-total

2021/2022 Kshs.	2020/2021 Kshs.
290,000	290,000

Total Administration Cost (Note I3a-I3e)

2021/2022	2020/2021
136,515,050	125,130,296

I4. SALES & MARKETINGEXPENSES

	2021/2022 Kshs.	2020/2021 Kshs.
Selling & Distribution expenses	3,188,881	1,438,076
Outlets expenses	69,120	479,050
Rent outlets	6,461,472	7,042,312
Total Sales & Marketing Expenses	9,719,473	8,959,438

I5. FINANCECOSTS

a. Ledger Fees
Total

2021/2022 Kshs.	2020/2021 Kshs.
1,616,014	3,122,797
1,616,014	3,122,797

b. LC fees

Total	115,401	2,361,879
Grand Total	115,401	2,361,879
	1,731,415	5,484,676

RIVATEX EAST AFRICA LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

ASSET	Buildings Kshs	Buildings (Work-In- Progress) Kshs	Plant & Equipment Kshs	Plant & Equipment (Work-In- Progress) Kshs	Furniture & Fittings Kshs	Computers & Accessories Kshs	Office Equipment Kshs	Motor Vehicles Kshs	Total Kshs
As at 1st July 2021	601,637,857	80,621,664	6,099,806,195	16,100,207	4,515,166	6,738,517	2,144,305	57,595,192	6,869,159,103
Transfers	80,621,664	(80,621,664)	12,480,032	(12,480,032)	-	-	-	-	-
Additions 2021/2022	-	8,755,000	918,800	17,929,318	-	204,320	201,481	-	28,008,919
Disposals/Obsolete assets									
As at 30th June 2022	682,259,521	8,755,000	6,113,205,027	21,549,493	4,515,166	6,942,837	2,345,786	57,595,192	6,897,168,022
<u>Accum. Depreciation</u>									
As at 1st July 2021	49,048,533	-	432,603,727	-	2,629,370	5,334,353	1,813,782	48,136,558	539,566,323
Disposals/Obsolete	-	-	-	-	-	-	-	-	-
Charge for the year	17,056,488	-	152,968,982	-	564,396	1,596,853	293,223	7,199,399	179,679,341
As at 30th June 2022	66,105,021	-	585,572,709	-	3,193,766	6,931,206	2,107,005	55,335,957	719,245,664
<u>Net Book Value</u>									
As at 30th June 2022	616,154,500	8,755,000	5,527,632,318	21,549,493	1,321,401	11,631	238,781	2,259,235	6,177,922,358
As at 30th June 2021	552,589,324	80,621,664	5,667,202,468	16,100,207	1,885,796	1,404,164	330,523	9,458,634	6,329,592,780

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ASSET	COST OR VALUATION	NORMAL ANNUAL DEPRECIATION CHARGE
Motor vehicles, including motorcycles	-	-
Computers and related equipment	1,364,600	341,150
Office equipment, furniture and fittings	129,970	16,246
Total	1,494,570	357,396

17. RIGHT-OF-USE ASSET

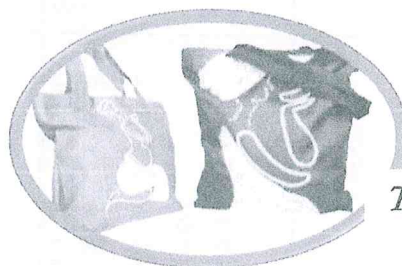
	2021/2022	2020-2021
	Kshs	Kshs
COST		
At July 1	50,322,233	50,322,233
At June 30	50,322,233	50,322,233
AMORTIZATION		
At July 1	10,515,092	9,764,014
Charge for the year	751,078	751,078
At June 30	11,266,170	10,515,092
NET BOOK VALUE at June 30	39,056,062	39,807,140

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

Traveling Bags



Tote Bags



NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INVENTORY

	2021/2022 Kshs	2020/2021 Kshs
Raw materials	28,001,411	130,443,587
Finished goods	150,155,387	79,096,670
Work-In-Progress	217,557,679	309,620,822
Sub-Total	395,714,477	519,161,079
Consumables, spares & accessories	145,112,358	97,685,343
Fuelwood	989,558	99,480
Furnace oil	3,894,000	963,182
Sub-Total	149,995,916	98,748,005
Total	545,710,393	617,909,084

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

19. TRADE & OTHER RECEIVABLES

	2021/2022 Kshs	2020/2021 Kshs
Trade receivables	94,921,345	56,105,038
Prepayments (Note 26(a))	-	7,786,292
Other receivables from related parties (Note 26 (b))	19,360,948	10,698,044
Utilities deposits (Note 7)	380,140	380,140
Provisions for bad & doubtful debts	(4,746,067)	(3,953,745)
Total	109,916,365	71,015,769

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

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. BANK AND CASH BALANCES

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

	2021-2022 Kshs	Restated 2020-2021 Kshs	2020-2021 Kshs
Cash at bank	17,897,159	10,974,603	(9,283,175)
Cash in hand	151,676	45,639	45,639
Total	18,048,835	11,020,242	(9,237,536)

All the cash at bank was held at Equity Bank of Kenya and Kenya Commercial Bank

The make-up of bank balances is as follows:

	2021/2022 Kshs	Restated 2020/2021 Kshs	2020-2021 Kshs
Cash at Hand	151,676	45,639	45,639
Bank Balance			
<u>Equity Bank</u>			
Main Account (0300291345310)	24,474	3,445	3,445
Sales Account (0300292559317)	15,775,337	8,677,329	8,677,329
Nairobi Account (0300297531263)	71,163	1,146,764	1,146,764
Moi University Account (0300294911893)	236,864	25,980	25,980
Canteen Account (0300294868414)	7,423	7,423	7,423
Narok Account (0300297531280)	155,508	34,800	34,800
Dollar Account (0300295572845)	196,368	164,483	164,483
<u>Kenya Commercial Bank</u>			
KCB Main Account (1182314430)	82,521	0	(20,257,777)
MUPEN Account (1120920809)	365,221	541,052	541,052
Nakuru Account (1178072886)	406,356	178,387	178,387
Kisumu Account (1121365930)	358,251	40,774	40,774
Showroom Account (1136152989)	217,673	154,166	154,166
Sub-total	17,897,159	10,974,603	(9,283,175)
Total	18,048,835	11,020,242	(9,237,536)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. SHARE CAPITAL

AUTHORISED

50,000 Ordinary shares of @ Kshs.20

ISSUED & FULLY PAID

50,000 Ordinary shares of @ Kshs.20

2021/2022 Kshs	2020/2021 Kshs
1,000,000	1,000,000
1,000,000	1,000,000

22. REVALUATION RESERVES

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

Revaluation reserves b/f

Total

2021/2022 Kshs	2020/2021 Kshs
73,652,680	73,652,680
73,652,680	73,652,680

23. RETAINED EARNINGS

This is made up of:-

Retained earnings b/f

Net Loss for the year

Total

2021/2022 Kshs	2020/2021 Kshs
(2,301,540,387)	(1,810,610,245)
(392,338,895)	(490,930,142)
(2,693,879,282)	(2,301,540,387)

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. CAPITAL RESERVES

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

	2021/2022 Kshs	2020/2021 Kshs
Capital Reserves	9,128,452,126	8,982,098,976
Grants for the year-Government subventions	195,166,000	146,353,150
Total	9,323,618,126	9,128,452,126

25. TRADE AND OTHERPAYABLES

This is made up of: -

	2021/2022 Kshs	2020-2021 Kshs
Trade payables	97,406,125	96,298,201
Accrued expenses	3,629,972	1,200,000
Retention/ contract monies	1,030,000	1,582,101
EMPLOYEES OBLIGATIONS:		
Moi University Pension Scheme staff deductions;	53,079,746	39,316,201
Rivatex East Africa Limited SACCO deductions;	14,329,731	9,126,317
Total	169,475,574	147,522,820

26. (a). PREPAYMENTS

The prepayments for various goods and services as follows:-

	2021/2022 Kshs	2020/2021 Kshs
Other Receivables	0	7,786,292



RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26(b). RELATED PARTY TRANSACTIONS

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

	2021/2022 Kshs	2020/2021 Kshs
Trade debts	19,360,948	10,698,044
Total	19,360,948	10,698,044

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

Transactions with related parties

TRANSACTION	2021/2022 Kshs.	2020/2021 Kshs.
a) Sales to related parties		
Sales of goods to Moi University	14,205,640	10,698,044
Sales of services	0	0
Total	14,205,640	10,698,044
b) Grants from the Government		
Grants from National Govt	195,166,000	175,927,609
Grants from County Government	0	0
Donations in kind	0	0
Total	195,166,000	175,927,609
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	=====	=====
a) Key management compensation		
Directors' emoluments	3,954,419	5,121,560
Compensation to the CEO	2,179,972	1,410,383
Compensation to key management	36,391,144	28,201,726
Total	42,525,535	34,733,669

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations	2021/2022 Kshs	2020/2021 Kshs
Operating profit/(loss)	(392,338,895)	(490,930,142)
Depreciation	179,679,341	177,252,563
Amortisation	751,078	751,078
Operating profit/(loss) before working capital changes	(211,908,476)	(312,926,501)
Decrease in inventories	72,198,692	305,216,035
Decrease in trade and other receivables	(38,900,596)	26,186,647
Decrease in trade and other payables	21,952,755	(125,701,957)
Cash generated from/(used in) operations	(156,657,625)	(107,225,776)

28. (a) PROFIT BEFORE TAX

Net loss before tax is arrived after charging:

	2021/2022 Kshs	2020/2021 Kshs
Depreciation (Note 16)	179,679,341	177,252,563
Employee benefits expense (Note 28 (b))	227,827,764	223,387,777
Directors' fees & emoluments	3,954,419	5,121,560
Auditors remuneration	290,000	290,000
Total	411,751,524	406,051,900

28(b) Employee benefit expenses

Salary and wages	212,484,786	208,949,131
Retirement benefits costs:		
- Defined contribution scheme	11,235,307	11,644,013
- National Social Security Fund	1,927,700	1,906,800
- Gratuity	2,179,972	1,410,383
Sub-Total	227,827,764	223,910,327

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. STATEMENT OF TAXATION

	2021/2022 Kshs	2020/2021 Kshs
Operating results before tax	(392,338,895)	(490,930,142)
<u>Add back: Disallowed items:</u>		
Depreciation	179,679,341	177,252,563
Amortization	751,078	751,078
	(211,908,476)	(312,926,501)
<u>Less allowed items:</u>		
Wear & tear allowance	(1,320,990)	(2,442,245)
Industrial Buildings	-	(1,753,696)
Deductions		
Investment deductions	(1,033,650)	(2,343,880)
NET PROFIT/LOSS	(214,263,116)	(319,466,322)
Less Brought Forward losses	(3,225,067,189)	(2,905,600,867)
	(3,439,330,305)	(3,225,067,189)
Corporation tax	Nil	nil
Add: brought forward	Nil	nil
Less: paid during the year	Nil	nil
Balance carried forward	Nil	nil

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. CAPITAL COMMITMENT

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

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

	2021/2022	2020-2021
	Kshs	Kshs
Amounts authorized and contracted for	-	41,889,720
Amounts authorized but not contracted for	-	18,000,000
Less: Amounts included in Work in Progress	-	(16,100,207)
Total	-	43,789,513

31. CONTINGENT LIABILITIES

- a) The company is subject to a number of contractual, legal & business claims incidental to its operations, the outcome of which cannot at present be foreseen and the possible loss or range of which cannot at present be meaningfully quantified. The company has various ongoing legal cases from former employees and contractual disputes arising from normal course of business. Our lawyers have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on this financial statements. Based on the professional advice received from our lawyers, the provisions made for all the claims sufficiently covers the expected losses arising from them.
- b) During the commissioning of the modernized factory on 21st June 2019, His Excellency the President issued a presidential directive waiving 50% electricity costs incurred by the company in the course of operations. The management is still following upon the implementation of the waiver with the Energy and Petroleum Regulatory Authority (EPRA). Consequently, 50% of the electricity cost has been recognized on manufacturing cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

	2021/2022 Kshs	2020/2021 Kshs
Probable Legal costs	15,900,000	15,900,000
Electricity cost	72,553,874	91,694,893
Finance cost	1,731,415	2,361,879
Total	90,185,289	109,956,772

32. FINANCIAL RISK MANAGEMENT

Rivatex East Africa Limited activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Liquidity risk management

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

33. COVID-19 PANDEMIC

The Company put in place measures to mitigate the impact of the outbreak to customers, employees and other stakeholders. Owing to the pandemic, the company cash flows were adversely affected as clients were not able to settle their debts promptly. Sales were also affected as consumer spending power reduced & in some cases customers prioritized their spending.

Based on cash flow projections under the different scenarios, there is no significant deterioration in the free cash flows. The company does not expect any asset impairment resulting from the pandemic.

Based on the assessments made, the management is not aware of any material uncertainties related to these events or conditions that may cast doubt upon the company's ability to continue as a going concern.

34. STAFF COST

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

35. INCORPORATION

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

36. EVENTS AFTER THE REPORTING PERIOD

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

37. CURRENCY

The financial statements are presented in Kenya Shilling



RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

XIX APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
I. Overstatement of inventory FY 2018/2019	Included in the raw materials is chemicals figure of Kshs. 15,484,685 which are classified as 'not moving'. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were specifically to be used by some of the old obsolete wet processing machinery that were dismantled. However, after modernization these chemicals are no longer in use and therefore the management through the board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA)	Eng. Peter Mugo (Processing Manager)	Not Resolved	30/12/2022

RIVATEX EAST AFRICA LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>and complementary functions they perform in the entire process of textile production from yarn production to fabric finishing.</p> <p>After modernization the company will expand its market by diversifying the products range and tap into new markets including exporting the fabrics to international markets as envisaged in the company's Strategic plan (2015-2020). The company has been undertaking continuous and rigorous marketing research and analysis to fully exploitation of all the potential markets in order to realize profitability and reverse the loss trend. The company has been producing fabrics and garments for sale to the domestic market but the management is putting modalities that to export fabrics through EPZA and will compete effectively with the global market.</p> <p>The Government has been vigorously promoting cotton production in the country through policy framework, institutional reforms, and provision of incentives. The Buy Kenya Build Kenya Policy and the requirement that a minimum of 40% of all public procurement budget be dedicated to locally produced goods and services, means that one of the products of prioritization i textile. This initiative will give the company better advantage to produce diverse products sustainably for both the local market and also for international market. The company has been working closely with other stakeholders and government agencies in the promotion of cotton growing in the country by conducting field</p>			

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2. Fair Statement of Expired Chemicals Inventories FY 2019/2020	Included in the inventory amount (raw materials) is chemicals figure amounting to Kshs. 15,484,685 which are classified in the stores ledger as not moving. These chemicals were purchased immediately after the acquisition of the Company by Moi University in the year 2007 and were to be used by some of the obsolete wet processing machines that have since been replaced. However, after modernization these chemicals are no longer in use and therefore the management through the Board will request for disposal of the chemicals following the legal framework in consultation with the National Environmental Management Authority (NEMA).	Eng. Peter Mugo (Processing Manager)	Not Resolved	December 2022
3. Material Uncertainty Related to Going Concern.	The company with the support of the Government has acquired and installed new machines in ensuring that the modernization strategy is completed successfully with a goal to ensure the company operates profitably in its future operations. In the financial year 2016/2017, the National Government through The National Treasury obtained a Line of Credit of US\$ 29,950,000 (Dollars Twenty-Nine Million and Nine Hundred Fifty Thousand only) from the Government of India through Exim Bank for the purpose of fully upgrading the company. The new machinery shall enable the company sustainably to increase turnover and competitiveness through increase in production capacity, improvement of quality, increase in efficiency, reduction of unit production costs, reduction of delivery time for fabrics to the market among other numerous benefits that are expected to accrue to the company as a result of the modernization. The machines acquired have different critical	CPA. Bett K. Stanley (Chief Accountant)	Not Resolved	December 2022

RIVATEX EAST AFRICA LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	days, farm and factory visits and other forms of technical assistance in order to get sustainable supply of raw materials. The company has been working with various county governments for example Busia, Siaya, Baringo, Elgeyo Marakwet and Makueni County government on cotton farming.			
Non-Compliance with Law on Ethnic Composition.	Rivatex East Africa Limited is an equal opportunity employer. We strive to ensure that we have a diverse workforce. However, after the Company advertised machine operators, most of the applicants were from the dominant community, thus 74% of Rivatex workforce is from the dominant community. But over the years, the Company has shown tremendous improvement in terms of the provision of the Law on ethnic composition as per the classification of Ethnicities by National Cohesion and Integrated Commission (NCIC) requiring that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. In addition, the Company is gradually showing some improvements in having employees from the same ethnic community as compared to 2018/19 financial year.	Joseph Keter Manager Human resource & development	Not Resolved	December 2022

Managing Director:

Date.....

Chairman of the Board:

Date.....

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

APPENDIX II: PROJECTS IMPLEMENTED BY RIVATEX EAST AFRICA LIMITED

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

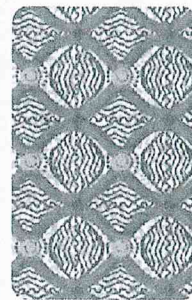
RIVATEX EAST AFRICA LIMITED						
Breakdown of Transfers from the State Department of Trade, Industry and Enterprise Development and State Department of Education.						
FY 2021/2022						
a.	Recurrent Grant	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate		
		-	-			
		Total	-			
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate		
		9/10/2021	140,083,000	2021/2022		
		10/5/2022	55,083,000	2021/2022		
		Total	195,166,000			

The above amounts have been communicated to and reconciled with the parent Ministry.
Grants of Kshs 138,131,440/- was received on 6/7/2022 but was for the 2021/2022 financial year.

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/ recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Industrialization and Enterprise Development	9/10/2021	Development	140,083,000	-	140,083,000	-	-	-	140,083,000
Ministry of Industrialization and Enterprise Development	10/5/2022	Development	55,083,000	-	55,083,000	-	-	-	55,083,000
Total			195,166,000	-	195,166,000				195,166,000



Kitenge Prints

RIVATEX EAST AFRICA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022



RIVATEX OUTLETS

1 FACTORY OUTLET

Off Kisumu Road
Along Kipkaren Road
Mobile No: 0740 594 268
0202030902

4 KISUMU OUTLET

Paul-Mboya Road,
Renemulla Bunga Building,
Mobile No: 0759949622
0202030904

7 RVTTI OUTLET

RVTTI College
Off Kaptagai Road, Eldoret
Mobile No: 0796821993
0202030908

2 NAIROBI OUTLET

Moi Avenue,
Blashara Street
Bazaar Building
Mobile No: 0759677869
0202030903

5 MOI UNIVERSITY OUTLET

Main Campus
Administration Block
Mobile No: 0768037459
0202030908

8 M.T.R.H - ELDORET

Memorial Wing Entrance
Mobile No: 0795563870
0202030901

3 NAKURU OUTLET

Moi Road, Utalii Arcade
Building, opposite Tower
One Building
Mobile No: 0797150438
0202030905

6 ELDORET OUTLET

Ronald Ngala Street
Mupen Building
Mobile No: 0796612094
0202030907

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

TEL: 053 2030901-3
FAX: 053 2030904
E-mail: info@rivatex.co.ke

Rivatex East Africa Ltd
rivatex_ltd
Rivatex East Africa Ltd

www.rivatex.co.ke