REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NEW KENYA CO-OPERATIVE CREAMERIES LIMITED

FOR THE YEAR ENDED 30 JUNE, 2024

REGISTERED TRADE MARK

NEW KENYA CO-OPERATIVE CREAMERIES LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

On 24th 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 19th 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.

(b) Principal Activities

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

(c) Directors

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

1.	Mr. David Maina Kamiru	Chairman	Appointed on 10th Feb 2023
2.	Mr. Nixon Sigey	Managing Director	Appointed on 1st Jan 2015
3.	Ms.Rukia Rashid	Director	Appointed on 10th March 2023
4.	Mr. Elisha Biwott	Director	Appointed on 10th March 2023
5.	Dr.Abraham Sangula	Director	Appointed on 24th April 2023
6.	Col.(Rtd) David Samoei	Director	Appointed on 10th March 2023
7.	Ms.Hilda Gichuki	Director	Appointed on 10th March 2023
8.	Mr.Geoffrey Agwenyi	Director	Appointed on 10th March 2023
9.	Mr.Hussein Mohammed	Director	Appointed on 16th June 2023
10.	Ms.Elizabeth Shungula	Director	Appointed on 28th Nov 2023
11.	Mr. David Obonyo	Director	Appointed on 20th Sept 2019

(d) Entity Headquarters

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

(e) Entity Contacts

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

(f) 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.

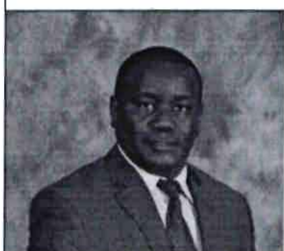
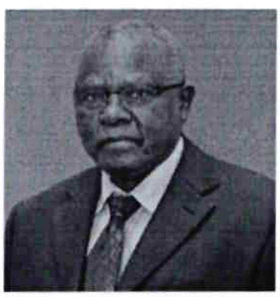
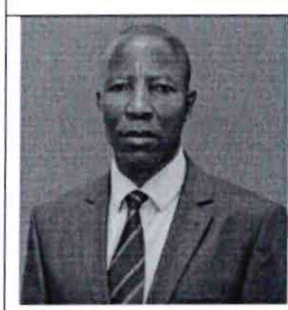
(g) Independent Auditors

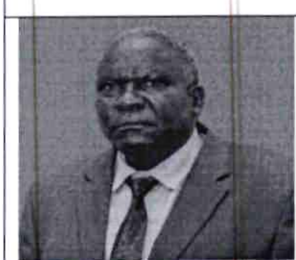
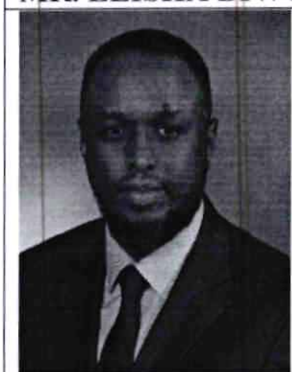
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(h) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

 **MR. DAVID MAINA KAMIRU -CHAIRMAN** **BBA**	**Mr. David Maina Kamiru** was appointed as chairman to the to the Board of New Kenya Co-operative Creameries on 10th February, 2023. 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.
 **MR. NIXON SIGEY** **MBA, B.SC.**	**Mr. Nixon Sigey** 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. 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.
 **MR. GEOFFREY NOAH ANGWENYI**	**MR. Geoffrey Noah Agwenyi** was appointed to the Board of Directors of New Kenya Co-operative Creameries Ltd on 10th March, 2023. He holds Bachelor's and a Master's Degree in Animal Science. He has served as the Chief Administrator for Borabu University and over 26years as a university lecturer. He has over fourteen (14) years' experience as a civil servant in the Ministry of Livestock as a senior production officer and over 30yrs in community development projects and collaborative research with the National Research Fund.
 **COL. (RTD) DAVID KIPKURUI SAMOEI, MBS**	**COL (RTD) DAVID KIPKURUI SAMOEI**, MBS was appointed to the Board of Directors of New Kenya Co-operative Creameries Ltd on 10th March, 2023. He is a trained Kenya Defence Forces colonel with over 30 years' experience in the Kenya Defence Forces. He holds an Engineering Officer course and a Radar and Telecoms course - ROYAL Air Force CRANNWEll.

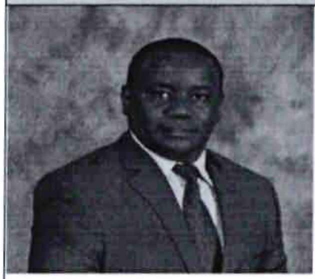
 **MS. HILDA W. GICHUKI**	**MS. HILDA WANGARI GICHUKI** was appointed to the Board of Directors of New Kenya Co-operative Creameries on 10th March, 2023. She holds a Bachelors' of Laws degree, Post-graduate Diploma in Law and is a Certified Public Secretary and an Advocate of the High Court of Kenya with over Ten (10) years' experience in the areas of commercial and corporate Law, conveyancing and property Law, commercial banking and financial law and legal advisory and consultancy services.
 **MR. ELISHA BIWOTT**	**MR. ELISHA BIWOTT.** was appointed to the Board of New Kenya Co-operative Creameries on 10th March, 2023. He holds O levels, he has a wide experience in managing institutions, dairy farming and people management. He offers managerial skills to the NKCC Board.
 **MR. HUSSEIN MOHAMMED**	**MR. HUSSEIN MOHAMMED** was appointed to the Board of New Kenya Co-operative Creameries on 16th June 2023. He is a graduate of the USIU School of International Business Administration. He is a seasoned marketer with over twenty (20) years' experience in both FMCG and Media. Mr. Mohammed has worked with organizations such as Coca Cola, Radio Africa, Capital Group LTD, Span Image LTD and Media Max LTD and offers business and marketing experience to the organization.
 **CPA ELIZABETH SHUNGULA**	**MS. ELIZABETH SHUNGULA** was appointed to the Board of Directors of New Kenya Co-operative Ltd as an Alternate Director representing The National Treasury & Economic Planning on 28th November, 2023. She provides advisory on relevant government policies and directives to the NKCC Board.

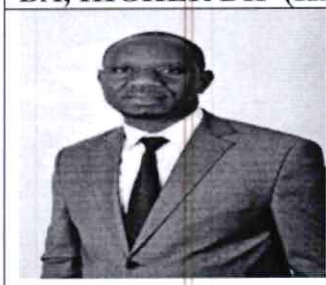
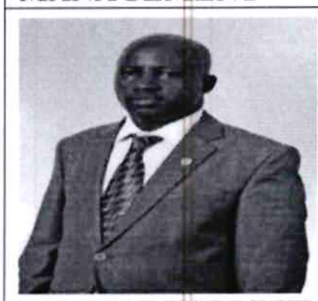
 **MS. RUKIA RASHID, HSC**	**MS. RUKIA RASHID, HSC** was appointed to the Board of New Kenya Co-operative Creameries on 10th March, 2023. She is member of the Marketing Society of Kenya and the Kenya Red Cross Society and has a vast experience as a marketer having worked with Kenya Cooperative Creameries from 1984 -1996, culminating in her senior management appointment as Regional Manager – Coast Region. She is the Chairperson of KNCCI, Mombasa Branch and is the Trade Chairperson of ASK, Mombasa Branch. She has served in a range of Private, Public and Community Based Organizations and offers marketing and managerial skills to the NKCC Board.
 **MR. DAVID OBONYO**	**MR. DAVID OBONYO** was appointed to the Board of New Kenya Co-operative Limited on 20th September, 2019 as an Alternate Director 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.
 **DR. ABRAHAM SANGULA OGW**	**DR. ABRAHAM SANGULA, OGW** was appointed to the Board of Directors of New Kenya Co-operative Limited on 24th April 2023 as an Alternate Director, Ministry of Agriculture & Livestock Development (State Department for Livestock Development). He provides advisory on relevant government policies and directives to the NKCC Board.
 **CS IRENE K. MBITO**	**MS. IRENE K. MBITO** was employed at New Kenya Cooperative Creameries Ltd as the Company Secretary & Chief Manager Legal Affairs on 1st May 2021. She holds a Masters of Business Administration Degree (MBA) and a Bachelor of Laws degree (LL.B); Post-graduate Diploma in Law and is a Certified Public Secretary. She has 20 years' work experience as a legal practitioner.

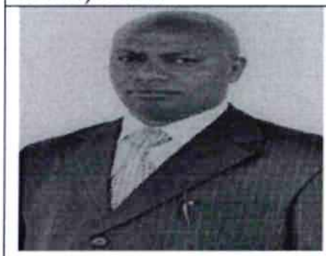
III. CONSTITUTION OF BOARD COMMITTEES 2023-2024

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	MR. GEOFFREY ANGWENYI	COL. (RTD) DAVID SAMOEI, MBS
		MR. ELISHA BIWOTT
		MR. DAVID OBONYO
		DR. ABRAHAM SANGULA,OGW
		MANAGING DIRECTOR
		INSPECTORATE OF STATE CORPORATIONS
MARKETING & LOGISTICS COMMITTEE	MS. RUKIA RASHID,HSC	MR. ELISHA BIWOTT
		MR. GEOFFREY ANGWENYI
		MS.HILDA GICHUKI
		MANAGING DIRECTOR
		MR. HUSSEIN MOHAMMED
		INSPECTORATE OF STATE CORPORATIONS
FINANCE & GENERAL PURPOSES COMMITTEE	MS. HILDA GICHUKI	COL. (RTD) DAVID SAMOEI, MBS
		MS. ELIZABETH SHUNGULA
		INSPECTORATE OF STATE CORPORATIONS
		DR. ABRAHAM SANGULA,OGW
		MR. HUSSEIN MOHAMMED
		MANAGING DIRECTOR
AUDIT COMMITTEE & RISK	MR. ELISHA BIWOTT	MR. GEOFFREY ANGWENYI
		MR. DAVID OBONYO
		MS. ELIZABETH SHUNGULA
		INSPECTORATE OF STATE CORPORATIONS
		MS. RUKIA RASHID,HSC

IV. MANAGEMENT TEAM

Name of the Staff	Responsibility
 **MR. NIXON SIGEY** **MBA ,B.SC.**	**CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR** Mr. Nixon Sigey was on 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, thirteen (13) of which have been in Senior Management.
 **MR. SAMUEL ICHURA** **MBA ,BBA,CPA(K),CISA.**	**CHIEF MANAGER FINANCE** Mr. Ichura was born on 6th November 1977 and is in charge of Finance Department at NKCC
 **MS. IRENE K. MBITO** **MBA,LLB,CPS(K),MICS**	**COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS** Ms. Irene K. Mbito was born on 30.8. 1968.She is the company secretary and in charge of Legal Affairs Department.
 **MR. BRIAN KIPKURUI SAMOEI** **MBA, B.SC.**	**CHIEF MANAGER FACTORY OPERATIONS** Mr. Brian was born on 1st December 1985 and is in charge of Factory Operations Department at NKCC.

 **MR. MICHAEL KHAEMBA MUKOPI** **BA, HIGHER DIP (HRM)**	**AG. CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION** Mr. Mukopi was born on 22nd July 1977 and is in charge of Human Resource & Administration Department at NKCC
 **MR. RICHARD ALAI ONDITI** **MBA, B.COM & DIP. BUSINESS MANAGEMENT**	**CHIEF MANAGER SALES AND MARKETING** Mr. Richard was born on 21st May 1984 and is in charge of Sales & Marketing Department at NKCC
 **MR. MARUSOI BURGOH** **MBA, B.COM,CPA(K)**	**CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE** Mr. Marusoi Burgoh was born on 11th October 1979 and is in charge of Internal Audit & Risk Compliance Department.
 **MR. JUSTUS NJENGA** **MBA,BBA,DIP-DAIRY TECHNOLOGY**	**HEAD OF RAW MILK** Mr. Njenga was born on 9th September 1966 and is in charge of Raw Milk Procurement and Extension Services NKCC.

 **MS. STACY TOO** **BPA, DIP.**	**HEAD OF CORPORATE AFFAIRS** Ms. Stacy Too was born on 15th November 1970 and is in charge of Corporate Affairs Department at NKCC
 **MR. ANTHONY KINOGU** **MBA, B.SC.**	**HEAD OF QUALITY ASSURANCE** Mr. Anthony Kinogu born on 25th July 1975 and is in charge of Quality Assurance Department.
 **MR. PHILIP PYEKO** **B.SC.**	**HEAD OF PRODUCTION** Mr. Philip Pyeko was born on 9th May 1977 and is in charge of Production Department.
 **Dr. LINAH BOIT** **PhD, MBA, B.ED, ACCA**	**HEAD OF STRATEGY AND BUSINESS DEVELOPMENT** Dr Linah Boit was born on 6th September 1970. She heads Strategy and Business Development docket at NKCC.

 **MS. SHEILA AKALA** **M.SC,B.COM,MCIPS**	**HEAD OF PROCUREMENT** Ms. Sheila Akala was born on 11th December 1981 and is the head of Procurement Department at NKCC.
 **MR. DUNCAN MAINA** **B.SC ENGINEERING**	**HEAD OF ENGINEERING** Mr. Duncan Maina was born on 5th November 1982 and is in charge of Engineering Department at New KCC.
 **MS. STELLA ADAMS** **B.SC INFORMATION TECHNOLOGY, MCPFC.**	**AG. HEAD OF ICT** Ms. Stella Adams was born on 5th February 1982 and is the head of ICT Department at New KCC.

V. CHAIRMAN'S STATEMENT

A Year of Setbacks and Aspirations

The past financial year has presented significant challenges to the dairy industry, characterized by a complex economic environment. Despite these headwinds, New KCC has demonstrated resilience and a steadfast commitment to our stakeholders.

Our position as the region's leading dairy processor has enabled us to leverage our scale and expertise to navigate these turbulent times. While we have encountered challenges, we have maintained our focus on operational efficiency and cost management.

A key highlight of the year was the commissioning of the Kiganjo and Nyahururu modernized factories, a substantial investment that underscores our long-term commitment to the dairy sector. These state-of-the-art facilities has significantly enhanced our production capacity, enabling us to better serve our customers and support our partnering dairy farmers across the country.

Our unwavering support for the dairy farming community remains a cornerstone of our business. We have increased our milk purchase price to Ksh 50 per litre, a minimum set producer price by the National Government, reflecting our dedication to the welfare of our farmers. Additionally, our extension services and farmer development programs have continued to play a vital role in improving dairy practices and productivity.

We acknowledge the invaluable support of the National Government in ensuring timely payments to our farmers. This collaboration has been instrumental in maintaining stability within the dairy value chain.

While the financial performance for the year has been impacted by the challenging economic conditions, prolonged drought, heavy rains, we remain confident in the long-term prospects of our business. We are actively implementing strategies to enhance our profitability and strengthen our market position.

I would like to express my sincere gratitude to our dedicated employees, loyal customers, and supportive stakeholders for their unwavering belief in New KCC. Together, we will continue to build a sustainable and prosperous future for our company and the dairy industry.

Thankyou.

Mr. David Maina Kamiru

Board Chairman

VI. REPORT OF THE MANAGING DIRECTOR

Steering Through Challenges for Sustainability

The 2023/2024 financial year was marked by a steadfast commitment to our key stakeholders, customers, and strategic growth. Despite navigating a challenging industry landscape, the company achieved impressive results, underscored by a sales turnover exceeding Ksh 7.6 billion, driven by product innovation, operational efficiency, and strategic partnerships.

Through our robust extension services, we procured over 82 million litres of raw milk, translating to a farmer pay-out of over Ksh. 4 billion in the year under review. The timely release of government funds as a stabilizing fund for farmer pay-out during peak seasons is a testament to the government's confidence in our operations and its unwavering support for the dairy sector..

While our financial performance fell short of our initial projections, we remain committed to our long-term goals. We are actively addressing the challenges that contributed to this outcome, such as shortfall in revenue due to economic conditions and high cost of raw milk. We are confident in our ability to improve our financial position and deliver sustainable value to our stakeholders.

Our unwavering commitment to quality is reflected in the sustained ISO 22000:2018 certification for Food Safety Management Systems, and the prestigious recognition in the Kenya Beverage Excellence Award -milk category, where our Mala won in the most preferred fermented milk category.

Demonstrating our ability to anticipate and meet evolving consumer preferences, we successfully launched camel milk powder and introduced Shake flavoured long life milk in a convenient 200ml pack targeting a younger audience. The commissioning of state-of-the-art processing facilities in Kiganjo and Nyahururu factories has significantly enhanced our production capacity, enabling us to meet growing demand both domestically and internationally.

As a responsible corporate entity, New KCC adhered to statutory requirements, reserving 30% of the procurement budget under the provisions of PPAD Act 2015 for youth, women, and PWDs, meeting the set budgeted target of Ksh. 217 million for the year under review. Our procurement initiatives under the *'Buy Kenya, build Kenya Initiative'* awarded procurement contracts valued at over Ksh. 2.1 Billion to local suppliers, surpassing the set target of Ksh. 1.9 Billion and contributing significantly to local economic development.

Our dedication to exceptional customer service is evidenced by a perfect 100% compliance score from Commission on Administrative Justice (CAJ -Ombudsman) for resolutions of public complaints.

Appreciation

The past year has been marked by significant progress. I extend my sincere gratitude to our stakeholders, partners, the Board of directors, senior management, and all staff for their invaluable contributions. As we move forward, we remain steadfast in our commitment to innovation, operational excellence, and sustainable growth.

Mr. Samuel Ichura,

Ag. Managing Director

VII. STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

NKCC has four (4) Key Result Areas (KRA) each with specific objectives within the Strategic Plan 2024-2028. These are:
KRA 1: Profitable Business Growth
KRA 2: Operational Efficiency
KRA 3: Value Chain Management
KRA 4: Institutional Capacity strengthening

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 2023/2024 period for its 4 strategic pillars, as indicated in the diagram below:
Below is a summary of key achievements under each strategic objective.

KRA 1: Profitable Business Growth			
Strategic Objective	**Outcome**	**Outcome Indicator**	**Achievement**
1. Grow sales volume by an average of 20% on annual basis with a revenue target of KShs.81.58 billion in five years	Growth in annual sales volume	% growth in sales	There was a marginal increase in sales of 1%. Competition from small processors and the informal sector was intense. Management has stepped up efforts to improve sales
2. Grow market share from current 20% by 4% on an annual basis	Growth in market Share	Market share	Market share remained unchanged. Strategies to enter into new markets were developed and are being implemented. These include promotion of fighter brands, marketing activities among others
3.Optimization of Debt management	Optimized debt Management	Current ratio	The debt to equity ratio improved from 12.8% in 2022-2023 to 8.2% in the current financial year.
4. Grow net profit by 3% on annual basis:	Growth in net profit	Percentage net profit growth	The net loss increased by 54% from 993M in 2022-2023 to 1,529M in the current financial year.

KRA 2: Operational Efficiency			
1. Produce adequate stocks of all SKUs required by sales to generate an average of KShs.16.3 billion annual revenues	Adequate stocks of all SKUs	Volume of bulk raw milk purchased and processed per day	All milk received was processed. This ensured there was adequate SKUs for the market.
2. Limit operational costs to not more than 75% of total revenue by the conclusion of the financial year (from the current of 85%)	Reduced operational costs	Percentage of gross profit margin	The company's gross profit margin declined with 12.5% from 12.8% in 2022-2023 to 5.4% in year 2023-2024. This was due to increase in cost of sales with 13% from 82% in 2022-2023 to 95% in this financial year.
3. Expedite payment for all supplier of goods and services as they fall due	Timely payment of all suppliers and Services	Level of compliance contractual terms of payment	The company continued to pay its obligations as they fell due thus honouring contractual agreements. As at the end of the financial year creditors were within the contractual period

4. Optimize internal controls to achieve an annual reduction of wastages by 10% as per the cost saving tracker	Reduction in wastage along the value chain.	Percentage wastage reduction	The annual wastage was achieved at 0.35% against industry standard of 1%. Maintenance schedule implementation was at 96% This ensured availability of equipment in the period as well as reduced wastages arising from faulty equipment. The downtime was at an average of 12% and this was attributed to delayed supply of spares and delayed services from external service providers. The causes of these delays, however, have been addressed
KRA 3: Value Chain Management			
1. Ensure procurement of 100% quality goods, works and services as per the business requirements	Procurement of quality goods and services as per the business requirements	Percentage of goods works and services procured as per the business requirements	NKCC clearly spelt out specifications of goods and services in the tender documents and ensured that all accepted items met the specifications. Further the quality assurance team is well equipped with instruments and technologies for raw milk testing. 0.45% of milk was rejected due to adulteration mainly by middle men, poor hygiene and low component due to improper feeding. The affected farmers were guided by the extension team on how to prevent recurrence in future.
2. Enhance 100% Inventory Accountabili ty	Enhanced inventory accountability	Stock variance and financial loss	There were no stock variance in the period hence no financial loss
	Improved performan ce Delivery	Cost of delivery per litre and on -time delivery rate	The average cost of delivery per litre was Kshs. 12 during the period. This was achieved by merging some routes and enhanced route management

3. Cultivate a mutually beneficial relationship with strategic partners.	Mutually beneficial relationship with strategic partners	Number of new strategic partnerships and alliances	NKCC entered into strategic partnerships with institutions on farmer support programmes. An example is the NKCC-Strathmore University partnership to train trainers of trainers that saw NKCC cohort of 21 participants trained on modern farm management practices. The main goal was to build capacity of extension service staff to be able to train farmers on dairy entrepreneurship
KRA 4 Institutional Capacity Strengthening			
1. To enhance the ICT function in order to achieve 75% system automation, achieve 100% utilization, availability, reliability and	Enhanced ICT	Level of system automation	NKCC achieved 31% automation level against 40% target
		Level of system availability, reliability and security	The system availability, reliability and security was at 98%. Maintenance activities were scheduled outside working hours hence there were no interruption to processes. NKCC has installed security soft wares to guard against system security risks
2. To enhance corporate image and reputation, promote public and stakeholder trust	Enhanced corporate image and reputation	Level of increase in brand awareness	NKCC continuously engages stakeholders and they have held NKCC as a trusted brand. Further, the Company resolves all complaints raised and reports to CAJ quarterly as required. The year 2023-2024,resolution of public complaints attracted a score of 100%

3. Enhance Research and Development functionality	Develop a research and development plan	Level of implementation of research and development plan	Research and innovation committee was established and a research and innovation framework developed to guide the committee on all its activities.
	Commercialization of all new products	Level of commercialization of new products	Water was successfully commercialized. Lactose free mala commercial trial was done successfully, awaiting listing in the major outlets and launch
4. Enhance legal compliance and adherence to corporate governance practices to achieve 100% in legal compliance	Enhanced legal compliance and adherence to corporate governance practices	Level of legal compliance	NKCC complied 100% to laws and regulations. Further Board Members were inducted on Mwongozo Code of Conduct
5. To create an effective and efficient Human Resource and Administration services that attract, motivate and retain 100% talent	Efficient and effective human resource and administration services	Level of legal compliance Percentage of reduction in employee complaints	NKCC continued to motivate staff through training. A total number of 108 staff were trained in the period on professional and leadership courses

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 Co-operatives & Micro, Small & Medium Enterprises (MSME) Development (State Department for 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)	7 Members	100%
Finance & General Purpose Committee Meeting	Four(4)-(Annually)	7 Members	100%
Marketing and Logistic Committee	Four(4)-(Annually)	7 Members	100%
Audit Committee & Risk Meeting	Four(4)-(Annually)	6 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—

(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 2024. It highlights the performance of the company in comparison with the set Budgets and the prior-year results.

Table 1: Summary Financial Results for the period ended 30.06.2024

2023/2024 FINANCIAL SUMMARY	Actual July'23- Jun'24 Kshs'000'	Budget July'23- Jun'24 Kshs'000'	Variance Against Budget Kshs'000'	Actual July'22- Jun'23 Kshs'000'	Variance against Prior Year Kshs'000'
Income					
Sales Revenue	7,603,285	10,831,472	(3,228,187)	7,586,596	16,689
Govt Grant(Restricted)	241,857	40,500	201,357	200,950	40,907
Other Income	17,918	18,000	(82)	13,453	4,465
Total Income	7,863,060	10,889,972	(3,026,912)	7,800,999	62,061
Cost of sales					
Total Cost of sales	7,189,388	7,747,000	(557,612)	6,222,196	967,192
Gross Profit	413,897	3,084,472	(2,670,575)	1,364,400	(950,503)
Gross Profit Margin	5.4%	28.5%	-23.0%	18.0%	-12.5%
Operating Expenses					
Administration Expenses	1,081,120	1,239,221	158,101	933,863	(147,257)
Selling & Distr Expenses	986,044	969,753	(16,290)	906,609	(79,435)
Finance Costs	192,281	165,600	(26,681)	175,376	(16,905)
Depreciation	541,774	356,996	(184,778)	556,996	15,222
Net Profit Before Tax	(2,127,546)	411,401	(2,426,333)	(993,959)	(1,133,587)

The operating environment has been particularly challenging, with significant macroeconomic headwinds such as inflation, currency depreciation, and trade disruptions impacting our business. Inflation has notably increased the cost of inputs, placing pressure on both the price-sensitive mainstream milk category and the high-value segments within the new frontiers category. Despite these challenges, the company has demonstrated resilience, maintaining a flat top line while staying true to our strategic priorities. We have continued to invest in our brands, launched new innovations, and strengthened our route-to-consumer strategies, leveraging digital transformation to enhance our operations. Moreover, we are committed to long-term growth through capital expenditure investments, optimizing cost-efficiency, and maintaining a strong focus on our people and the communities in which we operate.

In terms of performance, net sales remained flat at Kshs 7.6 billion, up slightly from Kshs 7.5 billion in the previous year, with robust growth in the high-value category being offset by challenges in the fresh milk category due to increased price sensitivity. Earnings Before Interest and Tax (EBIT) declined by 51% to Kshs (1.9) billion, down from Kshs (818) million the previous year, resulting in an EBIT margin decrease to -25%. This decline was largely driven by inflation's adverse impact on input costs, which totalled Kshs 4.7 billion, particularly affecting raw milk, ingredients, steam, electricity, fuel, and packaging materials.

Net finance costs increased by 9% to Kshs 192 million, reflecting the higher debt levels required to fund capital expenditures and raw milk, as well as a rising interest rate environment. The effective interest rate surged from 12% to 18%, influenced by the Central Bank Rate increase from 7.5% to 13%. Consequently, profit after tax decreased by 51% to Kshs (2.12) billion, leading to a 62% reduction in Earnings Per Share to Kshs (27.94)

On the balance sheet, the company's Net Debt to EBITDA ratio stood at -0.77, below the manufacturing industry standard of 3, as net debt grew by 41% to Kshs 1.08 billion due to increased long-term borrowings for capital expenditures and Farmer facility investments.

The EBIT/Interest ratio closed at -10.06, below the industry standard of 1.5 for manufacturing sectors with seasonal production. The current ratio improved slightly to 0.71, meeting regulatory requirements, mainly due to the refinancing of short-term debt and reprioritization of capital expenditures. However, the drop in profit significantly impacted the Return on Capital Employed (ROCE), which fell to -20%, down from -9% the previous year.

In conclusion, while the company faced substantial macroeconomic pressures, we remained steadfast in our strategic investments in brands, innovation, and digital transformation, positioning ourselves for future growth and resilience.

SECTION B

Entity's compliance with statutory requirements

The Organization is committed to complying with all statutory obligations.

SECTION C

Key projects and investment decisions the entity implemented

1.	**NYAHURURU FACTORY**
	(a) Hydrogeological surveys, drilling and equipping of borehole.
2.	**CHEESE FACTORY**
	a) Relocation of Cheese and Detergents production equipment to Dandora Complex.
3.	**DANDORA COMPLEX**
	a) Hydrogeological surveys, drilling and equipping of borehole.
4.	**ELDORET FACTORY**
	a) Hydrogeological surveys, drilling and equipping of borehole.

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.

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.

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, bank guarantee is requested.

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.

As a company whose raw product depends heavily on climatic conditions, New KCC has taken deliberate efforts to reduce its carbon footprint including use of recyclable packaging material for some its products and use of outsourced steam generation at all our major processing facilities that has cut energy costs by up to 30%.

c) **Employee welfare.**

We are continually equipping our staff with relevant skills and knowledge to enable us to meet the demands of an ever-changing business environment and offer competitive salaries commensurate with one's skills and experience.

In line with our policy on safety in the workplace, New KCC has complied with all relevant laws on health and safety in the workplace and has put in place adequate controls and resources to ensure a safe and healthy working environment for all its employees. In the past year, all our 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 is our citizen's service delivery charter that outlines our services and the standards we have committed to upholding while delivering these services to members of the public.

Ours is to deliver 'Life's goodness everyday'.

d) **Market Place Practices**

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.

With the widest range of quality dairy products, we have taken steps to ensure that our products are availed in various packaging and size, to meet the needs of our consumers at every socio-economic level without compromising on quality.

e) Corporate Social Responsibility / Community Engagements

At New KCC, we are dedicated to entrenching corporate social responsibility (CSR) into our business operations. We understand our obligation to contribute positively to society and the environment. This report outlines our CSR initiatives and achievements during the 2023/2024 fiscal year, highlighting our efforts in sustainability and community engagement.

Environmental Sustainability

Tree Planting Initiatives: We actively participated in tree planting exercises organized through various partners and stakeholders. Our contributions supported the planting of over 30,000 indigenous and exotic trees, in line with the national goal of planting 15 billion trees by 2032. These efforts contribute to combating climate change and global warming.

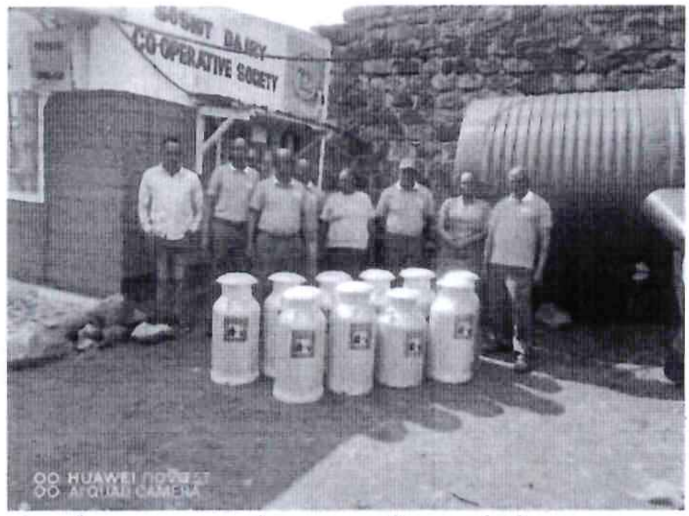
Community Stakeholder Engagement

Farmer Support: Recognizing the dairy farmers as our key stakeholders, we implemented strategic initiatives towards enhancing milk production at the farm level. One such initiative involved donating several aluminium 50 litre milk cans to our partnering dairy groups and societies across the country. This will promote high levels of hygiene and improve quality in handling of raw milk.

Education and Mentorship: We also committed part of our support to a mentorship program that empowered over 25,000 form four students across various counties. Our aim is to create a positive impact and contribute to the overall well-being and development of the communities we engage with.

Conclusion

We believe that sustainable business practices and responsible corporate citizenship are essential to our long-term success. We will continue to innovate, collaborate, and lead by example in our commitment to creating a positive impact on society and the environment.



New KCC donates milk cans to partnering farmer groups/ co-operative societies

Tree planting exercise

Mentororship programmes

XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the un -audited financial statements for the year ended June 30, 2024 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, 2024 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	(2,127,546,150)
Taxation Charge/Credit	598,883,748
Profit after Taxation	(1,528,662,402)

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…30/09/2024

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, 2024. 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, 2023, 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 30/9/ 2024 and signed on its behalf by:

Mr. David Maina Kamiru — Samuel Ichura

Chairman — Ag. Managing Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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REPORT OF THE AUDITOR-GENERAL ON AUDIT OF NEW KENYA CO-OPERATIVE CREAMERIES LIMITED (NKCC) FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of New Kenya Co-operative Creameries Limited, (NKCC) set out on pages 1 to 52, which comprise the statement of financial position as at 30 June, 2024 statement of Profit and Loss and comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of New Kenya Co-operative Creameries Limited, (NKCC)as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Cooperative societies Act 24th June ,2003 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Ownership Documents and Valuation

The statement of financial position reflects balances of Kshs.307,500,000 and Kshs.3,265,265,858 in respect to freehold land and leasehold land respectively, as disclosed in Notes 15 and 16 to the financial statements. However, the ownership documents for land measuring four (4) acres donated to the Company by Igento Farmers' Cooperative Society for the establishment of a milk processing plant in Igembe Central, Meru County were not provided for audit.

Further, the value of four (4) other land parcels was not disclosed in the financial statements, while another seventeen (17) disputed land parcels and which had not been valued were registered in the names of third parties. The legal status of the said properties could not be determined.

In addition, as previously reported, out of 32.94 acres of the parcel on which the Miritini milk processing factory is located, a five (5) acre 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 freehold and leasehold land balances of Kshs.307,500,000 and Kshs.3,265,265,858 respectively could not be confirmed.

2. Non revaluation of Assets

The fixed asset register as at 30 June 2024 reflects that some assets had Nil values and the management had not indicated whether the said Assets had economic value accruing to the entity. Further, the NKCC Finance and Accounting Manual (August 2021) and the summary of significant accounting policies for the financial statements for the year ended 30 June 2024 do not reflect any clear guidelines on the assets valuation policy. The financial statements do not reflect evidence of any revaluation having been carried out in the recent past though the assets as reflected in the assets register are still in use. This is contrary to the International Public Sector Accounting Standard 17(44) which requires sufficient regularity in revaluation of property, plant, and equipment to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

In the circumstances, the accuracy of the Assets Register as maintained by management could not be ascertained.

3. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.1,421,321,970 as disclosed in Note 19(a) to the financial statements. However, review of documents relating to trade receivables revealed that the balance includes trade receivables of Kshs.956,431,838 out of which Kshs.378,095,375 has been outstanding for more than 120 days. Further, the balance includes VAT recoverable of Kshs.774,870,545 which relates to VAT claims which have not been settled by the.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.1,421,321,970 could not be confirmed.

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

Material Uncertainty Related to Going Concern

The statement of profit and loss and other comprehensive income indicates that the Company recorded a loss before tax of Kshs.1,528,662,402. Further, the Company's current liabilities exceeded the current assets by Kshs.1,204,107,947, an indication of negative working capital. In addition, the statement of profit or loss and other comprehensive income reflects finance costs of Kshs.192,281,201 which includes interest expenses on loans and bank overdrafts of Kshs.97,381,397 and Kshs.86,169,054 respectively as disclosed in Note 8 to the financial statements. It is evident that the Company heavily relied on bank loans and overdrafts during the year under review.

These events or conditions, indicate that a material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.10,889,972,436 and Kshs.7,863,059,863 respectively resulting in an under-realization of Kshs.3,026,912,573 or 28% of the budget. However, the Creameries spent an amount of Kshs.9,990,606,013 against actual receipts of Kshs.7,863,059,863 resulting in an over-utilization of Kshs.2,127,546,150 of actual receipts.

The under-realization and over-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,243,123,217 as disclosed in Note 29 to the financial statements. However, included in this balance is Kshs.645,282,720.63 which was overdue for over 120 days. Failure to settle the debts as and when they fall due may attract interest hence affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

Other matter

Unresolved Prior Year Issues

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues remained unresolved as management was yet to appear before the relevant parliamentary committee.

Other Information

The Management are responsible for the other information set out on page ii to xxxii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Feasibility Study in Construction of Nyambene Depot

Review of the New KCC records, revealed that an amount of Kshs.509,296,097 had been spent to build a New KCC plant in Nyambene. The physical verification of the Depot during field inspection in September 2024 revealed that the Depot is not operating to full capacity as the last recorded milk intake was on 12th September 2024. It was also noted that only 326,971.40 liters of milk had been received in the Depot during the year under audit. This is contrary to Section 68. (1) of the Public Finance Management Act 2012 that states that an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is— (a) lawful and authorized; and (b) effective, efficient, economical and transparent

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply 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 governance were not effective.

Basis for Conclusion

Staff Over-Establishment

The New Kenya Cooperative Creameries has an approved staff establishment of two thousand two hundred and six (2,206) staff, which includes four hundred (400) posts on fixed term contract. However, there are five hundred and seventy-one (571) staff in the establishment under fixed term contracts, which is one hundred and seventy-one (171) staff over and above the approved staff establishment. This is contrary to State Corporation Advisory Committee Ref. No. OP/SCAC 9/20A dated 07 October, 2021

In the Circumstances, the over establishment may negatively impact on the realization of the company's goals.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matter described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on pages xiv is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the 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 for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2030

XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023-2024 Kshs	2022-2023 Kshs
REVENUES			
Sales/Turnover	1	7,603,285,153	7,586,595,788
Cost of Sales	**2**	(7,189,388,074)	(6,222,196,094)
Gross profit		**413,897,079**	**1,364,399,694**
OTHER INCOME			
Grants from National Government	3	241,857,047	200,950,252
Other Income	4	17,917,664	13,534,338
Finance Income	5		-
TOTAL OTHER INCOME		**259,774,710**	**214,484,590**
OPERATING EXPENSES			
Administration Costs	6(a)	1,081,119,778	933,863,269
Selling and Distribution Costs	7	986,043,568	906,608,889
Finance Costs	8	192,281,201	175,375,978
Depreciation of property, plant and equipment	13	536,549,462	551,291,364
Amortisation of Intangible Assets	14	991,898	1,472,142
Amortization of Leasehold land	16	4,232,031	4,232,031
TOTAL OPERATING EXPENSES		**2,801,217,939**	**2,572,843,673**
PROFIT/(LOSS) BEFORE TAXATION		**(2,127,546,150)**	**(993,959,389)**
INCOME TAX EXPENSE/(CREDIT)	**10**	**598,883,748**	**276,834,671**
PROFIT/(LOSS) AFTER TAXATION		**(1,528,662,402)**	**(717,124,718)**
Earnings per share – basic and diluted	11	(27.94)	(13.11)
Dividend per share	12	(5.59)	(2.62)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		**(1,528,662,402)**	**(717,124,718)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,528,662,402)**	**(717,124,718)**

XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024

	Note	2024 Kshs	2023 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	5,679,542,683	6,484,481,242
Intangible assets	14	1,983,796	2,975,694
Freehold land	15	307,500,000	307,500,000
Leasehold Land	16	3,265,265,858	3,305,191,462
Investment property	17	6,456,475	6,456,475
Deferred Tax	28	759,944,821	157,731,145
Total Non-Current Assets		**10,020,693,633**	**10,264,336,019**
Current Assets			
Inventories	18	1,561,523,902	1,257,123,877
Trade and other receivables	19	1,421,321,970	1,340,349,184
Tax recoverable	20		-
Bank and cash balances	22	26,390,881	201,664,310
Total Current Assets		**3,009,236,753**	**2,799,137,370**
Total Assets		**13,029,930,386**	**13,063,473,389**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	4,601,172,806	4,989,328,896
Retained earnings	26	(869,382,343)	659,282,113
GOK Grant		3,146,483,491	1,888,340,538
Capital and Reserves		**7,425,302,824**	**8,083,980,417**
Non-Current Liabilities			
Borrowings	27	691,282,862	440,616,166
Deferred tax asset	28	-	-
Related Party Balances	34	700,000,000	700,000,000
Total Non-Current Liabilities		**1,391,282,862**	**1,140,616,166**
Current Liabilities			
Borrowings	27	388,787,243	201,027,203
Trade and other payables	29	3,243,123,217	2,989,160,418
Retirement benefit obligations	30	49,561,276	59,428,814
Provision for leave pay	31	26,741,929	25,578,233
Tax Payable	20	5,490,450	2,160,521
Bank Overdraft	22(a)(I)	499,640,584	561,521,618
Total Current Liabilities		**4,213,344,700**	**3,838,876,806**
TOTAL EQUITY AND LIABILITIES		**13,029,930,386**	**13,063,473,389**

The financial statements were approved by the Board on 30/9/ 2024 and signed on its behalf by:

Managing Director/CEO
Name: SAMUEL ICHURA

Head of Finance
Name: Hussein Gupo
ICPAK M/NO: 9244

Chairman of the Board
Name:

I. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Milk Mop up	Grants from National Government
At July 1, 2022	**547,028,870**	**5,649,603,169**	-	**1,376,406,830**	-	-	**1,889,290,790**
Issue of new share capital	-	-	-	-	-		-
Revaluation gain	-	-	-	-	-		-
Transfer of excess depreciation on revaluation	-	(388,156,091)	-	-	-		-
Deferred tax on excess depreciation	-	-	-	-	-		-
Revaluation Adjustment	-	(272,118,182)	-	-	-		-
Total comprehensive income	-		-	(717,124,718)	-		-
Capital/Development grants received during the year	-	-	-	-	-		200,000,000
Dividends paid – 2022	-	-	-	-	(-)		(-)
Depreciation Write back on Gov't Grant							(200,950,252)
Interim dividends paid – 2019	-	-	-	(-)	-		-
Raw Milk Grant Received						500,000,000	
Raw milk grant utilized						(500,000,000)	
Proposed final dividends	-	-	-	(-)	-		-
At June 30, 2023	**547,028,870**	**4,989,328,896**	-	**659,282,113**	-	-	**1,888,340,538**
At July 1, 2023	**547,028,870**	**4,989,328,896**	-	**659,282,113**	-	-	**1,888,340,538**
Issue of new share capital	-	-	-	-	-		-
Revaluation gain	-	-	-	-	-		-
Transfer of excess depreciation on revaluation	-	(388,156,091)	-	-	-		-
Deferred tax on excess depreciation	-	-	-	-	-		-

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Milk Mop up	Grants from National Government
Revaluation Adjustment	-	-	-	-	-		-
Total comprehensive income	-	-	-	(2,127,546,150)	-		-
Capital/Development grants received during the year	-	-	-	-	-		-
Dividends paid – 2022	-	-	-	-	(-)		(-)
Depreciation Write back on Gov't Grant							(241,857,047)
Interim dividends paid – 2019	-	-	-	(-)	-		-
Raw Milk Grant Received						1,500,000,000	-
Raw milk grant utilized							-
Proposed final dividends	-	-	-	(-)	-		-
At June 30, 2024	**547,028,870**	**4,601,172,806**	**-**	**(1,468,266,090)**	**-**	**1,500,000,000**	**1,646,483,491**

XVII. STATEMENT OF CASH FLOWS

	Note	2024 Kshs	2023 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	(1,595,483,654)	919,166,595
Interest received	5	-	-
Interest paid	8	(192,281,201)	(175,375,978)
Dividends paid	33 (e)	-	-
Taxation paid	20		(1,534,606)
Net cash generated from/(used in) operating activities		**(1,787,764,855**	**742,554,152**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(84,078,264)	298,931,118)
Purchase of Intangible asset	14	-	(4,285,000)
Revaluation Reserve		-	(272,118,182)
Net cash generated from/(used in) investing activities		**(84,078,264)**	**(575,334,300)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	33 (b)	(197,572,752)	(202,973,425)
Proceeds from borrowings	33 (b)	635,999,489	208,695,731
GOK Grant Change	3	1,258,142,953	(950,252)
Net cash generated from/(used in) financing activities		**1,696,569,691**	**4,772,054**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(175,273,429)**	**171,991,906**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	**201,664,309**	**29,672,403**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33 (c)	**26,390,880**	**201,664,310**

XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Sale of goods	10,831,472,436	-	10,831,472,436	7,603,285,153	(3,228,187,283)	70%
Sale of services	-	-	-	-	-	
Government grant – Writeback	40,500,000	-	40,500,000	241,857,047	1,357,047	101%
Donations in kind					-	
Finance Income	-	-	-	-	-	
Other income	18,000,000	-	18,000,000	17,917,664	(82,336)	99.5%
Total income	**10,889,972,436**	**-**	**10,889,972,436**	**7,863,059,863**	**(3,026,912,573)**	72%
Expenses						
Use of goods and services	7,348,615,000	-	7,348,615,000	7,189,388,074	159,226,926	97.8%
Administration cost	1,505,904,640	-	1,505,904,640	1,081,119,778	424,784,862	71.8%
Selling & Distribution Cost	949,653,465	-	949,653,465	986,043,568	36,390,103	103.8%
Depreciation & Amortization	508,797,000	-	508,797,000	541,773,391	32,976,391	106.5%
Finance cost	165,600,000	-	165,600,000	192,281,201	26,681,201	116.1%
Total expenditure	**10,478,570,105**	**-**	**10,478,570,105**	**9,990,606,013**	**(487,964,093)**	95.3%
Surplus for the period	**411,402,138**	**-**	**411,402,138**	**(2,127,546,150)**	**(2,538,948,288)**	

XIX. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

New KCC Ltd was established under Company's Act 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 but not yet effective in the year ended 30 June 2024.***

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. *The Company does not issue insurance contracts hence not affected by IFRS 17.*	Effective for annual periods beginning on or after 1st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. *There were no amendments of estimates(entity to state the effect of amendments on their financial statements for the year ended.)*	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **material** accounting policy information rather than their **significant** accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Title	Description	Effective Date
	(entity to state whether this has brought about changes to the accounting policies disclosed)	
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

(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)

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(The Directors 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 2023-2024.

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 200 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. Leasehold land is amortized over the number of years under lease. Upon revaluation, leasehold land is amortized over the remaining lease life period.
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 from the date of asset purchase .

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 recognized 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. 388,156,090 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses..

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) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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 that are not quoted in the Securities Exchange.

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) Trade and other receivables

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

m) Taxation

i) **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.
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.

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.

n) 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

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.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) 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 reporting period. 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.

q) 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.

r) 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 entity or not, less any payments made to the suppliers.

s) 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 a range of Kshs. 1,080-2160 per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity 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 recognised in profit or loss.

v) Budget information

The original budget for FY 2023-2024 was approved by the National Assembly in June 2023. 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. Accordingly, the entity recorded nil additional appropriations on the 2022-2023 budget following the governing body's approval.

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 xviii of these financial statements.

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) 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, 2024.

1. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS 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: e.g.

a) 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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

b) 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

c) 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 19.
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.
(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2024 Kshs	2023 Kshs
Gross sales of goods	7,758,275,879	7,706,706,380
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(154,990,726)	(120,110,591)
Total	**7,603,285,153**	**7,586,595,788**

2 COST OF SALES

	2024 Kshs	2023 Kshs
Cost of sales on goods	7,189,388,074	6,222,196,094
Total	**7,189,388,074**	**6,222,196,094**

3 GRANTS FROM NATIONAL GOVERNMENT

	2024 Kshs	2023 Kshs
Restricted Gov't Grant	241,857,047	200,950,252
Total	**241,857,047**	**200,950,252**

(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	2023-2024 KShs
Ministry of Co-operatives & MSMES	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

	2024 Kshs	2023 Kshs
Gain on Disposal		-
Rent Income	11,071,762	11,428,690
Other miscellaneous receipts	6,845,902	2,105,648
Total	**17,917,664**	**13,534,338**

5 FINANCE INCOME

	2024 Kshs	2023 Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	-	-
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total		-

6 (a) ADMINISTRATION COSTS

	2024 Kshs	2023 Kshs
Staff costs (note 5(b)	447,148,045	399,271,773
Directors' emoluments	26,428,207	13,661,333
Electricity and water	5,165,659	5,656,616
Communication services and supplies	12,897,726	11,230,527
Transportation, travelling and subsistence	90,061,058	99,023,208
Advertising, printing, stationery and photocopying	21,360,813	18,160,093
Rent and Rates	668,000	669,002
Staff training expenses	8,043,606	6,171,394
Hospitality supplies and services	12,512,658	13,293,927
Insurance costs	41,120,613	63,629,367
Bank charges and commissions	28,978,872	11,716,606
Office and general supplies and services	953,185	962,211
Auditors' remuneration	1,700,000	1,700,000
Legal fees	32,510,010	9,714,149
Consultancy fees	12,669,736	5,239,634
Repairs and maintenance	2,144,696	4,069,532
Provision for bad and doubtful debts	209,330,545	168,000,000
Other operating expenses	127,426,350	101,693,899
Total	**1,081,119,778**	**933,863,269**

6 (b) STAFF COSTS

Salaries and allowances of permanent employees	243,987,577	240,366,416
Wages of temporary employees	22,010,463	12,281,914
Staff medical insurance schemes	69,547,605	82,094,310
Compulsory national social security schemes	3,370,600	1,257,928
Other pension contributions	11,565,727	10,716,383
Leave pay and gratuity provisions	37,360,330	27,415,751
Staff welfare	43,876,178	25,139,071
Housing Levy	15,429,565	
Total	**447,148,045**	**399,271,773**
The average number of employees at the end of the year was:		
Permanent employees – Management	311	285
Permanent employees – Unionisable	728	764
Temporary and contract employees	571	491
Total	**1,610**	**1,540**

7 SELLING AND DISTRIBUTION COSTS

	2024 Kshs	2023 Kshs
Salaries and wages of sales personnel	355,057,937	339,642,993
Marketing and promotional expenses	120,528,800	114,133,579
Other selling and distribution costs	510,456,831	452,832,317
Total	**986,043,568**	**906,608,889**

8 FINANCE COSTS

	2024 Kshs	2023 Kshs
Exchange losses on cash and bank balances	7,433,843	18,490,800
Mpesa Charges	1,286,907	14,097,032
Interest expense on loans	97,391,397	82,932,977
Interest expense on bank overdrafts	86,169,054	59,855,168
Total	**192,281,201**	**175,375,978**

9 OPERATING PROFIT/(LOSS)

	2024 Kshs	2023 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 6(b))	447,148,045	399,271,773
Depreciation of property, plant and equipment	536,554,305	551,291,364
Provision for bad and doubtful debts	209,330,545	168,000,000
Directors' emoluments – fees	26,428,207	13,661,333
Auditors' remuneration - current year fees	1,700,000	1,700,000
- prior year under-provision	-	-
Total	**1,221,161,102**	**1,133,924,470**

10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2024 Kshs	2023 Kshs
Current taxation based on the adjusted profit for the year	(3,329,929)	(3,428,607)
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	602,213,676	280,263,278
Prior year under-provision for deferred tax	-	-
Total	**598,883,747**	**276,834,671**

11 EARNINGS PER SHARE

The earnings per share of (27.94) is calculated by dividing the loss after tax of Kshs. 1,528,662,402 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-in the incidence of a loss

The Dividend per share of Ksh (5.59) is calculated by dividing 20% of the loss after tax of Kshs. 1,528,662,402 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

COST OR VALUATION- 2023	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, 2022	5,110,071,724	6,781,731,267	735,468,001	466,691,758	79,651,088	198,058,363	178,938,044	418,323,900	13,968,934,146
Additions		1,838,942	-	15,234,770	3,528,537	546,000	2,162,096	275,620,774	298,931,118
Transfers In from W.I.P	232,279,919	362,895,638						(595,175,557)	-
Revaluation									
At June 30, 2023	5,342,351,643	7,146,465,848	735,468,001	481,926,528	83,179,626	198,604,363	181,100,139	98,769,116	**14,267,865,264**
DEPRECIATION									
At July 1, 2023	2,515,631,267	2,936,535,869	673,628,475	429,495,155	38,921,518	180,989,678	104,428,180	-	6,879,630,142
Charge for the year	213,334,868	286,988,867	17,705,171	14,755,173	4,955,851	5,782,148	7,769,287		551,291,364
Transfer of excess Dep on Revaluation	43,075,907	309,386,610							352,462,517
At June 30, 2023	2,772,042,041	3,532,911,346	691,333,646	444,250,328	43,877,368	186,771,827	112,197,467	-	7,783,384,023
NBV									
At June 30, 2023	**2,570,309,602**	**3,613,554,501**	**44,134,355**	**37,676,200**	**39,302,257**	**11,832,536**	**68,902,672**	**98,769,116**	**6,484,481,241**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

2024	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, 2023	5,342,351,643	7,146,465,848	735,468,001	481,926,528	83,179,626	198,604,363	181,470,139	98,769,116	14,268,235,264
Additions				15,525,662	2,493,427	1,400,000	1,775,900	62,883,275	84,078,264
Transfers In from W.I.P	73,311,370	8,427,490						(81,738,859)	-
At June 30, 2024	**5,415,663,013**	**7,154,893,337**	**735,468,001**	**497,452,190**	**85,673,053**	**200,004,363**	**183,246,039**	**79,913,532**	**14,352,313,528**
DEPRECIATION									
At July 1, 2023	2,374,023,971	3,934,148,032	682,352,488	440,790,173	47,483,833	186,767,066	118,188,459	-	7,783,754,023
Charge for the year	144,298,130	348,536,377	13,278,878	13,761,029	4,678,479	3,945,766	8,055,646		536,554,305
Transfer of excess Dep on Revaluation	43,075,907	309,386,610							352,462,517
At June 30, 2024	**2,518,322,101**	**4,282,684,410**	**695,631,366**	**454,551,202**	**52,162,312**	**190,712,832**	**126,244,105**	**-**	**8,672,770,846**
NBV									
At June 30, 2024	**2,897,340,912**	**2,872,208,928**	**39,836,635**	**42,900,988**	**33,510,741**	**9,291,531**	**57,001,934**	**79,913,532**	**5,679,542,683**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

	2024 Kshs	2023 Kshs
COST		
At July 1	239,232,771	234,947,771
Additions		4,285,000
Disposals		(-)
At June 30th	239,232,771	239,232,771
AMORTISATION		
At July 1	236,257,077	234,784,935
Charge for the year	991,898	1,472,142
Disposals		(-)
Impairment loss		(-)
At June 30th	237,248,975	236,257,077
NET BOOK VALUE		
At June 30th	**1,983,796**	**2,975,694**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

	2024 Kshs	2023 Kshs
Opening valuation	307,500,000	307,500,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note18)	-	-
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 30th	307,500,000	307,500,000
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LEASEHOLD LAND

	2024 Kshs	2023 Kshs
COST		
At July 1	3,810,925,307	3,810,925,307
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	3,810,925,307	3,810,925,307
AMORTISATION		
At July 1	(505,733,845)	(465,808,241)
Charge for the year	(4,232,031)	(4,232,031)
Excess Depreciation on Revaluation	(35,693,573)	(35,693,573)
Disposals	-	-
At June 30	**(545,659,449)**	**(505,733,845)**
NET BOOK VALUE		
At June 30	**3,265,265,858**	**3,305,191,462**

17 INVESTMENT

	2024 Kshs	2023 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		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Uchumi Supermarket	100	0	100	8.41	6,456,475	6,456,475
	100	**0**	**100**	**8.41**	**6,456,475**	**6,456,475**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

	2024 Kshs	2023 Kshs
Finished Product	749,484,312	410,714,723
Work in Progress	4,236,082	5,049,374
Production Materials	214,421,372	259,300,209
Engineering Stores	540,972,818	533,577,503
Furnace oil, Gases and Lubricants	11,499,716	14,980,566
Motor vehicle spare parts	21,356,490	18,625,177
Stationery and general stores	19,553,112	14,876,325
	1,561,523,902	**1,257,123,877**

19 (a) TRADE AND OTHER RECEIVABLES

	2024 Kshs	2023 Kshs
Trade receivables	956,431,838	919,478,341
Deposits and prepayments	264,324,816	257,972,181
VAT recoverable	774,870,545	515,688,227
Staff receivables	3,873,936	4,046,905
Chaka Property sale	-	-
Other Receivables	-	12,098
Rent Customers-Commercial	-	12,000,050
Other: Provision for bad and doubtful receivable	(578,179,164)	(368,848,619)
Net trade and other receivables	**1,421,321,970**	**1,340,349,184**

19 (b) TRADE RECEIVABLES

	2024 Kshs	2023 Kshs
Gross trade receivables	956,431,838	919,478,341
Provision for doubtful receivables	(573,858,219)	(364,527,674)
	382,573,619	**554,950,667**
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	91,206,114.53	162,484,223
Between 30 and 60 days	20,990,283.42	8,170,631
Between 61 and 90 days	3,520,615.54	3,631,885
Between 91 and 120 days	5,624,235.32	2,568,553
Over 120 days	261,232,370.19	378,095,375
	382,573,619	**554,950,667**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

	2024 Kshs	2023 Kshs
Gross staff debtors	3,873,936	4,046,905
Provision for impairment loss	(4,320,945)	(4,320,945)
	(447,009)	(274,040)
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20 TAX RECOVERABLE/PAYABLE

	2024 Kshs	2023 Kshs
At beginning of the year	(2,160,521)	(266,520)
Income tax charge for the year	(3,329,929)	(3,438,607)
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	1,534,606
At end of the year	**(5,490,450)**	**(2,160,521)**

21 SHORT TERM DEPOSITS

	2024 Kshs	2023 Kshs
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
	-	-

22 BANK AND CASH BALANCES

	2024 Kshs	2023 Kshs
Cash at bank	25,675,306	193,156,174
Mpesa Utility	-	7,459,130
Cash in hand	715,576	1,049,006
	26,390,882	**201,664,310**

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	2023-2024 Kshs	2022-2023 Kshs
I. **Current account(Overdraft)**			
Cooperative Bank		(499,640,584)	(561,521,618)
Total		**(499,640,584)**	**(561,521,618)**
II. **Current Account Cash Balances**			
Kenya Commercial bank		14,560,450	190,491,335
Equity Bank		3,884,254	1,426,958
Standard Chartered Bank		3,700,295	841,736
CFC Stanbic Bank		359,255	395,695
Cooperative Bank USD A/c		3,171,052	451
Sub- total		**25,675,306**	**193,156,174**
a) Others(specify)		-	-
cash in hand		715,576	1,049,006
M pesa		-	7,459,130
Sub- total		**715,576**	**8,508,136**
Total		**26,390,882**	**201,664,310**

23 ORDINARY SHARE CAPITAL

	2024 Kshs	2023 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 kshs 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

	2024 Kshs	2023 Kshs
Balance at beginning of the year	641,643,368	635,921,061
External borrowings during the year		-
Domestic borrowings during the year	635,999,489	208,695,731
Repayments of external borrowings during the year		-
Repayments of domestics borrowings during the year	(197,572,752)	(202,973,424)
Balance at end of the year	**1,080,070,106**	**641,643,368**
Less: Amounts due within one year (current portion)	**388,787,243**	**201,027,203**
Amounts due after one year (non-current portion)	**691,282,862**	**440,616,166**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b)BORROWINGS (Continued)

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

	2024 Kshs	2023 Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	635,999,489	-
Loan - Stanbic Asset finance facility		-
Loan - Co-operative Bank Asset Finance	244,053,078	361,643,368
Long Term Loan (co-op Bank)-Restructured	200,017,539	280,000,000
Total balance at end of year	**1,080,070,106**	**641,643,368**

28 DEFERRED TAX ASSET

Deferred tax is provided using the asset 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).

	2024 Kshs	2023 Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	(157,731,145)	**122,532,133**
Credit to revaluation reserve		
Under provision in prior year		-
Income statement charge/(credit)	(602,213,676)	(280,263,278)
Balance at end of the year	**(759,944,821)**	**(157,731,145)**

29 TRADE AND OTHER PAYABLES

	2024 Kshs	2023 Kshs
Trade payables	2,460,221,056	2,655,665,479
Accrued expenses	130,411,087	122,525,153
Other payables	652,491,074	210,969,785
	3,243,123,217	**2,989,160,418**
	=====	=====

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:

	2024 Kshs	2023 Kshs
Gratuity for senior management	**49,561,276**	**59,428,814**

The report from the administrator for the defined benefits scheme as at 31st Dec 2023 is as follows:

	2024 Kshs	2023 Kshs
Valuation at the beginning of the year	**883,504,363**	**851,532,899**
Changes in valuation during the year	32,496,551	31,971,464
Valuation at end of the year	**916,000,914**	**883,504,363**

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 to a maximum of Kshs.2,160 per employee per month.

31 PROVISION FOR LEAVE PAY

	2024 Kshs	2023 Kshs
Balance at beginning of the year	25,578,233	27,427,014
Decrease/Increase in provision at end of year	1,163,696	398,145
Leave paid out or utilized during the year		(2,246,926)
Balance at end of the year	**26,741,929**	**25,578,233**

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.

	2024	2023
	Kshs	Kshs
Year 2024	-	-
Year 2023	-	-
Balance at end of the year	-	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

	2024 Kshs	2023 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(1,935,264,948)	(818,583,411)
Depreciation/Amortization	536,549,462	556,995,536
Amortisation	5,223,929	-
(Gain)/loss on revaluation		-
Operating profit/(loss) before working capital changes	(1,393,491,557)	(261,587,875)
(Increase)/decrease in inventories	(304,397,234)	131,464,825
(Increase)/decrease in trade and other receivables	80,972,786	545,807,577
(Increase)/decrease in tax recoverable		-
Increase/(decrease) in tax payable		-
Increase/(decrease) in trade and other payables	253,962,799	504,033,379
Increase/(decrease) in retirement benefit obligations	(9,867,539)	(3,120,387)
Increase/(decrease) in provision for staff leave pay	1,163,696	(1,848,780)
Increase/(decrease) in Bank Overdraft	(61,881,033)	4,417,856
Cash generated from/(used in) operations	(1,595,483,654)	919,166,595
	====	====
(b) Analysis of changes in loans		
Balance at beginning of the year	641,643,368	635,921,061
Receipts during the year	635,999,489	208,695,731
Repayments during the year	(197,572,752)	(202,973.425)
Repayments of previous year's accrued interest		(-)
Foreign exchange (gains)/losses		-
Accrued interest		-
Balance at end of the year	1,080,070,106	641,643,368
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	25,675,306	193,156,174
Cash in hand	715,576	1,049,006
Mpesa Collection Utility Account	-	7,459,130
Balance at end of the year	**26,390,882**	**201,664,310**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2024 Kshs	2023 Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	97,391,397	82,932,977
Interest on bank overdraft (note 10)	86,169,054	59,855,168
	183,560,451	**142,788,145**
Interest on loans capitalized	97,391,397	82,932,977
Balance at beginning of the year	635,999,489	635,921,062
Balance at end of the year (note 36(b))	1,080,070,106	641,643,368
Interest paid	97,391,397	82,932,977
		=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-
	=====	=====

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

	2024 Kshs	2023 Kshs
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	**700,000,000**	**700,000,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2024 Kshs	2023 Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
	=====	=====
b) Grants from the Government		
Grants from National Govt	700,000,000	700,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	700,000,000	700,000,000
	=====	=====
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	26,414,568	13,661,333
Compensation to the CEO	9,971,600	9,971,600
Compensation to key management	60,557,287	76,515,918
Total	**96,943,455**	**100,148,851**

35 CAPITAL COMMITMENTS

	2024 Kshs	2023 Kshs
Amounts authorized and contracted for	546,240,000	470,400,000
Less: Amounts incurred and included in work-in-progress	(79,913,532)	(98,769,116)
	466,326,468	**371,630,884**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2024 Kshs	2023 Kshs
Legal claims against the *entity*	82,680,317	58,759,121
	82,680,317	**58,759,121**

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:

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 2024				
Receivables from exchange transactions	956,431,838	345,149,974	421,557,742	189,724,122
Receivables from non-exchange transactions	774,870,545	774,870,545	-	-
Bank balances	25,675,306	25,675,306	-	-
Total	**1,756,977,689**	**1,145,695,825**	**421,557,742**	**189,724,122**
At 30 June 2023				
Receivables from exchange transactions	919,478,341	747,225,772	461,744,978	172,252,569
Receivables from non-exchange transactions	515,688,227	515,688,227	-	-
Bank balances	201,664,310	201,664,310	-	-
Total	**1,636,830,878**	**1,464,578,309**	**461,744,978**	**172,252,569**

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)

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 2024				
Trade payables	467,895,362	249,260,914	510,330,979	1,227,487,255
Current portion of borrowings	-	-	388,787,243	388,787,243
Provisions	-	-	209,330,545	209,330,545
Deferred income	-	-	-	-
Employee benefit obligation	-	-	49,561,276	49,561,276
Total	**467,895,362**	**249,260,914**	**1,158,010,043**	**1,875,166,319**
At 30 June 2023				
Trade payables	575,942,608	642,599,930		1,218,542,538
Current portion of borrowings	-	-	1,203,164,986	1,203,170,733
Provisions	-	-	168,000,000	168,000,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	59,428,814	59,428,814
Total	**575,942,608**	**642,599,930**	**1,430,593,800**	**2,649,142,085**

(iii) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2024			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2024			
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	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024			
Euro	10%	-	-
USD	10%	-	-
2023			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

At 30 June 2024	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 2023				
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 2024				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	-	-	-	-
	=======	========	=======	=======
At 30 June 2023				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
	========	=======	========	=======

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

b) Financial instruments not measured at fair value

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2023-2024 Kshs	2022-2023 Kshs
Revaluation reserve	4,601,172,806	4,989,328,896
Retained earnings	(869,382,343)	659,282,113
Capital reserve	547,028,870	547,028,870
Grant from Government	3,146,483,491	1,888,340,538
Total funds	**7,425,302,824**	**8,083,980,417**
Total borrowings	1,080,070,106	1,203,170,733
Less: cash and bank balances	(473,249,703)	(201,664,310)
Net debt/(excess cash and cash equivalents)	606,820,403	1,001,506,423
Gearing	**8.2%**	**12.8 %**

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).

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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)*
	The statement of financial position reflects balances of KSHs. 307,500,000 and KSHs. 3,305,191,462 in respect to free hold land and leasehold land, respectively as disclosed in disclosed in Notes 15 and 16 to the financial statements. However, the ownership documents for land measuring four(4) acres donated to the Company by Igento Farmers' Cooperative Society for the establishment of a milk processing plant in Igembe Central, Meru County were not provided for audit.	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 working closely with NLC to register and issue titles for these parcels.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	Further, the value of four (4) other parcels of land, was not disclosed in the financial statements while another seventeen(17) disputed parcels of land and which had not been valued were registered in the names of third parties. The legal status of the properties had not been determined. Although, Management explained that the Company	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. Our legal team is working closely with NLC to register and issue titles for these parcels.	Ms. Irene Mbito, Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing

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)*
	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 Miritini 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.	The legal suit is still active and pending determination. However, we will be seeking National Government intervention to reclaim back the land.	Ms. Irene Mbito, Company Secretary and Chief Manager Legal Services	Not Resolved	Ongoing Court Case
	As disclosed in Note 19(a) to the financial statements, the statement of financial position reflects trade and other receivables balance of KSHs. 1,340,349,184. However, review of the trade receivables analysis and related revealed the following anomalies;	Debt largely relate to dormant Tuskys balance and government institutions as they rely solely on ex-chequer reimbursement, which has delayed disbursement to these entities thereby resulting in highly aged debts.For Tuskys case, its an ongoing court case	Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing	Partially Resolved	On going

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)*
	i.) The balance includes trade customers amounting to Kshs 919,478,341 out of which Kshs 378,095,375 has been outstanding for more than 120 days.	Issue being followed up by Nkcc Legal office.			
	ii.) Further,the balance includes insurance debtors of Kshs 190,106,675 which relates to claims which have not been settled by the Company's insurers.	The necessary claims for compensation for Ksh 190,106,675 has been lodged with the insurance company. New Kcc has undertaken follow-ups for full compensation.	Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing	Partially Resolved	On going
	iii.) The company has made a provision of bad and doubtful debts of KSHs.368, 848,619. However, the provision may not be adequate given the trend of retail sector which is predominantly supermarkets which afre unregulated.In the circumstances, the accuracy and completeness of trade and other receivables balances of KSHs.1, 340,349,184 could not be confirmed.	The basis of the provision for bad debts is the current business realities affecting the retail sector. On annual basis we analyse the pending trade debtors per category, which informs the proportion of the debt to be provided for and subsequent approval by the board of directors.	Mr Samuel Ichura. Chief Manager Finance	Partially Resolved	On going

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)*
	Note B(i) to the financial statements indicates that the Company recorded a loss before tax of Ksh 717,124,718. Further, the Company's current liabilities exceeded the current assets by Ksh 1,039,739,436 an indication of negative working capital. The statement of financial position reflects trade and other payables balance of Ksh 2,989,160,418 as disclosed in Note 29 to the financial statements. However, included in this balance is Ksh 363,191,729 which was overdue for over 120 days. Failure to settle debts when they fall due may attract interest and may also affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.	Material uncertainty related to going concern disclosed under Statement of directors responsibilities-page xxxi and Note to Financial statements under statement of compliance and basis of preparation on page 7&8. This is largely because of cashflow constraints, due to delay in payment by government institutions. De, New KCC Management is constantly following up these debts through parent ministry and debt collectors.	MD	Not Resolved	Ongoing

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)*

Ag. Managing Director(Samuel Ichura)

Date 30/09/2024

Chairman of the Board(Mr. David Maina Kamiru)

Date

XXI. CAPITAL PROJECTS UPDATE AS AT 30TH JUNE 2024

No.	LOCATION	PROJECT	BENEFITS	TOTAL PROJECT COST (KSHS)	COMPLETION % AS AT 31st March 2024	STATUS
1	Kericho	NKCC/T/080/2019-20. Design and Construction of Sales Depot	Enhancement of finished products storage capacity	33,570,400	95%	• Nearing completion
2	Kericho	NKCC/T/052/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility	7,949,142	75%	• Equipment delivered, awaiting installation
3	Nakuru	NKCC/T/053/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system	9,775,888	100%	• Equipment supplied, installed, commissioned and handed over.
4	Kisumu	NKCC/T/054/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system	8,996,300	75%	• Goods delivered to site. Awaiting installation
5	Nyambene	NKCC/T/026/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility	7,230,657	98%	• System trial runs ongoing

XXII. APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:	NEW KCC LTD		
	Break down of Transfers from the State Department of Co-operatives			
	FY 2023/2024			
a.	**Recurrent Grants**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		24.11.2023	500,000,000	2024
		28.12.2023	400,000,000	2024
		29.05.2024	600,000,000	2024
		Total	**1,500,000,000**	
			-	
		Total	-	
b.	**Development Grants**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
c.	**Direct Payments**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
d.	**Donor Receipts**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	

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

Finance Manager New Kcc Ltd	Head of Accounting Unit State Department of Cooperatives
Sign-------------	Sign--------------

II. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOV'T 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					
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Cooperatives & MSMES		Development	-	-	-	-	-	-	-
		Recurrent	1,500,000,000						1,500,000,000
Total			**1,500,000,000**	-	-	-	-	-	**1,500,000,000**