

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NEW KENYA CO-OPERATIVE
CREAMERIES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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NEW KENYA CO-OPERATIVE CREAMERIES LTD

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(a) Principal Activities

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

(b) Directors

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

1.	Dr. Ignatius Kahi	Chairman	Appointed on 3rd May 2019
2.	Mr. Nixon Sigey	Managing Director	Appointed on 1 st Jan 2015
3.	Mr. Edward Gacau Kariuki	Director	Appointed on 14 th Dec 2018
4.	Dr. Christopher Ayienda	Director	Appointed on 20 th Sept 2018
5.	Ms. Mary Cheron	Director	Appointed on 20 th Sept 2018
6.	Ms. Alphina Bwaley Kisorio	Director	Appointed on 3 rd May 2019
7.	Mr. Yasir Noor	Director	Appointed on 20 th Sept 2018
8.	Mr. David Maina Kamiru	Director	Appointed on 3 rd May 2019
9.	Dr. Stephen Ikikii	Director	Appointed on 26 th Nov 2018
10.	Dr. Obadiah Nyaga Njagi	Director	Appointed on 10 th June 2018
11.	Mr. David Baariu	Director	Appointed on 11 th March 2020
12.	Mr. David Obonyo	Director	Appointed on 20 th Sept 2019

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(c) Entity Headquarters

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

(d) Entity Contacts

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

(e) Entity Bankers

1. Co-operative bank of Kenya limited
Industrial Area Branch.
Nanyuki road
P.O. Box 18119- 00500
Nairobi.
2. Kenya commercial bank limited
Industrial Area Branch.
P.O. Box 18031-00500
Nairobi.
3. Standard chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box18081-00500
Nairobi.
4. CFC Stanbic bank limited
Industrial Area Branch.
P.O. Box 30550-00100
Nairobi.
5. Equity Bank Ltd,
Enterprise Branch,
P.O. Box 41895-00100,
Nairobi.

(f) Independent Auditors

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

(g) Principal Legal Adviser

1. The Attorney General,
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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

3. Onyinkwa & Co. Advocates,
Sakong House, 1st Floor,
PO.Box 2052-30100,
Eldoret.

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II. THE BOARD OF DIRECTORS

 <p>DR. IGNATIUS KAHIU-CHAIRMAN B.V.M,M.SC</p>	<p>DR. IGNATIUS KAHIU was appointed as the Chairman of the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds a Bachelor's degree in Veterinary Medicine and a Master's of Science degree in Organizational Development. For over three decades, he has demonstrated sound leadership, management and technical experience, overseeing donor-and public-funded programs that improve economic and social well-being, natural resource management, livestock productivity, value chains and food security in Kenya and East Africa. In his work, he has developed strong relationships with communities, the government, and the private sector, as well as with USDA and USAID.</p>
 <p>MR. NIXON SIGEY B.Sc,MBA</p>	<p>Mr. Nixon Sigey born on 1st January 1970 was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-five (25) years working experience in Public Service, ten (13) of which have been in Senior Management.</p> <p>Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management.</p>
 <p>MR. DAVID MWIRABUA BAARIU B.Ed,M.Ed</p>	<p>MR. DAVID MWIRABUA BAARIU was appointed to the Board of New Kenya Co-operative Creameries on 17th March, 2020. He holds Bachelor's and a Master's Degree in Education and was the Chief Officer Education Department in the County Government of Meru. He has over Ten years' experience as an Administrator and Education Consultant. He is the chairperson of Audit committee.</p>
 <p>MR. EDWARD GACAU KARIUKI L.L.B</p>	<p>MR. EDWARD GACAU KARIUKI was appointed to the Board of New Kenya Co-operative Limited on 14th December, 2018. He holds a Bachelor of Laws degree and is an Advocate of the High Court of Kenya. He has over twenty years' experience in the areas of Constitutional and Administrative Law, Conveyancing, Commercial Banking and Insurance law and Legal Advisory and consultancy Services. He offers legal guidance to the NKCC Board.</p>

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 <p>DR. CHRISTOPHER M. AYIENDA PhD-Ed</p>	<p>DR. CHRISTOPHER AYIENDA was appointed to New KCC Board of Directors on 20th Sept 2018. Dr. Ayienda holds a Doctorate in Educational Research and Evaluation and has worked as a Senior Lecturer in various Universities within the East African Region. He has a wealth of experience in the fields of Education, Project and Human Resource Management.</p>
 <p>MS. MARY CHERONO CHEBET Teacher</p>	<p>MARY CHERONO CHEBET was appointed to the Board of New Kenya Co-operative Creameries Limited on 20th September, 2018. She is an experienced teacher and a community leader in the dairy farming industry in Trans Nzoia District with experience in project planning and management. She is the Chairperson of Technical committee.</p>
 <p>DR. STEPHEN IKIKII PhD, M.Sc, BSc</p>	<p>Alternate to the Cabinet Secretary, the National Treasury DR. STEPHEN MUTEMI IKIKII was appointed to the Board of New Kenya Co-operative Limited on 17th July, 2020 as an Alternate Director representing the National Treasury. Stephen holds a PhD in Economics, MSc in Financial Economics and BSc (Mathematics). He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA). Stephen is an Economist with over 16 years' experience at the National Treasury.</p>
 <p>MS. ALPHINA BWALEY KISORIO MBA</p>	<p>MS. ALPHINA BWALEY KISORIO was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. She holds a Master's degree in Business Administration and is a Trained Counselling Psychologist and Certified Professional Mediator. She has over Thirty years' experience in the banking sector and currently practices as a Counselling Psychologist and Professional Mediator. She is chairperson of Finance & General purpose committee</p>
 <p>MR. YASIR NOOR</p>	<p>MR. YASIR NOOR was appointed to New KCC Board of Directors on 20th Sept 2018. He is a Business man in the Coastal region of Kenya with an interest in Sales and Marketing. He is keen to enhance the growth and sustainability of New KCC.</p>

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 <p>Mr. David Obonyo MBA,CPA(K)</p>	<p>MR. Obonyo was appointed to the Board of New Kenya Co-operative Limited on 20th September, 2019 as an Alternate Director representing the Ministry of Industry, Trade and Co-operatives (State Department for Co-operatives). He holds a Master's degree in Business Administration and is a Certified Public Accountant. He has over 25 years' experience in co-operatives management.</p>
 <p>MR. DAVID MAINA KAMIRU BBA</p>	<p>MR. DAVID MAINA KAMIRU was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds Bachelor's degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years' experience in sales and marketing with primary focus in fast moving consumer goods. He is the chairman of Marketing & Logistics Committee</p>
 <p>DR. OBADIAH NYAGA NJAGI Ph.D,Msc,BVM</p>	<p>DR. OBADIAH NYAGA NJAGI was appointed to the Board of New Kenya Co-operative Creameries on 3rd May, 2019 as an Alternate Director Ministry of Agriculture, Livestock, Fisheries & Cooperatives (State Department of Livestock). He holds Doctor of Philosophy (Ph.D) in Immuno-Parasitology; Masters of Science in Veterinary Pathology & Micro-Biology and a Bachelor's Degree in Veterinary Medicine. He has over 30 years' experience as a Veterinary Consultant.</p>
 <p>MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS</p>	<p><u>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS</u> Ms. Irene K. Mbito was born on 30.8.1968. She was employed at New KCC as Company Secretary & Chief Manager Legal Affairs in May, 2021. She holds a Masters of Business Administration Degree (MBA) and a Bachelor of Laws degree; Post graduate Diploma in Law and is a Certified Public Secretary. Has 20 years' work experience as a legal practitioner. She is a member of ICS.</p>

III. CONSTITUTION OF BOARD COMMITTEES 2021

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	MS. MARY RONO	DR.OBADIAH NYAGA NJAGI
		MR. DAVID OBONYO
		MS.ALPHINA KISORIO
		DR. CHRISTOPHER AYIENDA
		MANAGING DIRECTOR
MARKETING & LOGISTICS COMMITTEE	MR. DAVID MAINA	DR.OBADIAH NYAGA NJAGI
		DR. STEPHEN IKIKII
		MR. DAVID BAARIU
		MR. EDWARD GACAU
		MR. YASSIR NOOR
		MANAGING DIRECTOR
FINANCE & GENERAL PURPOSES COMMITTEE	MS.ALPHINA KISORIO	MR. EDWARD GACAU
		DR. STEPHEN IKIKII
		MR. DAVID MAINA
		MANAGING DIRECTOR
AUDIT COMMITTEE	MR. DAVID BAARIU	MR. YASSIR NOOR
		MR. DAVID OBONYO
		MS. MARY RONO
		DR. CHRISTOPHER AYIENDA




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IV. MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>MR. NIXON SIGEY B.SC,MBA</p>	<p><u>CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR</u></p> <p>Mr. Nixon Sigey was born on 1st January 1970 appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-two (25) years working experience in Public Service, ten (10) of which have been in Senior Management.</p>
 <p>MR. SAMUEL ICHURA BBA,MBA.CPA(K),CISA.</p>	<p><u>CHIEF MANAGER FINANCE</u></p> <p>Mr. Ichura was born on 6th November 1977 and is in charge of Finance Department at NKCC</p>
 <p>MS. DAMARIS CHIRCHIR B.SC,MBA</p>	<p><u>CHIEF MANAGER FACTORY OPERATION</u></p> <p>Ms. Chirchir was born on 8th August 1962 and is in charge of Factory Operations Department at NKCC</p>
 <p>DR. MAGDALENE MUTHOKA PhD,MSC,B.COM.</p>	<p><u>CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION</u></p> <p>Dr. Muthoka was born on 31st December 1973 and is in charge of Human Resource & Administration Department at NKCC</p>

 <p>DR. JAMES GATERU PhD,MBA,B.COM</p>	<p><u>CHIEF MANAGER SALES AND MARKETING</u> Dr. Gateru was born on 20th Nov 1969 and is in charge of Sales & Marketing Department at NKCC</p>
 <p>MR. SAMUEL ONYANGO B.SC.</p>	<p><u>HEAD OF ICT</u> Eng. Onyango was born on 22nd June 1977 and is in charge of ICT Department at NKCC.</p>
 <p>MS. STACY TOO BPA, DIP.</p>	<p><u>HEAD OF CORPORATE AFFAIRS</u> Ms. Stacy Too was born on 15th November 1970 and is in charge of Corporate Affairs Department at NKCC</p>
 <p>MR. ANTHONY KINOBU MBA, B.SC.</p>	<p><u>HEAD OF QUALITY ASSURANCE</u> Mr. Anthony Kinogu born on 25th July 1975 and is in charge of Quality Assurance Department.</p>
 <p>MR. MARUSOI BURGOH B.COM,MBA,CPA(K)</p>	<p><u>AG. CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE</u> Mr. Marusoi Burgoh was born on 11th October 1979 and is in charge of Internal Audit & Risk Compliance Department.</p>

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 <p>MS. SHEILA AKALA M.Sc,B.COM,MCIPS</p>	<p><u>AG. HEAD OF PROCUREMENT</u> Ms. Sheila Akala was born on 11th December 1981 and is in charge of Procurement Department at NKCC.</p>
 <p>MR. PHILIP PYEKO B.SC.</p>	<p><u>HEAD OF RAW MILK & EXTENSION SERVICES</u> Mr. Philip Pyeko born on 9th May 1977 and is in charge of Raw Milk & Extension Services Department</p>
 <p>MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS</p>	<p><u>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS</u> Ms. Irene K. Mbito was born on 30.8.1968. She is the company secretary and in charge of Legal affairs Department.</p>

V. CHAIRMAN'S STATEMENT

We are pleased to report commendable progress in the financial year under review 2020/2021 despite the prevailing COVID-19 pandemic. We have achieved a significant milestone in modernization exercise with four of our processing facilities in Eldoret, Dandora, Sotik and Nyahururu fully modernized and operational. The remaining are well into completion included the newly constructed milk plant and Sales depot in Nyambene.

During this financial year, we processed over 87 million litres of raw milk, which despite it being below the 122 million litres processed in the previous year, is a testament to the dedication of our farmers show of resilience in a challenging season occasioned by the pandemic and outbreak of foot and mouth disease. As New KCC, we ensured timely payment to farmers, with prices averaging Kes 43/= per litre, the highest in the market, translating to Kes 3.9 billion paid out to farmers.

Our dairy farmers remain an integral part of our operations, and through our extension services program, we have made relevant investments in ensuring our farmers have access to essential farm services and are exposed to both local and international forums to not only gain knowledge but can also benchmark against best dairy practices, feed and breed management to improve production both in quality and quantity.

In our continued support to ensuring we meet our farmer's safety and needs during the pandemic, we produced and distributed over 20,000 branded re-usable cloth masks to the farmers across our branch network countrywide.

I am also grateful to the National Government and all our stakeholders who continue to work with us to find lasting solutions to the issues affecting the dairy industry such as the proliferation of cheap milk imports that negatively impact the local dairy industry especially the farmers at the farm level. The setting of a minimum farmer producer price at Kes. 33/= per litre by the National Government has seen a consistent and improved revenue to the farmers and benefited more along the value chain. It has also inspired growth as more take up dairy farming as a viable business thereby contributing to the stability and sustainable dairy farming in the sector.

Appreciation

Ours is a dynamic business, hence support from all our stakeholders and especially from the National, County Governments and the Ministry of Agriculture, Livestock and Fisheries is fundamental. Their collective efforts have kept us moving forward.

Our sincere gratitude also goes out to our farmers, customers and well-wishers for their continued partnership and support, without whom, none of this would have been possible.

On my behalf and that of the Board of Directors of New KCC we say.....

Thank you!

Ignatius Kahiu
CHAIRMAN BOARD OF DIRECTORS



VI. REPORT OF THE MANAGING DIRECTOR

Thriving in an age of turbulence

Financial year 2020/2021, was for the most part affected by a prolonged pandemic that saw the organization put in place mechanisms to manage the change and make quick decisions to meet the requirements of a rapidly and increasingly uncertain business environment. It is through concerted effort that we were able to rise to the challenges to register commendable growth and dare to dream big for the future.

Our vision is to be the leading dairy processor, and as such we continue to inch forward towards that goal with our net sales closing at Kes 9.4 billion up from Kes 8.7 billion in the previous financial year. Our robust farmer extension services program saw us actively engage our dairy farmers whose continued support remains an integral part of our success. Through the program, the company received and processed 87 million litres of quality raw milk, which translated to milk payout amounting to **Kes 3.9 billion**, a figure that over the years has been on an upward trend.

Internally, our facility development program is well into the final stretch of an ambitious two billion-shilling modernisation program that started in 2017 to increase capacity and enhance efficiency across all our processing and packaging network. We have successfully upgraded and commissioned our facilities in Eldoret, Sotik, Dandora and Nyahururu, with works nearing completion at Kiganjo and Kitale Factories.

In response to increased demand for our fermented products, we installed dedicated processing lines for fermented products at Eldoret and Dandora Factories and are working to enhance our holding capacity for finished products with the construction and upgrading of the existing sales depots stores in Kericho and Dandora. Also under construction but close to completion is our new facility, an addition to our branch network, the Nyambene Milk Plant and Sales Depot

Our commitment to quality standards across our entire processing network remains paramount, and this has seen all our processing facilities successfully maintain the ISO 22000:2005 Certification for Food Safety Management Systems and are in the final stages of transiting to ISO 22000:2018. In an increasingly competitive market, we are alive to the reality that our continued success is largely dependent on our ability to consistently provide a wide and exciting range of quality, innovative and affordable products to our consumers.

As a state corporation, we also ensured that we complied with all the statutory and regulatory requirements, including reserving 30% of our procurement budget to the youth, women and PWDs as set out in the PPAD Act 2015.

This translated to Kes 443M, far surpassing the previous year's achievement of Kes 313M and the set target of Kes 222M. Under the 'Buy Kenya, Build Kenya Initiative', New KCC awarded procurement contracts valued at Kes 5.8B for various goods, works & services to local suppliers, thereby meeting

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the 40% threshold. This was up from Kes 4.0B awarded in the previous year, and outperforming the set target of Kes 3.1B for the 2020/2021 FY.

As a customer-oriented organization, we have dedicated ourselves to always affording our customers' and stakeholders quality service. Our customer interaction is supported by among other mediums a complaint handling procedure with supporting infrastructure and active online social media engagement to enhance customer and stakeholder experience.

It is also worth noting that despite the government-imposed curfew and restriction of movement to help combat the spread of Covid-19, we ensured that the entire workforce was not only well versed with Covid-19 protocols and equipped with necessary safety gear including masks, sanitisers and strategically placed handwashing stations, but also instituted a hybrid work model supported by a robust ICT infrastructure that made it possible for some staff to work from home.

Acknowledgement

I remain proud of the continued support from all our customers and stakeholders whose cooperation, commitment and loyalty has proved invaluable to our continued success. I am particularly grateful for the support that we have received from the National Government, whose confidence in the viability and continued growth and success of New KCC will prove a key factor in the realization of our strategic goals.

I also wish to acknowledge support from various County Governments and our parent Ministry and most sincerely wish to thank the Board of Directors, Management and Staff of New KCC whose dedication and commitment was instrumental in the Company's positive showing in line with our clarion call of delivering '*Life's goodness everyday*'.



Mr. Nixon Sigey, MBS
Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

NKCC has Five (5) strategic objectives within the current Strategic Plan for the 2017-2022 FY. These strategic objectives are as follows:

- Strategic Objective 1: To Grow Revenue by 10% Annually
- Strategic Objective 2: To Increase Profit before Tax by 15% annually
- Strategic Objective 3: To maintain high levels of customer satisfaction
- Strategic Objective 4: To increase production output with an annual growth rate of 10%
- Strategic Objective 5: To Strengthen Institutional Capacity Building

NKCC develops its annual work plans based on the above five (5) Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. NKCC achieved its performance targets set for the FY 2020/2021 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Objective	Objective	Key Performance Indicators	Activities	Initiative	Achievement
To Grow revenue by 10% annually	Establish strong distribution systems	% no. of retained customers	Increase and diversify the number of distribution channels	Reviewed the distribution model	<ul style="list-style-type: none"> • In the financial year 2020-2021 sales revenue grew by 14.6 percent. • NKCC was the main supplier of milk powder to other processors. • NKCC has a reliable and efficient fleet of vehicles for transportation purposes both company owned and contracted • Lactose free, TR 250ML and sweetened mala were introduced into the market
	Enhance brand visibility	% increase in volume sales	Improve product penetration and promotions	Branding, in-store promotions, billboards and radio and television advertisements	<ul style="list-style-type: none"> • Launch of 3 new products in 9 different SKUs
	Establish a competitive and affordable product offering	% no. of new products developed	Optimize a product range in the market and diversification		

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Strategic Objective	Objective	Key Performance Indicators	Activities	Initiative	Achievement
Strategic Objective No: 2 Increase profit before Tax by 15% annually	Revenue Enhancement	% Increase in rental income	Enhance Property Management	Developed land management policy	Profit in the financial year dropped to Kes 2.7Million from Kes. 95.4 million the previous year
	Cost Management	% reduction in unit cost	Optimize procurement opportunities Reduce cost of Finance	Expand supplier base for key inputs	
Strategic Objective No 3: To maintain high level of customer	Enhance Risk mitigation measures in business environment	% Reduction of depreciation and distribution expenses	Reduce Operating Costs	Modernization of factories Replaced hired vehicles on expensive routes and replaced with company vehicles	<ul style="list-style-type: none"> Raw milk was procured at an average of Kshs. 43.3 as opposed to the budgeted Ksh 36.9.00 due to the shortage that was experienced. This stretched expenditure by Kshs. 562M The challenges brought in by Covid -19 impacted greatly on profitability NKCC to implemented a raft of cost management strategies NKCC continues to modernize its factories in a bid to reduce maintenance cost Retired one term loan.
		% Availability of the BCM	Enhance business continuity management	Implement a BCM framework	
	% Availability of ERM framework	Establish Enterprise Risk Management Framework.	Implement the Enterprise Risk Management framework		
	Cash flow management	Improve on credit management	Enhance the timely payments by credit customers		
Strategic Objective No 3: To maintain high level of customer	Develop maintain market-Push strategy & local strategy	% level of achievement	Develop Marketing Strategy	Develop & implement a marketing plan	<ul style="list-style-type: none"> Research and product development unit actively involved in new product development Implemented tracking system that improves customer service Corporate Social Responsibility programs were undertaken
		Research and Product Development Unit in place	Establish Research Product Development	Set up structures for the Research and Product Development Unit	

Strategic Objective	Objective	Key Performance Indicators	Activities	Initiative	Achievement
satisfaction			Unit		
Strategic Objective No:4 Increase production output at an annual growth rate of 10%	Ensure adequate raw milk supply	Retention ratio	Enhance farmer loyalty	Establish and implement a consistent and transparent pricing model	<ul style="list-style-type: none"> Achievement in milk processing was at 91% of target. There was insufficient raw milk supply from the farmers as a result of prolonged drought and effects of Covid -19 pandemic Modernization of factories has improved efficiencies. This however is still ongoing and more funding will be required NKCC developed and implemented a transparent pricing model for raw milk procurement
	Enhance processing capacity utilization across network	No of new equipment	Offer full product range including new innovations	Enhance processing capacity to ensure coverage of the full product range Ensured Production and maintenance plans are developed and adhered to	
	Enhance quality assurance in all processes along the value chain	% fulfillment of orders	Maintain quality of bulk milk in satellite plants and factories	Adherence to NKCC Quality control procedures	
		% compliance to specifications			
Strategic Objective No: 5 Enhance Institutional	Establish a highly productive human resource	Conflict index	Enhance employee/ industrial relations	Create amicable relationship with union & Management	<ul style="list-style-type: none"> Human resource policies have been reviewed Board members trained on corporate Governance and leadership

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Strategic Objective	Objective	Key Performance Indicators	Activities	Initiative	Achievement
Capacity Development	Organizational Development	Compliance index	Enhanced Corporate governance systems	Train Board members on Governance and leadership	<ul style="list-style-type: none"> Developed and implemented a Covid-19 prevention policy NKCC leverages on a robust ICT system in carrying out its processes. The system has been integrated with M-PESA and bank platforms
	Enhance conducive working Environment & effective cross cutting issues	Satisfaction index	Enhance organizational Occupational health and Safety	Sensitize staff on Health & Safety at the workplace	
	Establish and maintain Governance and structures	% Implementation	Optimise Business Applications Management	Implement SAP workflow for at least 30 processes	

VIII. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

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

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

Core Values

- Integrity
- Loyalty
- Innovativeness
- Quality

PART B: Corporate Governance Statements

Introduction

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

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

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

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

Board Composition

The Board comprises Twelve members whose unique skills, knowledge and experience collectively contribute to the running of the company and corporate governance. Among them is the Chairman, who is appointed by the President and remaining directors who are appointed by the Cabinet Secretary, Ministry of Ministry of Agriculture, Livestock, Fisheries and Co-operatives

The Board and its Role

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

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

Board Committees

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

These committees are: -

- i) Marketing & Logistics Committee
- ii) Audit Committee
- iii) Finance & General Purposes Committee
- iv) Technical Committee

BOARD MEETING	NO. OF MEETINGS	MEMBERSHIP CONSTITUTION/ ATTENDANCE	AVERAGE %
Full Board meeting	Four (4) - (Annually)	12 Members	100%
Technical Committee Meeting	Four (4) – (Annually)	6 Members	100%
Marketing & Logistics Committee meeting	Four (4) – (Annually)	7 Members	100%
Finance & General Purposes Committee Meeting	Four (4) – (Annually)	5 Members	100%
Audit Committee Meeting	Four (4) – (Annually)	5 Members	100%
Annual General meeting	One (1) - (Annually)	12 Members	100%
Special Board meeting	Two (2) - (Annually)	12 Members	100%

PROCESS OF APPOINTMENT OF BOARD OF DIRECTORS.

The process of appointment of Board Directors shall be as provided for under Section 6 (2) of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.6(2) Every appointment under subsection (1)(a) and (e) shall be by name and by notice in the Gazette and shall be for a renewable period of five years or for such shorter period as may be specified in the notice, but shall cease if the appointee—

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(a) serves the Minister with written notice of resignation; or (b) is absent, without the permission of the Minister notified to the Board, from three consecutive meetings; or (c) is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or (d) is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or (e) conducts himself in a manner deemed by the Minister, in consultation with the Committee, to be inconsistent with membership of the Board.

PROCESS OF REMOVAL OF BOARD OF DIRECTORS

The process of removal of Board Directors shall be as provided for under Section 7 of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.

(7.) Power to issue directions and to remove Board

(1) The President may give directions of a general or specific nature to a Board with regard to the better exercise and performance of the functions of the state corporation and the Board shall give effect to those directions. (2) Notwithstanding subsection (1), directions under this section may require that the memorandum and articles or any other documents establishing a state corporation, be amended to conform with any requirement of this Act where the same is inconsistent therewith. (3) Notwithstanding the provisions of any other written law or the articles of association establishing and governing a Board, the President may, if at any time it appears to him that a Board has failed to carry out its functions in the national interest, revoke the appointment of any member of the Board and may himself nominate a new member for the remainder of the period of office of that member or he may constitute a new Board for such period as he shall, in consultation with the Committee, determine.

SUCCESSION PLAN FOR DIRECTORS

The appointing Authority for Board of Directors in a State owned Corporation is the Cabinet Secretary and the President of Kenya for a Board Chairman. The mandate on succession planning will therefore rest in the said offices for appointments of Board of Directors.

BOARD REMUNERATION

Board remuneration shall be as provided for in the Guidelines on Terms and Conditions of Service for State Corporations dated 23rd November, 2004 (Annex IV) as read with Circular No.OP/SCAC.9/21/2A and No.OP/SCAC.9/21.2 VOL.1 (164)

BOARD CHARTER

The Board charter of NKCC details the role of the board, board size and composition, the role of chairman, directors, board meetings, board committees, calling and procedure of board meetings.

IX. MANAGEMENT DISCUSSION AND ANALYSIS

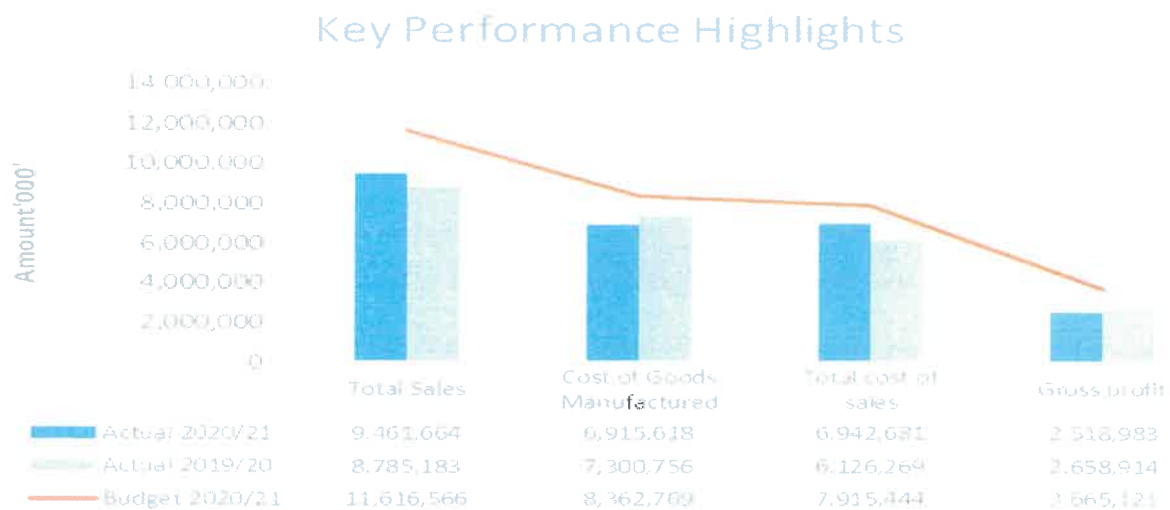
SECTION A

1.0 TRADING RESULTS

Below is a Summary of the company’s financial performance for the Twelve Months’ period ended 30th June, 2021. It highlights the performance of the company in comparison with the set Budgets and the prior year results.

1.1 Key Highlights

The company registered Kshs.2.7 Million pre-tax profit for the Twelve Months’ period ended 30th June, 2021. This performance was Kshs 554 Million below the budgeted pre-tax profit of Kshs 556.7 Million. The below budget performance was as a result of a shortfall in revenue by Kshs. 2.1 Billion and high cost of raw milk which increased by Kshs 562 Million and also cost of reconstituting milk increased by Kshs 331 Million due to raw milk intake shortfall during the period under review. Butter oil worth Kshs 257 Million was utilised during the reconstitution process.



1.1.1 Total Income

From the above, it is noted that the Income of the company is below Budget by Kshs 1.9 Billion. This is attributed to the shortfall in sales revenue by Kshs. 2.1 Billion and rent and other miscellaneous income collected by Kshs 4.1 Million during the period. As compared to the previous year, same period, the revenue increased by Kshs 753 Million. In the period under review, other Income was Kshs 31.9 Million against a budget of Kshs 36 Million hence a shortfall of Kshs 4.1 Million. This is mainly attributed to below budget collections on rent. The restricted Government grant of Kshs 140.3 Million reported as Income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.

1.1.2 Cost of Goods Manufactured

The cost of production for the period was Kshs 6.9 Billion against a budget of Kshs 7.8 Billion. This was below budget by Kshs 925 Million. During the period, we witnessed a decrease in the cost of production due to a decrease in the volume of raw milk as compared to the budget and the prior year performance. Low intake volumes led to the reconstitution process in order to service market orders. This is expensive process which contributed to average cost per litre to increase to Kshs 62 per litre.

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1.1.3 Cost of Sales

The cost of sales for the period was Kshs 6.9 Billion against a budget of Kshs 7.9 Billion. This expenditure was below budget by Kshs 972 Million. During the period, we witnessed an increase in the cost of sales compared to the same period last year mainly due increase in cost of raw milk by Kshs. 816 Million and also cost of reconstituting milk increased by Kshs 331 Million due to raw milk intake shortfall during the period under review. Butter oil worth Kshs 257 Million was utilised during the reconstitution process.

1.1.4 Gross Profit

The company recorded a gross profit Margin of 20.5% for the period under review compared to a budget of 31.6% hence a shortfall of 11.1%. This is mainly attributed to the shortfall in sales revenue, increase in the cost of goods sold and some SKUs recorded margins below 10% for instance Taifa Fresh 250ml and Fresh Aseptic Longlife 500ml had 1% margins each. Gold crown 500ml had 3% margin, TFA Taifa Fresh 250ml had 5% margin, TFA KCC Fresh 500ml had 6% margin and TFA Gold Crown 500ml had 8% margin. These products effectively reduced the average margins which in turn reduced the ability to absorb overheads.

2.0 ANALYSIS OF KEY EXPENDITURES

3.1 Raw Milk

This is one of the key raw materials used by the company and it is the highest cost of production for the entity. During the period ended 31st March, 2021, raw milk supplied, and the amount paid was as below:

Table 1: Analysis of Raw Milk Intake Figures and Pay-out Summary for the Quarter ended 30th June, 2021.

Period	Actual Lts 2020/21	Budget Lts 2020/21	2020/21 Actual Payout	2020/21 Budget Payout	Actual Lts 2019/20	Actual Average cost/Litre (20/21)	Actual Average cost/Litre (19/20)
July	6,560,862	11,315,533	252,651,798	429,990,263	11,989,067	38.5	38.2
Aug	5,762,037	11,315,533	229,659,587	401,995,633	12,244,812	39.9	39.8
Sept	5,149,505	10,950,516	209,636,347	394,218,577	12,309,933	40.7	41.9
Oct	5,309,353	11,845,869	229,482,465	426,451,270	13,123,070	43.2	31.8
Nov	5,753,338	11,463,744	249,861,063	412,694,777	12,138,351	43.4	29.5
Dec	6,823,304	11,845,869	327,557,264	426,451,270	10,584,150	48.0	29.8
Jan	8,078,506	9,612,877	351,335,707	341,507,079	10,058,838	43.5	33.7
Feb	7,447,187	8,992,692	349,905,200	341,722,284	9,064,723	47.0	37.0
Mar	8,013,010	9,612,877	375,538,975	365,289,338	8,841,334	46.9	36.9
Apr	6,889,340	7,936,438	312,396,614	301,584,645	8,191,118	45.3	37.5
May	8,284,199	8,200,986	384,011,836	311,637,466	7,484,114	46.4	37.8
June	10,586,648	7,936,438	507,552,461	301,584,645	6,968,235	47.9	37.9
Total	84,657,289	121,029,372	3,779,589,315	4,455,127,247	122,997,745	44.6	34.9

The company managed to collect 84.7 Million litres of milk against a budget of 121 Million litres at an average cost of Kshs 44.6 per litre. The total payout for the period was Kshs 3.8 Billion against a budgeted payout of Kshs 4.5 Billion. The intake levels dipped during the period due to unfavourable weather conditions and effects of Covid-19 which brought about increased consumption at household level due to restricted movements mainly during the first quarter while in Q2 and Q3 drought affected the production at the farm level.

SECTION B

Entity's compliance with statutory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

1.	KIGANJO FACTORY
	(a) Supply, installation and commissioning of new powder evaporating unit
	(b) Supply, installation of Milk Powder Packaging Line.
	(c) Milk drier upgrade
	(d) Water Bottle Filling Line
	NYAMBENE
2.	(a) Construction of a new dairy plant with Sub Depot
3.	KITALE
	(a) Ghee Tin Filling Line

SECTION D

Major risks facing the entity

Capital Risk

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

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

Financial Risk

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

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Market risk

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

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

Credit Risk

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

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

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

SECTION E

Statutory/financial obligations

Statutory/financial obligations/contingent liability:						
As At:		30 Sept	31 Dec	31 Mar	30 Jun	Prior Year
Loan Arrears:	Principal	396,587,304	349,016,025	361,673,460	342,813,482	446,503,689
	Interest	47,590,476	41,881,923	43,400,815	41,137,618	53,580,442
	Total	444,177,780	390,897,948	400,074,275	383,951,100	500,084,120
Statutory Obligations:	NSSF	770,266	776,666	788,166	800,966	838,066
	NHIF	1,768,100	1,849,200	1,842,450	1,853,850	1,881,050
	PAYE.	10,112,103	10,700,236	14,631,256	14,953,178	10,507,579
	Corporate Tax.					
	Pension.	8,768,519	9,575,343	9,484,871	9,440,510	8,781,326

SECTION F

The entity's financial probity and serious governance issues

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

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

New KCC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

a) Sustainability strategy and profile:

New KCC employs various strategies to enable it operate within limited financial resources to ensure sustainability of its operations. The Company is in business of buying raw milk from farmers, processing it into various milk and dairy products and selling these products to consumers.

b) Environmental Performance:

NKCC has in place a detailed Occupational, Health, Safety and Environment (OSHA) Policy that guides its implementation of occupational health, safety and environmental programs. NKCC management recognizes its responsibility to ensure that all reasonable steps are taken to protect and preserve the environment in which it operates; hazards are removed and controlled, and health preservation and injury protection of employees is achieved. Guided by the OSHA policy, the company has continued to implement its OSHA Management System. A detailed waste management policy is in place which guides the company on proper waste treatment and disposal.

As a company whose raw product depends heavily on the natural environmental conditions, New KCC has embarked on a tree planting exercise in its facilities and has to date planted over seven thousand tree seedlings, and plans to plant an additional ten thousand tree seedlings in the coming financial year. All our products are packed in recyclable material and have outsourced steam generation at our major factories, cutting energy costs by up to 30%.

c) Employee welfare

As a responsible corporate entity, we have in place strong human resources systems and structures to ensure that the organization sources and retains the best talent from the market, while internally we continue equipping and enhancing of relevant skills and knowledge through training and performance management to enable us to meet the demand of an ever-changing and competitive business environment. We continue to comply with government contracting requirements on persons living with disabilities (PLWD) and gender mainstreaming. These efforts are geared towards ensuring NKCC remains an equal opportunity employer and therefore the employer of choice. As a leading entity in the manufacturing sector, the organization has also invested heavily in ensuring that the safety and security of all staff and visitors are meeting the required standards through the implementation of robust OSHA programmes.

d) Market Place Practices

All NKCC locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations and, also available on our digital platforms, is

our citizen's service delivery charter that outlines our services and the standards we have committed to uphold while delivering these services to members of the public.

NKCC operates a robust distribution model that ensures all our products reach to the market place in good time. NKCC has contracted suppliers/farmers who deliver raw milk to our cooling plants and factories and are paid within stipulated time stated in their contracts.

To ensure consumer rights and interests are safeguarded, our quality policy reaffirms our commitment to delivering products that are made to the highest standards and continually improving on our processes in a way that is not only innovative but sustainable. New KCC is ISO 9001:2015 certified for Total Quality Management Systems, further underscoring our commitment to adhering to not just local quality standards but have also benchmarked against international best practices.

e) Corporate Social Responsibility / Community Engagements

In appreciation of its reach and diversity of its customers, stakeholder and the general public at large, New KCC endeavours to integrate its business operations to find the right balance in shared value that goes beyond the boardroom and are continually reflected in the company's business practices in its day to day activities.

New KCC has been an active participant in initiatives aimed at positively changing the livelihoods of communities wherever it operates in the areas of education, environmental preservation, health, and sports.

To this end, it has extended its support in both cash and in-kind towards supporting medical camps, sporting events, environmental clean-up exercises and food drives in times of national emergency and need.

In line with good business practices, the citizen's service delivery charter has been displayed in all its branch networks and also made available on its digital platforms and in braille format. This is an outline of services and standards offered to its customers, stakeholders and members of the public.

Ours is to deliver 'Life's goodness everyday'



Distribution of Branded Facemasks to New KCC Farmers.



Sports sponsorship - Marathon 2021

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Distribution of Branded Milk Cans to farmer Co-operative Societies



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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

Principal activities

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

Results

The results of the New Kcc Ltd for the year ended June 30, 2021 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	2,695,778
Taxation Charge	(4,949,219)
Profit after Taxation	(2,253,441)

Dividends

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

Directors

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

Auditors

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

By Order of the Board



Irene Mbito
Company Secretary

Nairobi

Date... 3/10/2021

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XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act chapter 486. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Company's financial statements were approved by the Board on 31/08 2021 and signed on its behalf by:

Dr. Ignatius Kahiu



Chairman

Nixon Njuey



Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of New Kenya Co-operative Creameries Limited set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended,

and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the New Kenya Co-operative Creameries Limited (NKCC) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Trade and Other Receivables

The statement of financial position reflects trade and other receivables net balance of Kshs.2,375,316,752 which as disclosed in Note 19(a) to the financial statements includes gross trade receivables totalling to Kshs.1,820,550,766. However, the following unsatisfactory matters were noted:

1.1 Debt Owed by Government Institutions

The gross trade receivables balance of Kshs.1,820,550,766 includes debts totalling to Kshs.211,226,594 owed by Government institutions out of which an amount of Kshs.130,435,716 had remained uncollected for more than 270 days.

Further, the gross trade receivables balance includes a debt of Kshs.207,000,000 owed by Ministry of Defence for supply and delivery of milk to various units under the Ministry. In addition, various correspondences between the Company, Ministry of Agriculture, Livestock, Fisheries and Co-operatives, Ministry of Defence, and The National Treasury have not yielded any payments. The recoverability of the debts owed by the Government institutions is doubtful.

1.2 Offsetting Trade Receivables

Review of the schedule provided revealed that trade and other receivables balance Kshs.2,375,316,752 is net of an amount of Kshs.10,769,080 representing credit receivables which the Management did not explain resulting to setting-off against the provisions of the International Accounting Standards 1 paragraph 32 which provides that assets and liabilities, and revenues and expenses shall not be offset unless permitted by International Financial Reporting standard.

1.3 Salesmen Trade Debtors

Included in the gross trade receivable balance are salesmen trade debtors amounting to Kshs.41,900,765. A sample taken from the debts revealed that the schedule comprises of old dormant accounts dating back to the year 2009. Management did not explain why the Management allowed the salesmen debts to go beyond their salaries and/or credit limit while the policy and procedures guiding release of goods to the salesmen and how the reconciliation was done was not disclosed. In addition, the

reason(s) why old debts relating to the salesmen who were dismissed many years ago still remained in the books of account.

Further, the Management indicated that these cases had been reported to the Director of Criminal Investigation Department and prosecutions made in a court of law. However, no evidence of the occurrence booking (OB) number of the cases and court case numbers were provided for audit review.

Consequently, the accuracy, completeness and recoverability of the trade and other receivables balance totalling to Kshs.2,375,316,752 could not be confirmed.

2. Lack of Ownership Documents and Valuation

The statement of financial position and as disclosed in Notes 15 and 16 to the financial statements reflects balances of Kshs.307,500,000 and Kshs.3,449,519,083 for freehold land and leasehold land, respectively. As previously reported, the ownership documents for twenty-two (22) properties valued at Kshs.853,900,000 were not provided for audit verification.

Further, the value of six (6) other parcels of land, two (2) of which are disputed properties in Nairobi and claimed to have been transferred to third parties have not been disclosed in the financial statements. Another twenty-three (23) disputed parcels of land and which had not been valued were registered in the names of third parties. The legal status of the properties have not yet been determined. Although, Management explained that the Company had initiated legal proceedings besides engaging the National Land Commission and Ministry of Lands on the matter with a view to recovering the disputed properties, no tangible change in status of the parcels of land has been attained so far.

In addition, out of 32.94 acres of the parcel on which the Mititini Milk Processing Factory is located, a five (5) acres parcel of land has been encroached by informal settlers some of whom have already built residential and other structures. As a result, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk.

In the circumstances, the valuation and ownership of land balances amounting to Kshs.3,757,019,083 reflected in the financial statements as at 30 June, 2021, could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Ref. AG.4/16/2 Vol.3/(72) dated 30 June, 2021.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Analysis, Statement of Environmental and Sustainability Reporting, Corporate Social Responsibility Statement and the Statement of Directors' Responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the New Kenya Co-operative Creameries Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 August, 2022

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XIV. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Kshs	2020 Kshs
REVENUES			
Sales/Turnover	1	9,461,663,552	8,785,182,547
Cost of Sales	2	6,942,681,939	6,126,269,267
Gross profit		2,518,981,613	2,658,913,281
Other Income			
Grants from National Government	3	140,313,009	97,538,537
Other Income	4	31,067,262	23,064,800
Finance Income	5	801,109	29,399,090
TOTAL REVENUES		9,633,844,933	8,935,184,974
OPERATING EXPENSES			
Administration Costs	6(a)	1,042,435,529	1,055,296,422
Selling and Distribution Costs	7	1,039,481,092	1,019,677,299
Finance Costs	8	135,289,696	166,340,347
Depreciation of property, plant and equipment	13	387,526,146	381,351,210
Amortisation of Intangible Assets	14	78,292,010	78,315,924
Amortization of Leasehold land	16	5,442,743	12,554,824
TOTAL OPERATING EXPENSES		2,688,467,216	2,713,527,625
PROFIT/(LOSS) BEFORE TAXATION		2,695,778	95,379,683
INCOME TAX EXPENSE/(CREDIT)	10	(4,949,219)	(350,977,718)
PROFIT/(LOSS) AFTER TAXATION		(2,253,441)	(255,598,025)
Earnings per share – basic and diluted	11	(0.04)	(4.67)
Dividend per share	12	(0.01)	(1.31)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(2,253,441)	(255,598,025)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2,253,441)	(255,598,025)

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XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	2021 Kshs	2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	4,535,856,889	4,200,714,100
Intangible assets	14	675,254	79,130,100
Freehold land	15	307,500,000	307,500,000
Leasehold Land	16	3,449,519,083	3,539,990,415
Investment property	17	6,456,475	6,456,475
Total Non-Current Assets		8,300,007,701	8,133,791,090
Current Assets			
Inventories	18	3,024,471,944	2,850,816,493
Trade and other receivables	19	2,375,316,752	2,381,119,660
Tax recoverable	20	7,394,118	233,971
Bank and cash balances	22	404,852,582	433,587,452
Total Current Assets		5,812,035,396	5,665,757,576
Total Assets		14,112,043,096	13,799,548,666
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	5,147,934,862	5,316,585,036
Retained earnings	26	1,603,345,931	1,605,599,372
GOK Grant		2,649,592,550	2,389,905,560
Capital and Reserves		9,947,902,213	9,859,118,838
Non-Current Liabilities			
Borrowings	27	226,231,845	263,981,498
Deferred tax liability	28	200,599,389	205,065,761
Total Non-Current Liabilities		426,831,234	469,047,259
Current Liabilities			
Borrowings	27	119,688,264	182,175,214
Trade and other payables	29	2,292,321,893	1,971,163,130
Retirement benefit obligations	30	47,903,173	55,985,830
Provision for leave pay	31	29,019,753	28,880,076
Related Party Balances	34	700,000,000	700,000,000
Bank Overdraft	22(a)(1)	548,376,567	533,178,319
Total Current Liabilities		3,737,309,649	3,471,382,569
TOTAL EQUITY AND LIABILITIES		14,112,043,096	13,799,588,666

The financial statements were approved by the Board on _____ 2021 and signed on its behalf by:

Managing Director/CEO

Name:

NIXON SGETI


Head of Finance

Name:

SAMUEL ICHUKA
 ICPAK M/NO: 4239



Chairman of the Board

Name:

IGNATIUS KAHU



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XVI. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Grants from National Government	Total
At July 1, 2019	547,028,870	5,485,235,210	-	1,936,194,617	-	1,079,944,097	9,048,402,794
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(255,598,025)	-	-	(255,598,025)
Capital/Development grants received during the year	-	-	-	-	-	1,407,500,000	1,407,500,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2020	-	-	-	(75,000,000)	(-)	(-)	(75,000,000)
Depreciation Write back on Gov't Grant	-	-	-	-	-	(97,537,538)	(97,537,538)
Interim dividends paid – 2020	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2020	547,028,870	5,316,585,036	-	1,605,599,372	-	2,389,905,560	9,859,118,838
At July 1, 2020	547,028,870	5,316,585,036	-	1,605,599,372	-	2,389,905,560	9,859,118,838
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(2,253,441)	-	-	1,887,044

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	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Grants from National Government	Total
Capital/Development grants received during the year	-	-	-	-	-	400,000,000	400,000,000
Dividends paid – 2019	-	-	-	-	(-)	(-)	(-)
Depreciation Write back on Gov't Grant						(140,313,009)	(140,313,009)
Interim dividends paid – 2019	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2021	547,028,870	5,147,934,862	-	1,603,345,931	-	2,649,592,550	9,947,902,213

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XVII. STATEMENT OF CASH FLOWS

	Note	2021 Kshs	2020 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	627,311,214	(753,046,827)
Interest received	5	801,109	29,399,090
Interest paid	8	(135,289,696)	(166,340,347)
Dividends paid	33 (e)	-	(75,000,000)
Taxation paid	20	(15,365,710)	(4,894,573)
Net cash generated from/(used in) operating activities		477,456,917	(969,882,659)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(805,955,184)	(593,518,485)
Net cash generated from/(used in) investing activities		(805,955,184)	(593,518,485)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital		-	-
Repayment of borrowings		(189,729,495)	(193,806,241)
Proceeds from borrowings	33 (b)	89,492,892	160,298,657
GOK Grant	3	400,000,000	1,407,500,000
Net cash generated from/(used in) financing activities		299,763,397	1,373,992,416
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(28,734,870)	(189,408,728)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	433,587,452	622,996,178
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33 (c)	404,852,582	433,587,452

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XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget 2020-2021	Adjustments 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Sale of goods		-				
Sale of services	11,580,565,920	-	11,580,565,920	9,461,663,552	(2,118,902,368)	82%
Government grant -Writeback	-	-	-	-	-	
Donations in kind	-	-	-	140313009.4	-	100%
Finance Income	-	-	-			
Other income				801,109	801,109	100%
Total income	36,000,000	-	36,000,000	31,067,262	135,380,272	86%
Expenses	11,616,565,920	-	11,616,565,920	9,633,844,933	(1,982,720,987)	83%
Compensation of employees	921,865,190	-	921,865,190	756,161,522	165,703,668	82%
Use of goods and services	7,915,444,471	-	7,915,444,471	6,942,693,448	972,751,023	88%
Finance cost	262,800,000	-	262,800,000	135,289,696	127,510,304	51%
Rent paid	-	-	-	-	-	
Taxation paid	-	-	-	-	-	
Other operating Expenses	1,959,711,650	-	1,959,711,650	1,797,004,489	162,707,161	92%
Grants and subsidies paid	-	-	-	-	-	
Total expenditure	11,059,821,311	-	11,059,821,311	9,631,149,155	1,428,672,156	87%
Surplus for the period	556,744,609	-	556,744,609	2,695,778	(554,048,831)	

XIX. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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

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

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity,	The amendments are effective for annual periods beginning on or after

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Title	Description	Effective Date
	and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
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.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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Title	Description	Effective Date
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 140.3 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.
- iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement on receipt.
- vi) **Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Property, plant and equipment

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

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

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

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

c) Depreciation and impairment of property, plant and equipment

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

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

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

Freehold land is not depreciated.

Depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

d) Intangible assets

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

e) Amortisation and impairment of intangible assets

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

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

f) Investment property

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

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

g) Finance and operating leases

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

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

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

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

j) Unquoted investments

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

k) Inventories

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

l) Trade and other receivables

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

m) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the

statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Cash and cash equivalents

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

o) Borrowings

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

p) Trade and other payables

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

q) Retirement benefit obligations

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

r) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) Exchange rate differences

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

t) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly in June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

State all judgements, estimates and assumptions made:

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2021	2020
	Kshs	Kshs
Gross sales of goods	9,606,998,061	8,878,644,897
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(145,334,509)	(93,462,350)
Total	9,461,663,552	8,785,182,547

2 COST OF SALES

	2021	2020
	Kshs	Kshs
Cost of sales on goods	6,942,681,939	6,126,269,267
Total	6,942,681,939	6,126,269,267

3 GRANTS FROM NATIONAL GOVERNMENT

	2021	2020
	Kshs	Kshs
Restricted Gov't Grant	140,313,009	97,538,537
Total	140,313,009	97,538,537

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortization equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Grants from National Government KShs	Total grant income during the year KShs	2019-2020 KShs
Ministry of Trade, Industry & Co-operatives	-	-	400,000,000	400,000,000	907,500,000
Total	-	-	400,000,000	400,000,000	907,500,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

	2021	2020
	Kshs	Kshs
Sale of tender documents	-	23,000
Rent Income	27,351,876	12,054,297
Other miscellaneous receipts	3,715,386	10,987,503
Total	31,067,262	23,064,800

5 FINANCE INCOME

	2021	2020
	Kshs	Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	801,109	29,399,090
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total	801,109	29,399,090

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6 (a) ADMINISTRATION COSTS

	2021	2020
	Kshs	Kshs
Staff costs (note 5(b))	395,346,615	383,368,794
Directors' emoluments	16,515,236	26,505,873
Electricity and water	4,811,397	5,083,021
Communication services and supplies	12,457,520	12,150,110
Transportation, travelling and subsistence	70,261,222	98,949,751
Advertising, printing, stationery and photocopying	14,333,506	18,017,513
Rent expenses	3,998,029	5,977,048
Staff training expenses	12,000,202	17,243,040
Hospitality supplies and services	17,244,462	15,507,488
Insurance costs	62,659,877	62,984,961
Bank charges and commissions	13,756,529	14,804,459
Office and general supplies and services	1,119,268	1,784,784
Auditors' remuneration	2,860,105	1,849,700
Legal fees	20,452,632	14,891,449
Consultancy fees	22,649,554	6,132,303
Repairs and maintenance	7,944,362	4,876,945
Provision for bad and doubtful debts	143,954,388	119,686,584
Other operating expenses	220,070,627	245,482,600
Total	1,042,435,529	1,055,296,422

6 (b) STAFF COSTS

Salaries and allowances of permanent employees	240,910,139	236,846,954
Wages of temporary employees	11,169,804	13,427,018
Compulsory national health insurance schemes	78,500,934	63,975,069
Compulsory national social security schemes	465,200	466,800
Other pension contributions	11,280,388	10,549,265
Leave pay and gratuity provisions	28,448,294	28,089,317
Staff welfare	24,571,856	30,014,372
Total	395,346,615	383,368,794
The average number of employees at the end of the year was:		
Permanent employees – Management	286	275
Permanent employees – Unionisable	784	687
Temporary and contract employees	774	1002
Total	1844	1,964

7 SELLING AND DISTRIBUTION COSTS

	2021	2020
	Kshs	Kshs
Salaries and wages of sales personnel	360,826,417	366,128,929
Marketing and promotional expenses	137,991,404	150,703,281
Other selling and distribution costs	540,663,271	502,845,089
Total	1,039,481,092	1,019,677,299

8 FINANCE COSTS

	2021	2020
	Kshs	Kshs
Mpesa Charges	33,872,775	34,061,262
Interest expense on loans	45,633,723	72,397,336
Interest expense on bank overdrafts	55,783,198	59,881,748
Total	135,289,696	166,340,347

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OPERATING PROFIT/(LOSS)

	2021	2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4(b))	395,346,615	383,368,794
Depreciation of property, plant and equipment	471,260,899	472,221,958
Provision for bad and doubtful debts	143,954,388	119,686,584
Directors' emoluments – fees	16,515,236	26,085,173
Auditors' remuneration - current year fees	2,860,105	1,849,700
- prior year under-provision	-	-
Net foreign exchange loss	-	-
Total	(-)	(-)

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10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2021	2020
	Kshs	Kshs
Current taxation based on the adjusted profit for the year	(8,205,563)	(3,616,289)
Current tax: prior year under/(over) provision	(1,210,028)	1,433,008
Current year deferred tax charge	4,466,372	(348,794,437)
Prior year under-provision for deferred tax	-	-
Total	(4,949,219)	(350,997,718)

11 EARNINGS PER SHARE

The earnings per share of (0.04) is calculated by dividing the loss after tax of Kshs. 2,253,441 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 DIVIDEND PER SHARE

The Dividend per share of Ksh (0.01) is calculated by dividing 20% of the loss after tax of Kshs. 2,253,441 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

COST OR VALUATION-2021	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
At July 1, 2020	4,831,006,887	3,721,634,876	660,257,463	420,494,769	60,990,931	178,979,363	122,035,766	109,640,398	10,105,040,453
Additions	7,061,423	2,869,753	70,081,100	30,333,076	6,840,931	9,350,000	14,824,632	664,594,269	805,955,182
Transfers	165,963,439	268,147,818						-	
Disposals								434,111,256	
At June 30, 2021	5,004,031,748	3,992,652,446	730,338,563	450,827,845	67,831,862	188,329,363	136,860,398	340,123,410	10,910,995,635
DEPRECIATION									
At July 1, 2020	2,111,465,412	2,515,189,741	603,729,122	396,517,344	27,398,609	167,822,188	82,041,104	-	5,904,163,519
Charge for the year	154,664,016	168,381,230	27,986,648	11,981,767	5,240,094	6,751,634	12,348,258	-	387,353,646
Transfer of excess Dep on Revaluation	43,075,907	40,545,677							83,621,584
Eliminated on disposal									
At June 30, 2021	2,309,205,335	2,724,116,647	631,715,770	408,499,111	32,638,703	174,573,821	94,389,363	-	6,375,138,749
NBV									
At June 30, 2021	2,694,826,414	1,268,535,799	98,622,793	42,328,734	35,193,160	13,755,542	42,471,035	340,123,410	4,535,856,886

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

2020	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
COST OR VALUATION									
At July 1, 2019	4,659,928,691	3,312,998,543	660,257,463	403,742,976	50,989,196	174,979,363	109,041,225	141,050,028	9,512,987,485
Additions	68,986,907	41,847,168	-	16,751,793	10,001,735	4,000,000	12,994,541	437,470,823	592,052,968
Transfers	102,091,289	366,789,164	-	-	-	-	-	(468,880,453)	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2020	4,831,006,887	3,721,634,876	660,257,463	420,494,769	60,990,931	178,979,363	122,035,766	109,640,398	10,105,040,453
DEPRECIATION									
At July 1, 2019	1,916,805,231	2,312,817,911	575,492,885	389,009,109	22,185,242	157,732,224	65,148,121	-	5,439,190,723
Charge for the year	151,584,273	161,826,153	28,236,237	7,508,234	5,213,367	10,089,963	16,892,983	-	381,351,211
Transfer of excess Dep on Revaluation	43,075,907	40,545,677	-	-	-	-	-	-	83,621,584
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2020	2,111,465,412	2,515,189,741	603,729,122	396,517,344	27,398,609	167,822,188	82,041,104	-	5,904,163,519
NBV									
At June 30, 2020	2,719,541,475	1,206,445,135	56,528,341	23,814,590	33,592,322	11,157,175	39,994,662	109,640,398	4,200,714,100

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

	2021 Kshs	2020 Kshs
COST		
At July 1	234,947,771	233,482,254
Additions	-	1,465,517
Disposals	(-)	(-)
At June 30 th	234,947,771	234,947,771
AMORTISATION		
At July 1	155,980,507	77,664,583
Charge for the year	78,292,010	78,315,924
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30 th	234,272,517	155,980,507
NET BOOK VALUE		
At June 30 th	675,254	78,967,268

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

	2021	2020
	Kshs	Kshs
Opening valuation	307,500,000	307,500,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note 18)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	307,500,000	307,500,000
	=====	=====
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
	=====	=====
NET BOOK VALUE		
At June 30 th	307,500,000	307,500,000
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LEASEHOLD LAND

	2021	2020
	Kshs	Kshs
COST		
At July 1	3,883,175,220	3,883,175,220
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(-)	(-)
At June 30	3,883,175,220	3,883,175,220
AMORTISATION		
At July 1	(343,184,805)	(245,601,392)
Charge for the year	(5,442,743)	(12,554,824)
Excess Depreciation on Revaluation	(85,028,590)	(85,028,590)
Disposals	(-)	(-)
At June 30	(433,656,138)	(343,184,805)
NET BOOK VALUE		
At June 30	3,449,519,083	3,539,990,415

17 INVESTMENT

	2021	2020
	Kshs	Kshs
Opening valuation	6,456,475	6,456,475
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	6,456,475	6,456,475

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

	2021	2020
	Kshs	Kshs
Finished Product	1,817,970,898	1,833,508,535
Work in Progress	2,977,671	6,627,568
Production Materials	597,464,835	389,684,756
Engineering Stores	544,428,368	559,648,943
Fuel, Oil and Lubricants	26,427,418	29,754,749
Motor vehicle spare parts	21,393,670	17,191,657
Stationery and general stores	13,809,084	14,400,286
	3,024,471,944	2,850,816,493

19 (a) TRADE AND OTHER RECEIVABLES

	2021	2020
	Kshs	Kshs
Trade receivables	1,820,550,766	1,677,422,381
Deposits and prepayments	65,614,097	108,070,356
VAT recoverable	961,308,769	935,642,903
Staff receivables	13,701,925	11,860,287
Bounced cheques Account	19,583,145	30,219,275
Rent Customers-Commercial	57,950,625	37,342,647
Other: Provision for bad and doubtful receivable	(563,392,576)	(419,438,188)
Net trade and other receivables	2,375,316,752	2,381,119,660

19 (b) TRADE RECEIVABLES

	2021	2020
	Kshs	Kshs
Gross trade receivables	1,820,550,766	1,677,422,381
Provision for doubtful receivables	(563,392,576)	(419,438,188)
	1,257,158,191	1,257,984,193
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	144,670,072	210,403,004
Between 30 and 60 days	98,243,375	66,870,788
Between 61 and 90 days	37,978,488	58,967,387
Between 91 and 120 days	50,968,989	71,389,830
Over 120 days	925,297,268	850,353,184
	1,257,158,191	1,257,984,193

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

	2021	2020
	Kshs	Kshs
Gross staff loans and advances	13,701,925	11,860,287
Provision for impairment loss	(11,889,404)	(11,935,016)
	1,812,521	(74,729)
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20 TAX RECOVERABLE

	2021	2020
	Kshs	Kshs
At beginning of the year	233,971	(2,477,321)
Income tax charge for the year	(8,205,563)	(3,616,289)
Under/(over) provision in prior year/s	-	1,433,008
Income tax paid during the year	15,365,710	4,894,573
At end of the year	7,394,118	233,971

21 SHORT TERM DEPOSITS

	2021	2020
	Kshs	Kshs
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
	-	-

Example: The average effective interest rate on the short term deposits as at June 30, 2020 was Nil (2019: Nil).

22 BANK AND CASH BALANCES

	2021	2020
	Kshs	Kshs
Cash at bank	394,024,881	421,459,106
Mpesa Utility	7,780,261	10,264,317
Cash in hand	3,047,439	1,864,029
	404,852,582	433,587,452

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (a) BANK AND CASH BALANCES (Continued)

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2020-2021	2019-2020
		Kshs	Kshs
I. Current account(Overdraft)			
Cooperative Bank		(548,376,567)	(533,178,319)
Total		(548,376,567)	(533,178,319)
II. Current Account Cash Balances			
Kenya Commercial bank		383,231,788	414,798,964
Equity Bank		8,809,004	5,312,826
Standard Chartered Bank		300,986	583,938
Stanbic Bank		855,551	465,177
Cooperative Bank USD A/c		827,553	298,200
Sub- total		394,024,882	421,459,105
a) Others(specify)		-	-
cash in hand		3,047,439	1,864,029
M pesa		7,780,261	10,264,317
Sub- total		10,827,700	12,128,346
Total		404,852,582	433,587,451

23 ORDINARY SHARE CAPITAL

	2021	2020
	Kshs	Kshs
Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 REVALUATION RESERVE

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

25 FAIR VALUE ADJUSTMENT RESERVE

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

26 RETAINED EARNINGS

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

27 (a) BORROWINGS

	2021	2020
	Kshs	Kshs
Balance at beginning of the year	446,156,712	479,664,295
External borrowings during the year	-	-
Domestic borrowings during the year	89,492,892	160,298,657
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	(189,729,495)	(193,806,241)
Balance at end of the year	345,920,109	446,156,712
Less: Amounts due within one year (current portion)	119,688,264	182,175,214
Amounts due after one year (non-current portion)	226,231,845	263,981,498

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b)BORROWINGS (Continued)

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

	2021	2020
	Kshs	Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	-	23,220,000
Loan - Stanbic Asset finance facility	-	-
Loan - Co-operative Bank Asset Finance	310,920,109	327,936,712
Long Term Loan (co-op Bank)-Restructured	35,000,000	95,000,000
Total balance at end of year	345,920,109	446,156,712

28 DEFERRED TAX LIABILITY

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date. Refer to summary of significant accounting policies, deferred tax. (Item m).

	2021	2020
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	205,065,761	(143,728,676)
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)	(4,466,372)	348,794,437
Balance at end of the year	200,599,389	205,065,761

29 TRADE AND OTHER PAYABLES

	2021	2020
	Kshs	Kshs
Trade payables	2,011,019,265	1,620,369,568
Accrued expenses	144,747,453	199,243,952
Other payables	136,555,175	151,549,611
	2,292,321,893	1,971,163,130
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS

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

	2021	2020
	Kshs	Kshs
Gratuity for senior management	47,903,173	55,985,830

The report from the administrator for the defined benefits scheme as at 31st Dec 2019 is as follows:

	2021	2020
	Kshs	Kshs
Valuation at the beginning of the year	646,676,897	520,920,428
Changes in valuation during the year	92,397,509	125,756,469
Valuation at end of the year	739,074,406	646,676,897

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

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

31 PROVISION FOR LEAVE PAY

	2021	2020
	Kshs	Kshs
Balance at beginning of the year	28,880,076	27,325,566
Additional provision at end of year	3,588,740	2,785,174
Leave paid out or utilized during the year	(3,449,061)	(1,230,664)
Balance at end of the year	29,019,753	28,880,076

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

32 DIVIDENDS PAYABLE

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

	2021	2020
	Kshs	Kshs
Year 2020	-	-
Year 2019	-	-
Balance at end of the year	-	-
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

	2021	2020
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	2,695,778	95,379,683
Depreciation/Amortization	471,260,889	472,221,958
Amortisation	-	-
(Gain)/loss on revaluation	-	-
Operating profit/(loss) before working capital changes	473,956,677	567,601,640
(Increase)/decrease in inventories	(173,702,254)	(1,274,315,800)
(Increase)/decrease in trade and other receivables	5,802,908	(72,928,151)
(Increase)/decrease in tax recoverable	(7,160,147)	-
Increase/(decrease) in trade and other payables	321,158,762	3,664,397
Increase/(decrease) in retirement benefit obligations	(8,082,657)	(7,337,844)
Increase/(decrease) in provision for staff leave pay	139,677	1,554,510
Increase/(decrease) in Bank Overdraft	15,198,248	28,714,420
Cash generated from/(used in) operations	627,311,214	(753,046,827)
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	446,156,712	479,664,296
Receipts during the year	89,492,892	160,298,657
Repayments during the year	(189,729,495)	(193,806,657)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	345,920,109	446,156,712
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	401,805,143	431,723,423
Cash in hand	3,047,439	1,864,029
Balance at end of the year	404,852,582	433,587,452

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2021	2020
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	45,633,723	72,397,336
Interest on bank overdraft (note 10)	55,783,198	59,881,748
	101,416,921	132,279,084
Interest on loans capitalised	45,633,723	72,397,336
Balance at beginning of the year	446,156,712	479,664,296
Balance at end of the year (note 36(b))	345,920,109	446,156,712
Interest paid	45,633,723	72,397,336
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	-	75,000,000
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	75,000,000
	=====	=====

34 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:
Amount Due from related parties

	2021	2020
	Kshs	Kshs
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	700,000,000	700,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2021	2020
	Kshs	Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
	=====	=====
b) Grants from the Government		
Grants from National Govt	400,000,000	1,407,500,000
Grants from County Government	-	-
Donations in kind	-	-
Total	400,000,000	1,407,500,000
	=====	=====
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
	=====	=====
d) Key management compensation		
Directors' emoluments	16,515,236	26,085,173
Compensation to the CEO	9,605,000	9,552,000
Compensation to key management	64,042,883	64,782,631
Total	90,163,119	100,419,804

35 CAPITAL COMMITMENTS

	2021	2020
	Kshs	Kshs
Amounts authorized and contracted for	823,880,000	1,483,209,600
Less: Amounts incurred and included in work-in-progress	(341,336,165)	(109,640,398)
	482,543,835	1,373,569,202
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2021	2020
	Kshs	Kshs
Bank guarantees	33,050,000	33,400,000
Legal claims against the <i>entity</i>	58,759,121	90,951,061
	91,809,121	124,351,061

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

37 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	1,820,550,766	406,773,013	824,098,261	538,626,242
Receivables from non-exchange transactions	961,308,769	961,308,769	-	-
Bank balances	404,852,582	404,852,582	-	-
Total	3,186,712,117	1,772,934,364	824,098,261	538,626,242
At 30 June 2020				
Receivables from exchange transactions	1,433,449,852	513,042,916	534,568,106	385,838,930
Receivables from non-exchange transactions	943,894,277	943,894,277	-	-
Bank balances	433,798,452	433,798,452	-	-
Total	2,811,142,581	1,890,735,645	534,568,106	385,838,930

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

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

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

ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2021	2020
	Kshs	Kshs
Bank guarantees	33,050,000	33,400,000
Legal claims against the entity	58,759,121	90,951,061
	91,809,121	124,351,061

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

37 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	1,820,550,766	406,773,013	824,098,261	538,626,242
Receivables from non-exchange transactions	961,308,769	961,308,769	-	-
Bank balances	404,852,582	404,852,582	-	-
Total	3,186,712,117	1,772,934,364	824,098,261	538,626,242
At 30 June 2020				
Receivables from exchange transactions	1,433,449,852	513,042,916	534,568,106	385,838,930
Receivables from non-exchange transactions	943,894,277	943,894,277	-	-
Bank balances	433,798,452	433,798,452	-	-
Total	2,811,142,581	1,890,735,645	534,568,106	385,838,930

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

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

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

ii) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	634,936,910	191,240,625	66,697,586	892,875,120
Current portion of borrowings	-	-	991,951,089	991,951,089
Provisions	-	-	143,954,388	143,954,388
Deferred income	-	-	-	-
Employee benefit obligation	-	-	47,903,173	47,903,173
Total	634,936,910	191,240,625	1,250,506,236	2,076,683,770
At 30 June 2020				
Trade payables	324,191,802	468,912,165	183,972,952	977,076,918
Current portion of borrowings	-	-	979,335,031	979,335,031
Provisions	-	-	119,686,584	119,686,584
Deferred income	-	-	-	-
Employee benefit obligation	-	-	55,985,830	55,985,830
Total	379,040,711	462,116,525	1,281,555,144	2,123,912,163

(iii) Market risk

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

Management of interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

At 30 June 2021				
	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	6,456,475			6,456,475
Non- financial Assets				
Investment property				
Land and buildings				
	=====	=====	=====	=====
At 30 June 2021				
Financial Assets				
Quoted equity investments	6,456,475	-	-	6,456,475
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	6,456,475	-	-	6,456,475
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	=====	=====	=====	=====
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	=====	=====	=====	=====

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

b) Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	5,147,934,862	5,316,585,036
Retained earnings	1,603,345,931	1,605,599,372
Capital reserve	547,028,870	547,028,870
Grant from Govt	2,649,592,550	2,389,905,560
Total funds	9,947,902,213	9,859,118,838
Total borrowings	991,951,089	979,335,031
Less: cash and bank balances	(404,937,005)	(433,587,452)
Net debt/(excess cash and cash equivalents)	587,014,084	545,747,759
Gearing	5.89%	5.35%

38 INCORPORATION

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

39 EVENTS AFTER THE REPORTING PERIOD

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

40 CURRENCY

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

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XX. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	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)
	Ownership documents for twenty-two (22) properties with a value of Kshs 853,900,000 were not availed for audit verification.	These are properties whose ownership is vested to New KCC Ltd through a court vesting order with the only available evidence being copies of allotment letters. Our legal team has been working closely with NLC to register and issue titles for these parcels.	Ms. Yvonne Masinde, Ag Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	The property, plant and equipment balance of Kshs 4,073,796,762 excludes four (4) parcels of land and buildings which had not been valued.	These are properties which in the vesting order are owned by New KCC Ltd but with time came to be "disputed" under third party possession.	Ms. Yvonne Masinde, Ag Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	Twenty-three (23) disputed unvalued properties were registered in the name of third parties. The company failed to disclose in the financial statements that the Ethics and Anti-Corruption Commission had cleared two disputed properties; LR No.37/371 and LR No.37/22 situated in Upper Hill, Nairobi which had legally been transferred to third parties.	These are properties under third party possession. Some have been listed as disputed under the Vesting Order for the properties previously owned by the defunct KCC, while some few cases are third party possession after the vesting order. All these properties were not valued due to access barrier and also some have active court cases pending determination.	Ms. Yvonne Masinde, Ag Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing

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Reference No on the external audit Report	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>Five (5) acres of out 32.94 acres (13.33ha) LR.NO.MN/VI/2860 on which Miritini factory is located have been encroached by squatters some of whom have already put up permanent structures thereby exposing the Company to likely loss of vital property. Although the Company filed a case in Mombasa ELC case No.183 of 2015 (New Kenya Co-operative Creameries Limited vs Hassan Ali Mboga and Others) seeking the removal of squatters, and stoppage of any other developments on the land, the case is yet to be determined.</p>	<p>The legal suit is still active and pending determination. Our Advocates still pursuing the case.</p>	<p>Ms. Yvonne Masinde, Ag Company Secretary and Chief manager Legal Services</p>	<p>Not Resolved</p>	<p>Ongoing</p>
	<p>As previously reported, included in trade and other receivables balance of Kshs. 2,381,119,660 as at 30 June 2020 is an amount of Kshs. 1,557,037,263 reflected in Note 18(a) for trade receivables which in turn includes Kshs. 290,690,273 and Kshs. 77,619,144 relating to receivables from Nakumatt Holding Limited and Uchumi Supermarkets Limited respectively. Information available indicates that the companies are either in receivership or liquidation</p>	<p>Correct Uchumi amount as previously disclosed is Kshs 88,500,549. Creditors in March, 2020 voted for a Voluntary Arrangement to have Uchumi operate</p> <p>NKCC is unlikely to recover the amount outstanding in the books amounting to Kshs 290,839,391 and kshs 88,500,549 NKCC Full Board in April, 2021, approved the write off proposal and submitted to The national treasury for concurrence.</p>	<p>Mr. Samuel Ichura, Chief Manager Finance</p>	<p>Not resolved</p>	<p>The Voluntary Arrangement was tabled in Court on 1st July 2020 awaiting outcome Nakumatt Waiting for registration of the proposal with the Court for the matter to be finalized</p>

Managing Director (Mr. Ignatius Kubitiro)



Date: 31/08/2021

Chairman of the Board (Dr. Ignatius Kubitiro)



Date: 31/08/2021

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XXI. CAPITAL PROJECTS UPDATE: 2020-21 AS AT 30TH JUNE 2021

LOCATION	PROJECT	BENEFITS	TOTAL PROJECT COST (KSHS)	COMPLETION % AS AT 30 th June 2021	STATUS
1 Sotik	NKCC/T/082/2019-20. Supply, Install and Commission automatic CIP System	Enhancement of cleaning efficiency	33,987,696	70%	<ul style="list-style-type: none"> • Equipment ready for shipment. • Virtual FAT conducted. • Site preparations is in progress
2 Sotik	NKCC/T/026/2018-19. Supply, installation and commissioning of Refrigeration Compressor	Improvement of Sotik refrigeration system efficiency	15,715,000	80%	<ul style="list-style-type: none"> • Equipment is delivered to site awaiting installation window. • Delayed due to a high product demand.
3 Nyahururu	NKCC/T/052/2019-20. Supply, Install and Commission an automatic CIP System	Improved cleaning efficiency	31,182,682	85%	<ul style="list-style-type: none"> • Installation is almost complete with all the utilities connected. • Power connection and test run awaiting completion of canopy roof
4 Dandora	NKCC/T/086/2020-21 – Proposed Design and Construction of Sales Depot Store and Sales Shop – Dandora	Enhancement of finished products storage capacity	n/a	20%	<ul style="list-style-type: none"> • Evaluation in progress
5 Dandora	NKCC/T/053/2019-20. Supply, Install and Commission Yoghurt Processing Tanks	Enhancement of Yoghurt Fermentation Capacity	20,400,000	75%	<ul style="list-style-type: none"> • Equipment shipping arrangement is in progress
6 Kiganjo	NKCC/T/077/2019-20. Supply, Install and Commission Water Bottle Filling Line	Introduction of new product – Bottled Water	24,794,830	60%	<ul style="list-style-type: none"> • The Equipment is in high seas and is expected by end of July 2021
7 Kiganjo	NKCC/T/079/2019-20. Supply, Install and Commission Milk Powder Packaging Line	Replacement of old inefficient equipment and introduction of new SKU 2.5Kg	142,997,859	85%	<ul style="list-style-type: none"> • Equipment is delivered to and installation is in progress.
8 Kiganjo	NKCC/T/078/2019-20. Milk Evaporation Plant Rehabilitation and Upgrade	Enhancement of evaporation efficiency to achieve desired Total Solids in concentrate	87,919,006	60%	<ul style="list-style-type: none"> • Equipment is fully manufactured and shipped. Expected to be delivered to site by mid July 2021

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9	Kericho	NKCC/T/080/2019-20. Design and Construction of Sales Depot	Enhancement of finished products storage capacity	33,570,400	60%	<ul style="list-style-type: none"> • Construction in progress
10	Kiganjo	NKCC/T/081/2019-20. Lagging and Cladding of Steam and Condensate Lines	Replacement of worn insulation to prevent energy losses	20,453,000	85%	<ul style="list-style-type: none"> • Work in progress. • Completion awaits installation of evaporation upgrade system.
11	Nyambene	Construction of New Milk Cooling Plant and Sales Depot	Dairy farmers support Increase in catchment area	126,000,000	70%	<ul style="list-style-type: none"> • Building construction Ongoing. • Roofing trusses fabrication ongoing.
12	Nyambene	NKCC/T/084/2019-20. Supply, Install and Commission Dairy Equipment	New Milk Cooling Plant	89,705,210	60%	<ul style="list-style-type: none"> • Equipment under fabrication • Most of the equipment ready for shipment.
13	Nyambene	NKCC/T/086/2019-20. Supply, Install and Commission Electrical Services	New Milk Cooling Plant	35,050,460	55%	<ul style="list-style-type: none"> • Ongoing alongside the building works
14	Nyambene	NKCC/T/087/2019-20. Supply, Install and Commission Refrigeration System	New Milk Cooling Plant	45,289,000	65%	<ul style="list-style-type: none"> • Equipment is delivered to Nyambene site and installation work is in progress alongside the building works.
15	Nyambene	NKCC/T/089/2019-20. Supply, Install and Commission Steam Generation and Distribution System	New Milk Cooling Plant	27,990,000	55%	<ul style="list-style-type: none"> • Equipment manufacturing is complete. • Shipping arrangement is in progress.
16	Nyambene	NKCC/T/088/2019-20. Supply, Install and Commission Compressed Air System	New Milk Cooling Plant	3,589,645	70%	<ul style="list-style-type: none"> • Equipment is ready awaiting building completion in Nyambene.
17	Nyambene	NKCC/T/085/2019-20. Supply, Install and Commission Internal Drainage and Plumbing System	New Milk Cooling Plant	21,300,000	65%	<ul style="list-style-type: none"> • Ongoing alongside building and civil works
18	Nyambene	NKCC/T/088/2020-21 -Supply, installation and commissioning of Long Life Milk Processing Line	Enhance long life milk processing capacity	n/a	20%	<ul style="list-style-type: none"> • Evaluation in progress

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XXII. APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME: NEW KCC LTD			
Break down of Transfers from the State Department of Co-operatives			
FY 2020/2021			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
	Total	-	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	23.10.2020	250,000,000	2021
	24.06.2021	150,000,000	
	Total	400,000,000	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
	Total	-	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
	Total	-	

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

Sign-----

Head of Accounting Unit
State Department of
Cooperatives

Sign-----

XIII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Trade, Industry & Cooperatives	23.10.2020	Development	250,000,000	-	250,000,000	-	-	-	-	250,000,000
Ministry of Trade, Industry & Cooperatives	24.06.2021	Development	150,000,000	-	150,000,000	-	-	-	-	150,000,000
Total			400,000,000	-	400,000,000	-	-	-	-	400,000,000