

Kenafriic Biscuits Limited
Annual Financial Statements
for the year ended March 31, 2023

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

General Information

Country of incorporation and domicile	Kenya
Date of incorporation	February 10, 2021
Directors	Mikul Nilesh Shah Kirtan Velji Shah Vishal Bhimani Annu Gupta Ravi Kishore Soni
Registered office	Ruaraka, Off Baba Dogo, P.O. Box 39257 -00623 Nairobi, Kenya
Principal banker	Diamond Trust Bank Kenya Limited Diamond Plaza Branch P.O. Box 61711-00200 Nairobi
Independent auditor	Grant Thornton LLP Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Company secretary	ESR Kenya LLP Certified Public Secretaries (K) P.O. Box 47323-00100 Nairobi
Company registration number	PVT-LRUYYJD3
Tax reference number	P051991098U

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

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KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Directors' Report

The directors submit their first report together with the audited annual financial statements for the year ended March 31, 2023.

1. Principal activity

The principal activity of the company is the manufacture of biscuits. The company operates principally in Kenya.

2. Business review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015.

The company recorded a loss after tax for the year ended March 31, 2023 of Ksh (49,695,482).

Company revenue is Ksh 152,365,257 for the year ended March 31, 2023.

Company cash flows used in operating activities is Ksh 85,035,229 for the year ended March 31, 2023.

The movement for the above financial results for the year ended March 31, 2023 have been attributed due to the following:

The company has experienced tough market competition, price sensitivity in the market, and inflationary commodity prices which started cooling down during the last quarter. The company has seen reasonable traction for the Goodie Baker range of products in general trade in 2022-23. The company had to incur certain one time start up costs to make the factory and plant & machinery ready for commercial production in 2022-23, which also contributed to its net loss and the company expects that this will not be recurring in 2023-24.

Having said that, the business has an optimistic outlook for the coming year. The Company is all ready to launch its premium line of Britannia range products. The management will look upon to list its key products in modern trade aggressively to expand margins. At the same time, business will prioritise on distribution expansion across regions in Kenya and also tap on export opportunities in East Africa. The emphasis will be given to scale up the volumes to fully absorb the fixed costs.

Commodity prices are cooling down and also being addressed through efficient procurement plans, robust review mechanisms and extracting more savings by efficient management of end-to-end supply chain costs. The company will focus to drive efficiencies in production with respect to reduction of change over time and better factory utilisation with higher volumes.

Legal, regulatory and compliance

The company has put in place robust fiduciary systems and standards. The company is also compliant with the Kenyan Government tax regime, Kenyan Companies Act, 2015, and statutory requirements.

Internal controls

The company has reasonably adequate internal control systems which are being constantly reviewed by management. Standard operating procedures and policies are in place and are being adhered to.

Political and security risks

The company continues to monitor the political and security situation within the country and acts as and when required.

Employees

The company believes that employees are the core contributors and assets in developing the company to reach at this level. All the key management personnel in sales, manufacturing and finance have joined in 2022-23 and have played an active role in resolving teething issues in the 1st year of operation. The team is working cohesively to achieve the business goals. The Company indulges into continuous Hygiene and Safety training programmes.

3. Share capital

Refer to note 16 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Dividends

The board of directors does not recommend the declaration of a dividend for the year.

Kenafric Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Directors' Report

5. Directors

The directors in office at the date of this report are as follows:

Mukul Nilesh Shah
Kirtan Veji Shah
Vishal Bhimani
Annu Gupta
Ravi Kishore Soni

There have been no changes to the directorate for the year under review.

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Statement of disclosure to the company's auditor

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- the person has taken all the steps that he or she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8. Terms of appointment of the auditor

Grant Thornton LLP have been appointed and are willing to continue in office in accordance with the company's Articles of Association and Section 717 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

9. Approval of annual financial statements

The annual financial statements set out on pages 8 to 21, which have been prepared on the going concern basis, were approved by the board of directors on April 25, 2023, and were signed on its behalf by:



(Director) **VISHAL BHIMANI**

Kenafric Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare annual financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of annual financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the annual financial statements does not relieve them of their responsibilities.

The annual financial statements set out on pages 8 to 21, which have been prepared on the going concern basis, were approved by the board of directors on April 25, 2023 and were signed on its behalf by:



(Director)

VISHAL BHIMANI



(Director)

ANNU GUPTA

(Director)

Independent Auditor's Report

To the Shareholder of Kenafric Biscuits Limited

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Kenafric Biscuits Limited (the company) set out on pages 8 to 21, which comprise the statement of financial position as at March 31, 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Kenafric Biscuits Limited as at March 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Auditor's Responsibilities for the Audit of the Annual Financial Statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report as required by the Kenyan Companies Act, 2015, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those charged with Governance for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 annual financial statements including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion the information given in the report of the directors on page 3 - 4 is consistent with the Annual Financial Statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Alfred Siele, Practicing Certificate No. 1690.



For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi
25TH APRIL 2023

K/0323/157/0423/AUD

Kenafriic Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings	Note(s)	2023
Revenue	2	152,365,257
Cost of sales	3	(120,477,408)
Gross profit		31,887,849
Other income	4	3,104,447
Operating expenses	5	(82,605,693)
Operating loss		(47,613,397)
Finance costs	7	(1,830,333)
Loss before taxation		(49,443,730)
Taxation	8	(251,752)
Loss for the year		(49,695,482)
Other comprehensive income		-
Total comprehensive loss for the year		(49,695,482)

The accounting policies on pages 12 to 15 and the notes on pages 16 to 21 form an integral part of the annual financial statements.


Kenafriic Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

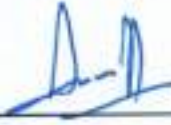
Statement of Financial Position as at March 31, 2023

Figures in Shillings	Note(s)	2023
Assets		
Non-Current Assets		
Property, plant and equipment	10	210,348,572
Intangible assets	11	1,000
		<u>210,348,572</u>
Current Assets		
Inventories	13	71,873,307
Trade and other receivables	14	90,999,908
Cash and cash equivalents	15	1,670,293
		<u>164,543,508</u>
Total Assets		<u>374,893,080</u>
Equity and Liabilities		
Equity		
Share capital	16	272,066,534
Accumulated losses		(49,695,482)
		<u>222,371,052</u>
Liabilities		
Current Liabilities		
Trade and other payables	17	116,443,354
Current tax payable	9	251,752
Bank overdraft	15	35,826,922
		<u>152,522,028</u>
Total Equity and Liabilities		<u>374,893,080</u>

The annual financial statements and the notes on pages 8 to 21, were approved by the board of directors on April 25, 2023 and were signed on its behalf by:



(Director) **VISHAL BHIMANI**



(Director) **ANNU GUPTA**

(Director)

The accounting policies on pages 12 to 15 and the notes on pages 16 to 21 form an integral part of the annual financial statements.

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Statement of Changes in Equity

Figures in Shillings	Share capital	Accumulated losses	Total equity
Balance as at start of the period	-	-	-
Loss for the year	-	(49,695,482)	(49,695,482)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(49,695,482)	(49,695,482)
Issue of shares	272,066,534	-	272,066,534
Total changes	272,066,534	-	272,066,534
Balance as at March 31, 2023	272,066,534	(49,695,482)	222,371,052
Note(s)	16		

The accounting policies on pages 12 to 15 and the notes on pages 16 to 21 form an integral part of the annual financial statements.

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Statement of Cash Flows

Figures in Shillings	Note(s)	2023
Cash flows used in operating activities		
Cash used in operations	18	(83,203,896)
Finance costs	7	(1,830,333)
Net cash used in operating activities		<u>(85,034,229)</u>
Cash flows used in investing activities		
Purchase of property, plant and equipment	10	(228,287,939)
Proceeds from sale of motor vehicle	10	7,100,005
Purchase of intangible assets	11	(1,000)
Net cash used in investing activities		<u>(221,188,934)</u>
Cash flows from financing activities		
Proceeds on share issue	16	<u>272,066,534</u>
Total cash and cash equivalents movement for the year		(34,156,629)
Cash and cash equivalents at the beginning of the year	15	-
Total cash and cash equivalents at end of the year	15	<u>(34,156,629)</u>

The accounting policies on pages 12 to 15 and the notes on pages 16 to 21 form an integral part of the annual financial statements.

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Significant Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Kenyan Companies Act, 2015. For Kenyan Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings and rounded off to the nearest Shilling.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated selling price less costs to complete and sell. Where an impairment is necessary, inventory items are written down to selling price less costs to complete and sell.

Impairment testing

The company reviews and tests the carrying value of property, plant and equipment and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

Kenafri Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Significant Accounting Policies

1.2 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Useful life
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	5 years
Computers and copiers	Straight line	5 years

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Significant Accounting Policies

1.4 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

1.5 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

1.6 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the statement of profit or loss and other comprehensive income in the year they fall due.

1.8 Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

KenafriC Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Significant Accounting Policies

1.9 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

1.10 Other income

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

1.11 Foreign exchange

Foreign currency transactions

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

All transactions in foreign currencies are initially recorded in Shillings, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in profit or loss.

Kenafriic Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023
2. Revenue	
Sale of goods	<u>152,365,257</u>
3. Cost of sales	
Purchases	159,470,754
Closing stock	<u>(71,683,416)</u>
	<u>87,787,338</u>
Direct costs	
Carriage, freight and distribution costs	3,940,515
Power and fuel	9,972,227
Staff costs (Note 6)	8,229,833
Depreciation	10,538,495
	<u>32,690,070</u>
	<u>120,477,408</u>
4. Other income	
Profit on sale of assets	120,603
Rental income	839,174
Other income	2,144,670
	<u>3,104,447</u>
Other income relates to sale of scrap items.	
5. Operating expenses	
The following items are included within operating expenses:	
Staff costs (Note 6)	29,783,900
Repairs and maintenance	19,158,105
Rent	18,000,000
Travelling expenses	3,840,172
Advertisement	2,265,313
Security charges	1,965,949
Miscellaneous expenses	1,888,511
Loss on exchange differences (see below)	1,177,431
Auditors remuneration	834,514
IT expenses	610,848
Insurance	584,585
Bank charges	510,332
Engineering stores	438,500
Cleaning expenses	340,251
Depreciation	421,470
License	198,900
Water expense	145,444
Motor vehicle expenses	135,713
Consulting and professional fees	109,800
Printing and stationery	101,037
Subscriptions	49,376
Postage	45,542
	<u>82,605,693</u>
Loss on exchange differences	
Unrealised exchange loss	1,158,167
Realised exchange loss	19,264
	<u>1,177,431</u>

Kenafriic Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023
6. Staff costs	
Direct staff costs	
Salaries and wages	<u>8,229,833</u>
Indirect staff costs	
Salaries and wages	26,492,738
Staff welfare expenses	346,503
Other staff costs	2,832,019
NSSF company contribution	112,640
	<u>29,783,900</u>
Average number of persons employed during the year was:	
Management	4
Administration	<u>18</u>
	<u>22</u>
7. Finance costs	
Interest expenses	<u>1,830,333</u>
8. Taxation	
Major components of the tax expense	
Current taxation	
Local normal tax - current year	<u>251,752</u>
Reconciliation of the tax expense	
Reconciliation between accounting loss and tax expense.	
Accounting loss	<u>(49,443,730)</u>
Tax at the applicable tax rate of 30%	(14,833,119)
Tax effect of adjustments on taxable income	
Expenses not deductible for tax purposes	15,084,871
	<u>251,752</u>
9. Tax refunded	
Current tax for the year recognised in loss	(251,752)
Balance at end of the year	<u>251,752</u>
	<u>-</u>

Kenafriic Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Shillings

2023

10. Property, plant and equipment

	2023		
	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	214,177,032	(10,538,495)	203,638,537
Furniture and fixtures	1,289,685	(80,385)	1,209,300
Motor vehicles	3,483,029	(129,419)	3,353,610
Computers	2,238,189	(91,064)	2,147,125
Total	221,187,935	(10,839,363)	210,348,572

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Plant and machinery	-	214,177,032	-	(10,538,495)	203,638,537
Furniture and fixtures	-	1,289,685	-	(80,385)	1,209,300
Motor vehicles	-	10,583,033	(6,979,402)	(250,021)	3,353,610
Computers	-	2,238,189	-	(91,064)	2,147,125
	-	228,287,939	(6,979,402)	(10,959,965)	210,348,572

11. Intangible assets

	2023		
	Cost	Accumulated amortisation	Carrying value
Trademark	1,000	-	1,000

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Total
Trademark	-	1,000	1,000

12. Deferred tax

Unrecognised deferred tax asset

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

At start of the year	-
Movement in the year	14,535,771
Not recognised as a deferred tax asset	14,535,771

	At start of the year	Credit (charge) to profit or loss	At the end of year
Tax losses	-	(43,102,960)	(43,102,960)
Unrealised exchange loss	-	(347,449)	(347,449)
Provision for bonus	-	(240,000)	(240,000)
Accelerated capital allowances	-	29,154,638	29,154,638
	-	(14,535,771)	(14,535,771)

Kenafriic Biscuits Limited

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12. Deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is possible that future taxable profits will be available against which temporary differences can be utilised. The deferred income tax asset has not been recognised as the company is yet to record taxable profit therefore, the availability of future taxable profits to utilise the net asset in doubt. The net deferred income not recognised is attributable to the above.

13. Inventories

Raw materials	24,002,039
Loose tools	189,891
Packing material	13,881,403
Finished goods	33,819,974
	<u>71,873,307</u>

14. Trade and other receivables

Trade receivables	45,396,166
Prepayments	632,193
Deposits	4,680,000
VAT	39,369,332
Amounts due from related parties (Note 19)	922,217
	<u>90,999,908</u>

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,670,293
Bank overdraft	(35,826,922)
	<u>(34,156,629)</u>
Current assets	1,670,293
Current liabilities	(35,826,922)
	<u>(34,156,629)</u>

The above bank overdraft is secured by:

1. Facilities agreement indicating negative pledge.
2. Letter of credit cum indemnity agreement.

16. Share capital

Authorised	
2,720,665 ordinary shares each Ksh 100	<u>272,066,534</u>
Issued	
2,720,665 ordinary shares each Ksh 100	<u>272,066,534</u>

All issued shares are fully paid.

17. Trade and other payables

Trade payables	66,609,248
Payroll liabilities	1,464,958
Deposits	1,297,923

Kenafriic Biscuits Limited

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Figures in Shillings	2023
17. Trade and other payables (continued)	
Amounts due to related parties (Note 19)	13,920,000
Other payables	<u>33,151,225</u>
	<u>116,443,354</u>
18. Cash used in operations	
Loss before taxation	(49,443,730)
Adjustments for:	
Depreciation	10,959,965
Profit on sale of assets	(120,603)
Finance costs	1,830,333
Changes in working capital:	
Inventories	(71,873,307)
Trade and other receivables	(90,999,908)
Trade and other payables	<u>116,443,354</u>
	<u>(83,203,896)</u>
19. Related parties	
Related party balances and transactions with related parties	
Related party balances	
Amount due from related parties	
Due from related parties	<u>922,217</u>
Amount due to related party	
Kenafriic Properties Limited	<u>13,920,000</u>
Related party transactions	
Rent paid to related parties	
Kenafriic Properties Limited	<u>18,000,000</u>
Compensation paid to key management	
Short-term employee benefits	<u>4,419,000</u>
Kenafriic Biscuits Limited is related to the above company by virtue of common control and directorship.	
20. Commitments	
There were no commitments for the year ended March 31, 2023.	
21. Contingencies	
There were no other contingencies for the year ended March 31, 2023.	
22. Events after the reporting period	
The directors are not aware of any material event which occurred after the reporting date and up to the date of the Directors' report.	

Kenafric Biscuits Limited

Annual Financial Statements for the year ended March 31, 2023

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23. Categories of financial instruments

Financial assets at amortised cost

Trade and other receivables	90,999,908
Cash and cash equivalents	1,670,293
	<u>92,670,201</u>

Financial liabilities at amortised cost

Trade and other payables	116,443,355
Bank overdraft	35,826,922
	<u>152,270,277</u>