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, 2020

REGISTERED TRADE MARK

NEW KENYA CO-OPERATIVE CREAMERIES LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a)Background information

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

(a) Principal Activities

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

(b) Directors

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

1.	Dr. Ignatius Kahiu	Chairman	Appointed on 3rd May 2019
2.	Mr. Nixon Sigey	Managing Director	Appointed on 1st Jan 2015
3.	Mr. Edward Gacau Kariuki	Director	Appointed on 14th Dec 2018
4.	Dr. Christopher Ayienda	Director	Appointed on 20th Sept 2018
5.	Ms. Mary Cherono Chebet	Director	Appointed on 20th Sept 2018
6.	Ms. Alphina Bwaley Kisorio	Director	Appointed on 3rd May 2019
7.	Mr. Yasir Noor	Director	Appointed on 20th Sept 2018
8.	Mr. David Maina Kamiru	Director	Appointed on 3rd May 2019
9.	Ms. Jane Wambugu	Director	Alternate to Principal Secretary, National Treasury
10.	Mr. Julius Kiptarus	Director	Alternate to Principal Secretary, Ministry of Livestock and Fisheries Development. He left on 20th Mar 2020.
11.	Mr. Javel Murira	Director	Alternate to Principal Secretary, Ministry of Industry, Trade and Co-operatives
12.	Dr. Josiah Odhiambo Owino	Director	Left on 20th Mar 2020.

(c) Entity Headquarters

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

(d) Entity Contacts
Telephone: +254 020 3980000
E-mail: info@newkcc.co.ke
Website: www.newkcc.co.ke

(e) Entity Bankers

1. Co-operative bank of Kenya limited
   Industrial Area Branch.
   Nanyuki road
   P.O. Box 18119- 00500
   Nairobi.

2. Kenya commercial bank limited
   Industrial Area Branch.
   P.O. Box 18031-00500
   Nairobi.

3. Standard chartered Bank of Kenya Limited
   Industrial Area Branch.
   P.O. Box18081-00500
   Nairobi.

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

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

(f) Independent Auditors
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(g) Principal Legal Adviser

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

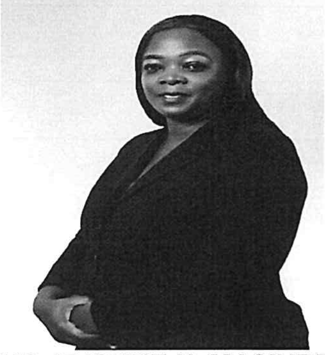
2. Onyinkwa & Co. Advocates,
   Sakong House, 1st Floor,
   PO.Box 2052-30100,
   Eldoret.

II. THE BOARD OF DIRECTORS

 **DR. IGNATIUS KAHIU-CHAIRMAN**	DR. IGNATIUS KAHIU was appointed as the Chairman of the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds a Bachelor's degree in Veterinary Medicine and a Master's of Science degree in Organizational Development. For over three decades, he has demonstrated sound leadership, management and technical experience, overseeing donor-and public-funded programs that improve economic and social well-being, natural resource management, livestock productivity, value chains and food security in Kenya and East Africa. In his work, he has developed strong relationships with communities, the government, and the private sector, as well as with USDA and USAID.
 **MR.NIXON SIGEY**	Mr. Nixon Sigey born on 1st January 1970 was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-five (25) years working experience in Public Service, ten (13) of which have been in Senior Management. Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management.
 **DR. JOSIAH BOB AJOSO ODHIAMBO OWINO**	DR. JOSIAH BOB AJOSO ODHIAMBO OWINO was appointed to the Board of New Kenya Co-operative Creameries on 20th September, 2018. He holds Bachelor's degree in Veterinary Medicine with experience in sales and marketing and is a certified trainer. He has over Thirty years' experience in undertaking projects related to community based livestock improvement, working on both Government and Private Sector Donor funded programs in addition to initiating and running several businesses in the Livestock sector. He exited the Board on 20th March 2020

 **MR. EDWARD GACAU KARIUKI**	MR. EDWARD GACAU KARIUKI was appointed to the Board of New Kenya Co-operative Limited on 14th December, 2018. He holds a Bachelor of Laws degree and is an Advocate of the High Court of Kenya. He has over twenty years' experience in the areas of Constitutional and Administrative Law, Conveyancing, Commercial Banking and Insurance law and Legal Advisory and consultancy Services. He offers legal guidance to the NKCC Board.
 **DR. CHRISTOPHER MAKWORO AYIENDA**	DR. CHRISTOPHER AYIENDA was appointed to New KCC Board of Directors on 20th Sept 2018. Dr. Ayienda holds a Doctorate in Educational Research and Evaluation and has worked as a Senior Lecturer in various Universities within the East African Region. He has a wealth of experience in the fields of Education, Project and Human Resource Management.
 **MS. MARY CHERONO CHEBET**	MARY CHERONO CHEBET was appointed to the Board of New Kenya Co-operative Creameries Limited on 20th September, 2018. She is an experienced teacher and a community leader in the dairy farming industry in Trans Nzoia District with experience in project planning and management.
 **MR. JULIUS KIPTARUS**	MR. JULIUS KIPTARUS is an alternate Director of New KCC Ltd following his appointment in 2006 by the then Principal Secretary, Ministry of Livestock and Fisheries Development. He has over thirty (30) years' experience in Livestock Development, Policy Formulation, Leadership and Management. Mr. Julius Kiptarus hold a Bachelor's Degree from University of Nairobi and Master Degree from Wageningen Agricultural University, Netherlands. He exited the board on 20th March 2020

 **MS. ALPHINA BWALEY KISORIO**	MS. ALPHINA BWALEY KISORIO was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. She holds a Master's degree in Business Administration and is a Trained Counselling Psychologist and Certified Professional Mediator. She has over Thirty years' experience in the banking sector and currently practices as a Counselling Psychologist and Professional Mediator.
 **MR. YASIR NOOR**	MR. YASIR NOOR was appointed to New KCC Board of Directors on 20th Sept 2018. He is a Business man in the Coastal region of Kenya with an interest in Sales and Marketing. He is keen to enhance the growth and sustainability of New KCC.
 **MR JAVEL MURIRA**	MR. JAVEL MURIRA was appointed to the Board of New Kenya Co-operative Limited on 11th December, 2018 as an Alternate Director representing the Ministry of Industry, Trade and Co-operatives. He holds a Master's degree in Business Administration and is a Certified Public Accountant. He has over 25 years' experience as an Auditor in the Public sector and is member of the Institute of Certified Public Accountants of Kenya and Institute of Internal Auditors.
 **MR. DAVID MAINA KAMIRU**	MR. DAVID MAINA KAMIRU was appointed to the Board of New Kenya Co-operative Creameries on 3rd May 2019. He holds Bachelor's degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years experience in sales and marketing with primary focus in fast moving consumer goods.



MS. YVONNE N. MASINDE

AG. CHIEF MANAGER LEGAL AFFAIRS & COMPANY SECRETARY

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

III. CONSTITUTION OF BOARD COMMITTEES 2020

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE		MR. YASIR NOOR
		MR. EDWARD GACAU
		MS. MARY CHERONO CHEBET
		MANAGING DIRECTOR
MARKETING & LOGISTICS COMMITTEE	MR. YASIR NOOR	MR. DAVID MAINA
		DR. CHRISTOPHER AYIENDA
		MR.DAVID OBONYO
		MANAGING DIRECTOR
FINANCE & GENERAL PURPOSES COMMITTEE	MR. EDWARD GACAU	ALBINA KISORIO
		MRS.JANE WAMBUGU
		MS. MARY CHERONO CHEBET
		MANAGING DIRECTOR
AUDIT COMMITTEE	DR. CHRISTOPHER AYIENDA	MRS.JANE WAMBUGU
		MR.DAVID OBONYO
		MR. DAVID MAINA
		ALBINA KISORIO

IV. MANAGEMENT TEAM

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

DR. MAGDALENE MUTHOKA

CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION

Dr. Muthoka born on 31st December 1973 and holds a PhD. (Human Resource Management), Master of Science (Human Resource Management), Bachelor of Commerce degree (Accounting Option) and Post Graduate Diploma in Human Resource Management and has also undertaken CPA (III-5).

Ms. Muthoka has over twenty (20) years' experience in Human Resource Management and Finance.

DR. JAMES GATERU

CHIEF MANAGER SALES AND MARKETING

Dr. Gateru was born on 20th Nov 1969 and holds a PhD. (Strategic Management), Master of Business Administration Degree in Strategic Management and a Bachelor of Commerce Degree (Business Administration Option).

He also holds a Practitioners Diploma in Sales & Marketing and Certified Public Accountant - CPA (I).

MR. SAMUEL ONYANGO

HEAD OF ICT

Eng. Onyango was born on 22nd June 1977 and holds a Bachelor of Science degree in Electrical & Electronic Engineering and is currently pursuing a Master of Business Administration from London School of Business.

Eng. Onyango is a Qualified Enterprise Resource Planning Applications expert (Sage ACCPAC, Systems Applications Product SAP), ITIL v3 (Information Technology Infrastructure Library), CCNA (Cisco Certified Network Associate) and Certified Project Manager (Prince).

Sam has over 15 years' experience in information communication and technology.

MS. STACY TOO

HEAD OF CORPORATE AFFAIRS

Ms. Stacy Too was born on 15th November 1970 and holds a Bachelor's Degree in Public Administration and Social Work.

Ms. Too also has a Practitioner's Diploma in Marketing as well as a Diploma in Personnel Management & Industrial Relations.

 **MR. ANTHONY KINOGU**	**HEAD OF QUALITY ASSURANCE** Mr. Anthony Kinogu born on 25th July 1975 was first employed by New KCC on 1st October 2004 as Quality Control Supervisor. He holds Bachelor of Food Science & Technology degree and a Master of Business Administration Degree. He has over 14 years working experience working with New KCC
 **MR. MARUSOI BURGOH**	**AG. CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE** Mr. Marusoi Burgoh was born on 11th October 1979 and holds a Bachelor of Commerce Degree (Accounting Option). He is a Certified Public Accountant with over ten (10) years of experience in Internal Audit.
 **ENG. PETER KIBOI**	**HEAD OF ENGINEERING** Eng. Peter Kiboi was born on 2nd August 1962 and holds a Bachelor of Science degree in Electrical Engineering as well as a Certificate in Total Maintenance Management from SIDA. Eng. Kiboi has over 30 years' experience in plant engineering and is currently pursuing a Master of Science degree in Energy Management
 **MS. SHEILA AKALA**	**AG. HEAD OF PROCUREMENT** Ms. Sheila Akala born on11th December 1981 and holds a Master of Science (Procurement and logistics) and a Bachelor of Commerce (Management Science). She is a Licensed Supplies Practitioner by the Kenya institute of supplies and management (KISM), Member of Kenya institute of supplies and management (KISM), and Member of the Chartered Institute of Purchasing and Supplies (MCIPS) Ms. Sheila Akala has over 15 years work experience in Public Procurement and Supply Chain Management.

 MS. YVONNE N. MASINDE	**AG. CHIEF MANAGER LEGAL AFFAIRS & COMPANY SECRETARY** Ms. Yvonne N. Masinde was born on 30th September 1978. she was first employed by New KCC as Legal Affairs Manager on 1st February 2017. She holds a Bachelor of law degree; Post graduate diploma in Law and she is a Certified Public Secretary. Has 10 years' work experience as legal officer.
 MR. PHILIP PYEKO	**HEAD OF RAW MILK & EXTENSION SERVICES** Mr. Philip Pyeko born on 9th May 1977 was first employed by New KCC on 17th October 2005 as Production Supervisor. Holds Bachelor of Science degree in Food Science & Technology. He has over 12 years work experience working with New KCC in different capacities.

V. CHAIRMAN'S STATEMENT

The 2019/2020 Financial Year was one of mixed fortunes as the company began the year on a steady foot, registering growth and impressive returns but had like the rest of the world, contend with the global COVID-19 pandemic.

This financial year, in line with our commitment to serving dairy farmers in Kenya who are our key partners and stakeholders as the source of our raw material, we continued to expand our capacity and presence in response to their needs. The ongoing construction of our newest facility, Nyambene Milk Plant in Meru County at cost of Sh250M and funded by the National Government is one such milestone accomplishments and on completion, the facility will serve the dairy farmers in Meru and surrounding regions
Our dairy farmers remain an integral part of our operations, and New KCC has continued to invest in both local and international training programs and conferences to enable them acquire knowledge on best farming practices and feed management in order to improve production both in quality and quantity. New KCC has continued to offer competitive farm gate prices, make timely payments as well as enhanced extension services programs along the farm value chain.

Ours is a dynamic business, and we are grateful to the National Government and all our stakeholders along the value chain who continue to work with us to find lasting solutions to the issues affecting the industry such as the proliferation of cheap milk imports that negatively impacted the local industry all the way to the farm level. We note with appreciation the President's directive to release Kshs 500 Million that went towards boosting milk pay out to farmers and facilitate mopping up of excess milk from the market.

In Appreciation

Our progress thus far has been as a result of a collective effort from various players, with a shared vision of a thriving company.

On behalf of the Board of Directors of New KCC, I wish to acknowledge the support we continue to receive from the National Government, County Governments, and the Ministry of Agriculture, Livestock and Fisheries.

Our sincere gratitude also goes to the staff and management for their relentless efforts in steering the company even to profitability through the Covid-19 crisis when most businesses could not survive the pandemic.

Dr. Ignatius Kahiu
Board Chairman

VI. REPORT OF THE MANAGING DIRECTOR

I am delighted to present you the financial report for the 2019/2020 Financial year, during which the company was able to register commendable growth and set new goals for the future, all this in spite of the unforeseen challenges brought upon by the COVID-19 pandemic.
We are pleased to report that with our sales turn-over topping 8 billion, our pre-tax profits grew by 75% for the 2019/2020 financial year.

The favourable weather conditions coupled with a robust extension services program saw our milk intake grow from 102M to 123M litres, and milk pay out top Sh4.3B up from the Sh4.1B paid out in the previous financial year.

This year marks the third year since we embarked on an ambitious billion-shilling modernisation program that started in 2017 and which aims to increase capacity and enhance efficiency across all our processing facilities. In July 2019, we were pleased to host H.E President Uhuru Kenyatta as he commissioned Dandora Factory, the third factory to be successfully modernized and commissioned. In place are plans to commission Nyahururu Factory as soon as the pandemic is over. Meanwhile, works are at an advanced stage in our other facilities of Kiganjo where we are installing a complete milk processing line and also working towards the production of full cream camel milk powder. Kitale and Miritini Factories are also undergoing facility upgrades and installation of new machinery.
We were also pleased to host his H.E President Uhuru Kenyatta for the laying of the foundation stone for the construction of the newest milk facility, the Nyambene Milk Plant, which on completion will be able to handle 100,000 liters of raw milk per day.

Our continued investment in our facilities to grow capacity is informed by our belief that the partnerships we have forged with our farmers over the years has served to give them the much needed confidence to boost production at the farm level with the assurance of a ready market for their produce. Our commitment to quality across our processes in our branch network remains paramount, and this has seen all our processing facilities successfully maintain the ISO 22000:205 Certification for Food Safety Management Systems and will begin the process of transitioning to ISO 22000:2018. The modernization and processing facilities upgrading program not only enabled us to enhance efficiency and increase our processing capacity but also add to our range of quality products, by providing products that are not only innovative but also affordable.

In November 2019, in response to demand by a market segment, the lactose intolerant consumers, the company introduced its 100% Gold Crown Lactose Free Milk, which has been received with much enthusiasm and has deservedly taken its place as the preferred friendly milk option not only because of its superior quality and affordable pricing but also with the latest technology in lactose free milk.
We also introduced the Delite Natural sugar-free yoghurt to cater for an ever-growing health conscious consumer base, and also enhanced our mala packaging with the introduction of user- friendly Tetra Rex (TR) and Bottled Mala packaging.

With a work-force of almost 2,000 staff, the company has invested in training and capacity building of its staff at all levels of the organisation, transferring skills and knowledge to fit an ever-changing business environment.

As a state corporation, we also ensured that we complied with all the statutory and regulatory requirements, including reserving 30% our budget for procurement opportunities for youth, women and PWDs as set out in the PPAD Act 2015, and which translated to Kshs 313M, far surpassing the set target of Kshs 220M for the year under review.
Under the 'Buy Kenya, Build Kenya Initiative', New KCC awarded procurement contracts valued at Kshs 4.0B for various goods, works & services to local suppliers, thereby meeting the 40% threshold, while also at the same time, outpacing the set target of Kshs 1.8B for the 2019/2020 FY.
As a customer-oriented organization, we have dedicated ourselves to affording our customers' and stakeholders with quality service before, during and after their requirements are met. Our customer interaction is supported by an active online social media presence on our official Facebook page, Twitter handle (@newkcckenya), dedicated SMS and WhatsApp numbers for real time engagement and Company website. In addition, is a dedicated customer service desk, all of which serve to enhance our customers' and stakeholders' experience. Our complaint handling procedures infrastructure has also seen the company at the close of each financial year, including the one under review, consistently receive a certificate of compliance with a 95+ score from the Commission on Administrative Justice on Resolution of Public Complaints and Access to Information.

Strategic Pillars and Objectives
New Kenya Co-operative Creameries (NKCC) has four strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:
- Pillar 1: Increase Market Share to 40%
- Pillar 2: Increase productivity with an annual growth rate of 20%
- Pillar 3: Increase profit before Tax by 45% annually
- Pillar 4: Nurture a high performance corporate culture

NKCC develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The NKCC achieved its performance targets set for the FY 2019/2020 period for its four strategic pillars, as indicated in **Appendix IV.**

Acknowledgement
I remain proud of the continued support from all our stakeholders, both within and without the company, whose cooperation and commitment has proved invaluable to our continued success. I am particularly grateful for the support that we have received from the National Government through our parent Ministry, whose support and confidence in the viability and continued growth and success of New KCC, is a key success factor in the realization of our strategic goals.
I also wish to acknowledge support from various County Governments, Board of Directors, Management and Staff of New KCC whose dedication and commitment were instrumental in the Company's positive showing in delivering 'Life's goodness everyday' and which remains our clarion call going forward.

Mr. Nixon Sigey, MBS
Managing Director

VII. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

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

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

Core Values

- Integrity
- Loyalty
- Innovativeness
- Quality

PART B: Corporate Governance Statements

Introduction

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

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

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

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

Board Composition

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

The Board and its Role

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

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

Board Committees

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

These committees are: -

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

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

1.0 BACKGROUND

We hereby present a progressive report on Financial Results and Report for the Twelve months' period up to 30th June, 2020 Here below are summary highlights from the Financial Statements now being presented for Committee deliberations and directions for Management action.

2.0 TRADING RESULTS

Below is a summary of the company's financial performance for the Twelve months' period ended 30th June, 2020.It highlights the performance of the company in comparison with the set targets and the prior year results.

2.1 Key Highlights

The company registered Kshs. 95 Million pre-tax Profit for the Twelve months' period ended 30th June, 2020 representing a 75% increase compared to the same period last year 2018/19 where the company recorded a pre-tax profit of Kshs 54 M. This performance was however Kshs 512 Million below the budgeted pre-tax profit of Kshs 606 Million.

This was realised due to the following;

i) Savings of about Ksh 31M in relation to energy saving initiatives targeting utilities across the network.
ii) Reduced average price of raw milk procured at Ksh 34.9 per litre compared with targeted price of Ksh 37.9. This translated to a saving of Ksh 369M
iii) Reduced cost of selling and distribution expenses as noted above by Ksh 92M compared with the same period last year.

However, NKCC was able to post positive results despite experiencing the following challenges;

i. Below target sales revenue as a result of stiff competition from cheap products from Uganda which resulted to loss of revenue approximately 20%. About 110M litres were imported from Uganda for the last one year.
ii. Devaluation of products for the period under review as result of cheap imports translating to about 10% margin loss.
iii. Below target rent collections due non responsive 3rd party tenants.
iv. Low market penetration and uptake due to restrictions and effects of COVID-19.

2.1.1 Total Income

From the above, it is noted that the income of the company is below target by Kshs 3.2 Billion. This is attributed to the challenging operating environment in the industry as noted above. As compared to the previous year, the revenue decreased by Kshs 780 Million.

2.1.2 Other Income

Other income relates to rental income, miscellaneous income from sale of scrap, tender fees, piggery and interest income. In the period under review, other income was below target by Kshs 13 Million. As compared to the prior year, the other income increased by Kshs 11 Million.

The restricted Government grant of Kshs 97 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 16 of the reporting standards.

2.1.3 Cost of Production

Production materials like raw milk, packaging materials and direct labour increased during the year. Raw milk cost increased by Kshs 177 Million compared to prior year while packaging materials cost decreased by Kshs 4 Million. Direct and Indirect labour and other overheads decreased by Kshs 41 Million. The increase in the cost of production was occasioned by increase in the volume of milk processed as compared to the prior year. Uptake by the market was proportionally lower as compared to the production levels.

2.1.4 Gross Profit

The company's gross profit margin for the period is below target by 5.1% mainly due to higher cost of production, shortfall in sales revenue as a result of cheap import from Uganda and devaluation of our products in the market. However, compared to the same period last year, the company has gained a margin of 2.3%.

3.0 ANALYSIS OF KEY EXPENDITURES

3.1 Raw Milk

This is one of the key raw materials used by the company and it is the highest cost of production for the entity. During the period ended 31st Mar 2020, raw milk supplied, and the amount paid was as below:

Table 1: Analysis of Raw Milk Intake Figures and Payout Summary for FY 2019/20

Period	Actual Lts 2019/20	Target Lts 2019/20	2019/20 Actual Payout	2019/20 Target Payout	Actual Lts 2018/19	Actual Average cost/Litre(19/20)	Actual Average cost/Litre(18/ 19)
July	11,989,067	10,980,128	470,948,528	412,040,290	7,391,699	39.3	41.9
Aug	12,244,812	10,980,128	447,709,967	423,020,418	8,112,309	36.6	42.0
Sept	12,309,933	11,795,692	429,839,954	442,645,146	7,953,549	34.9	42.6
Oct	13,123,070	13,211,420	416,941,547	495,771,756	9,302,385	31.8	42.8
Nov	12,138,351	13,749,423	357,742,675	515,960,857	9,550,406	29.5	43.3
Dec	10,584,150	14,954,451	315,253,094	561,180,738	11,922,772	29.8	42.3
Jan	10,058,838	11,215,813	339,070,212	437,416,707	14,043,722	33.7	38.0
Feb	9,064,723	8,463,227	335,781,942	321,602,626	10,037,855	37.0	34.7
Mar	8,841,334	7,062,580	325,958,935	268,378,040	6,312,773	36.9	35.8
Apr	8,191,118	8,235,096	306,904,413	309,030,218	4,013,511	37.5	38.4
May	7,484,114	9,607,612	283,030,813	360,535,254	5,763,417	37.8	39.3
June	6,968,235	10,980,128	263,853,803	412,040,291	8,069,208	37.9	40.3
Total	**122,997,745**	**131,235,700**	**4,293,035,883**	**4,959,622,341**	**84,627,470**	**34.9**	**40.2**

The company managed to collect 123 Million litres of milk at an average cost of Kshs 34.9 per litre. The total payout for the period was Kshs 4.3 Billion. The average budgeted price per litre for the twelve months was Kshs 37.9 including transport, chilling and extension services.

SECTION B

Entity's compliance with statutory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

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

SECTION D

Major risks facing the entity

Capital Risk

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

Financial Risk

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

Market risk

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

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

Credit Risk

Credit risk refers to the risk of financial loss to the company arising from a default by counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.
The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by debt control unit.
Trade receivables consist of major players in the dairy industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee is requested.

SECTION E

Statutory/financial obligations

Statutory/financial obligations/contingent liability:						
As At:		**30 Sept**	**31 Dec**	**31 Mar**	**30 Jun**	**Prior Year**
Loan Arrears:	Principal	521,321,311	473,710,980	463,202,127	446,503,689	479,664,296
	Interest	62,558,557	56,845,318	55,584,255	53,580,442	57,559,716
	Total	583,879,686	530,556,298	518,786,382	500,084,120	537,224,012
Statutory Obligations:	NSSF	802,666	823,666	809,066	838,066	754,266
	NHIF	1,848,900	1,873,700	1,796,350	1,881,050	1,753,550
	PAYE.	15,625,944	15,701,149	15,149,642	10,507,579	15,476,070
	Corporate Tax.					-
	Pension.	8,646,421	8,582,500	8,495,029	8,781,326	8,636,114

SECTION F

The entity's financial probity and serious governance issues

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

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In appreciation of our reach in virtually all parts of the country, and as a responsible corporate entity, New KCC endeavours to ensure it has integrated its business operations and guiding values, whereby the interests of all its stakeholders both internal and external and which go beyond our core business are continually reflected in the company's policies, actions and its day to day activities. We are cognizant that like many other business entities, we operate in an environment where socio-economic, political and environmental factors all play an important role in our decision-making process, and our emphasis has been on finding the right balance to build an organization that remains clear on its vision and true to its guiding ideals.

As a company whose raw product depends heavily on the natural environmental conditions, New KCC has embarked on a tree planting exercise in its facilities and has to date planted over seven thousand tree seedlings, and plans to plant an additional ten thousand tree seedlings in the coming financial year. All our products are packed in recyclable material and have outsourced steam generation at our major factories, cutting energy costs by up to 30%.As a responsible corporate entity, we have in place strong human resources systems and structures to ensure that the organization sources and retains the best talent from the market, while internally we continue equipping and enhancing of relevant skills and knowledge through training and performance management to enable us to meet the demand of an ever-changing and competitive business environment. We continue to comply with government contracting requirements on persons living with disabilities (PLWD) and gender mainstreaming. These efforts are geared towards ensuring NKCC remains an equal opportunity employer and therefore the employer of choice.

As a leading entity in the manufacturing sector, the organization has also invested heavily in ensuring that the safety and security of all staff and visitors are meeting the required standards through the implementation of robust OSHA programmers. We continue to engage with the National Government and lawmakers to initiate and pass legislation beneficial to the dairy industry. Among them has been the inclusion of milk powder into the National Strategic Food Reserves and a subsequent Creation of a fund for allocation of funds by the National Government to enable mopping up of excess milk that is then dried to milk powder. 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 and, also available on our digital platforms, is our citizen's service delivery charter that outlines our services and the standards we have committed to uphold while delivering these services to members of the public. 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. New KCC has been an active participant in initiatives aimed at improving the livelihoods of communities wherever it operates in the areas of education, environmental preservation, health, and sports. To this end, we have extended our support in both cash and in-kind towards supporting medical camps, sporting events, environmental clean-up exercises, food drives in times of national emergency and support community based initiatives in empowering different groups e.g. provision of water tanks for milk coolers.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the un -audited financial statements for the year ended June 30, 2020 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, 2020 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	95,379,683
Taxation Charge	(350,977,718)
Profit after Taxation	(255,598,035)

Dividends

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

Directors

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

Auditors

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

By Order of the Board

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

XI. 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, 2020. 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, 2020, 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 9/9/ 2020 and signed on its behalf by:

....

Chairman Managing Director

XII. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of New Kenya Co-operative Creameries Limited set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2020, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion section of my report, financial statements present fairly, in all material respects, the financial position of the New Kenya Co-operative Creameries Limited as at 30 June, 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015.

Basis for Qualified Opinion

Land Ownership and Valuation

As disclosed in Notes 15 and 16 to the financial statements, the statement of financial position reflects Kshs.307,500,000 and Kshs.3,539,990,415 in respect of freehold land and leasehold land, respectively. As previously reported, the ownership documents for twenty-two (22) properties valued at Kshs.853,900,000 were not provided for audit verification.

Further, the value of two (2) disputed properties situated in Upper Hill, Nairobi, which are claimed to have been transferred to third parties, and an additional four (4) other parcels of land have not been disclosed in the financial statements. Another twenty-three (23) disputed parcels of land which had not been valued were registered in the names of third parties. The legal status of the properties had not yet been determined. The Company has initiated legal proceedings with a view to recovering the disputed properties, and has also engaged the National Land Commission and the Ministry of Lands on the matter but no tangible change in status of the parcels of land has been attained so far.

In addition, five (5) acres out of 32.94 acres of the parcel on which Miritini Milk Processing Factory is located had been encroached by informal settlers, some of whom had already built residential and other structures on the land.

In the circumstances, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk and it was not possible to confirm the valuation and ownership of land valued at Kshs.3,847,490,415 in the Company's statement of financial position as at 30 June, 2020.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to report during the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that the internal controls, risk management and governance were not effective.

Basis for Conclusion

Trade and Other Receivables

As disclosed in Note 19(a) to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.2,381,119,660 which constitutes an amount of Kshs.1,677,4222,381 in respect of trade receivables. As previously reported, examination of available documents revealed that the balance of trade receivables of Kshs.1,677,422,381 constitutes amounts owed by five (5) supermarkets as tabulated below, some of which have since stopped operations or are facing closure.

	Supermarkets	Amount Owing (Kshs.)
1	Tuskys Supermarkets Limited	168,339,179.51
2	Uchumi Supermarkets Limited	88,500,034.84
3	Naivas Supermarkets Limited	217,182,935.00
4	Nakumatt Holdings Limited	290,690,273.00
	Total	**764,712,422.35**

Available information indicates that Uchumi Supermarkets Ltd is undergoing receivership proceedings while Nakumatt Holdings Ltd is in liquidation. The status of Tuskys Supermarkets Ltd has not yet been determined and only Naivas Supermarkets Ltd is currently operational. The Company has however, made a provision for bad debts amounting to Kshs.419,438,188 (2019: Kshs.300,139,104).

In view of the above, it has not been possible to confirm whether the Company has an efficient and effective mechanism to monitor debtors as well as a vibrant credit policy on debt management and monitoring.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Qualified Opinion, Other matter and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I report based on my audit, that:

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 October, 2021

XIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 Kshs	2019 Kshs
REVENUES			
Sales/Turnover	1	8,785,182,547	9,623,007,943
Grants from National Government	3	97,538,537	77,555,903
Other Income	4	23,064,800	12,536,616
TOTAL REVENUES		**8,905,785,885**	**9,713,100,462**
Cost of Sales	2	**6,126,269,267**	**7,150,294,101**
OPERATING EXPENSES			
Administration Costs	5(a)	1,055,296,422	877,084,786
Selling and Distribution Costs	6	1,019,677,299	1,057,750,088
Depreciation of property, plant and equipment	13	381,351,210	334,003,324
Amortisation of Intangible Assets	14	78,315,924	77,664,583
Amortization of Leasehold land	16	12,554,824	5,832,363
TOTAL OPERATING EXPENSES		**2,547,195,678**	**2,352,335,144**
OPERATING PROFIT/(LOSS)		**230,920,140**	**210,471,218**
Finance Income	8	29,399,090	796,580
Finance Costs	9	166,340,347	156,695,760
PROFIT/(LOSS) BEFORE TAXATION		**95,379,683**	**54,572,038**
INCOME TAX EXPENSE/(CREDIT)	10	**(350,977,718)**	**(23,993,110)**
PROFIT/(LOSS) AFTER TAXATION		**(255,598,025)**	**30,578,928**
Earnings per share – basic and diluted	11	(4.67)	0.56
Dividend per share	12	(1.31)	0.22

XIV. STATEMENT OF FINANCIAL POSISTION

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	4,200,714,100	4,073,796,762
Intangible assets	14	79,130,100	155,817,671
Leasehold Land	16	3,539,990,415	3,637,573,828
Freehold land	15	307,500,000	307,500,000
Investment property	17	6,456,475	6,456,475
Total Non-Current Assets		**8,133,791,090**	**8,181,144,736**
Current Assets			
Inventories	18	2,850,816,493	1,576,500,693
Trade and other receivables	19	2,381,119,660	2,308,191,509
Tax recoverable	20	233,971	-
Short-term deposits	21	-	6,461,170
Bank and cash balances	22	433,587,452	616,535,009
Total Current Assets		**5,665,757,576**	**4,507,688,381**
Total Assets		**13,799,548,666**	**12,688,833,117**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	5,316,585,036	5,485,235,210
Retained earnings	26	1,605,599,372	1,936,194,617
GOK Grant		2,389,905,560	1,079,944,097
Capital and Reserves		**9,859,118,838**	**9,048,402,794**
Non-Current Liabilities			
Borrowings	27	263,981,498	303,058,797
Deferred tax liability	28	205,065,761	(143,728,676)
Total Non-Current Liabilities		**469,047,259**	**159,330,121**
Current Liabilities			
Borrowings	27	182,175,214	176,605,499
Trade and other payables	29	1,971,163,130	2,003,908,361
Related Party Balances	34	700,000,000	702,995,884
Tax Payable	20		2,477,321
Bank Overdraft	22(a)(I)	533,178,319	504,463,898
Retirement benefit obligations	30	55,985,830	63,323,674
Provision for leave pay	31	28,880,076	27,325,566
Total Current Liabilities		**3,471,382,569**	**3,481,100,203**
TOTAL EQUITY AND LIABILITIES		**13,799,588,666**	**12,688,833,117**

The financial statements were approved by the Board on 9/9/ 2020 and signed on its behalf by:

Managing Director/CEO
Name: DIXON HUEY

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

Chairman of the Board
Name: IGNATIUS KATHE

XV. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2018	**547,028,870**	**5,653,885,384**	-	**1,919,741,505**	-	**957,500,000**	**9,078,155,760**
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	30,578,928	-	-	30,578,928
Capital/Development grants received during the year	-	-	-	-	-	200,000,000	200,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2018	-	-	-	(12,607,883)	(-)	(-)	(12,607,883)
Depreciation Write back on Gov't Grant						(77,555,903)	(77,555,903)
Interim dividends paid – 2018	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2019	**547,028,870**	**5,485,235,210**	-	**1,936,194,617**	-	**1,079,944,097**	**9,048,402,794**
At July 1, 2019	**547,028,870**	**5,485,235,210**	-	**1,936,194,617**	-	**1,079,944,097**	**9,048,402,794**
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(168,650,174)	-	-	-	-	(168,650,174)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(255,598,025)	-	-	(255,598,025)

For the year ended June 30, 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
Capital/Development grants received during the year	-	-	-	-	-	907,500,000	907,500,000
Government Grant-Recurrent						500,000,000	500,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-		-	(-)	-
Dividends paid – 2019	-	-	-	(75,000,000)	(-)	(-)	(75,000,000)
Depreciation Write back on Gov't Grant						(97,537,538)	(97,537,538)
Interim dividends paid – 2019	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2020	**547,028,870**	**5,316,585,036**	-	**1,605,599,372**	-	**2,389,905,560**	**9,859,118,838**

XVI. STATEMENT OF CASH FLOWS

	Note	2020 Kshs	2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	(753,046,827)	846,622,632
Interest received	8	29,399,090	796,580
Interest paid	9	(166,340,347)	(156,695,760)
Dividends paid	33 (e)	(75,000,000)	(12,607,883)
Taxation paid	9	(4,894,573)	(26,872,737)
Net cash generated from/(used in) operating activities		**(969,882,659)**	**651,242,831**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(593,518,485)	(601,433,796)
Net cash generated from/(used in) investing activities		**(593,518,485)**	**(601,433,796)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital		-	-
Proceeds (Repayment) of borrowings	33 (b)	(33,507,584)	(25,221,342)
GOK Grant	3	1,407,500,000	200,000,000
Net cash generated from/(used in) financing activities		**1,373,992,416**	**174,778,658**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(189,408,728)**	**224,587,693**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	**622,996,178**	**398,408,485**
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33 (c)	**433,587,452**	**622,996,178**

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Explanations/Remarks
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Sale of goods	12,126,323,144	-	12,126,323,144	8,785,182,547	(3,341,140,597)	Lower sales volume and Lower Prices than budget due to increase in competition
Sale of services	-	-	-	-	-	
Transfers from the Government	-	-	-	-	-	
Donations in kind					-	
Finance Income	-	-	-	29,399,090	29,399,090	Exchange gain difference recognized as income
Other income	36,000,000	-	36,000,000	120,603,338	84,603,338	Increase due to Gov't Grant dep write back
Total income	**12,162,323,144**	**-**	**12,162,323,144**	**8,935,184,974**	**(3,227,138,170)**	**Due to low sales Revenue**
Expenses						
Compensation of employees	975,477,364	-	975,477,364	749,497,723	225,979,641	Within Budget
Use of goods and services	8,403,714,099	-	8,403,714,099	6,126,269,267	2,277,444,832	Lower Intake of Raw milk
Finance cost	262,800,000	-	262,800,000	166,340,347	96,459,653	Within Budget
Rent paid	-	-	-	-	-	
Taxation paid	-	-	-	-	-	
Other operating Expenses	1,864,085,960	-	1,864,085,960	1,797,697,955	66,388,005	Within Budget
Grants and subsidies paid	-	-	-	-	-	
Total expenditure	**11,506,077,423**	**-**	**11,506,077,423**	**8,839,805,291**	**2,666,272,132**	Within Budget
Surplus for the period	**656,245,721**	**-**	**656,245,721**	**95,379,683**	**(560,866,038)**	

XVIII. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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

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

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

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

ii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 77.6 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 16 of the reporting standards.

iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement on receipt.

vi) **Other income** is recognized as it accrues.

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 of property, plant and equipment

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

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

Freehold land is not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation of property, plant and equipment (Continued)

The revaluation reserve is being amortized annually at a rate of Kshs. 168,650,174 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

d) Intangible assets

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

e) Amortisation intangible assets

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

f) Investment property

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

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

g) Finance and operating leases

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

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.
Lease of land are classified as operating leases. The costs incurred to acquire the land is included in the financial statements as long term prepayments, which is amortized in the profit and loss account on straight line basis over the lease period

h) Fixed interest investments (bonds)

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

i) Quoted investments

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

j) Unquoted investments

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

k) Inventories

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

l) Trade and other receivables

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

m) Taxation

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Cash and cash equivalents

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

o) Borrowings

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

p) Trade and other payables

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

q) Retirement benefit obligations

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

r) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) Exchange rate differences

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

t) Budget information

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

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

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

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

	2020	2019
	Kshs	Kshs
Gross sales of goods	8,878,644,897	9,719,414,903
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(93,462,350)	(96,406,960)
Total	**8,785,182,547**	**9,623,007,943**

2 COST OF SALES

	2020	2019
	Kshs	Kshs
Cost of sales on goods	6,126,269,267	7,150,294,101
Total	**6,126,269,267**	**7,150,294,101**

3 GRANTS FROM NATIONAL GOVERNMENT

	2020	2019
	Kshs	Kshs
Restricted Gov't Grant	97,538,537	77,555,903
Total	**97,538,537**	**77,555,903**

(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	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2018-2019 KShs
Ministry of Trade, Industry& Co-operatives	-	-	907,500,000	907,500,000	200,000,000
Total	**-**	**-**	**907,500,000**	**907,500,000**	**200,000,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

	2020 Kshs	2019 Kshs
Sale of tender documents	23,000	16,000
Rent Income	12,054,297	11,544,828
Other miscellaneous receipts	10,987,503	975,788
Total	**23,064,800**	**12,536,616**

5 (a) ADMINISTRATION COSTS

	2020 Kshs	2019 Kshs
Staff costs (note 5(b)	383,368,794	375,788,950
Directors' emoluments	26,505,873	15,816,526
Electricity and water	5,083,021	4,999,479
Communication services and supplies	12,150,110	11,920,903
Transportation, travelling and subsistence	98,949,751	105,593,968
Advertising, printing, stationery and photocopying	18,017,513	12,704,599
Rent expenses	5,977,048	4,012,362
Staff training expenses	17,243,040	12,111,252
Hospitality supplies and services	15,507,488	11,559,837
Insurance costs	62,984,961	46,934,060
Bank charges and commissions	14,804,459	18,574,431
Office and general supplies and services	1,784,784	2,271,965
Auditors' remuneration	1,849,700	1,800,000
Legal fees	14,891,449	23,094,096
Consultancy fees	6,132,303	(1,388,897)
Repairs and maintenance	4,876,945	5,032,791
Provision for bad and doubtful debts	119,686,584	96,527,719
Other operating expenses	245,482,600	129,730,743
Total	**1,055,296,422**	**877,084,786**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 (b) STAFF COSTS

Salaries and allowances of permanent employees	236,846,954	235,589,600
Wages of temporary employees	13,427,018	13,362,518
Compulsory national health insurance schemes	63,975,069	67,519,760
Compulsory national social security schemes	466,800	442,600
Other pension contributions	10,549,265	10,113,020
Leave pay and gratuity provisions	28,089,317	26,269,923
Staff welfare	30,014,372	22,491,529
Total	**383,368,794**	**375,788,950**
The average number of employees at the end of the year was:		
Permanent employees – Management	275	264
Permanent employees – Unionisable	687	714
Temporary and contract employees	1002	787
Total	**1,964**	**1,765**

6 SELLING AND DISTRIBUTION COSTS

	2020	2019
	Kshs	Kshs
Salaries and wages of sales personnel	366,128,929	359,502,172
Marketing and promotional expenses	150,703,281	108,506,008
Other selling and distribution costs	502,845,089	589,741,908
Total	**1,019,677,299**	**1,057,750,088**

7 OPERATING PROFIT/(LOSS)

	2020	2019
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4(b))	383,368,794	375,788,950
Depreciation of property, plant and equipment	472,221,958	417,500,270
Provision for bad and doubtful debts	119,686,584	96,527,719
Directors' emoluments – fees	26,085,173	15,816,526
Auditors' remuneration - current year fees	1,849,700	1,800,000
- prior year under-provision	-	-
Net foreign exchange loss	-	-
Total	(-)	(-)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINANCE INCOME

	2020 Kshs	2019 Kshs
Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	29,399,090	796,580
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total	**29,399,090**	**796,580**

9 FINANCE COSTS

	2020 Kshs	2019 Kshs
Mpesa Charges	34,061,262	40,855,264
Interest expense on loans	72,397,336	66,995,070
Interest expense on bank overdrafts	59,881,748	48,845,425
Total	**166,340,347**	**156,695,760**

10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

	2020 Kshs	2019 Kshs
Current taxation based on the adjusted profit for the year	(3,616,289)	(3,463,449)
Current tax: prior year under/(over) provision	1,433,008	(10,657,226)
Current year deferred tax charge	(348,794,437)	(9,872,435)
Prior year under-provision for deferred tax	-	-
Total	**(350,977,718)**	**(23,993,110)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE

The earnings per share of (4.67) is calculated by dividing the loss after tax of Kshs. 255,598,035 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 DIVIDEND PER SHARE

The Dividend per share of Ksh (1.31) is calculated by dividing 40% of the loss after tax of Kshs. 255,598,035 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.

The board of Directors do not recommend dividends for the year ended 30/06/2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Furniture & Fittings	Crates & Cans	Equipment & Loose Tools	Capital work in progress	Total
COST OR VALUATION									
At July 1, 2018	**4,594,997,290**	**2,920,067,116**	**564,579,872**	**393,134,844**	**37,588,854**	**169,080,598**	**95,112,155**	**142,855,030**	**8,917,415,760**
Additions	64,931,402	146,513,792	95,677,591	10,608,132	13,400,343	5,898,765	13,929,070	244,612,632	595,571727
Transfers	-	246,417,635	-	-	-	-		(246,417,635)	-
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-								-
At June 30, 2019	4,659,928,691	3,312,998,543	660,257,463	403,742,976	50,989,196	174,979,363	109,041,225	141,050,028	9,512,987,487
DEPRECIATION									
At July 1, 2018	1,766,859,383	2,116,936,592	543,826,320	386,637,857	17,999,481	143,699,541	45,606,643	-	5,021,565,816
Charge for the year	106,869,941	155,335,642	31,666,565	2,371,252	4,185,761	14,032,684	19,541,478	-	334,003,324
Transfer of excess Dep on Revaluation	43,075,907	40,545,677							83,621,584
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2019	1,916,805,231	2,312,817,911	575,492,885	389,009,109	22,185,242	157,732,224	65,148,121	-	5,439,190,725
NBV									
At June 30, 2019	**2,743,123,460**	**1,000,180,632**	**84,764,578**	**14,733,867**	**28,803,954**	**17,247,139**	**43,893,104**	**141,050,028**	**4,073,796,762**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

	2020 Kshs	2019 Kshs
COST		
At July 1	155,817,671	233,482,254
Additions	1,465,517	-
Disposals	(-)	(-)
	______	______
At June 30th	157,283,188	233,482,254
	______	______
AMORTISATION		
At July 1	-	-
Charge for the year	78,153,089	77,664,583
Disposals	(-)	(-)
Impairment loss	(-)	(-)
	______	______
At June 30th	78,153,089	77,664,583
	______	______
NET BOOK VALUE		
At June 30th	**79,130,100**	**155,817,671**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

	2020 Kshs	2019 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

	2020 Kshs	2019 Kshs
COST		
At July 1	3,883,175,220	3,883,175,220
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(-)	(-)
At June 30	3,883,175,220	3,883,175,220
AMORTISATION		
At July 1	(245,601,392)	(154,740,885)
Charge for the year	(12,554,824)	(5,832,363)
Excess Depreciation on Revaluation	(85,028,590)	(85,028,590)
Disposals	(-)	(-)
At June 30	**(343,184,805)**	**(245,601,392)**
NET BOOK VALUE		
At June 30	**3,539,990,415**	**3,637,573,828**

17 QUOTED INVESTMENT

	2020 Kshs	2019 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

	2020 Kshs	2019 Kshs
Finished Product	1,833,508,535	667,031,225
Work in Progress	6,627,567.94	3,951,086.76
Production Materials	389,684,756	343,616,424
Engineering Stores	559,648,943	510,074,978
Fuel, Oil and Lubricants	29,754,749	14,929,752
Motor vehicle spare parts	17,191,657	19,345,519
Stationery and general stores	14,400,286	17,551,708
	2,850,816,493	**1,576,500,693**

19 (a) TRADE AND OTHER RECEIVABLES

	2020 Kshs	2019 Kshs
Trade receivables	1,677,422,381	1,557,037,263
Deposits and prepayments	108,070,356	107,988,631
VAT recoverable	935,642,903	878,249,029
Staff receivables	11,860,287	15,330,504
Bounced cheques Account	30,219,275	17,747,784
Rent Customers-Commercial	37,342,647	31,977,504
Other: Provision for bad and doubtful receivable	(419,438,188)	(300,139,104)
Net trade and other receivables	**2,381,119,660**	**2,308,191,509**

19 (b) TRADE RECEIVABLES

	2020 Kshs	2019 Kshs
Gross trade receivables	1,677,422,381	1,557,037,263
Provision for doubtful receivables	(419,438,188)	(300,139,104)
	1,257,984,193	**1,256,898,058**
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	210,403,004	227,013,506
Between 30 and 60 days	66,870,788	111,276,346
Between 61 and 90 days	58,967,387	47,819,908
Between 91 and 120 days	71,389,830	49,228,352
Over 120 days	850,353,184	821,559,947
	1,257,984,193	**1,256,898,058**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

	2020	2019
	Kshs	Kshs
Gross staff loans and advances	11,860,287	15,330,504
Provision for impairment loss	(11,935,016)	(12,248,433)
	(74,729)	3,082,071
Less: Amounts due within one year	-	(3,082,071)
Amounts due after one year	-	-

20 TAX RECOVERABLE

	2020	2019
	Kshs	Kshs
At beginning of the year	(2,477,321)	(29,350,058)
Income tax charge for the year	(3,616,289)	(3,463,449)
Under/(over) provision in prior year/s	1,433,008	(10,657,226)
Income tax paid during the year	4,894,573	40,993,412
At end of the year	**233,971**	**(2,477,321)**

21 SHORT TERM DEPOSITS

	2020	2019
	Kshs	Kshs
Cooperative Bank of Kenya	-	6,461,170
Kenya Commercial Bank	-	-
	-	**6,461,170**

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

22 BANK AND CASH BALANCES

	2020	2019
	Kshs	Kshs
Cash at bank	421,459,106	587,558,336
Mpesa Utility	10,264,317	25,553,465
Cash in hand	1,864,029	3,423,207
	433,587,452	**616,535,009**

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	2019-2020 Kshs	2018-2019 Kshs
I. **Current account(Overdraft)**			
Cooperative Bank		(533,178,319)	(504,463,898)
Total		**(533,178,319)**	**(504,463,898)**
II. **Current Account Cash Balances**			
Kenya Commercial bank		414,798,964	583,540,198
Equity Bank		5,312,826	2,892,179
Standard Chartered Bank		583,938	78,098
Stanbic Bank		465,177	1,047,861
Cooperative Bank USD A/c		298,200	-
Sub- total		**421,459,105**	**587,558,336**
a) Others(specify)		-	-
cash in hand		1,864,029	3,423,207
M pesa		10,264,317	25,553,465
Sub- total		**12,128,346**	**28,976,672**
Total		**433,587,451**	**616,535,009**

23 ORDINARY SHARE CAPITAL

	2020 Kshs	2019 Kshs
Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 REVALUATION RESERVE

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

25 FAIR VALUE ADJUSTMENT RESERVE

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

26 RETAINED EARNINGS

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

27 (a)BORROWINGS

	2020 Kshs	2020 Kshs
Balance at beginning of the year	479,664,295	504,885,638
External borrowings during the year	-	-
Domestic borrowings during the year	160,298,657	141,649,536
Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	(193,806,241)	(166,870,878)
Balance at end of the year	**446,156,712**	**479,664,295**
Less: Amounts due with one year (current portion)	**182,175,214**	**176,605,499**
Amounts due after one year (non-current portion)	**263,981,498**	**303,058,797**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b)BORROWINGS (Continued)

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

	2020 Kshs	2019 Kshs
Domestic Borrowings		
Long Term Loan (co-op Bank)	23,220,000	54,180,000
Loan - Stanbic Asset finance facility	-	-
Loan - Co-operative Bank Asset Finance	327,936,712	270,484,296
Long Term Loan (co-op Bank)-Restructured	95,000,000	155,000,000
Total balance at end of year	**446,156,712**	**479,664,295**

28 DEFERRED TAX LIABILITY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 DEFERRED TAX LIABILITY (Continued)

	2020 Kshs	2019 Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	(143,728,676)	(153,601,111)
Credit to revaluation reserve		
Under provision in prior year	348,794,437	-
Income statement charge/(credit)	3,616,289	9,872,435
Balance at end of the year	**205,065,761**	**(143,728,676)**

29 TRADE AND OTHER PAYABLES

	2020 Kshs	2019 Kshs
Trade payables	1,620,369,568	1,693,864,099
Accrued expenses	199,243,952	134,454,975
Other payables	151,549,611	175,589,287
	1,971,163,130	**2,003,908,361**

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:

	2020 Kshs	2019 Kshs
Gratuity for senior management	55,985,830.39	63,323,674

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

	2020 Kshs	2019 Kshs
Valuation at the beginning of the year	**520,920,428**	573,195,003
Changes in valuation during the year	125,756,469	(52,274,575)
Valuation at end of the year	**646,676,897**	**520,920,428**

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 PROVISION FOR LEAVE PAY

	2020 Kshs	2019 Kshs
Balance at beginning of the year	27,325,566	27,787,704
Additional provision at end of year	2,785,174	407,195
Leave paid out or utilized during the year	(1,230,664)	(869,333)
Balance at end of the year	**28,880,076**	**27,325,566**

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.

	2020 Kshs	209 Kshs
Year 2019	-	-
Year 2018	-	-
Year 2017	-	-
Year 2016	-	-
Balance at end of the year	-	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

	2020 Kshs	2019 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	232,320,940	210,471,218
Depreciation/Amortization	472,221,958	417,500,270
Amortisation	-	-
(Gain)/loss on revaluation	-	-
Operating profit/(loss) before working capital changes	704,542,897	627,971,488
(Increase)/decrease in inventories	(1,369,254,227)	83,941,607
(Increase)/decrease in trade and other receivables	(73,048,150)	(312,181,852)
Increase/(decrease) in trade and other payables	(38,218,435)	168,524,396
Increase/(decrease) in retirement benefit obligations	(7,337,844)	24,558,275
Increase/(decrease) in provision for staff leave pay	1,554,510	(462,138)
Increase/(decrease) in Bank Overdraft	28,714,420	303,387,407
Cash generated from/(used in) operations	(753,046,827)	846,622,632
	====	====
(b) Analysis of changes in loans		
Balance at beginning of the year	479,664,296	504,885,638
Receipts during the year	160,298,657	141,649,536
Repayments during the year	(193,806,657)	(166,870,878)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	446,156,712	479,664,296
(c) Analysis of cash and cash equivalents		
Short term deposits	-	6,461,170
Cash at bank	431,723,423	613,111,801
Cash in hand	1,864,029	3,423,207
Balance at end of the year	**433,587,452**	**622,996,178**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2020 Kshs	2019 Kshs
(d) Analysis of interest paid		
Interest on loans (note 10)	72,397,336	61,767,194
Interest on bank overdraft (note 10)	59,881,748	48,845,425
	132,279,084	110,612,619
Interest on loans capitalised	72,397,336	61,767,194
Balance at beginning of the year	479,664,296	504,885,638
Balance at end of the year (note 36(b))	446,156,712	479,664,296
Interest paid	72,397,336	61,767,194
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	75,000,000	12,607,883
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	75,000,000	12,607,883
	=====	=====

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

	2020 Kshs	2019 Kshs
GOK (Formerly Ministry of special programs)	-	2,995,884
Strategic Food Reserve Authority	700,000,000	700,000,000
Total	**700,000,000**	**702,995,884**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2020 Kshs	2020 Kshs
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
	=====	=====
b) Grants from the Government		
Grants from National Govt	1,407,500,000	200,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	1,407,500,000	200,000,000
	=====	=====
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	26,085,173	15,816,526
Compensation to the CEO	9,552,000	9,552,000
Compensation to key management	64,782,631	70,633,582
Total	**100,419,804**	**96,002,108**

35 CAPITAL COMMITMENTS

	2020 Kshs	2019 Kshs
Amounts authorized and contracted for	1,483,209,600	742,175,495
Less: Amounts incurred and included in work-in-progress	(109,640,398)	(141,050,027)
	1,373,569,202	601,125,468
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

	2020 Kshs	2019 Kshs
Bank guarantees	33,400,000	19,900,000
Legal claims against the *entity*	90,951,061	153,900,434
	124,351,061	**173,800,434**

The company is a defendant in various legal actions. In the opinion of the directors, after taking aappropriate 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 2020				
Receivables from exchange transactions	1,433,449,852	513,042,916	534,568,106	385,838.930
Receivables from non-exchange transactions	943,894,277	943,894,277	-	-
Bank balances	433,798,452	433,798,452	-	-
Total	**2,811,142,581**	**1,890,735,645**	**534,568,106**	**385,838.930**
At 30 June 2019				
Receivables from exchange transactions	1,330,247,652	501,154,240	41,132,517	787,960,895
Receivables from non-exchange transactions	977,943,857	977,943,857	-	-
Bank balances	616,535,009	616,535,009	-	-
Total	**2,924,726,518**	**2,095,633,106**	**41,132,517**	**787,960,895**

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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	324,191,802	468,912,165	183,972,952	977,076,918
Current portion of borrowings	-	-	979,335,031	979,335,031
Provisions	-	-	119,686,584	119,686,584
Deferred income	-	-	-	-
Employee benefit obligation	-	-	55,985,830	55,985,830
Total	**324,191,802**	**468,912,165**	**1,338,980,397**	**2,132,084,364**
At 30 June 2019				
Trade payables	379,040,711	462,116,525	137,575,557	979,932,576
Current portion of borrowings	-	-	984,128,194	984,128,194
Provisions	-	-	96,527,719	96,527,719
Deferred income	-	-	-	-
Employee benefit obligation	-	-	63,323,674	63,323,674
Total	**379,040,711**	**462,116,525**	**1,281,555,144**	**2,123,912,163**

(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 2020			
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 2020			
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
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
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 2020				
	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 2020				
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 2020				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	-	-	-	-
	=======	========	=======	=======
At 30 June 2020				
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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	5,316,585,036	5,485,235,210
Retained earnings	1,955,176,290	1,936,194,617
Capital reserve	547,028,870	547,028,870
Capital Grant	2,389,905,560	1,079,944,097
Total funds	**10,208,695,756**	**9,048,402,794**
Total borrowings	979,335,031	984,128,194
Less: cash and bank balances	(433,587,452)	(622,996,179)
Net debt/(excess cash and cash equivalents)	545,747,759	361,132,015
Gearing	**5.35%**	**3.98%**

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).

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

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)
	Five (5) acres of out 32.94 acres (13.33ha) LR.NO.MN/VI/2860 on which Miritini factory is located have been encroached by squatters some of whom have already put up permanent structures thereby exposing the Company to likely loss of vital property. Although the Company filed a case in Mombasa ELC case No.183 of 2015 (New Kenya Co-operative Creameries Limited vs Hassan Ali Mboga and Others) seeking the removal of squatters, and stoppage of any other developments on the land, the case is yet to be determined.	The legal suit is still active and pending determination. Our Advocates still pursuing the case.	Ms. Yvonne Masinde, Ag Company Secretary and Chief manager Legal Services	Not Resolved	Ongoing
	As previously reported, included in trade and other receivables balance of Kshs. 2,308,191,509 as at 30 June 2019 is an amount of Kshs. 1,557,037,263 reflected in Note 18(a) for trade receivables which in turn includes Kshs. 290,690,273 and Kshs. 77,619,144 relating to receivables from Nakumatt Holding Limited and Uchumi Supermarkets Limited respectively. Information available indicates that the companies are either in receivership or liquidation	Correct Uchumi amount as previously disclosed is Ksh88,500,549. Creditors in March, 2020 voted for a Voluntary Arrangement to have Uchumi operate NKCC is unlikely to recover the amount outstanding in the books amounting to Ksh290,839,391. NKCC Full Board in April, 2018, approved additional debt provisions to cushion the company against this eventuality.	Mr. Samuel Ichura, Chief Manager Finance	Not resolved	The Voluntary Arrangement was tabled in Court on 1st July 2020 awaiting outcome Nakumatt Waiting for registration of the proposal with the Court for the matter to be finalized

Managing Director

Date......................................

Chairman of the Board

Date......................................

XX. CAPITAL PROJECTS UPDATE: 2019-20 AS AT 30TH JUNE 2020

S/No	Project	Total Project Cost	Completion %	Remarks
1	NKCC 055/2017-18 Design, Supply, Installation and commissioning of Milk Chilling System at Miritini	USD. 550,000	100%	Equipment fully installed,
2	NKCC/059/2017-18 Supply, Installation and Commissioning of Mini Butter Tub Packing Machine for Kitale	KES 59,660,656.	95%	Machine ready for delivery
3	NKCC/T/022/2018-19. Supply, installation and commissioning of 650 KVA Generator set for Sotik	KES. 10,100,616	100%	Equipment fully installed
4	NKCC/T/024/2018-19. Design, supply, installation and commissioning of Mala Production Line for Eldoret	KES. 44,687,213.60	95%	Equipment delivered
5	NKCC/T/026/2018-19. Supply, installation and commissioning of Refrigeration Compressor for Sotik	USD. 151,109	50%	Contract signed Awaiting LC confirmation
6	NKCC/T/027/2018-19. Supply, installation and commissioning of Rotary Screw Air Compressor and Dryer for Nyahururu	KES. 5,495,593	100%	Equipment fully commissioned
7	NKCC/T/029/2018-19. Supply, installation and commissioning of complete 500 mls Aseptic Milk Filling line for Nyahururu	Euro. 656,359	100%	Machine fully commissioned
8	NKCC/T/010/2019-20. Supply, installation and commissioning of Plate Heat Exchanger for Nyahururu	USD. 75,561	70%	Equipment under fabrication
9	NKCC/T/011/2019-20. Lagging and Cladding of Vertical Milk Silos for Nyahururu	KES. 7,988,630	100%	Completed

10	NKCC/T/012/2019-20. Lagging and Cladding of Steam, Condensate and Ice Water Lines for Nyahururu	KES. 4.376,843	100%	Completed
11	NKCC/T/014/2019-20. Design, Supply, installation and commissioning of Stainless Steel Pipework for Nyahururu	KES. 14,598,650	100%	Completed
12	Consultancy for Construction of Nyambene Milk Cooling Plant	Percentage of Project Cost	70%	Ongoing
13	Construction of Nyambene Milk Cooling Plant	KES 193,000,000	65%	Ongoing
14	NKCC/T/016/2019-20. Supply, installation and commissioning of Fermented Milk Processing Line for Eldoret	KES. 59,390,400	60%	Equipment under fabrication
15	NKCC/T/017/2019-20. Construction of Production Store for Nyahururu	KES. 28,936,000	100%	Completed
16	NKCC/T/019/2019-20. Construction of Factory Roof at Tank Gallery for Nyahururu	KES. 14,569,700	100%	Completed
17	NKCC/RT/026/2019-20. Reorganization, installation and commissioning of stainless steel pipe work at Filling area	KES. 24,933,900	100%	Completed
18	NKCC/T/049/2019-20. Construction of Depot Store at Sotik	N/A	10%	Under evaluation
19	NKCC/T/052/2019-20. Supply, Install and Commission an automatic CIP System for Nyahururu	KES. 31,182,682	20%	Awarded
20	NKCC/T/065/2019-20. Supply, Install and Commission a Ghee Tin Filling Line for Kitale	KES. 78,860,058	20%	Awarded

XXI. APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:	NEW KCC LTD		
	Break down of Transfers from the State Department of Co-operatives			
	FY 2019/2020			
a.	**Recurrent Grants**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		03.02.2020	500,000,000	2020
			-	
			-	
		Total	**500,000,000**	
b.	**Development Grants**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		22.10.2019	166,250,000	2020
		24.01.2020	166,250,000	2020
		03.02.2020	575,000,000	2020
		Total	**907,500,000**	
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-------------

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

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount KES	Where Recorded/recognized					
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Trade, Industry & Cooperatives	22.10.2019	Development	166,250,0000	-	166,250,000	-	-	-	166,250,000
Ministry of Trade, Industry & Cooperatives	24.01.2020	Development	166,250,000	-	166,250,0000	-	-	-	166,250,000
Ministry of Trade, Industry & Cooperatives	03.02.2020	Development	575,000,000	-	575,000,000	-	-	-	575,000,000
Ministry of Trade, Industry & Cooperatives	03.02.2020	Recurrent	500,000,000						500,000,000
Total			**1,407,500,000**	-	**907,500,000**	-	-	-	**1,407,500,000**

XIII. APPENDIX IV: REVIEW OF NEW KENYA COOPERATICE CREAMERIES CORPORATION 'S PERFOMANCE FOR FY 2019/2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Increase Market Share to 40%	Establish strong distribution systems	Review the existing distribution model	Review the existing distribution model	Improved distribution by 247 new channel members these are distributors, agents, institutions and wholesalers.
		% reduction in variable costs	Remodel the storage facility	Outsourcing of storage space
		% reduction of cost per unit on distribution	Establish a reliable and efficient fleet	An additional fleet of 17 vehicles have been procured
	Optimize product range in the Market	% No. of innovations based on intelligence received	Develop and implement product innovation and designs	Natural yoghurt, lactose free mala and milk have been developed to be rolled to the market
		% No. of products launched against the range	Accelerate product diversification	Natural yoghurt, lactose free mala and milk have been developed to be rolled to the market
		% increase in sales volume	Increase market segment for current products	93.3 million litres of milk and milk products were sold achieving 85% of the target.
		Level of awareness of the brands	Improve product awareness	Promotions in supermarkets carries out TV adverts Billboards
		Level of Comparable market margin.	Implement a competitive pricing model of products	Regional pricing strategy adopted
	Enhance corporate & brand visibility	Brand or Visibility index	Intensify corporate Visibility	• Promotions in supermarkets carried out • TV adverts • Billboards • Road shows

		Level of customer/stakeholder satisfaction	Implement tailored communications to target audience	Year 2017/18 achieved customer satisfaction level of 93%
		% increase in level of awareness	Improve corporate brand awareness and publicity	• Awareness created during CSR activities and national shows • Documentaries
		% of complaint resolution on time	Adhere to feedback mechanisms and channels standards	Complaints handled as they are received
		Scale of outcomes realized	Implement synchronized Corporate Social Responsibility	CSR activities carried out in various parts of the country in the year 2017/18
Increase productivity with an annual growth rate of 20%	Ensure adequate raw milk supply	level of farmers satisfaction	Establish and implement a consistent and transparent pricing model	Pricing of milk communicated to farmers on a monthly basis
		No. of services offered : farmer ratio	Schedule and implement elaborate extension services	Carried out throughout the year
		% timely complaints resolved	Timely resolution of Farmers' complaint	Complaints handled as they are received
		No of farmers adopting the practices	Improve farmer knowledge on animal husbandry programmes	Extension services carries out throughout the year
		Level of compliance to contracts	Implement farmers contracting systems	New contracts signed in the year
		% reduction in stock out due to seasonality	Build buffer stocks to mitigate seasonality variation	All excess milk converted to powder to be reconstituted when the is shortage of raw milk
		% chilled milk in reference to less than 4^0c	Improve the cold chain management for the raw milk received	Milk chilled received at temperatures below 6C

		% processing capacity utilization	Optimize capacity usage	Affected by: • Machine availability • Sales targets
		% energy cost reduction	Implement energy management systems	• Strathmore University identified to carry pot energy audit • Energy manager appointed • Draft energy policy developed
		% wastage reduction	Reduce production wastages	Staff trained and sensitized on production activities Modernization still ongoing
		% compliance to minimum orders.	Establish viable production runs	Determined ecomical viable orders and communicated to the sales team on the same
		% level of production capacity efficiency	Ensure an efficient production capacity	Production capacity for FY 2017/18 was on average 47.4%. Target for FY is 54.4
		% of new products produced against target	Create capacity and production of new products	Five new equipment procured in the FY 2017/18
		% fulfilment of orders	Offer full product range	87% achievement. Focus on shakes. butter and ghee
	Enhance quality assurance in all processes along the value chain	% conformity against quality standards	Adherence to NKCC Quality control procedures	• Supplier quality audit done quarterly by QAO S • Refresher in-house training for graders and lab assistants
		% conformity to delivery time requirements	Timely delivery of bulk milk to processing factories.	Oldest milk from plants is one day maximum
		% level of implementation on checklist	Implement Good Manufacturing and Hygiene practices	• Quality audits done quarterly • Training on Good Manufacturing and Hygiene Practices

		% level of variation to requirements	Guarantee quality of inputs	Inspection and acceptance committee for other inputs and the reception graders for raw milk
		% level of implementation on checklist	Implement Quality assurance along the food production processes	• Every six months and external audits every nine months done • Daily checklist • Quarterly reporting
		% Reduction in product write off.	Improve cold chain management from factories to consumer	• Use of refrigerated trucks • Monitoring of refrigerated temperatures
Increase profit before Tax by 45% annually	Cost Management	% No of assets disposed against identified and approved assets	Timely disposal of idle assets	Continuous undertaking
		Level of compliance	Enhance budget compliance	Procurement planning SAP System in place
		Level of budget allocation	Improve budget funding	Continuous lobbying for government support
		No of cost saving mechanism implemented	Institute a cost saving mechanism	• Energy audit done • Draft policy on energy saving in place
		Level of implementation	Implement the Enterprise Risk Management framework	Continuous Auditing and Monitoring to be upgraded to Enterprise Risk Management
		% level of implementation	Implement the Information Security Management System	Appointment of ISMS leader done
		% level of implementation	Develop asset policy	Draft asset policy developed
		Level of secured debt	Mitigating on exposing collateral asset to potential risks	NKCC pays debts when due
		Level of adherence to the schedules	Ensure maintenance and repairs of assets	Continuously undertaken by Maintenance department

		% level of implementation	Develop asset policy	Draft asset policy developed
		Level of secured debt	Mitigating on exposing collateral asset to potential risks	NKCC pays debts when due
		Level of adherence to the schedules	Ensure maintenance and repairs of assets	Continuously undertaken by Maintenance department
		Level of implementation	Enhance the timely payments by credit customers	• Credit control section continuously follows up on payments • Customer accounts monitored and are notified before credit limits are reached
		% increase in cash distribution channels	Enlarge the minimum credit distribution channels	The 247 new channel members brought in total of Ksh. 608,594,310
Nurture a high performance corporate culture	Establish a highly productive human resource	Competence Index	Carry out Skills Audit	New KCC undertook HR skills audit examining certified qualification of its employees and developed a report
		Develop & Implement Training & Development Plan	Level of Implementation	34 employees were trained in FY 2017/2018 to address skills gaps identified
		Develop & implement comprehensive HRP	Optimal level of staffing	Staffing level reviews being undertaken
		Develop & implement competitive recruitment and attractive retention programs	Turnover index	• Negotiated with banks; 3% Mortgage scheme & 3.5% car loan • Training program/budget-27.3% • Enhanced medical benefit portfolio) inpatient/outpatient) • Group EIBA life cover • 10% salary review

		Develop & Implement person-job-organization fit staff base	% Talent pool	Proposal to train managers who will develop KM polity and strategies; HICT, HOQA, CMHRA
		Review & Implement career progression plans	Progression index	Under implementation
		Create amicable relationship with union & Management	Reduced conflicts	Signed progressive CBA; pension @ 10%
		Reduced level of communication conflict	Review & implement internal communication channels	Under implementation
		Engagement index	Develop & implement Organizational change management plan	Pending implementation, Budgeted in FY 2018/2019
	Establish efficient administrative structures with clear linkages of function	Collaboration index	Implement team building activities across the network	• Board and management retreat • Developed a team building program for management team
		Differentiation & Integration Level	Review & implement organisation structure in line with the New SP	New organogram in place. Under implementation
		Equity	Develop & Implement transparent reward & sanction systems	Developed progressive pay structure
		Level of Cascading	Define and implement standards of performance	Staff targets set
		Performance Index	Appraise performance	Appraisal done annually

	Enhance effective cross cutting mechanism	Corruption index	Corruption eradication	• Risks emanating from corruption risk assessment reports continuously being undertaken• Corruption perception survey will be carried out by EACC
		Prevalence Index	Reduction in the prevalence of drug and substance abuse & HIV	Continuously undertaken
		Ratio	Mainstream Gender & Disability	Continuously undertaken
		Approved Policy	Develop KM Strategy	Policy in draft
		Compliance index	Implement Health & Safety at the workplace	Undertook health & safety audit
		Satisfaction index	Develop & Implement Staff welfare programs	• Employee satisfaction index improved from 49%-65%-71%-75% as at June 2016/17 • Employee Satisfaction Survey to be carried out in FY 2018/19
		Comfort levels	Plan office design and creating working zones, conferences, meeting rooms and provide working tools	• TOR-HQ boardroom refurbishment Dandora/Sotik factory